

Switching Behaviour in the Australian Consumer Banking Industry

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Abstract

This thesis aims to examine the switching related reform's influence on the Australian home loan consumers' behavioural intentions, taking into account some important financial knowledge factors. The study is grounded in the Theory of Active Involvement (TAI) (Greene 2013) and has developed a holistic model of financial consumers' switching behaviour using online survey and Structural Equation Modelling (SEM).

The study's findings indicate that there is a significant direct influence of the knowledge factors on consumers' financial expertise, and risk perceptions in terms of switching costs. The results also indicate strong indirect influence of the knowledge factors on consumers' switching intention and behavioural outcomes, through affecting their perception of price fairness, value and relationship aspects. Two key knowledge variables have been identified as crucial, which are familiarity with reforms and financial illiteracy. These two new constructs are the key contributions made to existing knowledge of services marketing.

The findings suggest that the switching cost strongly impacts home loan consumers' calculative commitment which explains their bounded economic rationality. The switching cost has, however, been found to have no significant role in mediating consumers' familiarity with reforms and mortgage switching propensity and/or price insensitivity. This might be considered as a positive indication of the regulations' efficacy in Australian banking industry. In addition, financial illiteracy has been found to strongly and positively influence consumer' propensity to switch banks. This might have important implications for industry stability and competitiveness. Hence, the study has been able to indicate the influence of financial regulations on consumer behaviour in Australia by focusing on the role of familiarity with reforms and financial illiteracy. To achieve a national level efficacy of any policy reforms, collaboration between policymakers, institutions and individuals seems to be the best resolution. The findings of this study are therefore expected to facilitate collaboration among the Australian consumers, policymakers, financial institutions management, as well as the experts in services marketing for promoting more consumer-centric policy reforms in the industry.

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DECLARATION OF ORIGINALITY

I, *Nusrat Sharmin*, hereby declare that:

To the best of my knowledge-

- This thesis is an original contribution to the knowledge, myself being the sole author;
- This thesis contains no material that has been submitted in the past towards the achievement of any other academic qualifications, no such material in here has been previously published or written otherwise by any other person, except where the references are cited or due acknowledgment is made in the thesis;
- It acknowledges the contributions of the respective authors in due courses;
- In using the professional editorial services (of Dr. Jay Daniel Thompson), no fundamental thesis contents have been subjected to editorial discretion except the grammatical issues;
- This research has met all the requirements of the Ethics Approval from the Swinburne University's Human Research Ethics Committee (SUHREC), under 'SHR Project 2014/118';
- This is a true copy with the required final revisions- as accepted by my examiners;

I also understand and accept that this thesis will be subject to electronic media for the public interest.



Nusrat Sharmin

November 2017

Dedication

Dedicated to

my Grandmother (**Late**) **Mrs. Feroza Begum**,
and all '*The Passionate Shepherds*' of knowledge.

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Chapter 1: Introduction to the Research

1.1 Chapter overview

This chapter outlines the research, its design, data analysis, the findings, and their contributions. The chapter begins by providing a brief introduction to services marketing literature pertaining to switching behaviour. It then provides an overview of the Australian retail lending industry and the relevant reforms on bank switching. Accounting for an industry revenue of \$78.1 billion in 2017, the mortgages industry in Australia is expected to exhibit 9.4% growth in the forthcoming years (2017-22) despite revealing a declining growth (-2.9%) over the past five years (2012-17) (IBISWorld 2017). To promote industry competitiveness and consumer empowerment in the banking industry of Australia, where the mortgages account for 89.4% of the total value of retail lending, the Federal Government introduced new banking reforms named as ‘Competitive and Sustainable Banking System’ in December 2010. In investigating mortgage consumers’ switching behaviour, the present research particularly focuses on the pro-switching legislations promoted by the 2010 banking reforms.

In the perspective of service switching literature and bank switching reforms of 2010, section 1.3 discusses the research gaps, objectives and the overarching research problem, with a concise description of the basic conceptual framework. The thesis uses the Theory of Active Involvement (TAI) (Greene 2013) in developing, supporting and explaining its conceptual model, that includes cognitive (and affective) factors in relation to legislative intervention and financial consumers’ self-efficacy and empowerment. The secondary research questions are explained in Section 1.4.

Section 1.5 describes the methodology that has been followed in conducting the study. The study employs quantitative techniques for analysing data collected by online survey. The data analysis was supported by SPSS and Mplus software in employing Structural Equation Modelling (SEM). Section 1.6 discusses the implications of the study for marketing theory and practice. Section 1.7 explains some terminologies which are important to this thesis. Section 1.8 outlines the structure of the thesis. Finally, section 1.9 provides a conclusion to this chapter.

1.2 Research background and contextual overview

The twenty-first century has been earmarked as the age of ‘The Service Science’ by marketing scholars, since services now span across almost all areas of our daily activities (Godlevskaja, Iwaarden & Wiele 2011, p. 62). Around 80% GDP of many developed economies are the outcome of services (Godlevskaja, Iwaarden & Wiele 2011). It has been estimated that in the period between 2008 and 2018, there will be a 98% increase in employment in services sector, and 80% of total employment will be generated by services (Izogo & Ogbu 2015). Services represent actions, performance or endeavours that produce an outcome which cannot be tangibly acquired and paired with a tangible product (Lamb et al. 2013). The four attributes of services—namely the intangibility, heterogeneity, inseparability and perishability (also known as ‘IHIP’) — are considered as the foundational building blocks of services marketing research and studies (Grönroos 1998; Martin 1999; Zeithaml, Parasuraman & Berry 1985). These intrinsic differences of services with goods call for strategically different approaches in managing service marketing activities. Hence, consumer defection or switching behaviour in services deserves attention and demands strategically tailored directives in addressing related issues.

In the context of services, Walker and Thaqafi (2015) define switching behaviour as the “customer termination of patronage of one business and transference to another” (p. 51). In addressing the issue of defection in banking services, customer relationship management (CRM) has been given the highest priority for value based resource allocation (Verhoef, Franses & Hoekstra 2001; Walker & Thaqafi 2015). CRM makes an effort to provide the consumers with “perfect customer experience” (Kim et al. 2012, p. 83). It has been argued that CRM is accomplished through three broad levels, namely i. functional and tactical level, ii. company-wide and iii. customer-centric (Kim et al. 2012; Payne & Frow 2005). As a marketing approach, CRM has emerged from the concept of relationship marketing. It has its central focus on effectively and efficiently acquiring and retaining customers through selective formation of bonds with pro-active efforts for mutual satisfaction (Walker & Thaqafi 2015; Kim et al. 2012).

As far as the term ‘mutual satisfaction’ is concerned, Grönroos (1994) suggests that the consumer-organisation relationship should result in economic gains to both the organisation as well as the consumer. Along with the focus on retention, another concept that is treated as the core focus in CRM is ‘value’ (Chiu et al. 2005). Creating value for the customer has, however, been viewed as ‘too narrow’ a focus of marketing due to its lack of strategic focus on financial aspects (Brodie, Glynn & Durme 2002; Doyle 2000). Eventually, the idea of integrating strategic finance with marketing resulted in the use of the term ‘equity.’ Equity denotes ‘justice’ or ‘fairness’ when conceptualised as a philosophy which is equally important. In the finance arena, however, the term ‘equity’ denotes value of an organisation’s financial assets or shareholder’s value (Brodie, Glynn & Durme 2002).

Similarly, in marketing, when referred to as ‘customer equity’, marketers mean ‘financial value of customers to an organisation’. Thus, relationship marketing which essentially focuses on ‘value based marketing’, is built upon developing ‘consumer equity’ for the organisation on the one hand and ‘brand equity’ for the consumer on the other. As such, contemporary bank marketing strategies demand more bank-customer interaction, participation and partnership in service creation and delivery system while focusing on a two way ‘value creation’ or ‘equity’ building (Bell & Eisingerich 2007). This research is grounded in this fact, and hence considers the value, equity and fairness aspects of banking services as important behavioural factors in predicting switching versus retention.

Some researchers have argued that relationship-prone consumers are driven by ‘voluntary choice’; their choice of banks is free from any constraints or locked-in obligations (Bloemer & Odekerken-Schröder 2007). These consumers’ cognitive structure is perceived to be more complex as they make informed decision or utilise conscious choices in provider selection (Bloemer & Odekerken-Schröder 2007). As a consequence of an intrinsically stronger relationship bond, these consumers even may exhibit reduced sensitivity to price changes and resistance to switching banks merely for financial gains. When the bond is not relationship-prone, however, the scenario might be different. Such cases may exhibit locked in obligations and behaviour as the decision is based on the calculation of the economic benefits derived from the relationship. This study considers

such behavioural aspects as important parameters in developing an in-depth understanding of financial consumers' switching behaviour in Australia. The study puts a particular focus on mortgage switching.

1.2.1 Australian consumer lending (home mortgage) industry

In 2011, for Australian banking consumers, more than 2200 mortgage products were provided by the nearly 111 providers, more than 420 varieties of credit cards by around 66 providers, and more than 992 deposit accounts by around 114 providers (Senate Economic Reference Senate 2011, p. 22). According to an industry report, the market value of Australian retail lending sector (which comprises of outstanding balances of mortgages and consumer credit) was reported to be \$924.3 billion in 2014 with a growth forecast of \$1207.4 billion in 2019. In Australia's retail-lending market, mortgage accounts for 89.4% (\$826.5bn in 2014) of the total market value of consumer loans (MarketLine 2015).

Australia's financial intermediation is dominated by banks whose assets were marked for \$2,868 billion in September 2011, as opposed to only \$81bn for building societies and credit unions (Australia Country Monitor 2012). According to the report, the lending trend shows a shift towards the retail consumer sector from the corporate sector due to minimal risk and the economy's structural shift to private consumption. As per the Australian Country Monitor report (2012), the Australian economy shows that there was a consumption boom during the years 2001 to 2007 which resulted in the household savings rate being negative. As the asset (particularly property) prices continue to rise, households' borrowing against their property equity continues to increase keeping the economy at significant risk. Fortunately, though, the undersupply of houses against the high level of household demand is preventing a potential crash in the Australian housing market. Though renting is a substitute for buying houses, it does not accumulate household wealth; rather market forces drive the rent upwards with time, and this diminishes consumer wealth.

Evidence shows that the majority of lower income Australians could buy their own properties in the past (Burke & Hulse 2010). This situation has changed, though, in the

post-GFC (Global Financial Crisis 2009) period. In this period, there has been an affordability crisis among low-income households in Australia. Burke and Hulse (2010) refer to the study by (Demographia 2009) which reveals that among the six English-speaking countries of the world (US, Canada, UK, Ireland, NZ and Australia), Australia's dwelling price to income ratio of 6 makes it the least affordable for housing and its four cities feature at the top of the 10 least affordable cities in the world. In addition, Australia's property market represents a value higher than \$6 trillion which is approximately four times the country's GDP. In this context, regulatory attempts in protecting the wealth and bargaining power of Australian consumers seem quite important.

1.2.2 Regulatory intervention and 2010 banking reforms

Consumers in the financial services market are commonly characterised as ‘myopic’ and lack the required level of literacy on finance to make logical or prudent decision. As a result, this industry is probably one of the highly regulated industries. Consumers’ knowledge of the available options ensures return maximisation on investment decisions or switching banks (Whittaker 2012). In reality, there has always been a limit to consumer information, cognitive ability and self-control, which leads them to irrational choice persuasion (Akinbami 2011). Akinbami (2011) argues that consumer behaviour cannot always be a rational choice as it is influenced by several complex factors, not all of which are economic factors.

Additionally, in the context of the financial services industry, there is always information asymmetry between service providers and consumers for a variety of reasons. These reasons include the cost of acquiring information on financial products, shrouded attributes of the financial products, and the myopic view of consumers about the cost structure of financial products. Such information asymmetry is further enhanced by the credence attributes of the financial services, which are experience products rather than search products. Hence, regulation is a basic requirement for the financial services industry due to the inherent nature of credence products with undefinable quality or characteristics, which might remain undefinable even after consumption (Akinbami 2011).

Tufano (2009) opines that regulatory authorities play a crucial role in minimising conflicts of interests between businesses and consumers. Realising such consumer interests, the Federal Government proposed new reforms named as ‘Competitive and Sustainable Banking System’ for the Australian financial industry in December 2010 (Treasury 2010). To achieve consumer empowerment, financial literacy and overall industry competitiveness, the main challenge identified in the proposed reforms were to eliminate barriers to switch in the Australian banking industry. Hence, some ‘pro-switching’ legislation was enacted in phases pertaining to three retail banking products: home loans, credit cards, and transaction accounts (see Chapter 2, Section 2.8.6). The switching legislations aim to eliminate barriers in mortgage switching through banning mortgage exit fees and ensuring access to home-loan ‘key fact sheets’ with comparable information. They also ensure similar benefits for credit card switching and predominantly aim to ease transaction account switching with account number portability.

1.3 The research gaps, objectives and the problem statement

This thesis presents an extensive and critical review of literature in an attempt to identify bank consumers’ switching determinants. It identifies a number of switching antecedents, such as, relationship quality dimensions (Roberts, Varki & Brodie 2003), which are trust (Jarvinen 2014; Mayer, Davis & Schoorman 1995), satisfaction (Mittal 2016; Storbacka, Strandvik & Grönroos 1994), affective commitment (Bansal, Irving & Taylor 2004; Meyer, Allen & Smith 1993) and affective conflict (Jehn 1995; Plank, Reid & Newell 2007). They also include fairness dimensions (Carr 2007; Namkung & Jang 2010; Nikbin et al. 2012) such as price fairness, distributive fairness, procedural fairness and interactional fairness; value perception ((Dolarslan 2014; Varki & Colgate 2001); switching cost perception (Burnham, Frels & Mahajan 2003; Malhotra & Malhotra 2013); demographic factors (Foscht et al. 2009; Tesfom, Birch & Culver 2016); past switching experience (Burnham, Frels & Mahajan 2003; Matzler et al. 2015); consumer involvement (Ganesh, Arnold & Reynolds 2000; Sanchez-Franco 2009); customer expertise (Bell & Eisingerich 2007; Jamal & Anastasiadou 2009); familiarity aspects

(Shehryar & Hunt 2005; Taylor-West et al. 2008); financial literacy (Brunetti, Ciciretti & Djordjevic 2016; Disney & Gathergood 2013).

The switching literature related to financial services does not, however, address the bank switching reforms as a causal factor. A study in behavioural finance by Inakura and Shimizutani (2010) investigates the influence of depositors' knowledge of policy change (related to deposit insurance scheme) on their bank switching behaviour. Similarly, the familiarity construct, which is essentially a knowledge factor, could be associated with the bank switching reforms. More definitively, consumers' familiarity with (switching) reforms might be regarded as an important factor of bank switching post-legislation. Moreover, the issue of consumers' financial illiteracy (as stipulated by the reforms) does not seem to have adequate attention in the service switching literature. Brunetti, Ciciretti and Djordjevic (2016) have established that financial literacy negatively influences consumers' propensity to switch banks. Literate consumers are more confident in their investment decisions and therefore, they diversify investments across different banks (Disney & Gathergood 2013; Mouna & Jarboui 2015). However, the influence of financial illiteracy on bank consumers' switching intention/behaviour is not clearly stated in the literature, and research is scant in this area. Hence, a research gap has been identified in two key areas, namely consumers' familiarity with reforms and financial illiteracy.

The bank switching reforms are fairly new in Australia, and thus none of the past literature focuses on the switching reforms. More conclusively, no research to date examines 'familiarity with reforms' as a contributory factor of bank switching behaviour. Extending the literature on 'customer expertise' (Jamal & Anastasiadou 2009) and 'financial literacy' (Disney & Gathergood 2013), research avenues are explored in terms of influence of illiteracy on consumers' financial expertise.

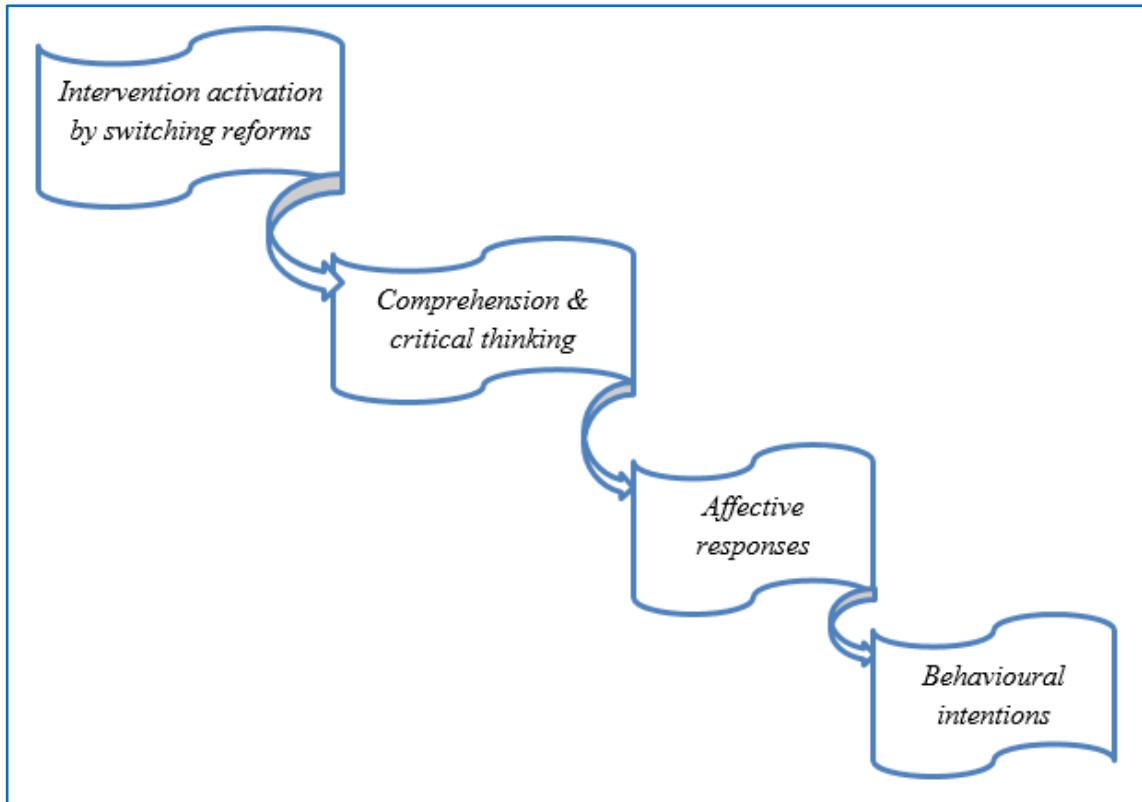
In an attempt to address the two key gaps in the literature (familiarity with reforms and financial illiteracy), the relationship of these knowledge factors with other cognitive behavioural factors was determined to be worth investigating in ascertaining the process of consumers' switching in Australian banks. Hence, the major objectives of this research are delineated as follows:

- i. To examine the legislative influence, in terms of ‘familiarity with (switching) reforms’ and the other associated behavioural factors on bank consumers’ switching intention and behavioural outcomes.
- ii. To empirically examine and observe the relationships between the antecedents of switching behaviour and the associated behavioural intentions and outcomes.
- iii. To develop a comprehensive model of service provider switching intention and behavioural outcomes in the context of Australian consumers for home loans and linked accounts (post-legislation).

Based on the extant literature relating to services switching and behavioural finance, the relationships among twelve selective constructs was formulated for this study. These constructs are: i. familiarity with reforms, ii. purchase involvement, iii. financial illiteracy, iv. switching experience, v. banking expertise, vi. price fairness, vii. value, viii. switching cost, ix. relationship quality, x. price insensitivity, xi. calculative commitment and xii. propensity to switch) This resulted in six secondary research questions which resulted in nineteen hypotheses and a four-stage conceptual model (details presented in Chapter 3, Table 3.2 and Figure 3.9).

The basic conceptual framework is depicted in Figure 1.1. The underpinning theory that contributed to development of the proposed model is the Greene’s (2013) *Theory of Active Involvement*. The TAI proposes a four-stage framework in changing or reinforcing the cognitive behaviour of individuals by accounting for arousal and involvement, knowledge/ comprehension and critical evaluation, reflections on perceptions and resulting behavioural intentions. Based on the postulation of TAI, this research hypothesises that the intervention of mortgage switching legislations contributes to consumers’ immediate gain in banking knowledge/expertise.

Figure 1.1: The basic conceptual framework



Source: Developed for this study based on the TAI framework by Greene (2013)

During the first phase, together with other knowledge factors (such as purchase involvement, switching experience and financial illiteracy), familiarity with switching reforms are hypothesised to influence consumers' banking expertise. During the second phase, banking expertise influences other cognitive evaluative factors, such as price fairness, value and switching cost perception. Additionally, the initial knowledge factors have been hypothesised to have an influence on switching cost perceptions. During the third phase, consumers reflect on their perceptions through various affective responses captured by the five dimensional 'relationship quality' (trust-in-integrity, trust-in-benevolence, satisfaction, affective commitment and affective conflict). Finally, during the fourth phase, the behavioural intentions (and/ or outcome) are observed in terms of price insensitivity, calculative commitment and propensity to switch.

This research makes an effort to incorporate Greene's (2013) TAI theory in the context of service switching behaviour. In articulating the proposed model in TAI framework, the underlying purpose is to determine the role of the 2010 bank switching reforms on

consumers' propensity of switching banks in Australia for offerings like home loans and linked accounts.

The objective of this research, therefore, was to determine the influential factors associated with Australian home loan consumers' process of switching a financial service provider post-legislation. In this regard, the primary or overarching research question was:

What are the knowledge factors leading to Australian consumers' banking expertise and the manner in which banking expertise, perceptions of price fairness, perceived value, switching cost and relationship quality influence consumers' propensity to switch banks?

1.4 The secondary research questions

Based on the overarching research question, six secondary research questions (RQ1-6) have been articulated.

The first research question is:

RQ1: What are the knowledge factors that influence consumers' banking expertise?

With the help of extant literature, four knowledge factors were identified as having a possible influence on banking expertise. These were related to the following reforms: ii. purchase involvement, iii. financial illiteracy, and iv. switching experience. Hence, four associated hypotheses (H_{1a} , H_{1b} , H_{1c} and H_{1d}) were developed. These hypotheses constitute the first phase of the conceptual framework, relating to TAI's proposition of individuals' arousal, involvement and resulting comprehension. Research questions 2 and 3, however, relate to the second phase of the conceptual framework, depicting TAI's proposition of individuals' critical thinking and evaluation of perceptions.

The second research question is:

RQ2: How does consumers' banking expertise influence their cognitive evaluations, such as price fairness perception, value perception and perception of switching cost?

The three cognitive evaluation factors, namely i. price fairness, ii. perceived value, and iii. switching cost were considered in developing the associated three hypotheses (H_{2a} , H_{2b} and H_{2c}) to address Research Question 2.

The third research question is:

RQ3: Do consumers' cognitive factors directly influence their perceived switching cost?

Five constructs were found relevant to this research question, namely i. familiarity with reforms, ii. purchase involvement, iii. financial illiteracy and iv. switching experience, and v. perceived value. Hence, five associated hypotheses (H_{3a} , H_{3b} , H_{3c} , H_{3d} and H_{3e}) were developed relating to switching cost.

The fourth research question is:

RQ4: What are the cognitive factors that influence consumers' affective response (relationship quality) to service provider?

In answering the question, three cognitive factors—i. price fairness, ii. perceived value and iii. banking expertise—were found critically relevant to consumers' affective response in terms of relationship quality. Hence, three hypotheses (H_{4a} , H_{4b} and H_{4c}) were developed involving the three cognitive factors. This represents the third phase of the TAI framework, where individuals reflect on their perceptions after critical evaluation. The research questions 5 and 6 relate to the final stage of the proposed model, that involves the behavioural intention and/ or outcome.

The fifth research question is:

RQ5: How does relationship quality between the service provider and the consumer influence consumers' behavioural intentions (price insensitivity, switching propensity)?

As depicted in the question, two constructs were considered in developing the two hypotheses (H_{5a} and H_{5b}) in relation to behavioural intention. These constructs were, price insensitivity and the propensity to switch.

The sixth and final research question is:

RQ6: What is the relationship between consumers' perceived switching cost with bank switching propensity or other behavioural outcomes?

The literature reveals that perceived switching cost has some influence on consumers' switching propensity and calculative commitment (Bansal & Taylor 1999; Yanamandram & White 2010). Hence, two hypotheses (H_{6a} and H_{6b}) were developed to address this final question. Table 1.1 provides an overall summary of the model structure in terms of the phases depicted, relevant constructs accounted for the phases, research questions involving the constructs and associated hypotheses in addressing the questions.

Table 1.1: Summary of the proposed model structure

Model phases	Constructs	Research questions	Hypotheses
Intervention activation by switching reforms	Knowledge factors: Familiarity with reforms, purchase involvement, financial illiteracy, switching experience, banking expertise	RQ1	$H_{1a}, H_{1b}, H_{1c}, H_{1d}$
Critical thinking/ Perspective taking	Other Cognitive factors: Price fairness, perceived value, switching cost	RQ2	H_{2a}, H_{2b}, H_{2c}
	RQ3	$H_{3a}, H_{3b}, H_{3c}, H_{3d}, H_{3e}$	
Affective responses/ Reflection on perception	Affective factors: Relationship quality: (trust, satisfaction, commitment, conflict)	RQ4	H_{4a}, H_{4b}, H_{4c}
Behavioural intention/ outcome	Loyalty/ Switching: Price insensitivity, calculative commitment, propensity to switch	RQ5	H_{5a}, H_{5b}
	RQ6	H_{6a}, H_{6b}	

Source: Developed for this study

1.5 Methodological overview

The present research stands within the paradigm of scientific realism which is somewhat divergent from the positivistic approach. This paradigm has particular relevance with business and management research (Saunders, Lewis & Thornhill 2009). This might be attributed to the fact that “Scientific Realism occupies and represents an important “middle ground” among philosophical systems, [since it] ...provides an important alternative philosophical system that essentially represents elements of both positivistic/ empirical and relativistic/ constructionist viewpoints” (Brown & Brunswick 1991, p. 86).

Although scientific realism comprises both (positivistic and relativistic) approaches, it uses the positivistic approach in developing scientific knowledge (Saunders, Lewis & Thornhill 2009, p. 115). Consecutively, the study takes on a deductive approach and quantitative analytical techniques. Explanatory research that aims to identify causal relationships among the variables is often inspired by quantitative techniques (Saunders, Lewis & Thornhill 2009). This study is explanatory in nature since it seeks to identify a set of hypothetical relationships in a parsimonious model. These relationships are then tested and confirmed using an on-line survey and structural equation modelling (SEM) analysis.

The survey instrument was designed in the following three parts: behavioural dimensional questions, demographic questions, and product usage questions. A seven-point Likert-type response format was selected for the behavioural questions. The rest of the two sections involved multiple choice questions. A pilot-test was run before the final survey. Using the University’s “Opinio” survey platform for an on-line consumer panel (from 4 September to 23 September 2014), the survey generated a usable sample size of 564.

Four exogenous variables and eight endogenous variables were operationalized in the structural model. The four variables— familiarity with reforms, purchase involvement, financial illiteracy and switching experience— were considered as independent variables. Five of the endogenous variables— banking expertise, price fairness, perceived value, switching cost, and relationship quality— played the role of mediating variables. The rest of the endogenous variables— price insensitivity, calculative commitment, and

propensity to switch— were the outcome variables. The simultaneous nature of some measurements in the proposed model justified the use of structural equation modelling. The scale items were generally adapted from published studies in the marketing literature. Hence, confirmatory factor analysis (CFA) was considered sufficient for establishing the constructs' reliability and validity.

For the new constructs, however, exploratory factor analysis (EFA) was conducted in addition to CFA to establish uni-dimensionality and validity. Through the procedure of scale purification, 53 (out of 92) items were retained for the final analysis. This procedure was followed by the CFA of the overall measurement model along with the calculation of Cronbach alpha, CR and AVE of the constructs within the full model.

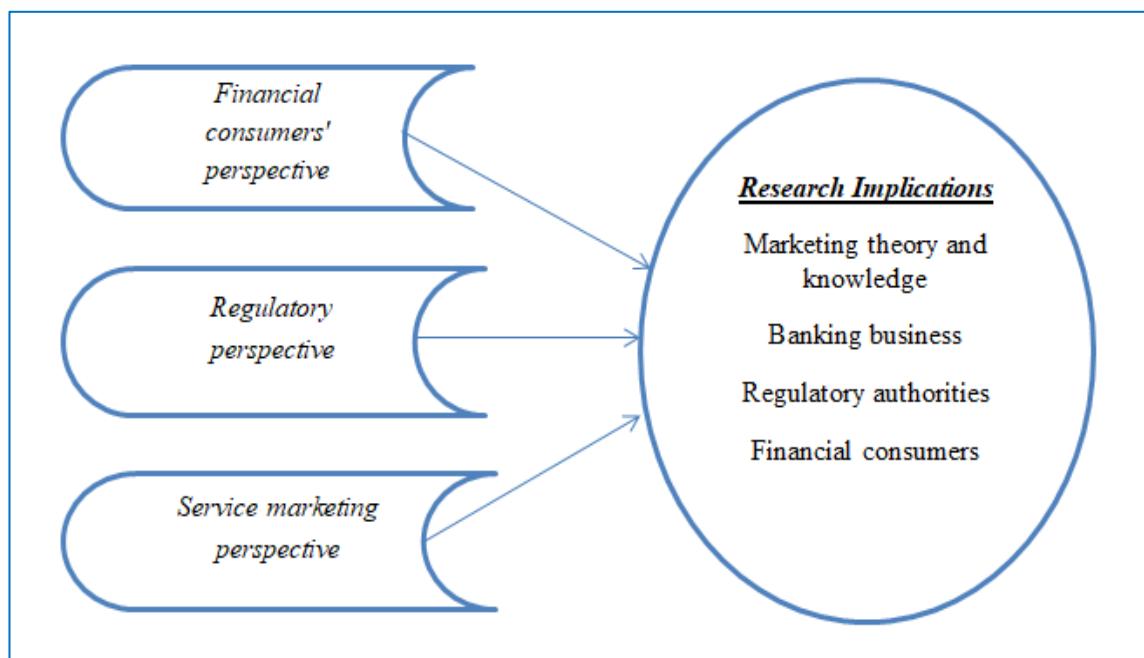
Following the validation of the overall measurement model, the structural model was tested with nineteen hypotheses using Mplus (analytical software for SEM). Though the initial model was found to produce quite a good fit statistic, the model was re-specified twice to derive a statistically best fit model. In the final model, 29 hypothesised paths were included where 24 significant relationships were ascertained, 14 of these were initially hypothesised. Finally, all direct, indirect and total effects were calculated.

1.6 Implications of the research

The beneficiaries of this research are consumers of the banking industry, Australian regulatory policymakers, the bank management and financial service marketing professionals. Additionally, the findings of this research will contribute to a new body of knowledge which would be beneficial to finance industry researchers. This study uses a threefold perspective: i. the psychological perspectives of financial consumers, ii. the strategic perspectives of service marketing, and iii. the regulatory perspectives related to financial market participants and industry competition. This range of perspectives enables a holistic investigation and detailed understanding of the process of bank consumers' switching behaviour in Australia. More conclusively, it is postulated that the threefold perspectives of investigation would have direct implications for four categories of

stakeholders: i. marketing theory and knowledge, ii. banking business, iii. regulatory authorities, and iv. financial consumers (Figure 1.2).

Figure 1.2: Implications of the research



Source: Developed for this study

1.6.1 Implications for Australian consumers of banking services

Bank switching reforms aim to minimise certain categories of switching costs. Essentially, costs associated with customers' learning and evaluation is reduced by the mandatory key fact sheets for home loans, as they facilitate a bank-wise, product-specific comparison. Customers also gain monetarily as the reforms ban mortgage exit fees for new home loans. This research intends to examine consumers' perceptions of home loan switching costs post-legislations. The questions included in the survey instrument are intended to examine several factors including consumers' awareness of switching reforms, financial illiteracy, banking expertise and perception of switching costs. It is expected that through this reflection process, the participants will become more cognisant, especially of the recent developments in the banking sector. This will contribute to overall Australian home loan consumers' interest relating to banking services and service providers.

1.6.2 Implications for the regulatory body and policymakers

The proposed research attempts to examine possible impacts and influences of the switching legislations on consumer behaviour. The findings are expected to benefit the Australian Government's regulatory authorities (such as Treasury, Australian Consumers and Competition Commission/ ACCC, Australian Prudential Regulation Authority/ APRA) in focusing on policy issues and designing future reforms for the Australian banking sector.

1.6.3 Implications for banking business and financial marketing practice

Recent studies on consumer banking have established that owing to the global financial crisis, consumers' trust with banks has declined considerably (Jarvinen 2014; Lymperopoulos, Chaniotakis & Soureli 2013). Consequently, it has become important for financial institutions to maintain and enhance strategic relationships to ensure profitable retentions, and to predict the crucial drivers of switching behaviour in a matured competitive market. This thesis identifies critical factors relating to switching decisions for home loaners. Hence, the findings are expected to benefit Australian financial institutions and marketing professionals in the overall financial services industry. From a bank management perspective, effective CRM (Customer Relationship Management) policy can be formulated on the basis of findings related to consumer illiteracy, familiarity with reforms, expertise and perception of switching costs.

1.6.4 Contribution to knowledge in financial services marketing

The decision making on financial services purchase demands rigorous search and the evaluation of available service offerings (Lymperopoulos, Chaniotakis & Soureli 2013). Essentially this means 'to bank on a better deal' which is the cliché conveyed by the 2010 banking reforms. In this decision-making process, consumers require an understanding of price and costs of financial products, which is attributed to their financial literacy. Additionally, recent developments in the financial sector relating to switching require consumer awareness and familiarity with the switching reforms, so that they can obtain maximum leverage. To the best of the investigator's knowledge, this research is the first of its kind which takes into account variables such as familiarity with reforms and

financial illiteracy in modelling home loan consumers' decision-making process to stay with or leave a bank.

Moreover, this thesis makes an attempt to incorporate and apply Greene's (2013) Theory of Active Involvement (TAI) in the context of financial services' switching behaviour. Regulatory intervention using switching legislations endeavours to improve consumers' awareness and involvement during the service purchase process so that they can make a more informed financial decision. To this end, this research utilises TAI to explain that the regulatory intervention activation process contributes to consumers' comprehension or expertise in banking.

In addition to examining the TAI theory and two new marketing constructs, this thesis also contributes to scale development for the new constructs. No empirical research to date was found to be all inclusive which combines several relevant antecedents in a single model. This is the unique contribution of this study that helps grasp the switching process from a more holistic perspective.

1.7 Explanations of terminologies and usage

A few terminologies are considered important in the context of this research. Hence, the definitions and/ or explanations of their usage in this thesis are herewith clarified.

Banks/ financial institutions: Though the role of banks is financial intermediation through mobilisation of funds from savers to borrowers, their service offerings are no longer limited to traditional services. Rather, banks provide more general financial services for modern living (Rose & Hudgins 2008). Simultaneously, the non-bank financial institutions have posed strong competitive threats to banks in offering similar services in recent decades. In this regard, Rose & Hudgins (Rose & Hudgins 2008) state that "Banking's financial market share generally has fallen as other financial institutions have moved into fight for the same turf" (p. 8). Therefore, this research uses the words 'banks' and 'financial institutions' interchangeably.

Switching reforms/ legislations: Four legislations emerged from the 2010 banking reforms (Treasury 2010) which are of particular concern to consumer switching in the Australian banking industry. These are: the banning of mortgage exit fees (legislated in July 2011), mandatory requirement of home loan key fact sheets (legislated in January 2012), the account switching reforms (legislated in July 2012), and credit card reforms requiring ‘standardised key information sheet’ on card loans (legislated in July 2012). Since this study focuses on mortgage consumers’ switching behaviour, the reforms that are directly or indirectly related to mortgages are generally mentioned as ‘switching reforms/ legislations’ in this thesis.

Main Bank/s: Past research evidences that modern bank customers usually have multiple banking products in their share of wallet, however one bank brand generally stands out with their highest share (Lees, Garland & Wright 2007). Consumers mainly use their preferred brand for the main banking activities. This preferred bank for consumers’ home loan (including its repayment account) is mentioned as the ‘main bank’ for a typical consumer.

The ‘Big fours’ versus smaller banks: The Australian banking industry is distinctive in that it has four major banks which dominate the entire financial market (Allen & Powell 2012). These banks are recognised as the four pillars of the Australian banking industry serving approximately 75 per cent of the market (Senate Economic Reference Senate 2011). These four banks—namely National Australia bank (NAB), ANZ Bank, Westpac Banking Group and Commonwealth Bank—are often referred to as the ‘Big Fours’. The rest 25 per cent of the market share is served by a large number of smaller regional banks, credit unions and finance companies, generally referred as the smaller banks.

Mortgages/ home loans: This thesis uses the terms ‘mortgages’ and ‘home loans’ interchangeably. Viney (2007) states in the context of a ‘housing finance’, the financial institution ‘registers a mortgage over the property as security’ for the home-loan (p. 61). A ‘mortgage’ is therefore defined as:

A form of security against which a loan is advanced. Under a mortgage agreement, the borrower (mortgagor) conveys an interest in the land and property thereon being acquired with the loan from the lender (mortgagee) (Viney 2007, p. 396).

1.8 Overview of the thesis structure

This thesis has been organised into six chapters.

Chapter 1: Introduction to the Research

Chapter 1 provides a brief introduction to the present study. The chapter begins by describing the research background and context in terms of consumer switching behaviour in the Australian banking industry, as well as the relevant reforms. The chapter then outlines the features of consumer switching literature and the research gap. The chapter introduces the overarching or primary research problem, secondary research questions, resulting hypotheses, and basic conceptual framework. The significance of the research is depicted in the chapter from different aspects and contribution to the knowledge is discussed. After a methodological review, it introduces and explains the terminologies used in the study. The chapter concludes with a discussion of the thesis structure.

Chapter 2: Literature Review

Chapter 2 provides a critical discussion about the service switching literature. The chapter opens by looking at the evolution of services marketing. The chapter elaborates on service switching behaviour, and discusses the role of several important antecedents on consumer switching behaviour. The definitions and typologies of each switching determinants are provided. There is a discussion of some prominent process models of switching. A detailed discussion on Australian consumer lending industry is provided, followed by the discussion on relevant reforms on consumer switching. Finally, the gap in the literature is identified, and the research problem and secondary research questions are presented.

Chapter 3: Developing the Conceptual Model

Chapter 3 will develop the hypotheses and the initial conceptual model for the study. This chapter provides an in-depth discussion of the Theory of Active Involvement (TAI) that is used as the basis of the proposed model. The chapter then proceeds with brief discussions on various consumer switching models that contribute keenly in developing the proposed model. In attempting to answer the secondary research questions, it refers to the relevant literature in developing critical arguments and draws nineteen hypotheses associated with the research questions. Nine exogenous and three endogenous variables are identified within these hypotheses for the study. The accumulation of the constructs and hypotheses in the TAI framework results in the conceptual model for the present study.

Chapter 4: Research Approach, Design and Methodology

Chapter Four describes the methodology and research undertaken for this thesis. The ontological and epistemological standpoints of the study are described, along with the research approach and design. The deductive versus inductive approach and quantitative versus qualitative techniques are discussed. The chapter discusses the operationalisation of all twelve exogenous and endogenous constructs. Additionally, Chapter 4 highlights the survey questionnaire, pre-test and finalizing of the survey instrument. The sampling technique and execution method of the survey are highlighted. Finally, the pre-data collection considerations, pre-analysis considerations and ethical considerations are discussed.

Chapter 5: Analysis and Findings

Chapter 5 discusses the treatment and analysis of data. The chapter opens with a description of the data screening techniques and demographic profiles of the respondents. The scale evaluation procedures, and measures of validity and reliability are discussed. In establishing the scale reliability and validity, the chapter describes the procedures of factor analysis used for the twelve constructs of the conceptual model and the overall measurement model. The chapter establishes measurement invariance across the groups and non-existence of common method variance. Most importantly, the chapter describes in detail the final analysis with structural equation modelling (SEM) using Mplus. All

nineteen hypotheses tests are discussed along with calculations of direct and indirect effects. The statistical significance of paths is concluded in each instance.

Chapter 6: Discussion and Conclusion

Chapter 6 discusses the implications of the findings. The chapter starts by justifying the research. In this regard, the importance of the studied variables and their relevance with mortgage consumer switching is highlighted. Findings of the hypotheses tests are discussed in detail in the chapter. This includes discussion on nineteen hypotheses, indicating the support of literature for the accepted (fourteen) hypotheses, as well as providing the possible explanations for non-significant relationships. A detailed discussion is provided on the final model, including the additional direct and indirect relationships of independent, mediating and outcome variables. The implications of the research findings are indicated in the contributions section, both from academic and managerial points of view. The limitations of the research are depicted followed by some directions for future research and concluding discussions.

1.9 Chapter summary

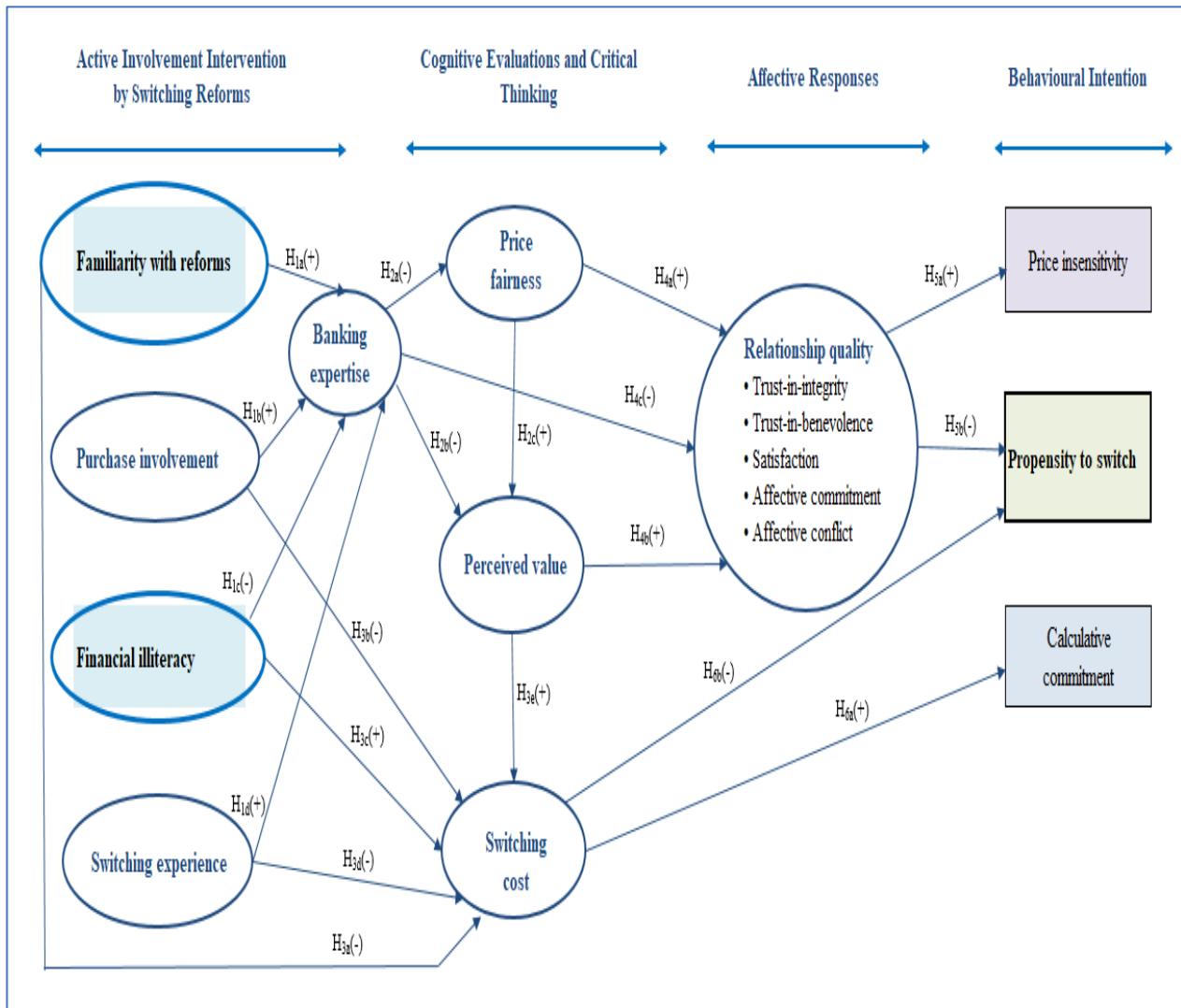
This chapter has provided an overall introduction to the thesis. The chapter opened with a discussion of the switching behaviour in services and marketing approaches in addressing consumer defection. This discussion was provided to address the background literature. This chapter also provided a brief discussion about the lending industry of Australia and relevant 2010 banking reforms. Section 1.3 discussed the research gap in the areas of consumers' financial literacy and knowledge of reforms. This section also stated the research objectives and briefly discusses the conceptual framework. Section 1.4 stated the relevant research problems. Section 1.5 described the pertaining research methodology. Section 1.6 discussed the implications of the research for four categories of stakeholders: financial consumers, policymakers, bank marketing practitioners, and the academia. The chapter concluded with an explanation of key terminologies, as well an outline of the chapters that comprise this thesis.

Chapter 2: Literature Review

2.1 Chapter overview

This chapter provides a critical review of the service switching literature. This chapter is organised into three main parts. The first part provides a brief overview of evolution of the consumer-centric services concepts, which includes sections 2.2 and 2.3. The second part of the chapter, that includes sections 2.4 to 2.6, attempts to provide a detailed focus on the service switching theories and concepts. Finally, the chapter proceeds on to discussion of switching behaviour in the banking industry and the contemporary industry issues crucial to this research (sections 2.7 to 2.10). It can be mentioned that this chapter lays the groundwork for the development of the conceptual model which is addressed in Chapter 3. The proposed model (as presented in Figure 2.1) comprises of twelve constructs, namely, i. familiarity with reforms, ii. purchase involvement, iii. financial illiteracy, iv. switching experience, v. banking expertise, vi. price fairness, vii. perceived value, viii. switching cost, ix. relationship quality, x. price insensitivity, xi. calculative commitment and xii. propensity to switch.

Figure 2.1: The Proposed Model of Financial Service Switching



Source: Developed for this research

The model emerges from nineteen hypotheses as listed in Table 2.1, which are introduced as part of the discussion in Chapter 3.

Table 2.1: The hypothesised relationships

Hypothesis number	Description of Hypothesis
H _{1a}	Familiarity with reforms positively influences banking expertise.
H _{1b}	Purchase involvement positively influences banking expertise.
H _{1c}	Financial illiteracy negatively influences banking expertise.
H _{1d}	Switching experience positively influences banking expertise.
H _{2a}	Banking expertise negatively influences price fairness perception.
H _{2b}	Banking expertise negatively influences perceived value.
H _{2c}	Price fairness perception positively influences value perception.
H _{3a}	Familiarity with reforms negatively influences perceived switching cost.
H _{3b}	Purchase involvement negatively influences perceived switching cost.
H _{3c}	Financial illiteracy positively influences perceived switching cost.
H _{3d}	Switching experience negatively influences perceived switching cost.
H _{3e}	Perceived value positively influences perceived switching cost.
H _{4a}	Perceived price fairness positively influences relationship quality.
H _{4b}	Perceived value positively influences relationship quality.
H _{4c}	Banking expertise negatively influences relationship quality.
H _{5a}	Relationship quality positively influences price insensitivity.
H _{5b}	Relationship quality negatively influences propensity to switch.
H _{6a}	Perceived switching cost positively influences calculative commitment.
H _{6b}	Perceived switching cost negatively influences propensity to switch.

With the objective of framing out the research questions to develop the associated hypotheses and proposed model, this chapter extends the discussion on industry issues in combination with services marketing theories and concepts. This approach helps to clearly elicit the gap in the existing knowledge of service switching behaviour. In doing so, the chapter begins with a brief discussion about the evolution of services marketing and relevant concepts evolving around relationship marketing, such as (co)creation of value, the ‘Service Dominant Logic’ and ‘customer-needing’. The chapter moves on to describe the concepts of RM and customer retention, and to explain the switching

behaviour and switching intention, while distinguishing between intention and behaviour in conceptualising service switching. There is a brief discussion about selective switching antecedents in section 2.5, which are crucial in the consumer switching literature. The discussion includes definitions and dimensions of each antecedent. The section also introduces two process models of service switching in order to provide insights into the underlying process. Section 2.6 provides an in-depth discussion about relationship stability, which is explained using ‘relationship blind spot’ scenarios to visualise different switch-prone relationships. Section 2.7 describes bank consumers’ switching behaviour, the distinct nature of this behaviour, and the keen relation between this behaviour and financial industry competitiveness. Section 2.8 provides a brief scenario of the Australian financial industry. Section 2.9 identifies the gaps in the literature which leads to the statement of primary research problem along with framing of the six secondary research questions.

2.2 Evolution of services marketing

In western economies, GDP contribution of the services sector is overwhelming. According to Australian Industry Report (Office of the Chief Economist 2015, p. 37), services account for 80 per cent of employment and 60 per cent of GDP with a solid industry growth of 2.3 per cent in 2014 to 2015. Despite the enormous contribution, services have been little explored in the business literature and research. Services cannot be touched, tasted, heard, smelt or seen in a way that tangible goods can be precisely conceptualised to grasp the value for money (Martin 1999).

In addition to tangibility, services are distinguished from goods via attributes such as inseparability, heterogeneity, and perishability (Lamb et al. 2013; Lovelock & Gummesson 2004; Lovelock 1983; Rushton & Carson 1989). The ‘perishability’ attribute makes services unworthy of being inventoried, which clearly calls for meeting the continued challenge of supply and demand for service providers (Lamb et al. 2013). There is also heterogeneity or lack of standardisation of services as compared to goods due to involvement of the human element.

Additionally, people are inseparable from the service premises and time when the service is being processed, which suggests the importance of relationship management in the services domain (Martin 1999). The interfaces between the service production and consumption are considered critical for consumers' value perception and future retention. This demands a positive impression of interactive marketing for services consumers, which is a service-specific marketing orientation dealing with managing the interfaces of service production and consumption (Grönroos 1998).

In the 1970s, banking industry practitioner Lynn Shostack criticised marketing as 'myopic' for its limitations in providing rules and guidelines related to the services paradigm (Shostack 1977, p. 73). Since then, services have been able to bring notice of many world known marketing scholars. Evolution of service marketing has been marked with three milestones in its history: i. the Crawling Out (1953- 1979) phase; ii. the Scurrying About (1980-1985) phase; and iii. the Walking Erect (1986- 1993) phase (Brown, Fisk & Bitner 1994; Furrer & Sollberger 2007). Gummesson and Grönroos (2012) offered a revised classification of the three paradigms in tracing the historical evolution of service literature: i. the goods paradigm (pre-1970s); ii. the services vs goods paradigm with focus on differences (1970s-2000s); and iii. the service paradigm based on goods/services integration and interdependency (2000s onwards) (Gummesson & Grönroos 2012, p. 482).

Grönroos and Ravald (2011) state that service marketing has gained momentum since 2004 with the work of Vargo and Lusch, when it was acknowledged basically as a perspective on value creation rather than a mere categorical (service) offering. The modern literature of service marketing is said to have its roots in the 1970s and built to maturity in the current day through the contribution of the world-known French, Nordic and North American schools. The Industrial Marketing and Purchasing (IMP) Group is also recognised as being important contributor through its ideas on relationships, networks and interaction in the B2B (Business to Business) goods marketing area (Gummesson & Grönroos 2012). Over time, the concept of relationship marketing (RM), customer relationship management (CRM) and value (co)creation gained equal priority in both B2B (Business-to-Business) and B2C (Business-to-Consumer) literature of goods and services marketing.

2.2.1 The modern ‘service paradigm’ in marketing

Vargo and Lush (2004) opine that integrating goods with services contributed to a stronger foundation of marketing thoughts and practice. Owing to the gradual dominance of service orientation, businesses took more effort to combine their products with services to improve their market share and profit potential. These are often referred to as ‘Hybrid solutions’, where services come together with products as bundles to make the offerings more innovative to consumers for enhancing value and thereby retain and attract customers (Shankar, Berry & Dotzel 2009, p. 95). The level of complementarity of the product and service to each other determines the degree of value in hybrid solutions. Shankar, Berry and Dotzel (2009) insisted that complex solutions should have a blend of services and products which build economies of scope and scale- meaning a package of services and products provided from the same point of sale at a price lower than competitors.

Shankar, Berry and Dotzel (2009) also contended that when the hybrid solutions are designed to address complex customer problems, such offerings then have the potential to create sustainable competitive advantage and increased switching cost. This view suggests that well-articulated service can prevent customer defection and increase competitive advantage in industries, especially for those industries which are under continuous pressure in regard to technological innovation and consumer empowerment. Those industries include Financial Services, Health, Education, Tourism, and the Hospitality Industry.

Vargo and Lusch’s (2004) philosophy of ‘Service Dominant Logic (SDL)’ marked the shift in paradigm of services literature in the early 2000s and it challenged the concept of four-Ps (product, price, promotion and place) articulated by Kotler. The authors contended that no stream of business practice should be treated in isolation from others, since everything is part of a single global system of exchange (Vargo & Lusch 2011). With their service-dominant / S-D logic, the debate around goods versus services was put away with the philosophy that everything is about service (Vargo & Lush 2004), - meaning or supporting Gummesson’s view that consumers actually purchase the offerings

(of a good or service- not the good/ service in its solidity) which provide service or create value (Gummesson 1995, cited in Vargo & Lusch 2004, p. 2).

Furthermore, the service dominant logic (SDL) has attempted to mitigate the debates around ‘producer’ and ‘consumer’ in B2B and B2C context by explaining each party- be it a business or individual consumer, as ‘economic actors’. SDL thus created a pathway for conceptualising marketing theories and applications in a broader framework-irrespective of the goods/ services or business/ consumer context. Finally, Vargo and Lusch, describe the contemporary marketing philosophy as “it is all B2B”, meaning that “all parties engaged in economic exchange are similarly, resource-integrating, service providing enterprises that have the common purpose of value (co)creation” (2011, p. 181).

2.2.2 The post-modern era of ‘consumer-need’

The *Price Theory of Economics* is said to be the predecessor of Marketing Science, where consumers’ buying decision occupied the interests of theoreticians in ancient times (Gummesson & Grönroos 2012). *Marketing* now influences marketing professionals, i. e., leaders and employees across all the functional and operational units of a business focused in generating revenues (Gummesson & Polese 2009). This notion of marketing is a kind of perspective, rather than a concept of functions or activities. Gummesson and Polese (2009, p. 338) describe marketing as a “perspective on management”. As a result, the terminology ‘service management’ (originally proposed by Grönroos 1990) has been widely accepted as a representative of cross-functional holistic approach, where consumer value-creation has become the central focus of business management.

The marketing perspective merges with the service perspective in its original context of economic exchange with the purpose of resource integration for value creation in the entire system. As evident from previous discussions, value is now being realised in a broader scope, shifting from a single good to hybrid solutions, and then even further in the entire system of economic exchange in the form of the S-D-L concept. The latest postulation, however, aims to establish a truly consumer-centric perspective which now supplements or substitutes the S-D logic with the concept of ‘customer-needing’ (Strandvik, Holmlund & Edvardsson 2012).

Customer needing nullifies the existence of customer value in seller-centric notion of ‘service offerings’. As Strandvik, Holmlund and Edvardsson (2012, p. 133) state:

Even if they take the position that service is ultimately experienced by the customer, it is still implied that the service offering, solution or value proposition is in focus and the supplier is in control of the co-creation.

The new customer-dominant logic argues that only the customer (not the seller) is to be in control of value. This supports the views of Normann (2001) and Grönroos (2008) in conceptualising value creation, that starts from the consumer’s end to capture the views of the consumer’s mind, his or her needs and expectations, while making the purchase of the sellers’ offerings (Strandvik, Holmlund & Edvardsson 2012). Selos et al. (2013) state that the idea of customer-needing is especially helpful in better conceptualising switching behaviour and relevant value perception. However, though increased rate of switching indicates decrease in consumers’ value perception, identifying the root-cause of switching is essential where value might not be the only causal factor (Piha & Avlonitis 2015).

2.3 The concept of RM and customer retention

The modern concepts of services literature (such as SDL, customer-needing) have their roots in the basic philosophy of Relationship Marketing (RM). This concept emerged during the 1970s with the emergence of the service marketing domain (Bejou 1997; Moller & Halinen 2000), when RM was conceptualised as “marketing seen as relationships, networks and interaction” (Gummesson 1997, p. 267). The theories of RM emerged from the theory of social exchange of social behavioural science (Morgan & Hunt 1994). With the development of RM, marketing theory and practice has been saved from the over-emphasis on traditional management oriented marketing mix approach and emphasis shifted to consumer-orientation and retention (Moller & Halinen 2000; O’Malley 2014).

RM has focused on “establishing, developing and maintaining successful relational exchanges” (Morgan & Hunt 1994, p. 22). Morgan and Hunt (1994) propose that in conceptualising RM, one must distinguish between productive and unproductive,

effective and ineffective relational exchanges. In this context, they propose the Key Mediating Variable (KMV) model of RM, where the simultaneous presence of trust and commitment is the central property of the theory.

According to Moller and Halinen (2000), the RM concept is an accumulated set of scattered ideas and theories, which views marketing exchanges as on-going relationships rather than mere transactions. In this on-going relationship, the provider and consumer enact their respective roles with confidence, understanding and respect for each other's concerns (Kavali, Tzokas & Saren 1999). The key attributes of any business relationship in RM context are equity, benevolence, reliability, responsibility, commitment, diligence and trust, where trust being the ethical spirit of RM (Kavali, Tzokas & Saren 1999). In context of amplified competition of globalised markets and economies, RM is unavoidable for today's financial services management, especially in addressing the basic challenges of acquiring trust and retaining consumers (Mavri & Ioannou 2008).

RM advocates have proposed a five-stage interactive process in the formation and dissolution of any exchange relationship, which are: awareness, exploration, expansion, commitment, and dissolution (Antón, Camarero & Carrero 2007; Dwyer, Schurr & Oh 1987). It is argued that relationship dissolution (switching) process can be activated during any of these stages, which again involve: i. the breakdown trigger (that initiates switching); ii. the breakdown phase (switching cost analysis against current service experiences); and iii. the determinant incident (compelling factor for ending the relationship) (Antón, Camarero & Carrero 2007; Coulter & Ligas 2000).

In addressing the issue of switching, RM has the strongest association to retention, as it encourages treating consumers as business partners within an exchange relationship and thus increases the consumers' receptivity to a provider's services (Laksamana 2012). Mavri and Ioannou (2008, p. 186-187) identify five reasons for relationship marketing to be fruitful in financial consumer retention: i. it allows banks to focus on the right group of consumers and hence protects management effort from hunting risky new consumers who might prove to be disloyal over time; ii. existing long-term consumers help spread positive word of mouth; iii. banks enjoy savings in cost and time through retention of existing consumers as readily accessible information on them; iv. existing consumers

respond less on competitors' activities; and v. retention secures existing sales and saves money from pursuing new consumers which is five to six times more expensive. In addition to these findings, there is evidence that 5 per cent increase in retention can magically increase the average net present value of consumers by 35-95 percent depending on the industry (Lee, Lee & Feick 2001).

Though RM philosophy has brought a paradigm shift in marketing theory and practice, RM is criticised for its extreme orientation in capitalising on consumer relationship. At some stage, organisations following the RM philosophy started developing and maintaining detailed database of their consumers, creating individual consumer's profile (such as, KYC/ 'Know Your Customer' database), accumulating sensitive personal and financial information to segment/ identify consumers on the basis of their lifestyle preferences, financial net worth and business value. In the financial services context, an acute example of this may be 'Premium' or 'Priority Banking Services', which is only accessible to high net worth group consumers segmented according to the 'Pareto Principle', meaning that 80 percent of wealth created by only 20 percent of total customers. Therefore, RM is not above criticism (Fernandes & Proenca 2008; Gummesson 1996; Kavali, Tzokas & Saren 1999; McKeage & Gulas 2013). These criticisms focus on ethical concerns in consumers' social and personal privacy context (Kavali, Tzokas & Saren 1999).

It is understandable that the theory and practice are not always compatible. Businesses are driven by the short-term motivation of profit maximisation or shareholders' wealth maximisation. Stakeholders' value maximisation is a long-term-oriented motivation that is often overlooked. Proponents of RM philosophy, however, commonly use consumers' 'behavioural intention' in predicting possible retention and/ or switching.

2.4 The concept of behaviour and behavioural intention

Park and Jang (2014) define switching behaviour as "an economic phenomenon where a customer ceases patronising a particular supplier" (p. 161). Immediate relationship termination might not, however, be the only indicative case of switching in services.

According to Zeithaml, Berry and Parasuraman (1996), service sector switching refers to “doing less business with the current service provider in the next few years” (p. 38). N’Goal defines service switching as:

A progressive process by which customers disengage from the established relationship and allocate more and more of their expenses to competitors (banking, insurance, telecommunications, utilities, etc.) (2007, p. 511).

This gives rise to several possible behavioural intentions and outcomes in the context of the progressive process of service switching.

The Theory of Reasoned Action (TRA) asserts that intentions can potentially predict behaviour as individual’s intention deliberately incorporate the array of relevant factors that can influence their behaviour (Fishbein & Ajzen 1975; Gupta, Su & Walter 2004). Socio-psychological literature states that behavioural intentions influenced by attitude and social norms, are the strongest predictors of the ultimate behaviour (Farah 2017; Fishbein & Ajzen 1975). Extant literature on loyalty and switching behaviour thoroughly captures this philosophy. Behavioural intention is defined as “subjective probability that an individual will take a particular action” (Park & Jang 2014, p. 160). Tonder, Petzer and Zyl (2017, p. 47) have argued that behavioural intention is ‘both intricate and comprehensive’ in terms of capacity to explain possible future behaviour. Therefore, literature accounts for multiple possible behavioural outcomes for both loyalty and switching intentions. To list behavioural outcomes against intention, Zeithaml, Berry and Parasuraman (1996) mentions complaint behaviour, word-of-mouth communication, repurchase intention, and price sensitivity. These provide the sense that behavioural intention might be positive or negative.

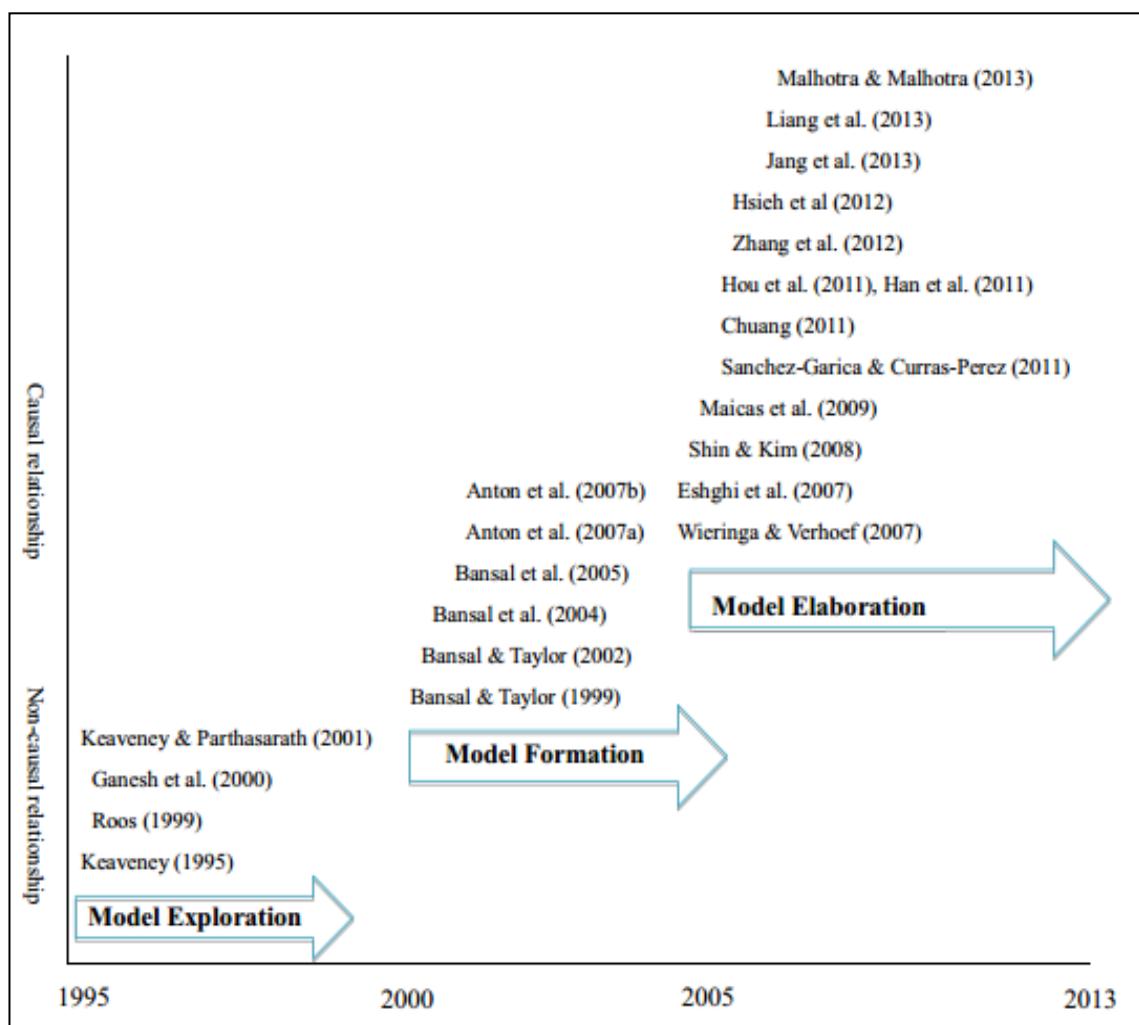
In the behavioural model of Zeithaml, Berry and Parasuraman (1996), positive behavioural intention is defined as the increased share of wallet, positive word of mouth, and a higher level of commitment and loyalty. Conversely, negative behavioural intention is conceptualised as negative word of mouth, reduced share of wallet, complain, legal action and exit or switching. Therefore, switching behaviour springs from a behavioural intention which is referred as switching intention or propensity to switch. According to

Morgan and Hunt (1994, p. 26): “propensity to switch is the perceived likelihood that the partner will terminate the relationship in the (reasonably) near future”.

2.5 Introduction to service switching literature

Chuang and Tai's (2016) study reviews the attributes of 44 service switching studies (on behaviour/ intention/ process) identified in the B2C context, between 1996 and 2013. Chuang and Tai (2016, p. 929) track the historical evolution of service switching literature (B2C) in three stages: i. model exploration; ii. model formation; and iii. model elaboration (Figure 2.2).

Figure 2.2: Evolution of the services switching literature



Source: Chuang and Tai (2016, p. 930)

In the model exploration stage (1995 to 2000), Keaveney's (1995) exploratory study pioneered the ground work for research on service consumers' switching behaviour. Based on Keaveney's (1995) eight-factor model of service switching, the subsequent studies (from 2000 to 2005) produced a more sophisticated model formation by including additional variables towards a more integrated approach (Chuang & Tai 2016). From 2005 onwards, studies of consumer switching elaborate on the previous models, and have been undertaken in various countries and service industries.

A dual process is involved in switching, where response is visible against changes or catalyst for changes due to the fact that there are two phenomena: in-switching (when providers gain competitors' customers) and out-switching (when customers move elsewhere); either of these two can be used to improve value creation for consumers through evaluation of provider's strengths and weaknesses (Njite, Kim & Kim 2008). Two categories of factors are said to be involved in both switching processes: i. uncontrollable external factors (relating to consumer perspectives, such as perceived value, satisfaction, trust); and ii. controllable internal factors (provider related factors, such as price, service quality, fairness) (Kaur, Sharma & Mahajan 2012). The literature also indicates twofold categories of switching: i. derived switching; and ii. direct switching (McAlister & Pessemier 1982; Meixner & Knoll 2012). It is argued that stimuli from the external environment extract derived switching, such as price, quality, brand value, persuasive advertisement, market demand-supply and competitive factors.

Direct switching does, however, have an intrapersonal motivation to switch, which is sometimes attributed to variety seeking behaviour (VSB) that happens as a result of impulsive sensation-seeking (Meixner & Knoll 2012). Conversely, several other behavioural theories (emerging from social psychology and behavioural economics) have explained switching as a cognitive behavioural outcome, where such behaviour is deliberated and deterministic. However, it is hard to precisely conclude and prove any switching as absolutely stochastic or deterministic since there are limitations in measuring all relevant factors and variables (Bass 1974).

Lopez, Redondo and Olivan (2006) argue that services literature is extensively focused on antecedents of successful relationship maintenance, rather than on antecedents of

service switching. It has also been observed that switching literature mostly focuses on the antecedents of the behaviour (Lopez, Redondo & Olivan 2006), though switching is not a mere outcome of some antecedents. Switching is a process that operates within a macro-scenario, where the behaviour cannot be captured as a static phenomenon (Njite, Kim & Kim 2008; Roos 1999).

A distinct sphere of switching literature, however, has explained switching from the ‘process’ perspective. Moving apart from traditional cognitive antecedents based switching framework (such as Keaveney 1995), process models have provided a new insight into switching by offering a theoretical base for switching (Roos 1999). Stemming from the study of Ganesh, Arnold and Reynolds (2000), a stream of switching behavioural studies (e.g. Keaveney & Parthasarathy 2001; Moreira, Silva & Moutinho 2016); has emerged that compare the behavioural aspects of stayers/ continuers, versus switchers, and heavy switchers based on the consumers’ demographics, risk proneness, involvement and sourcing of information.

Chuang and Tai (2016) propose two additional categories of service switching literature: i. context-specific switching; and ii. post-switching behaviour. The context-specific switching studies investigate the behaviour through the perspective of certain characteristics of a specific service industry. For example, Inakura and Shimizutani (2010) study deposit account switching behaviour in the context of consumers’ knowledge about the change in deposit insurance schemes in Japan. On the other hand, post-switching behaviour studies focus on consumer behaviour after the switching has been performed, such as negative word-of-mouth ((Chuang & Tai 2016; Von Wangenheim 2005).

Regardless of the differences in approaching the behaviour, the purpose of switching behaviour studies remains the same: to address customer retention through relationship management in achieving and maintaining the services economies of scales, to share the enormous fixed costs of providing services over a large number of consumers base (Chuang & Tai 2016). To summarise the classification of service switching literature, the categories of switching literature are listed next (as per Chuang & Tai 2016, p. 926-927).

- i. Cognitive models of service switching;
- ii. Service switching process models;
- iii. Analysing switchers vs stayers;
- iv. Context-specific service switching; and
- v. Post-service switching behaviour

Although Chuang and Tai (2016) distinguished the later three typologies of studies on separate accounts, these studies (i.e. switchers' versus stayers' behaviour analysis, context-specific switching, and post-service switching behaviour) use the theories and concepts developed by the first two categories of switching literature involving cognitive and process models. This thesis considers this fact in undertaking a critical review of literature to explore existing knowledge on consumer switching, and presents the next discussions in three broad areas:

- i. The cognitive models of service switching
- ii. The motivational factors/ antecedents of service switching
- iii. The underlying process of service switching decision

2.5.1 The cognitive models of service switching

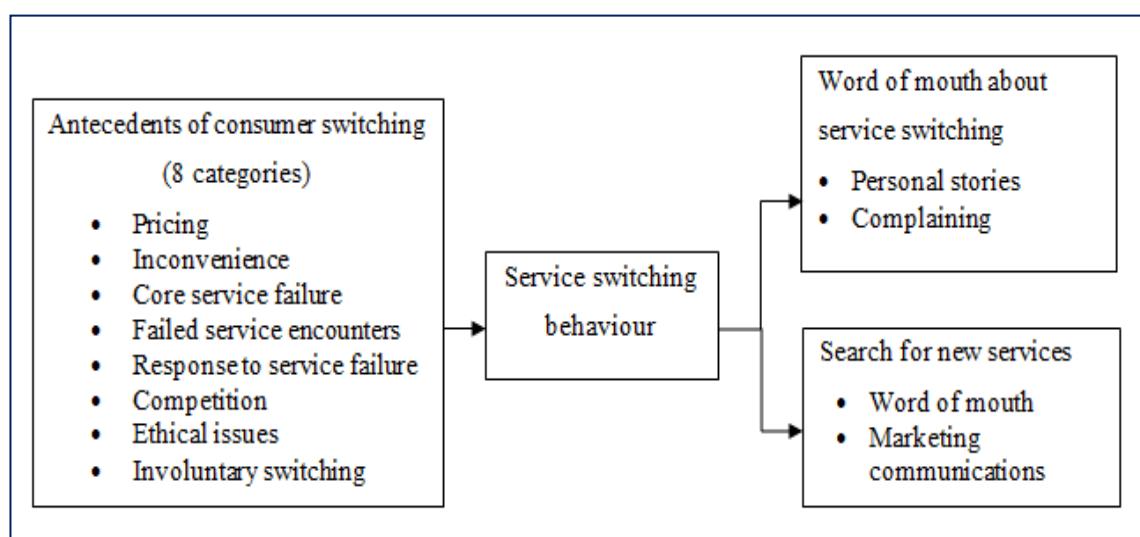
From the perspective of consumers, service itself is the overall perception of outcome that includes value and quality perception; and this outcome is achieved through a process where the consumer himself is the co-producer, and has particular expectations (Edvardsson & Tronvoll 2013; Vargo & Lush 2004). When the provider is unable to meet these expectations, consumers tend to switch. Bansal and Taylor (1999, p. 202) state that “service switching behaviour is a complex behavioural process (Srinivasan 1996) forged of a combination of variables involved in the customer’s decision to switch services”.

The behavioural model of Zeithaml, Berry and Parasuraman (1996) is a milestone of loyalty-switching behaviour theories based on RM philosophy. They conclude that better quality of service is associated with positive behavioural intention, whereas poor service-perception leads to switching behavioural intention. Their model posits service quality as

the sole predictor of behavioural intention. This therefore implies that service quality is one of the important predictors of strong relationship bond and positive word of mouth, which not only ensures customer retention, but which also creates the opportunity to acquire more business (Amorim & Saghezchi 2014).

The researchers have attempted to establish the validity of service quality- satisfaction whilst dealing with the issue of switching, rather than in-depth focus on the switching behaviour itself (Bansal & Taylor 1999). However, taking a cross-industry perspective, Keaveney (1995) used grounded theory technique to develop her exploratory model and identified 800 critical behaviours as causes of switching, which were further classified into eight categories (Figure 2.3). This study highlights eight diagnostic factors of service switching: i. pricing; ii. Inconvenience; iii. core service failure; iv. failed service encounters; v. response to failed service; vi. Competition; vii. ethical problems; and viii. involuntary switching. These antecedents are said to generate two types of switching behavioural consequences: i. negative word-of-mouth communications; and ii. the search for alternative services.

Figure 2.3: Keaveney's (1995) framework of service switching behaviour

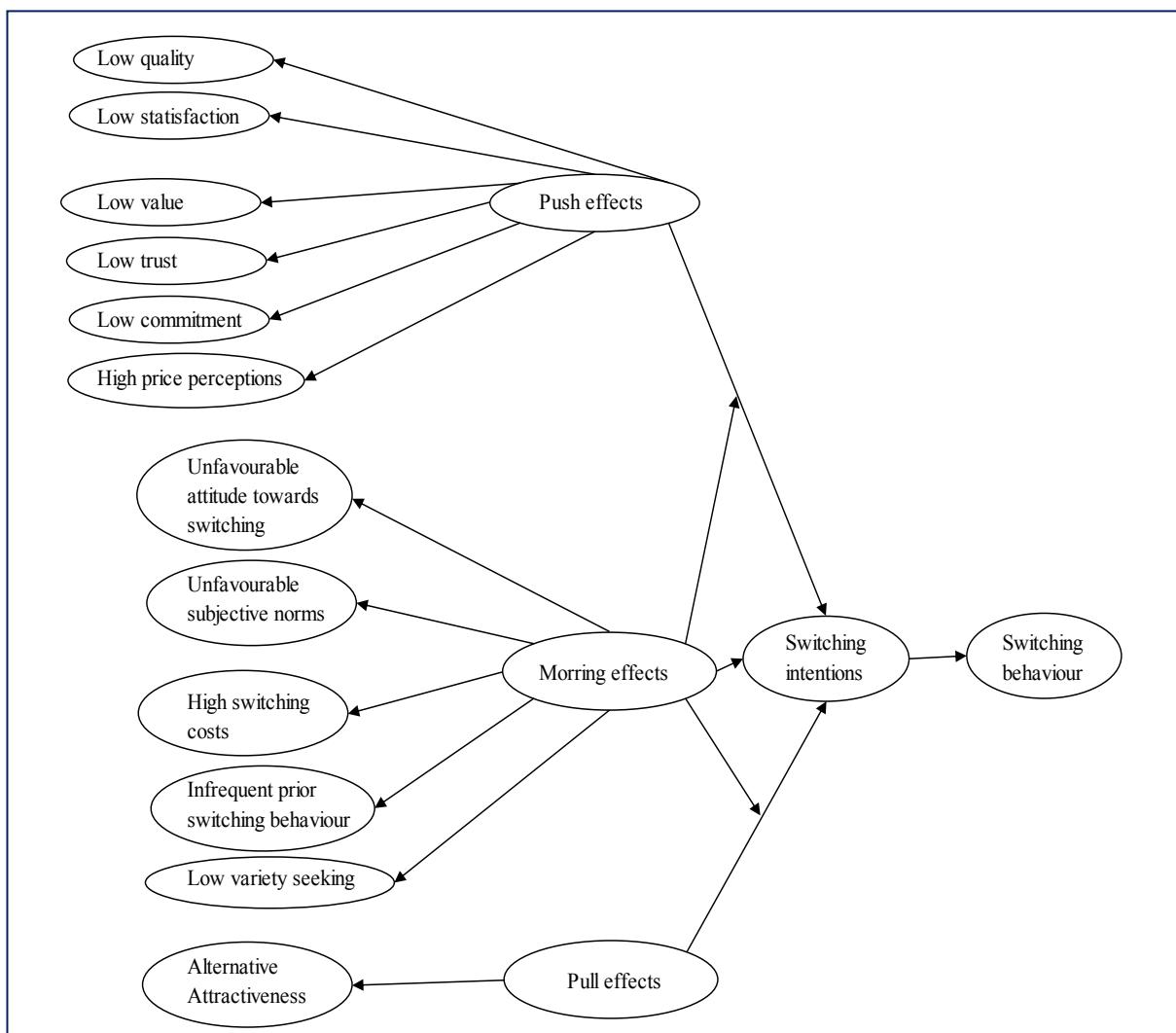


Source: Keaveney (1995) and Nitje, Kim & Kim (2008, p. 190)

Though Keaveney's (1995) model aims to provide a cross-industry perspective, it should not be generalised across all industries (Grace & O'Cass 2001). Studies on root-cause analysis of switching now take into account different behavioural theories in explaining

the switching process. Chuang and Tai (2016) argue that the ‘Push-Pull-Mooring (PPM)’ framework (Figure 2.4) of switching behaviour (developed by Bansal, Taylor & James 2005) accounts for the latest theoretical development in the cognitive models of switching behaviour. This adds to the earlier theoretical (cognitive) models of service switching, such as Morgan and Hunt’s (1994) ‘Commitment-Trust Theory’, and Bansal and Taylor’s (1999) ‘Service Provider Switching Model’ (SPSM).

Figure 2.4: PPM framework of Bansal, Taylor and James (2005)



Source: Bansal, Taylor and James (2005, p. 101)

PPM is a dominant research paradigm in human migration which Bansal, Taylor and James (2005) advocate in explaining service switching. The researchers view in applying the migration theory in switching behaviour is to integrate the whole process of switching in a single framework, to develop a comprehensive model of switching where all relevant

variables are included in a manner that the variables are neither overemphasised, nor understated in their strategic significance in decision-making (Bansal, Taylor & James 2005). The researchers apply the migration concept to service switching in categorising the switching consumers. For example, consumers forced to switch are compared to ‘refugees,’ and those who switch back to the original provider are compared to ‘return migrants’. Similarly, variety seeking consumers are referred to as ‘polygamous buyers’; consumers who often change their providers are assumed to behave similarly to ‘nomads’ (Bansal, Taylor & James 2005, p. 111).

Negative motivational factors push consumers from the old service-providers while positive motivational factors pull towards the new provider. Simultaneously, the positive and negative factors interact with consumer’s personal and social factors. These factors are referred as ‘mooring factors’ (Bansal, Taylor & James 2005). The push or expulsive motivational forces are denoted as poor perception of service quality, satisfaction, trust, commitment and high perceived price. The only pull or positive factor that is considered in the study is ‘attractiveness of alternatives’.

Finally, the person-specific mooring factors that interact with and moderate push-pull factors are mentioned to include switching cost, social norms, attitude toward switching, past switching frequency, and variety-seeking tendencies. Bansal, Taylor and James’s (2005) study reveals that person-specific mooring effects are the most influential motivators of switching intentions. For example, Chuah et al. (2017) examine the mobile-internet consumers’ switching behaviour in Malaysia using a PPM framework. They use opposing dimensions of variables, such as switching barriers (e.g., inertia and switching costs) as mooring factors and switching inducements (e.g., attractive alternatives, variety seeking) as pull factors. This study empirically proves the influence of opposing factors on consumers’ switching behaviour.

Overall, the literature confirms the existence of personal, cognitive and contextual (macro-level) factors involved in consumers’ switching decision process. Additionally, the literature provides a number of potential antecedents of purchase behaviour and subsequent repurchase or switching, such as involvement (Ganesh, Arnold & Reynolds 2000), and some knowledge factors, i.e., familiarity (Taylor-West et al. 2008), customer

education, and expertise (Bell & Eisingerich 2007). The review of services switching literature reveals that the most influential antecedents of switching behaviour are related to consumers' affective and cognitive factors, and these are different from the macro-environmental (such as competition, alternative attractiveness) factors. This thesis, however, is particularly interested in exploring the cognitive and affective motivators of switching along with certain macro-industrial (such as, regulatory policy) issues.

2.5.2 The antecedents of service switching

Customer switching behaviour is primarily controlled by cognitive and affective factors (combination of variables) referred to as 'antecedents'. Antecedents are stated as the switchers' self-reported perceptions of the causalities of switching (Park & Jang 2014). A range of motivational factors have been referred to in the literature as antecedents of switching behaviour (Bloemer & Odekerken-Schröder 2007; Kaur, Sharma & Mahajan 2012; Park & Jang 2014). Factors leading to switching behaviour might be extrinsic motivations (external environmental motivations) or intrinsic motivations (customer's internal/ cognitive motivations) (Njite, Kim & Kim 2008).

Moreover, the complexity of the service consumers' decision-making process prompted the introduction of economic variables (e.g., service quality and perceived value) along with social variables (e.g., commitment and trust) to make realistic contributions to literature (Segarra-Moliner, Moliner-Tena & Sánchez-Garcia 2013; Storbacka, Strandvik & Grönroos 1994). Therefore, researchers have classified the antecedents of switching into two categories, i. cognitive/ economic (such as perceived value, price fairness, economic satisfaction); and ii. affective/ social (such as trust, commitment, conflict) (Bolton, Lemon & Verhoef 2004; Park & Jang 2014).

2.5.2.1 Relationship quality (RQ)

Good relationship quality can ensure retention and help to gain control over consumers' switching behaviour, which is considered important in minimising marketing costs (Mittal & Lassar 1998; Park & Jang 2014). Therefore, it is crucial for service providers

to understand the quality of relationship with their consumers (Ahamed & Skallerud 2015; Segarra-Moliner, Moliner-Tena & Sánchez-Garcia 2013).

Johnson (1999) opines that in general, the concept of relationship quality describes the prevalent climate and profundity of a relationship. There is no unified definition of the construct in the extant literature (Izogo 2016a). Despite the lack of unity, relationship quality has been viewed as “the degree of appropriateness of a relationship to fulfil the needs of the customers associated with that relationship” (Hennig-Thurau & Klee 1997, p. 751). Researchers further elaborate that relationship quality reflects the strength of bond among the parties involved (Ahamed & Skallerud 2015; Ural 2009), and is viewed as a second-order construct which has a set of first-order constructs (Terawatanavong, Whitwell & Widing 2007; Ural 2009).

There is, though, debate regarding the dimensionalities of relationship quality (RQ); some researchers have described it as uni-dimensional, while others have described RQ as a two-, three- or even four -dimensional construct (Walsh et al. 2010, p. 131). Earlier research by Evert Gummesson explains RQ in services as having two dimensions only, namely, professional relations (constructed on provider's competence) and social relations (founded upon successful interaction between the provider and consumer) (cited in Wong & Sohal 2002, p. 36). On the other extreme, Naudé and Buttle (2000, p. 355) indicate RQ as having five first-order constructs, namely, trust, satisfaction (in terms of ‘needs fulfilment’), coordination (in terms of ‘supply chain integration’), power and profit. Hence, consensus on the central dimensionalities of the construct is rarely observed.

Bandara et al. (2017) contend that in relation to RQ magnitudes of a relationship are best explained by dimensions, such as trust, commitment and satisfaction. Segarra-Moliner, Moliner-Tena and Sánchez-Garcia (2013) confirm that the three-dimensional view of RQ is persistent and confirmed throughout the past literature. Athanasopoulou (2009) conducts a rigorous comparison of 64 studies (published between 1987-2007) on relationship quality to understand the chronological development, antecedent, dimensionalities and consequences of the construct RQ. The findings further reveal the prevalent dominance of the three dimensions in conceptualisation of RQ, which are trust,

satisfaction and commitment (Athanasopoulou 2009). In this regard, Walsh et al. (2010, p. 131) state:

Three constructs that have been mentioned [concerning the central dimensions comprising relationship quality] by several authors are customers' satisfaction with the service provider's performance (Crosby et al., 1990; Dorsch et al., 1998), their trust in the service provider, and customers' commitment to the relationship with the service firm (e.g., Dorsch et al., 1998; Hewett et al., 2002; Hibbard et al., 2001; Kumar et al., 1995).

The role of trust, commitment and conflict has been highly emphasised as the central contributors to provider-consumer relationship (such as, Morgan & Hunt 1991; Crosby, Evans & Cowles 1990). However, Kumar, Scheer and Steenkamp (1995) view conflict as one of the integral components of relationship quality and this view is further refined by Roberts, Varki and Brodie (2003) by including only the affective component of conflict to conceptualise the construct RQ. Consecutively, conflict has been accepted as one of the major constituents of RQ by later researchers (Negi & Ketema 2013). Some researchers, however, have argued that trust and satisfaction derives much attention as RQ dimensions in financial services, especially in banking literature (Izogo 2016a; Rajaobelina & Bergeron 2009). The importance of satisfaction and trust in the relationship has been emphasised by many earlier researchers as well (Caceres & Paparoidamis 2007; Crosby, Evans & Cowles 1990; Hennig-Thurau, Langer & Hansen 2001). Eventually, the contention is established on the ground that:

“Better relationship quality is accompanied by greater satisfaction, trust, and commitment (...) although these three attitudinal dimensions are distinct, consumers tend to “lump” them together (Crosby et al., 1990; de Wulf et al., 2001).” (Cacers & Paparoidamis 2007, p. 842).

Roberts, Varki and Brodie (2003) were among the first researchers to define RQ as a distinct construct and develop a measurement scale for it. These researchers claim that relationship quality has close structural linkage with the construct service quality and its operationalisation as SERVQUAL (proposed by Parasuraman, Zeithaml & Berry 1988). The SERVQUAL model proposes service quality as a five-dimensional construct, with the dimensions being i. tangibles; ii. reliability; iii. responsiveness; iv. assurance; and v.

empathy (Parasuraman, Berry & Zeithaml 1991). It is argued that there is some overlap between the dimensionalities of service quality (SERVQUAL) and relationship quality (RQ), as both constructs have factors concerning the service process quality and interaction, such as reliability and assurance (of SERVQUAL) overlap with the ‘trust-in-integrity’ dimension of RQ (Roberts, Varki & Brodie 2003). While service quality is viewed as a predictor of consumer satisfaction, relationship quality is viewed as the outcome of provider-consumer relationship (Caceres & Paparoidamis 2007).

Roberts et al. (2003) define relationship as a voluntary formation of relational bonds and as such, relationship quality (RQ) is said to include only the affective components- free of enforcement or locked in attributes. In their view, relationship quality includes five dimensions: i. trust in integrity (credibility trust); ii. trust in benevolence; iii. Satisfaction; iv. affective commitment; and v. affective conflict (Roberts, Varki & Brodie 2003, p. 174). This research adopts this five-dimensional view of RQ proposed by Roberts, Varki and Brodie (2003) and the next discussions proceed on explaining the first-order constructs of the meta-construct RQ.

2.5.2.1.1 Trust, trust-in-integrity and trust-in-benevolence

The global financial crisis (GFC) of 2009 has caused an increase in consumers’ financial anxiety. As a result, a paradigm shift is said to have happened in financial consumers’ trust (Jarvinen 2014; Johnson & Peterson 2014). This paradigm shift has drawn substantial attention towards one specific marketing variable, i.e., trust, which has proven to be crucial for the world economy in the post-crisis era; and that has played a more important role in the banking and financial sector (Jarvinen 2014).

Services marketing literature has established that the final stage of a relational process denoting loyalty reveals the achievement of customer satisfaction and trust (Jimenez, San-Martin & Azuela 2016). Trust is thus considered to be the foundation of relationships (Berry 1995) and is the central focal point for successful long-term relationships in financial institutions (Jarvinen 2014). Trust is a dynamic state of consumer mind that changes with the change in relationship and change in experience. Trust plays an important role in fading out the attractiveness of potential alternatives in the short term,

as customers prefer not to switch from their trusted partners (Morgan & Hunt 1994; Sharifi & Esfidani 2014). Trust discourages consumers from evaluating alternative providers. Thus, the relationship bond is strengthened by trust (Sharifi & Esfidani 2014).

Recent research has determined three key conceptualisations of trust: “a mental attitude, a decision to rely upon the other, a behaviour based on intentional act of trusting” (Jarvinen 2014, p. 553). As Jarvinen (2014) opines, the concepts are underpinned by values such as honesty, reliability, fulfilment, competence, quality, credibility and benevolence. Indicators of trust are adequacy, philanthropy and honesty (Erciş et al. 2012). Without establishing trust, it is hard to satisfy customers in real terms, so trust might be considered as a derivative of satisfaction. Thus, satisfaction and trust work together towards achieving long term customer commitment (Erciş et al. 2012). Esterik-Plasmeijer and Raaij (2017) conclude that integrity is the strongest determinant for consumers’ trust on their banks. Additionally, they find that transparency, customer orientation and competence have had a significant influence on banks’ trustworthiness. In the overall banking system, trust has also been found to be important. The researchers argue that there is a positive correlation between person (specific) trust, institution trust and system trust.

Trust has been conceptualised according to two views: trust-in-integrity/ credibility trust and trust-in-benevolence/ benevolence trust (Fullerton 2011; Roberts, Varki & Brodie 2003). ‘Trust-in-integrity (credibility trust)’ refers to a “psychological state that induces us to accept our own vulnerability, and is specifically based on favourable expectations regarding the intentions and behaviours of another party” (Erciş et al. 2012, p. 248). This kind of trust denotes consumers’ perceived reliability upon the provider’s words and promises (Fullerton 2011). Hence, credibility trust reflects the extent of a consumers’ reliance on the verbal commitments and quality of performance of a provider (Roberts, Varki & Brodie 2003).

‘Trust-in-benevolence’ is the extent of consumers’ belief that the provider will act in their best interest (Doney & Cannon 1997; Fullerton 2011). This reflects a ‘concern of welfare’ by the provider, and how the provider’s actions will impact consumers’ well-being as a partner (Roberts, Varki & Brodie 2003). Jarvinen (2014) argue that bank consumers’ trust

is shaped by situation and context, therefore banking sector trust needs to be denoted with its contractual culture, where written contracts minimise the consumer anxiety that results from a lack of trust. Nevertheless, consumer distrust in banks may stem from the society or macro environmental causes. These causes are inherent within banks, as well as within consumers.

2.5.2.2 Satisfaction

Satisfaction has been defined as “...customers’ overall assessment of the streams of interactions with a service provider over a given time period,” which is used as a predictor of possible future experiences (Izogo 2016a, p. 117). In the context of banking services, Jamal and Naser (2002) describe satisfaction as a feeling or attitude acquired by bank customers after service, which is directly linked to different purchase behaviours in the future. Customer attitudes follow a sequential frame towards behavioural intention: appraisal (or perceived quality in case of services), the emotional response, and the coping response (Bagozzi 1992; Park & Jang 2014). Consumers get involved in a purchase procedure where an objective or desired outcome is involved. When their appraisal of the purchase fulfils a desired goal, satisfaction occurs. This eventually brings about a coping response which is expressed as favourable (loyalty) or unfavourable (switching) behavioural intention to increase satisfaction (Park & Jang 2014). As satisfaction follows the appraisal or evaluation (of services) process, it is treated both as affective and cognitive response in literature (Loureiro, Miranda & Breazeale 2014; Rust & Zahorik 1993).

The dominant theories in service marketing literature are the theories related to cognitive psychology and ‘expectation disconfirmation’ theory (Andreassen & Lindestad 1998). The theory of expectation disconfirmation takes account of cognition of service experience and cognitive psychology explains consumer’s cognitive behaviour in the process of transaction decision making (Andreassen & Lindestad 1998). The cognitive component of satisfaction is derived from Lewin’s (1938) theory of expectation-disconfirmation (variation in perceived performance), where satisfaction is the outcome of positive disconfirmation, meaning that service performance exceeds a consumer’s expected level (Loureiro, Miranda & Breazeale 2014; Park & Jang 2014). Conversely,

the affective component is derived from positive emotions (Loureiro, Miranda & Breazeale 2014).

Satisfaction can be analysed from two different outlooks: i. transactional, i.e., satisfaction from a certain service encounter; and ii. cumulative, i.e., satisfaction derived from overall evaluation of all service experience over time (Loureiro, Miranda & Breazeale 2014). Cumulative satisfaction stands above transactional satisfaction and it better predicts loyalty or switching behaviour (Loureiro, Miranda & Breazeale 2014). Again, satisfaction is subdivided into two categories in congruence with the proposition of social exchange theory: i. economic satisfaction, meaning economic implication of the purchase; and ii. social satisfaction, referring to satisfaction of the non-economic exchange behaviour (Low, Lee & Cheng 2013).

The loyalty literature states that although satisfaction is a key factor in retaining customers, it is not the sole determinant; rather, it works together with trust, perceived value, and service quality (Erciş et al. 2012). Mittal and Lassar (1998) have argued that highly satisfied customers are less prone to switching, given that their perceived service quality is high and reversely, dissatisfied consumers are almost sure to switch. Later research, though, reveals that there are cases when switching happens even if consumers are satisfied. Conversely, despite being dissatisfied consumers do not switch (Mittal 2016). The literature also establishes that when commitment is included with satisfaction as co-predictor of behavioural intention, larger weight of credit for retention goes to commitment, rather than satisfaction (Mittal 2016).

2.5.2.2.3 Commitment, calculative commitment and affective commitment

The construct commitment became popular with marketing researchers in the wake of Morgan and Hunt's (1994) paper (Lariviere et al. 2014). Jones, Taylor and Bansal (2008) argue that both 'psychological states' as well as 'motivational phenomenon' influence a relationship commitment. These researchers defined commitment as "a psychological force that binds an individual to the maintenance of the relationship with a specific target" (Jones, Taylor & Bansal 2008, p. 474). Since commitment refers to the future intention of successful relationship continuity, it can be treated as an attitudinal component (Li, Li

& Feng 2015). Commitment is, however, is linked with the concept of loyalty when loyalty is studied as a future behavioural intention (Mittal 2016).

In a service context, customers exhibit commitment to two entities: i. the provider; and ii. the service employee (encountered by the customer) who again deliver two exchange-based roles: a. providing service in an economic exchange role, and b. delivering friendship (to customer) in a social exchange role (Jones, Taylor & Bansal 2008). To this end, service customers' commitment has three targets: i. employees; ii. Friends; and iii. provider organisations. Morgan and Hunt (1994) claim that committed customers put considerable effort in maintaining a relationship with the provider, because “the committed party believes the relationship is worth working on to ensure that it endures indefinitely” (p.23).

As an integral component of relationship models, commitment's role is to draw the partners' assurance towards relationship continuity (Wetzels, de Ruyter & van Birgelen 1998). This assurance to continuity emanates from the importance of the particular relationship as realised by the partners (Caceres & Paparoidamis 2007). Hence, commitment sets the central motive for both the providers and the consumers to put their highest efforts to maintain long term relationship (Caceres & Paparoidamis 2005). However, different dimensionalities of commitment elicit the parties' efforts for relationship maintenance in different manners.

Bansal, Irving and Taylor (2004) conclude that there is significant evidence in the literature to view commitment as a three-dimensional construct (and see Meyer & Allen 1997). The ‘three component model of service provider switching’ proposed by Bansal, Irving and Taylor (2004) views service commitment in three dimensions: affective commitment, continuance commitment, and normative commitment. These researchers argue that commitment is an integral part of switching theory as it reduces the likelihood of service switching. This model contributes further by including satisfaction and trust with other related factors, such as switching costs, social norms, and alternative attractiveness.

The categorical subdivision of affective commitment accounts for the emotional component; normative commitment accounts for the ‘norm’ or ethical issue driven commitment; and continuance or calculative commitment is a result of locked-in feelings due to instrumental causes (Bansal, Irving & Taylor 2004; Jones et al. 2010). *Affective commitment* suggests that the consumer ‘wants to’ maintain the relationship, *normative commitment* reveals that the customer feels s/he ‘should’ maintain the relationship; on the other hand, *calculative commitment* indicates that the consumer ‘needs to or has to’ maintain the relationship (Kelly 2004; Lariviere et al. 2014). The three dimensions of commitment are all believed to influence switching intention and behaviour. Firstly, scarcity of alternative choices and the switching cost gives rise to calculative commitment, then normative or ethical issues keeps the relational bond stronger by deterring switching. Finally, the affective component of commitment makes the consumer enjoy the relationship (Lariviere et al. 2014).

‘*Calculative commitment*’ has been defined as the “cold calculation of costs and benefits” or “the degree to which channel members experience the need to maintain a relationship, given the significant perceived termination costs of switching associated with leaving” (Bloemer & Odekerken-Schröder 2007, p. 24). Kaur and Soch (2013) argue that calculative commitment negatively influences advocacy intention (behavioural loyalty), as it works as a negative motivation to stay in the relationship. When trust is low, consumers calculate the cost of switching and weigh that against the benefits of not switching or staying with the current provider (Gounaris 2005; Kaur & Soch 2013). When the cost of finding a better alternative provider outweighs the prospective gains, consumers become calculatedly committed to current provider. This is a rational and task-oriented bond, with an affectively neutral attribute which is associated with opportunistic behaviour (Yanamandram & White 2010). Yanamandram and White (2010) argue that though it seems to contain a ‘continuance’ element, calculative commitment does not carry any pro-social behavioural elements between the parties involved. Therefore, being derived from negative motivation, calculative commitment is comprehended as a dispassionate cognitive commitment (Sharma, Young & Wilkinson 2006; Yanamandram & White 2010).

Some researchers propose two categories of calculative commitment: i. positive (value based) calculative commitment; and ii. negative (locked-in) calculative commitment (Čater & Čater 2010; Sharma, Young & Wilkinson 2006). Negative calculative commitment arises from a lack of choice and high switching cost; on the other hand, value-based calculative commitment has a positive motivation that arises from the perceived benefit of staying in the relationship (Čater & Čater 2010; Sharma, Young & Wilkinson 2006). When consumers staying with a bank are driven by their ‘economic or psychological investment’, however, this in fact has a negative implication for loyalty; as the bank under consideration is scanned against the available alternatives and the ‘sunk costs’ in the relationship investment (Bloemer & Odekerken-Schröder 2007).

Jones et al. (2010) define ‘**affective commitment**’ as “the degree to which a customer is psychologically bonded to the service organisation on the basis of how favourable the consumer feels about the organisation” (p. 18). An affectively committed customer truly wants to be with the provider, enjoys the relationship, and feels a sense of belonging with the business (Cater & Zabkar 2009; Roberts, Varki & Brodie 2003). Cater and Cater (2010) argue that such commitment stems from common values, similarities, identification, and involvement. Therefore, affectively committed consumers are supposed to have high level of loyalty and are less prone to switch; they might even be insensitive to price changes in the market place.

Various dimensions of commitment are responsible for different relationship outcomes (Jones et al. 2010). These relationship outcomes can be sub-divided into focal responses and discretionary responses (from consumers). Examples of focal responses are repurchase intention, switching intention and relative attitude; on the other hand, willingness to pay more (price insensitivity), word-of-mouth, exclusive purchase (fidelity) and altruism (voluntary helping) are examples of discretionary responses (Jones et al. 2010).

Affective commitment derives both focal and discretionary responses from consumers. Affective commitment is a driver of repurchase intention and deters switching (Fullerton 2005; Jones et al. 2010). It can also generate price insensitivity (willingness to pay more for same service), positive word of mouth (Fullerton 2005; Jones et al. 2010). On the

other hand, calculative commitment results in rational bonds and calculative loyalty, when no alternative is worthy to choose the consumer chooses to pay more with the current service provider and dedicates more purchase. In such cases, though, advocacy and altruism do not take place as customer feels locked in the relationship due to the constraining force that arises from need (Čater & Čater 2010; Jones et al. 2010).

2.5.2.2.4 Conflict and affective conflict

Services involve continuous customer interaction. Hence, complex conflict scenarios are inevitable and unavoidable. These scenarios require socio-emotional competence and the strategic handling of conflict situations (Beitler et al. 2016). In the context of service interaction, conflict may result from perception of the employee contribution to consumer's desired outcome (Beitler et al. 2016). It is argued that conflict generally results from misunderstanding and lack of communications between the parties involved, however, is not always implied to have negative consequences (Elbanna 2009).

The consequence of conflict largely depends upon its typologies. Basically, conflict can be conceptualised in two main dimensions: affective and cognitive (Jehn 1995; Wang, Jing & Klossek 2007). The affective or emotional component of conflict comprises of 'friction, tension, and dislike among members within the group', while the cognitive component comprises of the 'differences in viewpoints and opinions pertaining to a certain task' (Wang, Jing & Klossek 2007, pp. 76-77). However, the conflict literature extends the discussion on another dimension of conflict, named as manifest conflict (Kumar, Scheer & Steenkamp 1995; Roberts, Varki & Brodie 2003). Manifest conflict is viewed as an outcome of affective conflict (in situations, where affective conflict is not resolved amicably), an example of such outcome might be consumers' propensity to switch (Roberts, Varki & Brodie 2003).

As a dimension of relationship quality, *Affective conflict* is a negative component, which indicates a risk existing in the relationship as a result of disparity of expectations between the parties involved (Plank, Reid & Newell 2007; Roberts, Varki & Brodie 2003). It draws upon interpersonal disputes due to personal incompatibilities, which may result in negative emotions, such as anxiety, frustration and anger (Elbanna 2009). Since such

conflict arises from the failure to attain personal objectives, the negative emotional motives (such as, anger) direct individuals towards negative intentions (Bell & Song 2005; Kumar, Scheer & Steenkamp 1995). Affective conflict, therefore has negative consequences on the relationship as it provokes high level of concern for the individual's self (Bell & Song 2005; Elbanna 2009), rather than having the concern for both parties' interests and the relationship itself.

Kumar, Scheer and Steenkamp (1995) emphasise that conflict is an essential component of relationship quality, since quality relationship implies minimal conflict. The researchers indicate that affective conflict has the potential to develop expressed disagreement, or non-cooperation between the parties involved. Hence, as an indicator of relationship quality, affective conflict can be viewed as a predictor of other outcome conflicts, such as, manifest conflict which may refer to switching intention or negative word-of-mouth (Roberts, Varki & Brodie 2003). Though conflict might result in a positive outcome depending on the efficiency of the conflict handling strategy (Beitler et al. 2016), it can have multiple negative implications in the services context, such as service disruption, expected time and cost consumption, and the risk of negative consumer perceptions about the outcome of conflict handling (Wallenburg & Raue 2011). Also, conflict can decrease the level of consumer trust and commitment due to increased uncertainty (Wallenburg & Raue 2011). Thus, conflict makes a negative contribution to relationship quality.

2.5.2.2 Fairness concepts, price fairness and price sensitivity

Several studies on consumer satisfaction have used the *theory of justice/ fairness* to explain consumer behaviour, especially in relating retention-intention with service quality-satisfaction (Carr 2006, 2007). Adams (1963) argues that humans weigh their input against output. For services consumers, input might be economic cost, time cost, or psychological cost in terms of efforts to be engaged with a service provider. Conversely, output might be understood as the service quality, satisfaction, service recovery, and complaint handling. As such, fairness is defined as "a judgement of whether an outcome and/ or the process to reach an outcome is reasonable, acceptable or just" (Martín-Consuegra, Molina & Esteban 2007, p. 460).

Fairness has a considerable influence on the provider-consumer relationship (Devlin, Roy & Sekhon 2014; Morgan & Hunt 1994). It is used as the basic standard by consumers while judging service relationships (Namkung & Jang 2010). In service switching and retention literature, service fairness is commonly conceptualised by ‘FAIRSERV’ concept proposed by Christopher L. Carr (2007). FAIRSERV is an addition to SERVQUAL (service quality) concept in taking into account consumers’ reactions to services (Carr 2007). Traditional views of fairness explain the construct as three dimensional: distributive fairness, procedural fairness, and interactional fairness (Bies & Shapiro 1987; Namkung & Jang 2010). Splitting the interactional fairness (into interpersonal fairness and informational fairness), Carr (2007) proposes four-dimensional view of FAIRSERV with i. procedural fairness; ii. distributive fairness; iii. interpersonal fairness; and iv. informational fairness. He also describes the overall fairness as *systemic fairness*. Carr (2007) argues that while evaluating the service, consumers compare amongst the similar services against the set standards of fairness, which arise from observing the comparable others receiving similar services. This means services consumers are driven by the motive of equity in every possible aspect.

The concept of ***distributive fairness*** originated from the social exchange theory, which treats relationships in a similar manner to economic transactions. Consumers achieve distributive fairness when their perceived economic input-output ratio is comparable to the input-output ratio of others in the similar exchange context (Adams 1963; Namkung & Jang 2010).

Conversely, ***procedural fairness*** is achieved when consumers receive the service outcome through standard or fair policies and procedures. Consumers’ perception of procedural fairness implies that normatively acceptable principles have been followed to produce the service outcome. This helps to maintain a consistent and persistent relationship between the parties (Chen et al. 2012; Lind & Tyler 1988).

Thirdly, ***interactional fairness*** refers to the fairness of provider-consumer interaction, irrespective of the service-procedure and outcome. Consumers’ interactional fairness is again subdivided into two dimensions: *i. interpersonal* and *ii. informational fairness*.

Interpersonal fairness is concerned with how consumers are treated, that is, if they are treated with proper respect, care, courtesy, or integrity (Greenberg 1993, Chen et al. 2012). Finally, informational fairness relates to transparency and fair access to required information about policy-procedures-guidelines those are of concern to the customer (Chen et al. 2012; Greenberg 1993).

Researchers vary in their opinions regarding the factor-structure of service fairness (Narteh 2016). Namkung and Jang (2010) have produced a four-dimensional model of service fairness that includes ***price fairness*** with another three basic dimensions. Their study establishes strong psychometric properties for the fairness scales. Revisiting this four-factor structure, Narteh (2016) revalidates this fairness construct with the ‘price fairness’ dimension in the context of the banking industry.

2.5.2.3.1 Price fairness

Considering consumers perceived economic benefit and sacrifice, (Namkung & Jang 2010) propose a four-factor model of service fairness which is the first to include price fairness with the basic fairness scale. Consumers’ reaction to prices indicates that pricing is an important strategic tool and price fairness needs to be addressed as a priority. Consumers are never happy to pay a price which they perceive to be unfair (Namkung & Jang 2010; Oliver & Swan 1989). When the overall service context is considered, consumer’s utility perspective (in terms of cost-benefit) deserves attention, which makes price (financial cost) fairness an unavoidable factor in any exchange situation.

Fair price is defined as the “global evaluation made by the consumer of the price based in comparing the current price with the acceptable prices which are determined by social standards (reference price) and personal interest (adaptation level)” (Namkung & Jang, 2010, p. 1237). Hence, there are two components of price fairness: i. personal and ii. social (Maxwell & Comer 2010; Rutte & Messick 1995). The personal component is referred as the consumers’ perceived economic impact of the new price. The social component of price fairness lies in consumers’ perceived acceptability of the price change, considering the factors those initiated the change and consequence of the change on society (Maxwell & Comer 2010).

Unfavourable price perception is one of the major causes of customer switching (Antón, Camarero & Carrero 2007; Keaveney 1995). Narteh (2016) establishes that price fairness, along with other fairness perceptions, determine the behavioural intentions of consumers in banks. Banks charge differential fees and interests for different customers. In most cases, the prices vary depending on the customers' bargaining power, income level, or any other privileged position they hold. Pricing issues, such as an unacceptably wide gap between deposit and lending rates, and varied collateral requirements for different customers for similar types of loans, may lead to the perception that the prices are unfair (Narteh 2016). Transparency in pricing practice explains the economic justification of the price to consumers (Ferguson & Ellen 2013; Maxwell 1995). USA Credit Card Act 2010 requires increased price transparency through providing reasons for every increase in interest rates on credit cards. For contemporary consumers, the degree of transparency is inferred from the level and amount of detail on pricing that is provided (Ferguson and Ellen 2013).

To provide a theoretical conceptualisation of price fairness perception, Andres-Martinez, Gomez-Borja and Mondejar-Jimenez (2013) referred to the Utility Transaction Theory which describes two typologies of utility: i. the acquisition utility (derived when the product is acquired); and ii. transaction utility (refers to the difference between market price and customer-perceived fair price) (Andres-Martinez, Gomez-Borja & Mondejar-Jimenez 2013; Thaler 1985). This theory describes three types of references involved in price fairness perception: i. external reference (provided by the seller), ii. internal reference (past prices); and iii. the seller's internal cost reference. When this theory serves as the basic framework of price fairness, the theory of equity complements the understanding by including the reference price of the similar others and the consumer-provider relationship (Andres-Martinez, Gomez-Borja & Mondejar-Jimenez 2013).

2.5.2.3.2 Price in/sensitivity

Findings suggest that negative reactions after a price increase exceed positive reactions after a decrease, meaning that consumers are more sensitive to an increase in price rather than a decrease. There are, however, several factors that influence consumers' price

sensitivity, such as product knowledge, purchase context, consumers' thought process, and most specially, consumers' satisfaction (Low, Lee & Cheng 2013). In the literature, consumers' ***price sensitivity*** is defined as "the degree of awareness and response exhibited by consumers when facing changes in prices of products or services" (Low, Lee & Cheng 2013, p. 2). To explain sensitivity to price, researchers propose upper and lower limits that represent consumers' threshold of acceptance of price changes.

On the other extreme, highly satisfied and committed consumers exhibit ***price insensitivity***. The concept of '*price insensitivity*' describes consumers' preference for paying a higher price to the current provider rather than switching to another provider for the same service (Zeithaml, Berry & Parasuraman 1996). Price insensitivity demotivates switching despite the existence of comparatively attractive price offers in the market. The switching literature builds on this concept by investigating the attitudinal loyalty of relationship-prone consumers (Bloemer & Odekerken-Schröder 2007; Ganesh, Arnold & Reynold 2000). Consumers who are calculatedly committed might not exhibit this characteristic as they seek some economic benefit from the relationship. The affectively committed consumers are perceived to be highly price-insensitive and less prone to switching providers.

2.5.2.3 Perceived value

Perceived value has been mentioned by some researchers as the fundamental basis for all marketing activity (Dolarslan 2014). The concept of value emerged from equity theory, where it is explained as a cost-benefit trade-off (Zeithaml 1988), i.e., comparison of the price paid (by customers) with the benefits received from the service. This is, though, a rather narrow explanation. Recent studies have included energy, time and mental costs of purchase process along with the financial cost in obtaining service while explaining perceived value (Chang & Wang 2011). Value is "a customer's perceived preference for, and evaluation of, those product attributes, attribute performances, and consequences arising from use that facilitates (or blocks) achieving the customer's goals and purposes in use situations" (Ho & Ko 2008, p. 429).

Value has been agreed on as a predictor of switching intention and behaviour (Liu 2006). When consumers have higher perceived value, they tend to feel a reduced urge to seek out alternative provider. Thus, the likelihood that they will switch providers is reduced (Chang & Wang 2011). Varki and Colgate (2001) found perceived value to have a direct impact on bank consumers' satisfaction. Similar association of value has been found with trust (Chaudhuri & Holbrook 2001; Erciş et al. 2012). Value has direct influence on loyalty (Cronin et al. 1997; Dörlarslan 2014). In context of services, value brings competitive advantage (McDougall & Levesque 2000; Njite, Kim & Kim 2008). One important notion on perceived value is "what constitutes value appears to be highly personal, idiosyncratic, and may vary widely from one customer to another" (Mc Dougall & Levesque 2000, p. 394). Therefore, it is important that customers receive at least value for money (economic value) (Mc Dougall & Levesque 2000; Zeithaml 1988).

Turning apart from the single utilitarian concept of value, some researchers claim perceived value to be a multi-dimensional construct (Dörlarslan 2014; Sweeney & Soutar 2001). They also differ in opinion regarding the number of value dimensions (Dörlarslan 2014; Ho & Ko 2008; Sheth, Newman & Gross 1991). The performance of a product or service, along with its utility and benefits, are revealed by functional value, whereas emotional value reveals consumer's feelings with their service (or product) experience. Epistemic value is novelty value which describes the product or service's capacity to meet consumer's curiosity and desire for knowledge. Social value is denoted as product's/service's value for certain social groups of consumers. Finally, conditional value applies to special cases or conditions of consumers (Sheth, Newman & Gross 1991; Ho & Ko 2008). In conceptualising value dimensionality, Holbrook's (1999, 2006) contribution is considered as milestone in value literature (Coutelle-Brillet, Riviere & des Garets 2014). Holbrook (1999) views value mainly from two dimensions: first one is either extrinsic or intrinsic, and then the second one is either self-oriented or other-oriented. These alternative two dimensions then produce a five-dimensional view of consumer value, as depicted in Figure 2.5.

Figure 2.5: Holbrook's (1999) conceptualisation of value dimensions

	Extrinsic	Intrinsic
Self-oriented	<p style="text-align: center;"><u>Efficiency value</u></p> <p><i>Output/input trade-off</i> (money, time and energy savings)</p> <p style="text-align: center;"><u>Excellence (functional) value</u></p> <p>Derived from the utility, characteristics, quality, performance and “excellence” of the offer</p>	<p style="text-align: center;"><u>Emotional value</u></p> <p>Derived from the feelings or emotional and affective states elicited by a product (play, pleasure, beauty, appearance)</p>
Other-oriented	<p style="text-align: center;"><u>Social value</u></p> <p>Related to building a self-image that an individual reflects to “others”</p>	<p style="text-align: center;"><u>Altruistic value</u></p> <p>Often approached through ethical value that is based on virtue, justice or morality</p>

Source: Coutelle-Brillet, Riviere & de Garets (2014, p. 166)

With the advent of numerous competitors and availability of attractive alternatives, customers' perceived value of a current service (or product) tends to decrease (Liu 2006). Hence, the concept of relative value arrived as compared to absolute value, which indicates that attractive alternatives have the capacity to influence consumers' perceived value (Liu 2006).

2.5.2.4 Switching cost

Concluding from the milestone research of Keaveney (1995), Bansal and Taylor (1999) argue that two key variables basically determine consumer switching behaviour in services context: i. service performance (that includes Keaveney's (1995) switching factors such as core service failure, service encounter failure, response to service failure, and ethical problems); and ii. switching cost (which includes Keaveney's (1995) factors such as price, inconvenience, competition). Sharma and Patterson (2000) argue that a consumer assumes risk while switching to a new provider as services cannot be evaluated without experiencing it. The eventual psychological and emotional stress of terminating the ongoing relationship keeps them motivated to stay in the current relationship, which might not be ideal (Sharma & Patterson 2000).

Switching cost is defined as “onetime costs that customers associate with the process of switching from one provider to another” (Burnham, Frels & Mahajan 2003). Although it is argued to be a different construct to ‘switching barriers’, researchers largely use the terms interchangeably. However, while switching barrier refers to factors that make switching harder, switching cost is incurred during the switching process (El-Manstrly 2016).

Burnham, Frels and Mahajan (2003) found that 16 per cent and 30 per cent of customer loyalty is predicted by switching costs in the credit card and telecommunication industries respectively. In the banking industry, the level of customisation, personalisation and geographic dispersion affect consumers’ perception of switching costs. For example, Bapat (2017) undertook a study on the Indian bank consumers’ satisfaction (and loyalty) in multi-channel service setting (such as branches, ATM, point of sales (POS) devices, online and mobile banking services). Multi-channel service is now-a-days a norm in the banking industry that aims at 24/7 consumer service irrespective of geographic distances, thus enhancing transactional and relational benefits (Seck & Philippe 2013). Extending on the Technology Acceptance Model (TAM), Bapat (2017) finds that consumers’ perceived ease of use of banking services has influence on their loyalty behaviour. In the context of technological advancement, Hashim et al. (2015) argue that the perceived value of improved offerings has positive influence on consumers switching intention, however consumers’ high perceived switching costs eliminate the positive influence of improved value. Hence, the strength or severity of perceived switching cost finally controls the staying or switching behaviour (El-Manstrly 2016; Jones, Mothersbaugh & Beatty 2002). A high level of perceived switching cost outweighs the perceived benefits of switching (Bell, Auh & Smalley 2005; Dagger & David 2012). In association with perceived value and trust, switching cost closely impacts loyalty versus switching behaviour (Burnham, Frels & Mahajan 2003; Harris & Goode 2004).

Switching cost is a defensive marketing tool that enhances competitive advantage (Klemperer 1995; Matzler et al. 2015). Polo and Sesé (2009) argues that provider’s and competitors’ marketing variables, and provider-consumer relationship characteristics (length, breadth and depth), have an influence on perceived switching cost, where price,

service offerings and advertising are considered as marketing variables. Consumers' involvement and level of investment are considered as consumer-related antecedents of switching costs, in addition to the provider-related (e.g., relationship investments and service offerings) and market-related (attractive alternatives) antecedents (Matzler et al. 2015).

Akerlund (2005) opine that financial consumers are characterised by inertia due to the heterogeneity and complexity of the services and the long-term nature of the investments. Financial consumers have the perception that financial institutions are more or less the same, and that switching is a complex, costly and time-consuming process (Yanamandram & White 2010). Matzler et al. (2015) argue that satisfied consumers develop such attitude of inertia and hence show a reluctance to search for alternatives.

Alternatively, it is also arguable that switching cost makes the consumer stay in the relationship irrespective of the satisfaction level, and helps the provider to avoid the outcome of satisfaction or dissatisfaction (Burnham, Frels & Mahajan 2003; Jones, Mothersbaugh & Beatty 2002). Switching cost, together with involvement, expertise and relationship length, influence the outcome of satisfaction-loyalty linkage and switching behaviour (Dagger & David 2012). Switching cost facilitates “a trade-off between lowering prices to attract new customers and raising prices to extract rents from existing customers” (Kiser 2002b, p. 350) . The switching cost of changing a bank generally involves the extra time necessary to open a new account, and to close the old account. In addition, the consumer needs to notify the concerned parties about the change who are supposed to receive payment through auto debit instructions (Kiser, 2002b).

Fornell (1992) refer to some categories of switching cost, such as search cost, transaction cost, learning cost, loyal customer discount, customer habit, emotional cost, cognitive effort and consumers' risk perception (financial, social and psychological risk). Based on Fornell (1992), Burnham, Frels and Mahajan (2003) provide a more comprehensive categorisation of switching cost and proposed eight typologies of switching cost which have been widely accepted in switching literature. These are: i. economic risk cost; ii. evaluation cost; iii. learning cost; iv. set-up cost; v. benefit loss cost; vi. monetary loss cost; vii. personal relationship loss cost; and viii. Brand relationship loss cost. Economic

risk cost entails the uncertainty of negative economic outcome that the consumer may receive from the new provider. Evaluation cost refers to consumers' search and analysis (of alternatives) cost. Learning cost is the consumer's time and effort required for learning about the new service. Set-up cost is related to settling down with the new product or service and developing new service relationship. Benefit loss cost is the loss of reward points or loyalty discounts from the old provider. Monetary loss costs are one-off financial cost incurred during the switching process. Personal relationship loss is kind of affective loss, which arise due to break up of relationship bond with service personnel. Finally, brand relationship loss cost is also affective, but this is loss of bond between the consumer and the previous brand/ provider. All these typologies of costs have been further grouped under three broader categories: financial costs, relational costs, and procedural costs (Matthews 2011; Vasudevan, Gaur & Shinde 2006).

In the banking context, Matthews, Moore and Wright (2008) identify nine categories of switching costs that are largely based on the study of Burnham, Frels and Mahajan (2003). These categories are: i. the learning costs that include familiarisation with the new bank, its products and systems; ii. the search costs to find and evaluate most suitable alternative for switching; iii. the uncertainty about the new bank; iv. the benefit loss such as loss due to exclusion from reward scheme; v. the monetary loss for discontinuation of the old relationship and opening a new relationship; vi. the hassle or inconvenience of changing banks; vii. the loss of brand relationship; viii. the loss of personal relationship; and ix. the service disruption in the switching phase due to missed or delayed receipt or payment.

Malhotra and Malhotra (2013) study on US mobile banking consumers. Their study reveals that service consumers experience two types of switching cost/ barriers: i. hard lock-ins and ii. soft lock-ins. They conceptualise negative switching costs (financial/ monetary costs) as hard lock-in barriers and positive switching costs (relational costs) as soft lock-in barriers. The researchers argue that hard lock-ins create spurious loyalty among the consumers due to the high penalties for leaving contracts, while soft lock-ins create relationally loyal consumers through creating affective bonds. Malhotra and Malhotra (2013) argue that consumers feel an asymmetry of power and feel helpless when locked in long punitive contracts obligated by the providers. They explain the consumer psychology with the concept of 'grudge holding' situation, where the consumer feels

victimised and develop negative emotions against the provider (Bunker & Ball 2008; Malhotra & Malhotra 2013). This results in decreasing interaction with the current provider and eventually results in high propensity to switch. Hence, positive or soft lock-ins are more desirable than hard lock-in switching costs when it comes to increasing consumer retention and competitive advantage. The researchers conclude that:

Further, based on the “grudge-holding” behaviour (Bunker and Ball, 2008), our research shows that there is a sign that “negative” switching barriers may be having a contradictory effect – rather than increasing customers’ intention to stay, such barriers maybe increasing customers’ “retaliatory intention” to switch at the next most convenient/feasible time (Malhotra & Malhotra 2013, p. 21).

Demographic factors and switching cost perceptions

Foscht et al. (2009) have studied the switching behaviour of some Austrian respondents of Generation Y (born in between the years 1982 to 2001). The study implies that between the ages of 10 and 14, bank customers are the most satisfied. With the growth of age, dissatisfaction arises. However, loyalty diminishes faster with age than satisfaction (Foscht et al. 2009). Their study result clearly indicates people are more prone to switching banks as they grow older. Similarly, Tesfom and Birch (2011) have studied the influence of switching barriers on bank consumers of different age groups. The results reveal that younger and older bank consumers differ significantly in their perception of switching costs. The younger the customer is, the higher the perceptions of alternatives’ attractiveness and hence, the lower the perception of switching costs.

Tesfom, Birch and Culver (2016) have studied the influence of paradigm shifts in US mobile phone services (from ‘contract’ plans to ‘no-contract’ plans) on consumers switching behaviour for varying age groups. The results of this study reveal that younger mobile phone consumers perceive higher level of relationship benefits and hence, the perceptions of switching costs vary with the differential age groups. These findings indicate that consumers’ switching behaviour also vary with the variation in demographics. Colgate and Hedge (2001) conclude that young, high income and high educated end of bank consumers switch more than the other consumer ends. Clemes, Gan

and Zhang (2010) claim that in addition to these factors, other demographic factors such as gender, race and occupation have impact on bank switching behaviour of consumers. In the context of mortgage switching, Brunetti, Ciciretti and Djordjevic (2016) have established that household size, marital status, education and financial literacy has a strong influence on bank switching decision.

2.5.2.5 Switching experience

Matzler et al. (2015, p. 119) have described the switching experience as ‘a widely neglected antecedent’ which has a negative influence on relationship satisfaction. When consumers possess comparatively higher degree of switching experience, they tend to develop less satisfaction with the current service provider (Matzler et al. 2015). The reasons explained are that consumers with more switching history take less time to develop a relationship bond with the provider, hence they do not accumulate sufficient amount of benefits with a single provider and cannot perceive the service uniqueness (Burnham, Frels & Mahajan 2003; Matzler et al. 2015).

Switching experience is defined as “the extent to which customers have switched between providers in the past (Burnham et al. 2003)” (Matzler et al. 2015, p. 118). Such an experience is described in terms of the ‘breadth of prior experience’ with each certain provider (Fornell 1992) in addition to the number of switches within a certain period (Nilssen 1992). Since switching experience decreases the perception of ‘uniqueness’ of the present provider, it positively influences switch-proneness of consumers (Burnham, Frels & Mahajan 2003).

It is well-accepted that financial services (such as, financial planning services) are technically complex and highly customised; that they are positioned solely at the ‘services’ end and are endowed with properties of ‘credence’ goods (Sharma & Patterson 2000). This results in difficulty and lack of confidence among consumers to instantly compare the financial service performance for switching purpose (Sharma & Patterson 2000). In this backdrop, prior switching experience acts as a moderator between service satisfaction, trust and commitment because less experienced clients struggle to assess the service performance/ outcome (Sharma & Patterson 2000). Higher level of switching

experience derives lower level of perceived switching cost as the consumer becomes familiar with the process of switching and the service usage of alternative providers (Burnham, Frels & Mahajan 2003; Nilssen 1992).

In context of financial services, Sharma and Patterson (2000) describe the ‘product-norm experience’ as the knowledge and information of product performance, which the consumer has already acquired from previous provider relationships. This ‘product-norm experience’ is described in terms of ‘width’ and ‘depth’, where ‘width’ refers to number of brands experienced in the same product category, and ‘depth’ refers to number of usage of each brand. Consumers develop this service performance norm (which means average performance standard of a typical service) from their accumulated experience, as well as from their general knowledge of financial services (Sharma & Patterson 2000). Therefore, inexperienced clients rely on trust, whereas experienced clients can confidently assess the service due to an already developed service-norm from prior experience.

Experienced switchers might seem to exhibit a higher level of relationship bond if their wide array of experience assesses the service as satisfactory. In fact, when the consumers gather more experience of the same services of different providers, they develop high standards to arrive at the judgement of satisfaction. Similarly, they tend to be more demanding as a result of higher knowledge of service performance (Matzler et al. 2015, Sharma & Patterson, 2000). Taking the view of ‘comparison-level theory’ (by Thibaut & Kelly 1959), Matzler et al. (2015) argue that consumers develop their standard/ norm of relationship satisfaction, (which is their minimum expected service outcome) by using their experience of alternatives. There is a positive relationship between alternative experience and level of expectation, though there are contrary views relating to consumers who have experienced poor service performance (Matzler et al. 2015).

As consumers’ array of relationship experience widens, their knowledge and raises their standard of expectation, hence the risk of expectation disconfirmation becomes higher with the experienced switchers group. On the other hand, consumer’s long-term usage of the service of a single provider develops a greater relational bond of satisfaction, trust and commitment (Edward & Sahadev 2011; Polo & Sesé 2009). Frequent switchers, however,

do not get the opportunity to develop bonds, although their expertise of assessing service performance and different alternatives gets stronger.

2.5.2.6 Involvement

The root of involvement lies in social psychology, where attitude and associated change is explained with social judgement and involvement (Michaelidou & Dibb 2008). Originating from the literature of persuasive communication, involvement is defined as “the perceived personal relevance of a product based on the individual customer’s needs, interests, and values” (Shiue & Li 2013, p. 646). Scholars have viewed involvement as entailing an arousal or motivational state influenced by the level of personal relevance or importance of a product or service (Bennett 2001).

Csipak, Chebat and Venkatesan (1995) argue that consumer involvement in the purchase process of a service is higher, specifically when the perceived risk of the purchase is high. In this perspective, different types of services hold different levels of involvement. Consumers gain the motivation to process information from involvement (Bennett 2001). Involvement is the consequence of “the combined subjective assessments of motivation, ability and opportunity to seek access, interpret and evaluate task-relevant information” (Martenson 2005, p. 453). As per this definition, motivation, ability and opportunity to process information are important aspects of involvement (Martenson 2005).

According to Houston and Rothschild (1978), involvement has three typologies: i. external or situational (S); ii. internal or enduring (O) and iii. response involvement (R), which is well known as S-O-R paradigm in learning theory, representing ‘S’ for stimulus, ‘O’ for organism and ‘R’ for response (Arora 1982). The commonly agreed typologies are enduring or ego involvement and situational or purchase involvement, since response involvement is considered as the outcome of involvement (Michaelidou & Dibb 2008).

Situational or purchase involvement is a temporary mental state reflecting individual’s concern for a particular object, often expressed in the form of level/ degree of motivation or interest. Such involvement is a consequence of consumer’s risk perception (Michaelidou & Dibb 2008). Literature reveals that price, time or situation and complexity of product jointly impact purchase involvement (Houston & Rothschild

1978). Whilst purchasing a high involvement service, for example a home loan, the consumer's search for information is quite thorough, and this is because they want to make an appropriate financial decision. For these high involvement consumers, negative experience or dissatisfaction about the service acts as strong motivation for relationship termination/switching (Sanchez-Franco 2009). Therefore, research suggests that switch-prone consumers are more likely to exhibit a higher level of purchase involvement (Ganesh, Arnold & Reynolds 2000). Keaveney and Parthasarathy (2001), however, argue that highly involved consumers are more satisfied as they remain deeply engaged in the pre-purchase information search and deliberate decision making. Hence, involvement leads to greater commitment and less propensity to switch.

Conversely, ego or enduring involvement (also referred to as brand involvement) is not limited to a purchase situation; it relates to a consumer's self-concept, values and ego established on the brand (Ganesh, Arnold & Reynolds 2000). Therefore, feelings aroused by the brand are important in explaining consumer satisfaction and often have the potential to improve retention (Gan et al. 2011). Though familiarity with the service brand positively influences consumers' ego involvement, experience of dis-satisfaction can turn the positive element of self-definition (i.e., ego-involvement with the service) into a negative element; then eventually, the relationship terminates. Hence, ego-involvement can be considered more as a mediating factor in strengthening bank-consumer relationship, than as a predicting factor of determining the relationship quality (Sanchez-Franco 2009). Highly (ego) involved consumers have a lower propensity to switch, since their latitude of acceptance of a new brand is narrower (Michaelidou & Dibb 2009). Conversely, low (ego) involved individuals are highly receptive of new brands and therefore, are switch prone, as their latitude of acceptance of other brands are wider (Michaelidou & Dibb 2009).

Park and Mittal (1985) view involvement as a capacity of arousal which is motivated to attain some objectives, where such motivation may be twofold: i. cognitive and ii. affective. Cognitive motives are driven towards cost-benefit or functional performance-gain from the product or service. Affective motives, though, aim for symbolic benefits (ego or social status) from the use of the product or service. Their view explains involvement as an arousal which is objective oriented of a situation or object and this

view is in agreement with Rothchild's (1984) definition of situational involvement, but in contradiction with the traditional view of enduring (cognitive) involvement (Michaelidou & Dibb 2008). This view argues that involvement is closely associated with a particular situation, and hence it integrates individual with a situation as well with an object.

2.5.2.7 Customer expertise

In the continuum of personal (individual's internal mechanism to deal with a situation) and contextual (external environmental) factors, there are cognitive factors which shape an individual's input-processing and evaluation strategies (Tam, Bierstaker & Seol 2015). In marketing literature, the construct 'expertise' is explained as "the ability to perform product-related tasks successfully" where the term includes both the "beliefs about product attributes [and] decision rules for acting on those beliefs" (Alba & Hutchinson 1987, p. 411). Clearly, expertise is explained as a cognitive behavioural factor. In behavioural literature, expertise is defined as "an outcome of skill and knowledge acquired after years of training and practice" (Perrone 2004, p. 3).

Knowledge has two dimensions: i. objective knowledge and, ii. subjective or self-assessed knowledge (Park, Mothersbaugh & Feick 1994; Wirtz & Mattila 2003). Product information (such as beliefs and expectations) held in long-term memory is referred to as objective knowledge, though the quality of recalled memories has often been criticised. On the other hand, subjective knowledge reflects consumer's own perception of knowledge about a certain product. The deviation of knowledge in between the objective and subjective categories is higher in cases of credence goods or services (Wirtz & Mattila 2003). When the product is categorically complex to evaluate (such as financial services), consumers have little scope to learn from experience. Other than subjective and objective knowledge, the literature reveals that past experience, familiarity and expertise are dimensions of knowledge (Alba & Hutchinson 1987; Teichmann 2011), while expertise is also considered as an outcome of knowledge (by definition).

Tam, Bierstaker and Seol (2015) argue that expertise is conditional, and that it depends on the level of complexity of the task and whether a correct solution exists at all (such as

in the case of financial services). Consumers develop expertise as they proceed through five stages: novice, advanced beginner, competent, proficient, and expert (Tucker 2014). An individual's knowledge level is an important determinant of information search (Teichmann 2011). Non-experts tend to view the products non-analytically and rely more on recalling from memories or product familiarity rather than seeking possible new information (Alba & Hutchinson 1987; Taylor-West et al. 2008). Expertise is distinguished from mere experience or familiarity; it is explained as accumulated experience and knowledge (Reinders, Frambach & Kleijnen 2015).

Experts have greater levels of organised knowledge and therefore they perform the task-related activities better (Tam, Bierstaker & Seol 2015). Experts perform better in information search, measure the service performance more effectively and make their decision confidently. Moreover, consumer expectation of a product/service varies with the varying degrees of expertise (Reinders, Frambach & Kleijnen 2015). Though expectations may originate from either past experience, or through media exposure or word-of-mouth, the origination is different in the cases of experts as compared to novices. Service novices (non-experts) cannot discriminate between better and poorer services (Bell & Eisingerich 2007, Reinders, Frambach & Kleijnen 2015). Literature suggests that there are five dimensions of expertise: i. automacity (cognitive effort), ii. expertise in analysis, iii. expertise in elaboration, iv. expertise in utilising memory and v. familiarity (experience) (Alba & Hutchinson 1987; Kleiser & Mantel 1994; Teichmann 2011).

Jamal and Anastasiadou (2009) argue that customer segments vary in their level of expertise and as a result, their degree of loyalty also varies. Due to the high consumer expectation of expert consumers, the gap (disconfirmation) between pre-purchase expectation and post-purchase perception of service quality is higher in the cases of expert customers. It can be concluded that in the context of the financial services industry, customers' skill and expertise contribute to their understanding of the quality of service outcome (Bell & Eisingerich 2007; Jamal & Anastasiadou 2009). Due to possession of superior knowledge and experience, expert customers can sort out better alternatives through encoding information, can easily identify the categories and features of competing products. Hence, the expert consumers exhibit less dependence on current provider and consequently, have lower level of commitment (Chang et al. 2012). Therefore, expert customers are more prone to switching.

2.5.2.8 Familiarity

Knowledge has basically two components: i. familiarity (with the object) and ii. expertise (Alba & Hutchinson 1987; Martenson 2005). While expertise reflects consumers' understandings and problem-solving capabilities related to the particular product category (Martenson 2005), familiarity explains consumers' accumulated product related experiences (Alba & Hutchinson 1987). In service marketing literature, the concept of familiarity goes beyond product familiarity and explores its association with provider familiarity, even with cultural familiarity. The use of 'familiarity' concept as measure of a person's reported knowledge about an object is not, however, new in the service marketing literature (Martenson 2005).

Familiarity determines the degree of newness of an object to an individual. Involvement has some influence on familiarity, as well as on expertise (Taylor-West et al. 2008). Shehryar and Hunt (2005) argue that consumers' cognitive evaluation of product attributes and situational cues are influenced by categorical knowledge or familiarity while forming any behavioural intention. The level of familiarity in terms of 'product attribute knowledge' determines the amounts of attributes assessed by a consumer in the purchase evaluation process (Shehryar & Hunt 2005). Familiar or more knowledgeable consumers examine the array of available information on selective basis with a stronger understanding of relevant attributes (Cowley & Mitchell 2003). On the other hand, unfamiliar consumers depend on readily available product cues, which question the efficiency of the deal (Shehryar & Hunt 2005). A minimal familiarity is therefore crucial for making efficient purchase decisions.

Turning to a different context, familiarity with an object has the potential to extract consumers' affective response, where familiarity means repeat exposure to a stimulus which has the potential to draw favourable attitude (Patterson & Mattila 2008). Consumers commonly use affective feelings to base their cognitive evaluations. On this ground, Patterson and Mattila (2008, p. 663) conclude that: "people's service encounter evaluations are heavily influenced by their affective reactions (...) thus suggesting that familiar service providers are rated higher than their unfamiliar counterparts".

In the context of the financial industry, it can be argued that familiarity with relevant industrial issues such as financial reforms might influence a consumers' cognitive decision making in financial deals, as long as the reforms are relevant to the particular purchase situation. Some research undertaken on economic behaviour has manipulated economic data in order to measure consumers' knowledge on relevant financial reforms; and examines its relationship with consumer behaviour in deposit account switching (Inakura & Shimizutani 2010). Services marketing research, however, does not appear to contain any study that relates consumers' familiarity with reforms to bank switching.

2.5.2.9 Financial literacy

In behavioural finance literature, financial literacy is defined as "the competence to undertake rational, informed judgements pertaining to money management" (Nga, Yong & Sellappan 2010, p. 278). Worthington (2006) conceptualise financial literacy as financial awareness, which describes the ability of financial risk perception, knowledge of time value of money, and inflation. In Worthington's (2006) study, the concept of budgeting, knowledge of financial institutions' offerings and capacity to invest responsibly are considered to constitute consumers' financial awareness.

In consumer behaviour literature, however, consumers' financial literacy reflects their understanding of financial calculations at the very basic level, concerning the price-cost of contemporary consumer credits (Disney & Gathergood 2013). It has been demonstrated that consumers with superior levels of financial literacy diversify their investment portfolio across a number of banks (Disney & Gathergood 2013; Van der Cruijsen et al. 2011).

Describing financial numeracy as proficiency and expertise in managing financial matters, Huhmann and McQuitty (2009) conclude that poor financial numeracy is a result of an inability to process financial information or a failure to understand the financial concepts and lack of prior exposure to financial knowledge. Researchers attribute the reasons to complexity and heterogeneity of financial products, and also to high value, and the infrequent nature of financial transactions (such as mortgages) that makes experiential

learning next to impossible (Harrison, Waite & White 2006; Nga, Yong & Sellappan 2010).

There is, however, little evidence in the relevant literature that shows that financial consumers have a reasonable or satisfactory level of financial awareness/ literacy/ numeracy. Huhmann and McQuitty (2009) argued that numeracy in finance is declining worldwide in spite of the nations' increased efforts to improve in the area. Though the conceptualisation of financial literacy differs, the results remain the same across the studies. Global evidence shows that consumers' understanding of basic financial issues are lower than expected (Lusardi & Mitchell 2014; Zahirovic-Herbert, Gibler & Chatterjee 2016).

While it appears that participants in the consumer credit market would have a stronger understanding of the terms and prices of credits, empirical research has demonstrated that the participants have exhibited a poorer level of financial literacy, i.e. they demonstrate illiteracy when compared with the non-participants. These consumers "are less likely to engage in basic behaviours which would improve their search for products and information..." (Disney & Gathergood 2013, p. 2247). Duca and Kumar (2014) argue that financially illiterate consumers have less awareness about the requirement of rebalancing their mortgage portfolios. Therefore, these consumers exhibit a lower motivation to asset diversification and they pay higher price for a given asset (house) due to their lower bargaining power when compared with financially expert/ sophisticated buyers (Mouna & Jarboui 2015).

In the context of finance theory, rational and informed investors diversify their portfolio regardless of their level of risk aversion, given that this level of diversification varies depending on investors' competence (Mouna & Jarboui 2015). Therefore, it is plausible that illiterate consumers cannot exhibit rational choice as they are less informed and less competent to behave in a financially responsible manner. Having a limited number of banks in their portfolio, illiterate consumers ignorantly chose less efficient financial deals. Research has established that a high level of financial literacy leads to relationship stability and that it has strong negative influence on consumers' propensity to switch banks (Brunetti, Ciciretti & Djordjevic 2016). This reveals that financial literacy

enhances consumers' knowledge internalisation about competing financial products, and it facilitates expert decision making for an individual's overall financial well-being.

2.5.3 The underlying process of service switching

In addition to the antecedent factors, it is also important to identify and understand the process that determines switching (Lopez, Redondo & Olivan 2006). Since switching reveals a decrease in value for long-term contractual services (such as, financial services), understanding the 'process of switching' is helpful for customer value creation and retention (D'Alessandro et al. 2015; Lees, Garland & Wright 2007). Hence, two process models of switching are presented next.

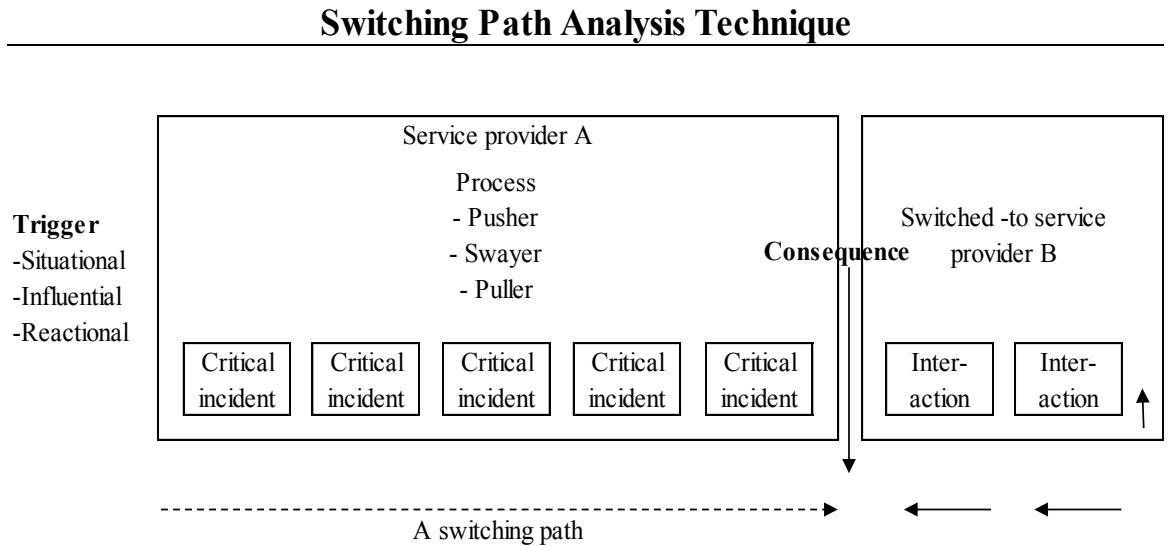
2.5.3.1 The SPAT model

Proponents of RM view relational aspects in value. They do this because the perception of value is often influenced by the total relationship context. This means that consumers not only evaluate the service, but also account for their relationship with the provider (Ravald & Gronroos 1996). In this regard, Ravald and Gronroos (1996, p. 23) propose a holistic view rather than the episodic view of service-only value, which they describe as a "total episode value." This 'total episode value' includes both episode value and relationship value. Roos (1999) views the provider-customer relationship as a context which is a collection of episodes (exchange events) and the episodes are again viewed as collection of single numerous acts. To clarify further, an 'episode' is defined as an event of interaction characterised by a complete exchange process. With this view of total episodic value of RM, Inger Roos (1999) proposes a holistic model (Figure 2.5) to explain service provider switching, named as SPAT (Switching Path Analysis Technique).

Literature on service failure and recovery emphasise that analysing and learning from the cases of defections can provide a more meaningful way of addressing the service failure issues (Piha & Avlonitis 2015). In this aspect, CIT or Critical Incident Techniques (used by Keaveney 1995) is a useful tool to grasp the know-how of switching process. SPAT is said to be a recent development of CIT (Selos et al. 2013). SPAT extends CIT to the critical path analysis technique (CPAT) in a sense that it integrates the in-switching

(switched to) and out-switching (switched from) events in exploring the typical consumer's switching path or the total process of switching.

Figure 2.6: The SPAT model of Roos (1999)



Source: Roos (2002, p. 196)

In SPAT (Figure 2.6), the consumer switching process is explained in terms of critical incidents where triggers and determinants exist for switching to happen (Roos, Edvardsson & Gustafsson 2004; Roos & Gustafsson 2011; Selos et al. 2013). Switching stimuli are referred to as 'triggers'. Triggers might be reactional (and relate to relationship issues), situational- (which might relate to consumers' life circumstances), or influential (which might relate to market activities) (Roos 2002). The switching process proceeds through the switching path by acquiring its motivation and direction from these triggers.

The SPAT process also includes some switching determinants: pusher, puller and swayer determinants. 'Pusher determinants' are customer-defined reasons for switching, examples of which might be price, range of products, policy of the provider and system failure. 'Swayer determinants' are positive or negative factors that are responsible for expediting or delaying the switching process. Some examples of swayer determinants are service personnel, location, habit, and queuing. The factors those bring the switched customer back to the previous provider are referred as 'puller determinants'. These factors explain the cases of partial switching, such as the cases in retail banking services. Some

examples of puller determinants are location, product range and variation, service, and policy.

The SPAT enables an understanding of the situation and context of consumer's (left-over) relationship; and provides a clear rationale to determine the criticality of the incident in causing the switching (Roos 2002). SPAT also enables an understanding of the overall switching process by including the relationship conclusion with the past-provider and then introduction with the new-provider, where both the providers take part in the critical incident and consumers' considerations and choices are described in the process in a step-by-step manner (Selos et al. 2013). This has been widely used across the services industries, including supermarkets, banking, telecommunication, insurance, and the home-mortgage industries (Roos & Gustafsson 2007; Roos, Gustafsson & Edvardsson 2006).

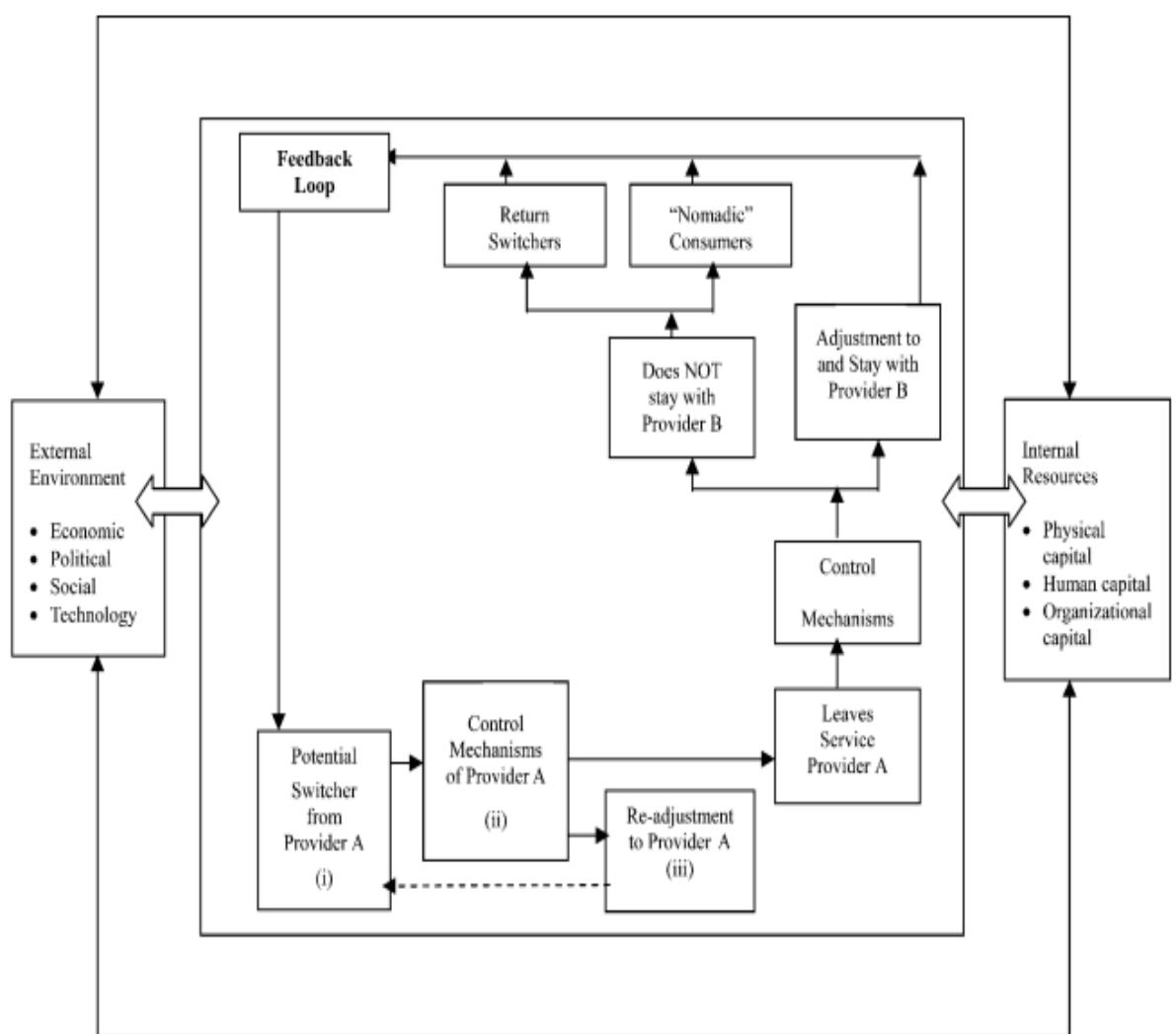
2.5.3.2 The GST model

The **General Systems Theory (GST)** has been proposed by Njite, Kim & Kim (2008) in conceptualising powerful customers' switching in hospitality industry. The pioneers of GST theory state, "GST implies an interrelationship and an interdependence of objects and their attributes (...) also implies holism, goal-seeking, a transformational process, inputs and outputs, entropy, regulation, differentiation, equi-finality, and multi-finality" (Njite, Kim & Kim 2008, p. 200). These authors conceptualise switching as the movement of consumers from and to the service providers to improve their financial circumstances (Njite, Kim & Kim 2008). The theory has originated from Bertalanffy's (1955) systems approach that posits "each identifiable component is related to other parts" (Njite, Kim & Kim 2008, p. 200). This is a modern development of German Philosopher Hegel's work (1770-1831). The General Systems Theory (GST) of switching proposes a holistic or unified approach where both switched to and switched from factors are considered and analysed simultaneously as a part of the interrelated system (Figure 2.6). The theory thereby provides a functional view of the switching system.

GST treats the switching process as part of a larger system, and it does this to enable the examination of complex issues. GST is the first switching model to incorporate macro-

factors from the broader environment, such as political, economic, social and technological factors along with the provider-consumer factors. It proposes that the external factors are related to providers' internal factors and both factors are proposed as independent variables. Additionally, switching costs as independent variables are proposed to act as control/ regulatory mechanism in the system. Finally, switching (to new provider) or switching back (to original provider) is treated as dependent variables in the model.

Figure 2.7: The GST Model of Njite, Kim and Kim (2008)



Source: Njite, Kim & Kim (2008, p. 201)

GST model (Figure 2.7) of switching includes some basic elements, such as the consumer, the regulatory mechanism of switching (captured mainly in the form of switching costs),

the external environment, the provider with its internal resources, and the feedback loop. The feedback loop includes ‘switchers’, who “become a source of information, both to the ‘switched from’ and ‘switched to’ service providers” (Njite, Kim & Kim 2008, p. 205). Therefore, switchers have implications for the rest of the consumers and the providers as the feedback loop.

The GST model enables us to comprehend switching as an exchange and interaction process with the greater external environment. Here, the external environment includes the market and its competitive environment, the social, political and regulatory environment, and the technological changes. The consumer, as well as the whole switching process, are said to accept input/ information/ motivation from the macro-environment. Subsequently, the environment also is influenced by the elements (providers, consumers) of the system. The GST theory, however, posits that the external environment and the internal resources of the provider interact together in determining behavioural outcomes, ranging from retention to switching behaviour. In this spirit, the researchers conclude that providers can obtain a competitive advantage by offering greater economic value for its consumers compared to competitors; and thereby prevent switching and profitably retain their customers.

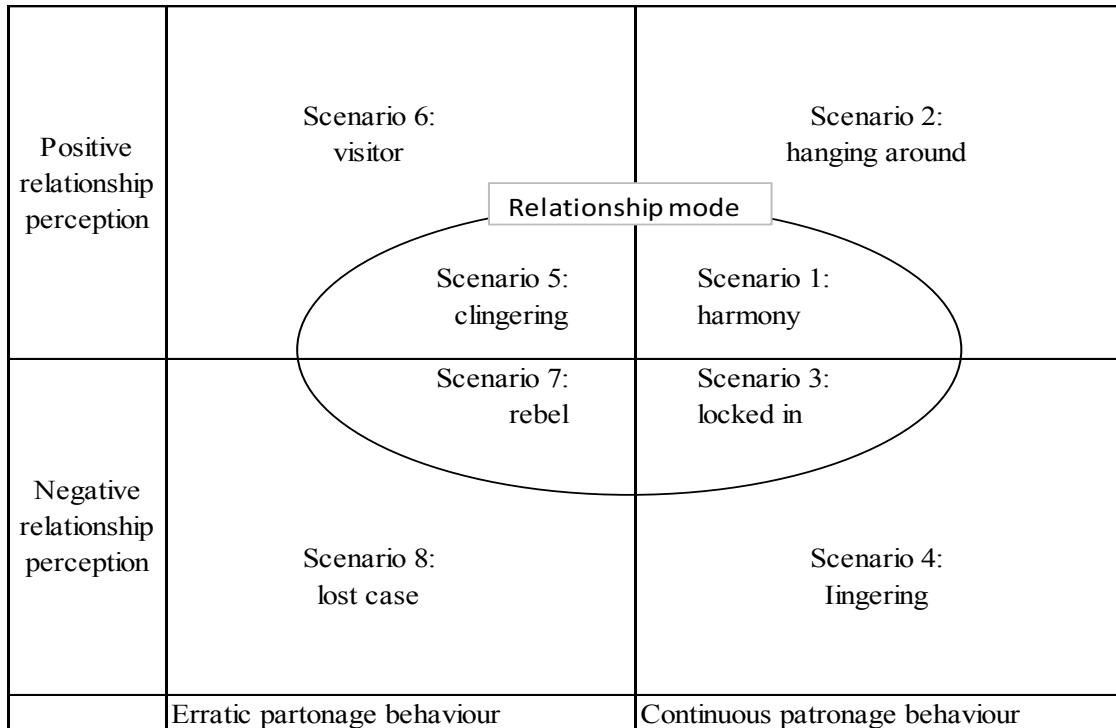
2.6 Relationship status: the pre-condition of switching

Switching can be understood as the conclusion of a relationship with one provider and the start-up of a similar relationship with another provider (Vyas & Raitani 2014). Therefore, the status of current provider-consumer relationship is important to ascertain, as this describes the perspective of switch-prone consumers, their relationship stability, and the background of possible behavioural intentions

Wagar et al. (2012) views relationship stability from phenomenological perspective and provide the ‘blind spot’ framework in a diagram (Figure 2.8), which is a comprehensive explanation of provider’s different possible relationship modes. ‘Blind spots’ remain as obstacles for the provider to understand the actual status of their customer’s relationship

stability (Wagar et al. 2012); therefore, it is likely that most of the switching happens at these points.

Figure 2.8: The blind-spot scenarios



Source: Wagar et al. (2012, p. 156)

In the ‘blind spot’ framework (Figure 2.8), scenario-1 is named as ‘harmony’. ‘Harmony’ denotes a strong relationship bond and retention, where the customer is active and positive in the relationship interactions. Scenario-2 is known as ‘hanging around’, and reflects also a positive relationship, but is weak in bond and implies a passive (inactive) customer. Scenario-3 shows ‘locked-in’ situation where the customer looks strong/ active in the relationship, however contains a negative perception about the relationship. Such consumers may eventually exit with strong voice. Scenario-4 is referred to as ‘lingering’, and this is where the relationship bond is weak, and the consumer is passive in relationship patronage. During this stage, the consumer perceives the relationship as negative, though the provider cannot notice this negativity. These are highly switch-prone consumers waiting for better opportunity but not actively searching for options. Scenario-5 is referred to as ‘clinging’, and indicates those consumers who just continue the relationship for some reason as they have to. Scenario-6 denotes customers with variety seeking behavioural tendency and no long-term commitment. Scenario-7 refers to the

rebel customers who continuously spread negative-word-of mouth while remaining in the relationship. Finally, scenario-8 denotes lost-case consumers who have negative relationship perceptions, weak bonds, and who feel a sense of indifference towards the provider.

The aforementioned relationship modes help us to understand the backdrop of consumers' switching intention. Harmony scenario (1) represents the ideal relationship status where the propensity to switch is very narrow. The hanging around (2), lingering (4) and visitor (6) customers are susceptible to alternative attractions. Conversely, locked-in (3) and clinging (5) consumers remain committed to the provider because they feel that the switching cost will be high. Finally, Rebels (7) and lost cases (8) are examples of consumers who are most likely to switch providers. The provider has the scope to strategically address these customer groups for retention and minimise switching.

In the context of consumer banking, the study of relationship stability is particularly important as BIS (Bank for International Settlement) liquidity requirements (Basel III Accord) account for bank-consumer relationship stability. A deposit is considered stable when the depositor has "other established relationships with the bank that make deposit withdrawal highly unlikely" (BIS 2013, paragraphs 74 & 75). Hence, the status and stability of the bank-consumer relationship can predict the consumer's propensity to switch providers in the foreseeable future. Modern banks capitalise on relationship status and build relationship stability through relationship marketing strategies (Laksamana et al. 2013).

Debling (1999), however, argues that retail consumers intentionally maintain a ceiling of exposure with a particular financial institution. There are also arguments to the contrary. Lees, Garland and Wright (2007) argue that the majority of consumer expenditures in the subscription market (such as mobile, internet, or banking services) are directed to a single brand. These researchers argue that "consumers show sole loyalty and share of requirements to be in the region of 80-90 per cent for credit cards and around 50 per cent for retail banking (with its multiple banking products) in Australia and New Zealand" (Lees, Garland & Wright 2007, p. 147).

2.7 Consumer switching behaviour in banking industries

Since the publication of Keaveney's (1995) paper, the financial sector has become very competitive with the advent of technology and regulatory reforms. These reforms have had an increasingly strong influence on bank switching (Clemes, Gan & Zhang 2010). Keaveney's (1995) service-switching factors cannot be generalised to describe switching behaviour in the banking services (Clemes, Gan & Zhang 2010; Grace & O'Cass 2001). Moreover, it is now well-recognised that provider's macro-market performance, with respect to fairness, transparency and competitiveness in the industry, has a significant impact on switching behaviour (D'Alessandro et al. 2015).

During the post-deregulation era of the mid-1980s, the retail banking market became very competitive as consumers started to seek out price adjustments or utility maximisation. In this context, Lees, Garland and Wright (2007) adopted consideration set formation theory and applied it in Keaveney's (1995) eight-factor framework of service switching to study the switching behaviour in New Zealand retail banking industry. These researchers applied Keaveney's (1995) framework into a broader three-factor framework of bank switching, where utility maximisation (such as, better price and competitor's offers), expectation disconfirmation (such as, core service failure), and stochastic reasons (such as, inconvenience and involuntary switching) were taken into account.

Mavri and Ioannou (2008) obtained a data set of 350 customers from a European Financial Services company (with 45 per cent having the switching experience) to investigate the bank switching behaviour in Greece using Proportional Hazard Models (PHM, originally proposed by Cox & Oakes 1984). This research shows that there are six independent variables in predicting switching- gender, bank's credibility, customer satisfaction, service quality, interest rates and education level. The study concludes that better service quality and bank's credibility (brand name) can reduce switching behaviour, with demographic factors (gender and education) having impact on switching.

Clemes, Gan and Zhang's (2010) study focuses on the Chinese consumer banking industry. The study concludes that the antecedents of Chinese consumers' bank switching are: price, reputation, service quality, effective advertising, competition, involuntary

switching, distance, switching costs, and demographic characteristics (age, income, education, occupation).

In the context of the Indian banking industry, Kaur, Sharma and Mahajan (2014) identify that banks' core service performance, customer value, satisfaction-trust-commitment (relationship quality issues), responses to service failure, price perceptions and switching costs (and barriers) are the main predictors of consumers' switching intentions. These researchers identify two groups of loyal consumers, which are, 'loyal stayers' and 'spurious stayers' (p. 75). Spurious stayers do not perceive that they are receiving better economic value from their main bank (Kaur, Sharma & Mahajan 2014, p. 82). Although these consumers seem to have very low switching intentions, this is attributed to certain switching barriers in the Indian banking industry.

Walker and Thaqafi (2015) study the switching behaviour of a potential high-income demographic group (tertiary students) in the New Zealand banking industry. They applied Keaveney's (1995) framework to investigate the possible behavioural intention and subsequent impact of applying CRM (Customer Relationship Management) to retain these consumers. Their study identified pricing of the banking products as the primary precondition to prevent switching. The study also found that the banks' customer service, online service, ethical business conduct and positive word-of-mouth (of fellow consumers) were highly important. CRM, however, still proved to be effective in preventing switching, even in influencing consumers' positive change of mind.

In the context of the Ghanaian banking industry, Narteh's (2016) study concludes that fairness in terms of price, interaction, procedure and service outcome play a crucial role in determining the behavioural intention (switching or staying). In terms of bank switching determinants, Narteh's (2013) study identifies that banks' failure to appropriately price their services and to ensure smooth electronic banking services are the main reasons, along with other service failure issues identified by Keaveney (1995). Bansal and Taylor (1999) theorise service consumers' switching behaviour based on TPB (Theory of Planned Behaviour), where they examine the switching behaviour of mortgage consumers in Canada. In the 'Service Provider Switching Model' known as SPSM, they

identify service quality, perceived relevance, social norms, attitude towards switching, satisfaction and perceived switching cost as the antecedents of bank switching.

(Kiser 2002a) studied the relationship between household switching cost and their decision to switch banks using US panel data of 1500 households. US households' home-ownership was found to be an especial predictor of relationship continuity with banks due to 'lock-in' effects of home mortgage contracts.

Pick (2014) undertook a content analysis of switching messages (communicated by banks) in UK retail banking industry, where government regulations required banks to expedite the switching process and increase the switching rate (Pick 2014). This study was theoretically built on Burnham, Frels and Mahajan's (2003) eight typologies of perceived switching costs. Pick (2014) grouped these costs into three categories: relationship barriers, process related barriers, and outcome/ consumer characteristics barriers. Regarding the communication of switching costs by the competing banks, the study reveals that only 21.1 per cent banks communicated that switching was free-of-cost, and the reason mentioned was preventing banks' own customers from switching to other banks.

In the context of the Japanese financial system, Inakura and Shimizutani (2010) studied consumers' deposit switching behaviour in the period between 1996 and 2001. They matched survey data on households with banks' financial data to investigate consumers' response to bank risk (to fail) and various deposit insurance schemes against the backdrop of changing policy in promoting market discipline. Inakura and Shimizutani write:

Bank switching in response to risk increased between 1996 and 2001 and households' choice of bank adequately reflects banks' financial health. We also examine the determinants of households' knowledge of the deposit insurance scheme and how this affects switching behaviour. The results suggest that depositor discipline works and could play an important supplementary role in bank monitoring (Inakura & Shimizutani 2010, p. 3401).

Brunetti, Ciciretti and Djordjevic (2014; 2016) investigate the household consumers' bank switching behaviour in Italy. They use the survey panel data of Bank of Italy for the

2006-2012 period. The researchers identify three relationship aspects to have critical roles in switching decision: i. exclusivity of the relationship (i.e., the use of a single bank as opposed to using multiple banks); ii. intensity of relationship (i.e., the number of services used from a bank); and iii. scope of relationship (i.e., categories of services used from a bank). However, the researchers state that consumers' (both) availing of and paying out home mortgages strongly predict their bank switching intention. Additionally, they mention that mortgage consumers' level of education and financial literacy influence their choice of bank and propensity to switch. In this regard, they write:

We also find robust evidence that risk preferences, mobility and economic condition of the household do not affect the propensity to switch, whereas education and financial literacy do matter for this decision, albeit with opposite effects (Brunetti, Ciciretti & Djordjevic 2014, p. 1).

2.7.1 The distinct nature of financial consumers' switching

The new generation banking customers have been characterised as hands-on and mistrustful (Hedley et al. 2006). This is reflected in the fact that US banks have been experiencing 30% defection rate in recent times. Research has shown that more than 30% consumers of top 10 US banks believe that "their bank does what is best for its bottom line at the expense of customers" and they hardly believe that "banks act in their best interest" (Hedley et al. 2006, p.52). However, consumers of retail banking services have a contractual and relational bond with the banks (Colgate & Hedge 2001). Contractual bond creates economically obligated relationships, whereas relational bond potentially results genuine loyalty and switch aversion (Beckett, Hewer & Howcroft 2000).

Moreover, as the banks operate within a range of services, consumer value creation becomes crucial for cross selling (Verhoef, Franses & Hoekstra 2001). As argued by Verhoef, Franses and Hoekstra (2001), bank consumer value is the result of three factors: length of relationship with the provider; service usage or depth of relationship; and the variety of service purchased from the same provider or breadth of relationship. This multi-faceted aspect (length, depth and breadth) of the relationship is a typical characteristic of the consumer banking industry (Brunetti, Ciciretti & Djordjevic 2016; Lopez, Redondo

& Olivan 2006; Verhoef, Franses & Hoekstra 2001). This aspect makes the prediction of switching more complicated.

When explaining bank switching, researchers have reached a consensus that switchers may, or may not close the old bank account (Lees, Garland & Wright 2007; Matthews, Moore & Wright 2008). In the banking context, when customers forsake one bank for another, often it is partial defection rather than total, and this is highly difficult to identify (Colgate & Hedge 2001; Siddiqui 2011). To have the old bank on the relationship list opens up the possibility of consumer's reconsideration of the previous bank (Lees, Garland & Wright 2007). This suggests that in the context of banks, the study of intention or propensity to switch is more important than the study of the resultant behaviour.

The behavioural outcome of switching can be detected in most instances, but detecting the intention of switching is problematic. Garland (2002) reports on a study conducted by Danenberg and Sharp (1996) on the South Australian bank consumers. The researchers (Danenberg & Sharp 1996) studied the bank consumers' switching intention using the 11-point Juster's probability scale (Juster 1966). Where the expressed switching intention was 9.6 per cent, the actual switching rate was 2.6 per cent at the end of the period. The same researchers' study in 1999 showed a 9 per cent switching intention followed by an actual switching behaviour of 6 per cent (Danenberg & Sharp 1996; Garland 2002). In a similar example, Garland (2002) mentions about Colgate's (1999) study on the New Zealand bank consumers. The author's (Colgate 1999) study on switching behaviour reports annual bank switching rate of 4 per cent (at actual) in New Zealand, whereas the expressed switching intention of the retail bank consumers was 15 per cent.

2.7.2 Switching behaviour and financial industry competitiveness

In retail settings, diversification and differentiation is a common phenomenon in addressing intense competition in the supermarket and hypermarkets. The dominant brands cater to the needs of variety of consumer segments under different service settings to ensure convenience (Amorim & Saghezchi 2014). Consumer-centric regulations induce market competition, and the banks expand their product portfolio in responding to consumers' choice rather than joining in price battles (Debling 1999).

As a result of the above factors, many of the financial intermediaries have turned into financial supermarkets where consumers can have one-stop service experience for convenience of service shopping. In addition to regulation, development of information technology intensified today's market competition (Chiang & Chen 2014). Consumers go through a post-purchase cost-benefit analysis of staying versus switching even when they consider the adoption of an innovation (Chiang & Chen 2014).

Intense competition resulted in higher switching rate across the consumer finance industry; as a result, retention schemes and cross-selling have become common attempts to sustain profitability in banks (Beckett, Hewer & Howcroft 2000; Laksamana et al. 2013). Banks are also threatened by the non-bank financial organisations with strong brand positioning who are basically diversifying retailers having strong base of consumer information (such as, Coles Insurance and Toyota Finance). Competition in the financial market stipulates consumers' needs and demands for service customisation and hence works as a positive force for bank switching behaviour. Switching is a consumer decision given that switchers are empowered by knowledge and options in finding a better service solution (McClymont et al. 2015). Consumer empowerment can be primarily attributed to the enormous growth of information technology and free gateway to online activities. In the European and US retail market, growth rate of online sales is exceeding 10 per cent a year, which led some giant retailers (such as Woolworths UK) to expand their online services and convert into fully-online business (Bijmolt, Huizingh & Krawczyk 2014). Chiang and Chen (2014) argue that information gathering or searching occupies 20 per cent of total online activities of consumers. Therefore, the technologically globalised market facilitates financial consumers to compare and evaluate available alternatives (Lymeropoulos, Chaniotakis & Soureli 2012).

The strategic imperative in dealing with the modern financial consumers is to optimise the potential of each relationship (Hedley et al. 2006). The latest services marketing concept of 'customer needing' provides meaningful directions for overcoming the strategic myopia existing across the industry. The present competitive scenario demands focus on long term sustainability and cooperative synergy around the entire system (Wongsansukcharoen, Trimetsoontorn & Fongsawan 2015). Regarding the

competitiveness of Australian Financial Industry, the Centre for International Finance and Regulation (CIFR) concludes that:

Based on the H-Statistic for 2010, it could reasonably be concluded that: the US has a more competitive banking sector than the UK; and that Australian banking competitiveness lies between the UK and the US at a level that is comparable with the Euro Area and the world as a whole (CIFR 2014, paragraph 26).

A brief discussion is provided next on Australian banking industry. This discussion includes further details about the industry competition.

2.8 A brief scenario of the Australian financial industry

The Australian financial industry is no exception in exhibiting the recent trends to serve the highly informed and demanding consumer base. Due to the highly concentrated nature of the industry, a number of mid-tier banks and finance institutions are facing the challenges from big corporate giants. The industry policymakers are maintaining the ‘big four-pillar policy’ to defend the bargaining power of consumers and preclude merger among the major banks (Moradi-Motlagh & Babacan 2015). The big four industry leaders are characterised as proficient innovators in tying together the product, service and process in meeting the consumer needs. The next discussion on Australian banking industry leads to the focal point of the research being undertaken in this thesis.

2.8.1 Evolution of the Australian banking industry

The Bank of New South Wales (the historical root of today’s Westpac Bank) was the first bank of Australia. This bank opened in 1817 with the main purpose of issuing currency. Gradually several banks started operation around the continent with the rise in demand for commercial banking, especially as a consequence of the 1850s Gold Rush (*InFinance* 2011). The 1890s’ depression, though, caused demise or consolidation of many banks, which reduced the number of industry participants (from more than 40 banks to only 9 banks). In 1911, Commonwealth Bank was established by the Government to improve industry competition (Senate 2011). The Commonwealth Bank gradually took over several state-owned savings banks, and on most occasions, started playing the roles of a

central bank (despite not being so) while competing with the private banks at the same time. As a result of complaints against this dual role played by then-Commonwealth Bank, the Reserve Bank of Australia was opened in 1960.

Until the 1950s, no new emergent bank was observed in the Australian banking industry. Rather, merger and acquisition continued. By 1955, the big four banks were marked for nearly two-thirds of the market share (Senate 2011). They also became the prominent home mortgage providers in the Australian consumer market. The Banking Act 1945 (which resulted from wartime controls on banks) caused a reduction in market competition due to controls on interest rates and payments. Banks tried to cope using their non-bank establishments, such as mutual funds, credit unions and finance companies to meet the industry demands, especially for personal lending.

Beginning in the 1980s, the Australian financial system was gradually deregulated. Innovative banking technologies such as ATMs and EFTPOS were introduced. Interest rate controls were removed. In the mid-1980s, some foreign conglomerates gained access into the Australian market, though they were ultimately unable to survive. Therefore, a reduction in concentration due to industry deregulation did not persist for long in Australia. According to the *Senate Economic Reference Committee* (2011) report, the big four banks were leading the Australian banking market with three quarters of the market share.

2.8.2 The banking industry scenario in Global Financial Crisis (2009)

For both developing and developed countries, respective governments had the highest influence and control over the financial sectors prior to the 1980s (Abiad, Detragiache & Tressel 2010). Empirical studies establish that better growth of the economy is aided by a well-structured financial sector (Levine 2005). Levine's study (2005) on the relationship between financial development and economic growth concludes that finance influences economic growth by ensuring better availability of the external sources of funding, i.e., capital and credit allocation. Although oversupply of credit unmatched with capital and risk allocation in a single economy may bring devastating consequence to the world economy. The strongest example of this is the Global Financial Crisis (GFC) of 2009.

The global GDP (gross domestic product) had shrunk by 2.2 per cent during 2009 as a consequence of the GFC (Pais & Stork 2011). Economists and regulatory authorities worldwide now express significant concern regarding the sustainability of high level of debt in a single economy at any given period of time.

It has been argued that the 2009 GFC was an outcome of regulatory failure in maintaining the stability of the financial system and consumer protection (Akinbami 2011). Further claims apply to financial institutions, especially in dealing with consumer finance products (such as aged pensions and mortgages). Originating from the US subprime mortgage market, the GFC affected many economies (such as US, UK, Germany and few more European economies) around the world except Australia. The major four Australian banks were actually listed in the world's top 10 safest banks in 2009. APRA (Australian Prudential Regulatory Authority) claimed this credit, for its quality risk-based supervision through stress tests on housing portfolios and documentations of Australian banks in the pre-GFC periods (Pais & Stork 2011). This claim was further supported by Ken Henry (2013) (Ken Henry: the former Australian Treasury Secretary: 2001–2011) when he stated that Australia emerged from the GFC relatively unscathed because of its high standard of banking regulations, not for the concentrated market structure, which contributed to stability.

According to Australian economists Allen and Powell (2012), the major Australian banks had static AA rating in the GFC period (mid 2007 to 2009) which is a relative risk rating; neither has it reflected the default risk, nor the credit Value at Risk (VaR). In their opinion, Australian banks' value of impaired assets and provision for loss exhibited a sudden increase during the GFC period. This increase led to a drastic fall in the share prices of six largest Australian banks during the 2007-2009 period. This indicates that Australia was not an isolated case and the Australian Government therefore needed to take parallel measures in line with international governments to retrieve investors' confidence in the banking industry after the GFC.

2.8.3 The post-GFC scenario of Australian banking industry

Hinchliffe (2009, p. 21) suggests some emerging competitive trends in post-GFC Australian banking sector, which are: i. ‘a ‘back-to-basics’ approach to banking with focus on customer needs’; ii. An ‘increased emphasis on pricing for risk’; and iii. ‘more intensive management of capital and liquidity’. Australian banks are exhibiting more spending in branch expansion and frontline service to improve process efficiency, which is the centre point of post-GFC competition. Understanding consumer needs and balancing between the retail lending and deposit receives premium attention across the retail banking sector in Australia. This is a result of the lessons learned during the crisis which flagged the danger of oversupply of credit and pricing without risk recognition (Hinchliffe 2009).

As of 25 May 2017, there are 33 Australia-owned banks, 7 foreign subsidiary banks, 43 branches of foreign banks, 4 building societies, 55 credit unions, 6 other authorised deposit-taking institutions (ADIs), 1 provider of purchased payment facilities (PayPal) and 3 authorised non-operating holding companies operating in the present financial industry of Australia (APRA 2017). The aftermath of the GFC in the Australian banking sector may be pointed out with some notable transactions, such as merger and acquisition of St. George Bank and RAMS (non-bank) with Westpac Banking Group; Bankwest and Aussi Home Loans (non-bank) with Commonwealth Bank, Aviva Goldman Sachs JBWere with NAB, along with numerous mergers of credit unions across Australia. The requirements of BASEL III regulation on capital and liquidity increase the possibility of bank consolidations.

Montgomery, Harimaya and Takahashi (2014) argue that banks that are regarded to be too big to fail often marked with higher credit ratings, while evidence shows their lack of efficiency and cost-effectiveness when compared to their smaller counterparts. Moradi-Motlagh and Babacan (2015) suggest that three major banks in Australia exhibited inefficiency and diminishing returns to scale during the crisis period of 2008 and 2009 when they underwent mergers and consolidations. Still, banks prefer to pay the premium price to increase in size through consolidation and increase the market power. This apparently keeps their profit potential at consistent level. The competitive landscape of

the Australian home-mortgage industry shows a drastic downtrend in post-GFC period, which is indicative of hindrance in competition due to uneven allocation of market power and disincentives to new entrants (CIFR 2014). CIFR (2014) reports high level of concentration in the Australian home loan industry through the maintenance of ‘Four-Pillar Policy’ by the Australian Government. In the context of mortgage products, the report states:

There was a contraction in the proportion of loans provided by banks other than the Big Four and by the non-bank mortgage sector associated with the global financial crisis. Since then, there has been a contraction in the diversity of mortgage intermediaries with CBA (Commonwealth Bank of Australia) acquiring 80% of Aussie Home Loans²⁶ and Westpac acquiring RAMS’ brand and distribution business (CIFR 2014, paragraph 39).

The report reveals that the Australian Government prefers the ‘competition-stability’ view for its financial industry. Nevertheless, Dr. Rob Nicholls (CIFR 2014, paragraph 3 and paragraphs 35 to 43) argues that this policy provides little benefit to consumers. Rather, the policy acts as a source of reducing consumer utility.

2.8.4 Regulatory attempts in improving consumer protection and competition

The regulatory bodies pertaining to the Australian Financial System are the RBA (Reserve Bank of Australia), APRA (Australian Prudential Regulatory Authority), ASIC (Australian Securities and Investment Commission), and the ACCC (Australian competition and Consumer Commission). The regulatory framework is successfully confronting the global market challenges and performing to the satisfaction of financial market participants in Australia (Bhati 2009). Pais and Stork (2011) argue that Australia’s property sector should be provided the most attention by the regulatory bodies in managing the potential risks in the lending industry. APRA increased the capital requirement (from 16 to 25 per cent in an approximate) for residential mortgage exposure of banks which are using IRB (internal rating-based) approach to measure credit risk (APRA 2015). This is in line with the international BASEL III accord (BIS 2013) and also a response to the latest Treasury (2014) recommendations.

The Treasury (2014) has recommended (in its submission to the Financial System Inquiry 2014) improvement in outcomes for consumers, and the fairer treatment of consumers by Australian financial institutions. This report criticises the system's heavy reliance on disclosure requirements and financial literacy, while lacking proactive approach from regulatory agencies to improve accountability and compliance of banks (Treasury 2014). Financial literacy and consumer empowerment both received the maximum attention of policymakers during the tenure of past Labour Government of Julia Gillard. Despite the ongoing debates regarding the role of financial literacy in protecting consumers' financial well-being, it is now well accepted that poor financial literacy emerges from, and increases inequality in the societies.

ANZ Banks's survey conducted in 2014 on 'Adult Financial Literacy' suggests that more than one-third of respondents become stressed when dealing with financial issues (Malkovic 2015). The National Financial Literacy Strategy (2014-2017) is being implemented by ASIC (Australian Securities and Investment Commission). This strategy has five core areas of focus: i. educating the next generation; ii. providing free tools and resources; iii. providing targeted support to key groups; iv. developing partnerships; and v. improving the measurement and evaluation of the programs. Through the strategic key 'MoneySmart' website, it includes more than 1400 Australian schools under the financial literacy program (ASIC 2014). In 2014, 2,500 Australian school teachers were educated to provide financial literacy to the next generation (Malkovic 2015).

The Federal Government allocated some billion dollars for nation-wide advocacy of financial literacy and consumer empowerment in the year 2011, which had its policy motivation from Senators David Bushby, John Williams and Nick Xenophon who referred an enquiry in October 2010 to the Senate Economics Reference Committee, for looking into financial industry competition issues. One of the terms of references for investigation was the 'ease of moving' between providers of banking services (Senate 2011). In December 2010, new switching reforms were introduced into the Australian Banking sector as an outcome of this enquiry (Treasury 2010). These reforms aim to address consumer needs, financial literacy, and bargaining power.

2.8.5 The implications of reforms for the consumer banking industry

Banking reforms have catered to certain objectives and have aimed to achieve the appropriate pricing of financial products and better financing options in the market (Ağca & Celasun 2012). During the GFC, factors in the international market conspired against the smaller lenders. The concerns of the depositors and investors in the GFC period encouraged the big four banks to expand their market share. The Australian Government's concern during this period was to maintain the market stability rather than inspiring competition. In the post-GFC period, it was found that competition in the deposit market returned to the previous pace, but the lending market could not (Senate 2011). Market competition extracted more regulatory attention in Australia as lending products such as home loans and credit cards were deemed to be considered quite important.

The MarketLine (2015) analysis on forces of competition in the retail lending industry reports diminishing consumer power and lack of substitutes despite existing strict regulatory requirements. The evidence of 2009 reveals that financial service providers had superior information and expertise, which led them to exploit unfair advantage on the consumers (Akinbami 2011). As consumer finance products are intangible and are perceived as highly technical in their terms and price structures (e.g., mortgages), expert consumers have the advantage of sophisticated experience to process any information with a better understanding to extract advantage of the services or challenge the service providers (Bell & Eisingerich 2007). When information scarcity or the expertise in using information impedes effective and efficient decision making by consumers, regulatory authorities play a key role by minimising conflict of interest between the businesses and consumers (Tufano 2009). By reducing information asymmetry, regulatory interference may hold the power in influencing consumers' propensity to switch at a certain point of time. This proposition lies at the heart of the current research. Economic psychologists Stiglitz and Weiss (1981) identified asymmetric information as a cause of the high pricing of consumer loans, which might impede healthy relationships with the providers. When this information asymmetry is minimised, bank-consumer relationships are improved, which contributes to lowering the propensity of consumers to switch (Chakravarty, Feinberg & Rhee 2004). The next discussion extends on the relevant switching regulations pertaining to the Australian consumer banking industry.

2.8.6 The bank switching reforms in Australia

International organisations, such as OECD (Organisation for Economic Cooperation and Development) and EC (European Commission) have been advocating globally for consumers to switch between financial institutions to increase industry competitiveness (Parliament of Australia 2008). In Australia, the switching of home mortgage, deposit accounts and credit card accounts have been increasing considerably during recent years (Fraser 2011). The Australian home mortgage market has shown significant switching by borrowers in the last two decades (Fraser 2011, p. 2). Referring to Australian Bureau of Statistics (ABS) data, Fraser (2011) concluded that almost one-third of the newly approved home loans until the report date of 4 July 2011 were the refinances of previous loans with a new financial institution. Regarding transaction accounts, Australia's official switching rates were reported to be approximately 8-10 per cent of transaction accounts per annum (Fraser 2011).

Research, however, has revealed that Australian consumers feel a lack of control over their financial decisions and consecutive well-being. Thus, these consumers require financial literacy, along with enabling market environment that enhances consumers' ability to switch smoothly between the banks (ING Direct 2014). This advocacy for the empowerment of financial consumers does not go against the interests of financial institutions (Brunetti, Ciciretti & Djordjevic 2016). This is because the banks gain a stronger level of understanding about consumer expectations by means of their switching consumers, which encourages further value creation and fairer competition.

Brunetti, Ciciretti and Djordjevic (2016, p. 175) report that: "At the world level, the proportion of clients planning to change banks was 12% in 2012, with sensitivity to fees and charges leading the change (Ernst & Young 2012)." In reference to the Italian financial market between the years 2006 and 2012, it is reported that one out of every five households changed their main banks (Brunetti, Ciciretti & Djordjevic 2016, p. 176). The ease of switching has been given much more importance than in the past by the Governments, regulatory bodies and interest groups in countries such as the USA and the UK (Collinson 2011; Costanzo 2004; Jean 2008). After the introduction of a new automated account switching service in UK, the rate of financial consumers' switching increased by 17 per cent in 2014. Similar exemplary initiatives for facilitating bank

switching have been observed in some European countries, such as Netherlands and Sweden (ING Direct 2014).

The new package of reforms for the Australian financial services industry was introduced by the Federal Government of Australia on 12 December 2010 and this was named as ‘Competitive and Sustainable Banking System’ (Treasury 2010). To improve its legislative efficacy, the Federal Government set up a new website on banking reforms which aimed to enhance cognitive awareness among the Australian public by:

1. Introducing pro-competitive measures to assist customers in finding better deals;
2. Empowering and building capacity of bank customers in managing their money for financial betterment.
3. Improving financial literacy and access to information for bank customers so as to enhance their economic participation and competition in the financial sector.

To attain the above aims for consumers, the main challenge was to eliminate barriers-to-switch in the Australian banking industry. Hence, the government enacted ‘pro-switching’ legislations pertaining to consumer banking products such as home loans, credit cards, and transaction accounts (Australian Government 2011). These changes were as follows:

1. The first switching reform put a ban on mortgage exit fees. This came into effect on new home loans from 1 July 2011.
2. The second switching reform legislated on 1 January 2012, required financial institutions to provide customers with ‘Home Loan Key Fact Sheets’ upon request (Treasury 2010). This helps customers to compare attributes of home loans offered by different providers.
3. On 1 July 2012, the long-awaited account switching reform was legislated, which allows for the easy portability of everyday transaction accounts with customer’s desired direct debits or credits from one service provider to another.

4. On 1 July 2012, ‘credit card reform’ facilitating credit card switching was legislated, which required financial institutions to provide customers a ‘standardised key information sheet’ on card loans for comparison between different credit card offerings.

Evidences suggest that these pieces of legislation have some contribution to consumer switching in the Australian financial industry (post 1 July 2012). Regarding these reforms, Australian Payments Clearing Association (APCA 2013) write:

This addresses the hesitancy of those account holders who may not wish to deal with their old institution. It also aligns incentives by placing the onus for switching on the new financial institution who is gaining a customer. According to statistics released by the Commonwealth Treasury, 15,500 people had used the enhanced switching service in its first eleven months (APCA 2013, p. 13).

However, considering the consumer responses to switching related reforms in other services industries in Australia, the aforementioned response to bank switching reforms is nominal. For example, mobile number portability was introduced in the Australian telecommunication industry in 2001. From September 2001 to June 2013, it was reported that annually 6.8 per cent (approximately 17 million) mobile numbers had been ported between the providers in response to this reform (Financial System Inquiry submission 2014). Though full bank account portability is yet to be achieved for Australia, the limited consumer response to financial switching reforms indicates that bank switching is a complex process as compared to switching for other services. If the context is mortgage switching, then it might be concluded to be a more complicated decision for a consumer, considering the amount of financial exposure in a home loan and its link with the ‘offset’ or repayment account. In this regard, Brunetti, Ciciretti and Djordjevic (2014) write:

Specifically, households opening a mortgage are 12% more likely to do it in a new bank. Similarly, households closing a mortgage are 14% more likely to switch to a new bank. These results suggest that customers’ choice of a bank is strongly driven by offered mortgages. Yet, mortgages are associated with the purchase of a house, which typically is the most important investment decision in a household life-cycle (Brunetti, Ciciretti & Djordjevic 2014, p. 14).

Against this backdrop, this thesis aims to examine the switching of home mortgage consumers in Australia. In this thesis, ‘switching reforms’ refers to the pieces of legislation that directly or indirectly facilitate consumers’ mortgage switching.

2.9 Gaps in the literature and statement of the research problem

Given the continuous pressure of pro-competitive regulations for banks, the technicalities involved with a mortgage customer are twofold. First, the consumer needs to be sufficiently involved in the purchase process and familiar with the financial statutes affecting the purchase. Second, s/he must have the minimum level of financial literacy and skills to capitalise on the deal and relevant pro-switching facilitations. Though purchase involvement and familiarity (with provider/ brand) are widely researched behavioural factors in services marketing, financial literacy is comparatively a new topic of debate. More precisely, financial illiteracy has not been addressed adequately as a distinct cognitive factor in service switching literature. Some behavioural finance literature (such as, Brunetti, Ciciretti and Djordjevic 2016) has identified the strong influence of financial literacy on consumers’ bank switching, however the variable (financial literacy) has been studied using the lenses of objective knowledge questions on finance, which do not reflect the consumers’ psychographic elements of perceived ignorance, complexity, and discomfort in making the financial switching decisions.

Moreover, as the switching reforms are fairly new, the Australian consumers’ familiarity with switching reforms as a switching antecedent is yet to be researched. This research endeavours to explore the two unfocused areas and their possible roles as cognitive factors in consumers’ bank switching decision (if any). The areas are i. familiarity with reforms; and ii. financial illiteracy.

Huhmann and McQuitty (2009) expressed two points of concern related to consumer financial problems. The first of these concerns the consumer need to use financial services with responsibility and judgement. The second concerns liabilities of consumer defaults. These defaults have been found to be equally contributable to financial institutions which

do not equip its consumers with adequate information. Expensive debt is leading the households to mortgage defaults and bankruptcy. Despite having stable economies, countries such as Australia have already been proven to be unable to prevent high mortgage defaults (Huhmann & McQuitty 2009).

Research ultimately identified consumers' poor financial knowledge as being at the core of worldwide consumer credit boom and consecutive default. Hogan and Manish (2016) argue that increased regulation cannot prevent a financial crisis, unless relevant knowledge is created and spread throughout the market. While policy-makers enact consumer-friendly regulations and reforms, the efficacy largely depends on how much the consumers are able to extract the benefits thereof. For financial consumers, it largely depends upon their financial literacy and familiarity with financial legislations, given that banking is a highly-regulated industry with complex and heterogeneous product structure.

It is arguable that consumer's 'knowledge of' or 'familiarity with' relevant (switching) reforms has not been investigated in any past research in explaining bank switching intention. Inakura & Shimizutani's 2010 study, for example, has investigated the depositor's knowledge of a policy change in deposit insurance scheme. This study (which was undertaken in Japan) asks whether, if the depositors' level of knowledge predicts households' bank switching behaviour for deposits. The researchers argue that when the regulatory interference aims at improving financial market efficiency by shifting from government supervision to market discipline, "depositors must be sufficiently aware and sensitive to the risk of bank failure and respond accordingly to such risk" (Inakura & Shimizutani 2010, p. 3402). The researchers found that "there was a significant difference in bank switching between households with and without the knowledge of the policy change" (Inakura & Shimizutani 2010, p. 3412). Although such regulations cannot act as the sole influential factors of bank switching, the pro-switching regulations nevertheless have the potential to influence consumers' cognitive thinking process in choice making, which is the central posit of this research. As such, the overarching research objective is:

To investigate and evaluate the various determinants which influence Australian household consumers' bank switching behaviour in the aftermath of the 2010 switching reforms.

Hence the research questions and problems are as follows:

A. Primary research question and problem statement:

Question: What are the influential factors associated with Australian home loan consumers' process of switching a financial service provider post-legislation?

Problem statement: To investigate the knowledge factors leading to Australian consumers' banking expertise and the manner in which banking expertise, perceptions of price fairness, perceived value, switching cost and relationship quality influence consumers' propensity to switch banks.

B. Secondary research questions and problem statements:

RQ1: What are the knowledge factors that influence consumers' banking expertise?

Problem statement (a): To evaluate the influence of Australian consumers' knowledge factors, i.e. familiarity with reforms, purchase involvement, financial illiteracy, and the impact of switching experience on their banking expertise.

RQ2: How does consumers' banking expertise influence their cognitive evaluations, such as price fairness perception, value perception, and perception of switching cost?

Problem statement (b): To evaluate the influence of Australian consumers' banking expertise on their perceptions of price fairness, value, and perceptions of switching costs.

RQ3: Do consumers' cognitive factors directly influence their perceived switching cost?

Problem statement (c): To evaluate the influence of Australian consumers' familiarity with reforms, purchase involvement, financial illiteracy, switching experience, and perceived value on their perceptions of switching costs.

RQ4: What are the cognitive factors that influence consumers' affective response (relationship quality) to service provider?

Problem statement (d): To evaluate the influence of Australian consumers' banking expertise, and their perceptions of price fairness and value on the relationship quality between the service provider and the consumer.

RQ5: How does relationship quality between the service provider and the consumer influence consumers' behavioural intentions (price insensitivity, switching propensity)?

Problem statement (e): To evaluate the influence of relationship quality between the service provider and the consumer on their price insensitivity and bank switching propensity.

RQ6: What is the relationship between consumers' perceived switching cost with bank switching propensity or other behavioural outcomes?

Problem statement (f): To evaluate the influence of Australian consumers' perceived switching cost on their calculative commitment and propensity to switch banks.

2.10 Chapter summary

This chapter has undertaken an extensive critical review of literature pertaining to service switching behaviour. The chapter began by providing some historical background to service marketing literature and its concepts. These concepts are relatively new in the field of marketing literature. Section 2.4 provided a clear view of switching behaviour and behavioural intention. Section 2.5 extended the discussion on switching behavioural factors (such as: service quality, relationship quality, service fairness and price fairness, value, switching cost, switching experience, involvement, expertise, familiarity and financial literacy). The consecutive discussion of two process models magnified the understanding of the switching process. The chapter moved on to explore the relationship stability through blind-spot scenarios. Section 2.7 elaborated on financial consumers' switching behaviour, its relationship with industry competitiveness, and the relevant

research findings. Section 2.8 briefly discussed the Australian consumer banking industry, its evolution, and recent competitive and regulatory issues. This provided the necessary background to understand the research gap in the literature of financial services switching. Finally, Section 2.9 described the research gap and describes the overarching research problem, which was followed by six secondary research questions and problems. These provide the necessary framework for Chapter 3, which develops the thesis' hypotheses and conceptual framework.

Chapter 3: Developing the Conceptual Model

3.1 Chapter overview

This chapter develops relevant hypotheses for proposing an initial conceptual model for this study. The chapter discusses the theories that were used in past switching literature. Section 3.3 proposes the Theory of Active Involvement (TAI) in explaining switching behaviour in the present Australian consumer banking context. The chapter then discusses the (six) relevant behavioural models, which have been considered as crucial in relation to proposed model development using TAI framework. Section 3.5 proceeds to answer the secondary research questions. In approaching the research problems, this section develops arguments based on past literature and then subsequent hypotheses are concluded based on these arguments. The relevant hypotheses involve four exogenous variables and eight endogenous variables. Section 3.6 accumulates the 19 hypotheses in developing the initial conceptual model under the TAI framework. A table of associated hypotheses against each research question is presented in Section 3.7.

3.2 Theories of consumer switching and financial behaviour

The number of theoretical model in extant service switching literature is limited, where traditional cause-effect models of antecedents and consequences do not count, due to their inherent limitation in comprehending and explaining the complex behavioural phenomenon (Njite, Kim & Kim 2008). Given the many investigations in the field of consumer switching where different theories have been applied, there is still scope for exploring new theoretical dimensions in financial consumers' switching behavioural research. Reflecting on the regulatory and industry scenario related to bank switching in Australia, consumers' intention for switching/ not switching might be explained in an alternative theoretical context.

Several behavioural theories of psychology and social science have been used to explain service switching in extant literature. Remarkable among those are: expectation-disconfirmation theory (of Lewin 1938); the exit-voice theory (of Albert O. Hirschman 1970); the theory of justice (fairness) (by Adams 1963), the theory of reasoned action

(TRA) (by Fishbin and Ajzen 1975); the theory of planned behaviour (TPB) (by Ajzen 1985); the concept of relationship marketing and behavioural intention (by Zeithaml, Berry & Parasuraman 1996); the commitment-trust theory (by Morgan & Hunt 1994); the Switching Path Analysis Technique (Roos 1999); migration theory and the Push-Pull-Mooring (PPM) framework (by Bansal, Taylor & James 2005); and the general systems (GST) theory of switching (by Njite, Kim & Kim 2008). Though Keaveney's (1995) research has been considered to be the foundation in switching literature, it is now well-accepted that there is little scope for generalising the proposed factors in context of present consumer banking.

Roos and Gustafsson (2011) view the switching factors diagnosed by Keaveney (1995) as any of three typologies of triggers (situational, influential and reactional triggers) as mentioned in SPAT. These switching determinants are traditionally explained as cognitive factors with the help of Theory of Reasoned Action (TRA). This view has, however, been criticised for failing to take into account the sub-conscious and unconscious psychological factors of human behaviour (Roos & Gustafsson 2011). Therefore, the Theory of Planned Behaviour (TPB) is acknowledged as arguably a better tool in explaining behavioural outcomes, which additionally incorporates perceived control in predicting intentions (Bansal & Taylor 1999; Roos & Gustafsson 2011). Though Bansal and Taylor (1999) incorporated switching cost to capture 'perceived control' in the switching context, it is plausible that only switching barriers created by providers, or information gap on the consumers' end are not the absolute reasons those contribute to locking consumers in or leading them to switch.

A recent study undertaken by Roos and Gustafsson (2011) applied SPAT (Roos 1999) technique in the highly competitive Swedish telecommunication industry. The data collection was undertaken in the post-deregulation period (2004-2005) when the market competition caused a fairly high rate of switching in Sweden (Roos & Gustafsson 2011). Though SPAT theory includes macro components (such as, regulation and market competition), the view is very holistic that fails to explain the ongoing changes in consumers' cognitive settings.

Kaur and Sambyal's (2016) study on the Indian telecommunication industry investigates the regulatory impact of mobile number portability (MNP) on phone users' switching and staying intention. Their 'awareness of MNP' construct captures consumers' awareness of some related variables, which are (the awareness of): i. the number portability; ii. associated costs and benefits of portability; iii. procedure of porting the numbers; iv. perceived contribution (by MNP) to improve service quality and innovativeness, in predicting consumers' switching/ loyalty intention. In the context of MNP in India, the researchers write:

In response to the introduction of mobile number portability (MNP), whereby consumers can retain their mobile number even when switching to another telecom operator, initially 1 per cent (in 2011) applications were received, which subsequently increased to 5 per cent (in 2012) and 6 per cent (in 2013) (Kaur & Sambyal, p. 75).

Their study concludes, however, that there is no significant impact of the consumers' awareness of MNP on switching intention, as the consumers appeared to be satisfied with their respective provider. They also conclude that consumers who actually have switched already, MNP does not seem to have any influence on this behavioural outcome. Kaur and Sambyal (2016) suggest that switching intention better predicts actual staying rather than actual switching. The reason is that despite having intention to switch the actual switching is affected by the various forms of switching costs. A similar study undertaken by Shi, Chiang and Rhee (2006) reflect on the effects of Wireless Network Portability (WNP) in the Hong Kong wireless phone market. That latter study concludes that WNP has the potential to reduce switching costs for consumers, which improves the price competition in the industry and thus accelerates service value and business profitability. Hence, the role of switching costs is proved to be of high importance and effective modelling is required to capture consumers' switching versus staying intention with a provider in varying contexts of switching costs due to policy changes.

The concept of transaction account number portability is considered as similar to the concept of mobile numbers portability (introduced in Australia in 2001) in promoting increased competition in the respective industries (CIFR 2014). The WNP and MNP in the context of Hong Kong and India (respectively), are the results of regulatory policy

reforms in the respective countries. Similarly, for Australia, the 2010 banking reforms and the resulting 2012 legislations have aimed to promote some competitive changes in the financial industry, though transaction account numbers could not be made portable yet due to information privacy issue, technological complexity and high cost of implementation. Industry experts argue that non-portability of transaction accounts hinders mortgage switching as they are linked with mortgages (Treasury 2010). This reveals the difficulties that consumers face in making the switching decision due to high switching costs, in the forms of non-transferable direct debits, direct credits, mortgage repayments, and links to credit cards.

In regard to decision-making, economic theorists have argued that individuals are ‘rational economic actors’, although financial decisions made by individuals seldom agree with this postulation (Kahneman 2003; Sjöberg & Engelberg 2009). In the well-known ‘Heuristics and Biases Theory’ of behavioural scientists Tversky and Kahneman (1974), it is suggested that when individuals are faced with uncertainty in decision situation, normative theories of probability and logic fail to shape the decision process. Rather, some heuristics and biasness influence the decision which simplify and reduce the complex task in managing the problem of uncertainty. Hence, these judgemental decisions are prone to serious deviation from accuracy and often generate errors, however useful they might be in approximating the optimal decision with available information and knowledge, given the uncertainty. These behavioural scientists emphasise the importance of a few heuristics, such as representativeness, availability, and anchoring, though heuristics are not meant to be limited to these in particular (Heukelom 2012, p. 806).

In the context of consumer decision-making in the financial market, da Rocha Lima Filho, Rocha and Massad (2014) argue that individuals accept prices as anchors (as indicated by Tversky & Kahneman 1980), which is considered as a form of bias in the financial behaviour. This underlying heuristic process of judgment is linked with risk-benefit analysis underpinned by some neuropsychological aspects (such as, Emotional space of Decision, or ‘ED’) (da Rocha Lima Filho, Rocha & Massad 2014). While Tversky and Kahneman (1974) emphasise individual’s cognitive limitations and use of heuristics in

decision-making, Sjöberg and Engelberg (2009) include the involvement of emotion, value and personality factors in the financial context.

A financial economics theory pertaining to human behaviour in risk and uncertain situations is the ‘Efficient Market Hypothesis’, or ‘EMH’, that was formulated by economist Eugene Fama (1970). As defined in the AMA dictionary of Business and Management (2013), EMH is: “A principle that market yield is conditioned by the availability of and access to the right information”. An efficient financial market is characterised with a large number of rational investors who actively compete with each other for profit-maximisation, and ‘where current important information is almost freely available to all participants’ (Titan 2015, p. 443). Three forms of efficient markets are distinguished, these are: weak, semi-strong and strong.

However, a large number of researchers invalidate the existence of semi-strong and strong forms of efficiency of financial markets, thus leaving the conclusion that financial markets are characterised with weak forms of efficiency (Tițan 2015). A weak form of market efficiency reveals that financial assets reflect only the historical financial information in their current prices, whereas semi-strong market assets incorporate all publicly available information, including historical price information; and assets in strong market reflect all aforementioned information, including private information of a particular financial asset. Some scholars claim that more effective theories are available in behavioural finance to explain some financial evidence as compared to the EMH (Shleifer 2000).

Despite the perceived controversy of EMH theory in explaining financial market behaviour, its use and application has become widespread in empirical research on financial markets (Titan 2015). Arsham, Ford and Morse (2008) apply the EMH theory in context of personal finance and home mortgage industry to develop a forecasting model of mortgage rates and returns, based on historical rates. They aim to test if future price changes can be predicted by mortgage borrowers using their model in a financially viable way to optimise the decision on the ‘Adjustable Rate Mortgages (ARM)’ as opposed to the fixed rate mortgages. Their findings indicate, “[if mortgage borrowers use their forecasting model], little behaviour change would result due to transaction costs and the

implementation costs of modelling” (Arsham, Ford & Morse 2008, p. 191). The researchers mention the penalties related to switching of the fixed rate mortgages in the US market, and which are also prevalent in the Australian home mortgage market. Though exit fees are banned, penalties still apply on the switching of fixed rate mortgages in the form of ‘early repayment adjustment (ERA)’ fees, which is payable by the switching consumer based on the remaining terms of the loan intended for swapping or refinancing.

The 2010 banking reforms, however, aimed to increase the proportion of active/ involved consumers’ who have the capacity to make informed financial decision in gaining better value. The reforms have removed some existing switching costs and include a long term macro-agenda to improve financial literacy of generations in attaining this aim. No theory, however, has been advanced in the service switching literature, which can clearly explain the role of such regulatory policies in financial consumers’ behavioural intention and outcome. The discussion on underpinning theories on consumer switching behaviour in services in the backdrop of regulatory reforms depicts the crucial role of switching costs in services.

Additionally, the behavioural theories related to financial markets provide an insight into the key role of availability of information, importance of price perceptions and consumer expertise in processing the information. These theories also depict perceived risks and uncertainties in the consumer financial industry.

3.3 The underpinning theory: Theory of Active Involvement (TAI)

This thesis proposes using the ‘Theory of Active Involvement’ (TAI) framework to explain consumer switching in post-reform Australia. TAI has been developed by Greene (2013), which is itself an extension of Bandura’s (1986) social cognitive theory. The Social Cognitive Theory posits the following:

Behavioural outcomes are a product of the individual, incoming information, and the interaction of the two. In general, social cognitive theories propose that portions of an individual’s knowledge acquisition can be directly related to observing others within the

context of social interactions, experiences, and outside influences (Bandura, 1986). (Sturm et al. 2014, p. 661).

TAI states that when individuals are exposed to external influential messages endorsing risk-taking, they try to meet both external and internal standards - applying self-motivation and evaluation in conjunction with others' views/ standards (Greene 2013, p. 645). In a four-stage framework, TAI proposes changing or reinforcing the cognitive behaviour of individuals. It takes into account involvement, gain in knowledge, critical thinking or perspective taking, reflections on perceptions and resultant cognitions or behavioural intentions. TAI also seeks to explain how these variables act as mediators of intervention effect (Greene 2013). This theory is based on experiential learning principles and recommends the use of active involvement as a broader intervention approach, which might result in a change in the attitude-behaviour context of the target audience.

3.3.1 TAI framework in the context of bank switching

To explain the TAI framework in the present bank switching context of Australia, it might be assumed that involvement interventions have already been initiated by the regulatory authorities in 2010. The regulatory interventions have been framed out as the banning of mortgage exit fees and the requirements of loan key fact sheets, which depict a clear aim for higher consumer involvement in financial deals and choice of institutions. Market participants, such as financial institutions as well as consumers, are already exposed to these changes. These interventions, when activated in the individual context, may result in the consumers reflecting on their behavioural intentions/ outcomes (through change in loyalty or switching intention/ behaviour). Thus, TAI can help to explain one's behavioural intention of switching as an outcome of the switching reforms. Hence, the applicability of TAI in bank switching context can be justified by the arguments drawn from the literature.

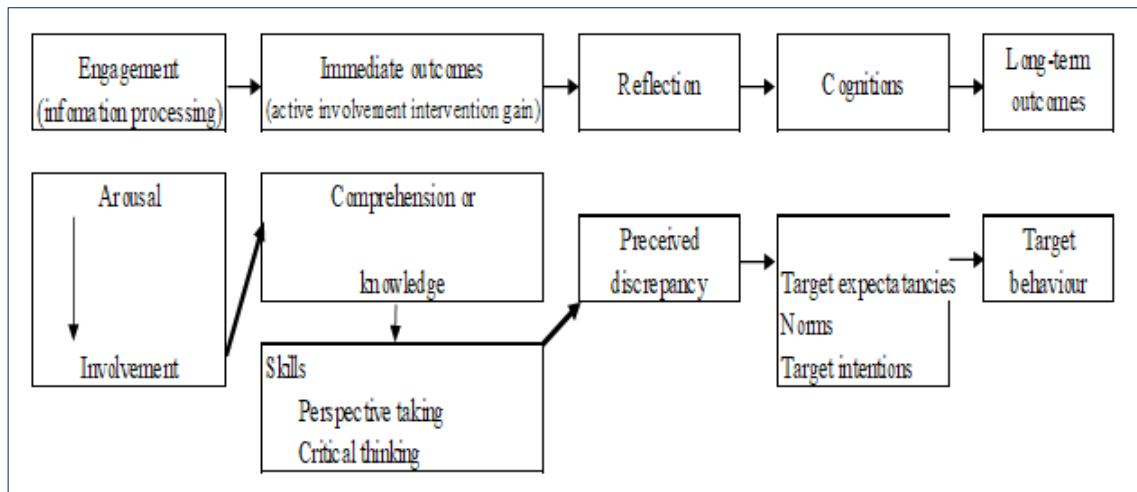
However, not all consumers are necessarily active participants in the market. Some consumers are meaningfully active, while others just respond to the market's flow, sometimes without deliberate acknowledgement. Roos and Gustafsson's (2011) concepts might be integrated here to explain further. The authors differentiated between 'active'

and ‘passive’ consumers in context of deliberate behavioural decisions, which has got theoretical motivation from Cioffi and Garner (1996) study. According to Roos and Gustafsson (2011), the active consumers are comparatively stable in relationship with the provider, but they are conceptualised as actively involved in the decision-making process through search for information and wise evaluation of alternatives to make conscious cognitive choice. However, passive (inactive, less informative) consumers show the opposite — unstable relationship behaviour, which is not an outcome of conscious reasons; and interestingly, these group of passive consumers are ‘likely to mobilise cognitive reasons through actual behaviour – such as a decision to leave – because such customers do not usually perceive “non-actions” as being informative’ (Roos & Gustafsson 2011, p. 451). Therefore, consumer’s argumentation or ability to articulate the reason of switching is similarly important as important are the switching triggers (Roos & Gustafsson 2011). Using the TAI framework, factors relating to consumers’ (banking) expertise might be captured in full to elicit a clear picture of the degree of consumers’ awareness of responsible financial behaviour.

The TAI starts with an engagement stage whereby consumers process information (e.g., from the fact sheets for understanding and comparing rates and fees). This stage can be explained with consumers’ familiarity with reforms as an arousal, and involvement in the purchase process as involvement variables. The immediate outcome of this stage can be described as a gain in banking expertise where the consumer applies a critical thinking/perspective taking through perceiving price fairness, value and perception of switching costs. The third step is reflection, when the consumer reflects on his/her perspectives; at this stage consumers’ perception of relationship quality with the financial institution might be a holistic reflection of his “total episode value” (Ravald & Gronroos 1996) that includes collection of service experiences, such as past (overall) satisfaction, commitment, conflict and trust with the financial institution. The fourth step results in a cognitive change which might be consumers’ intention to switch or stay with the financial institution. The fifth stage explains the long-term behavioural outcome, which is switching/ staying.

Thus, the TAI is best understood as a complete framework of deterministic switching, rather than a partial behavioural theory, as suggested in the diagram below.

Figure 3.1: The theoretical model of Active Involvement Intervention (TAI)



Source: *The TAI framework* of Green (2013, p. 646)

Roos & Gustafsson (2011) propose that consumers who experience mostly situational (circumstance related) and reactional (relationship-related) triggers show higher levels of commitment towards the switched-in service provider, and remain more active and stable in the relationship. Conversely, consumers who experience mostly influential (market and competitive) triggers have shown comparatively lower levels of relationship commitment and inferior levels of knowledge or understanding of the relationship (Roos & Gustafsson 2011). Pro-switching/ pro-competitive regulations, therefore, may trigger consumer switching partially in the cases of passive consumers, but may not influence the cases of active consumers, except some exceptions. If the TAI framework is used to explain switching, it might be observed that some consumers, even being aware of the reforms, preferred not to switch for better price deals because of clear perception of favourable relationships. Such results may apparently indicate lower efficacy of reforms in accelerating industry competition, but this will certainly reflect greater implications of consumers' relationship awareness, financial literacy, and overall industry stability.

3.3.2 Justification of the underpinning theory: TAI

The prevalent influence of intention on behavioural outcome was incorporated in the psychology literature by Fishbein and Ajzen (1975) in the Theory of Reasoned Action (TRA). TRA accepts human behaviour being bounded by rationality which in turn, is guided by limited available information (Cronan & Al-Rafee 2008). Though the theory

incorporates personal influence (i.e., attitude towards a behaviour) and social influence (i.e., subjective norms/ influence of important others), it has been criticised for its inadequacy in situations where individual's control on behaviour is limited. TRA has been eventually improvised by Ajzen (1985; 1991) in the form of Theory of Planned Behaviour (TPB), where an additional determinant of behaviour, namely 'perceived behavioural control' (perceived ease or difficulty to perform a behaviour) was incorporated. If the behavioural models of consumer switching are considered, the application of TRA and TPB (as underpinning theory) is overwhelming.

However, researchers identify some limitations of TPB while applying into situations, where additional factors have particular importance in influencing the behaviour. These are the factors, such as, the extent of behavioural performance in the past (e.g., switching experience), self-efficacy (e.g., individual's confidence in performing a behaviour, banking expertise), expected outcomes (e.g., social and economic expectations) and deficient self-regulation (e.g., inertia/ spurious loyalty, impulsive buying behaviour without conscience) (Cronan & Al-Rafee 2008; Jacobs et al. 2012; LaRose & Kim 2007). In such situations, researchers propose 'a specific revision of the theory of planned behaviour' and attempt to explain their behavioural models inspired by Bandura's (1986) Social Cognitive Theory (Jacobs et al. 2012, p. 960). In this regard, Banerjee et al. (2013, p. 672) writes:

"Social cognitive theory-based approach posits that perspective taking moves an intervention beyond simply imparting knowledge and skills to also activate motivation and better influence cognitions and subsequent behaviour... [which] is articulated more fully in the theory of active involvement (TAI; Greene, 2013)".

Bandura's (1986) Social Cognitive Theory is widely acknowledged in social research for analysing and comparing attitude and behaviour. Bandura (1986) assumes that influential factors (on behaviour) are mediated through behavioural objectives known as 'intentions'. Consecutively, the actual performance of the behaviour depends on intention and "possible facilitators and impediments" which in fact belongs to the socio-structural domain (Thøgersen & Grønhøj 2010, p. 7734). The core message of Social Cognitive Theory reflects the notion that behavioural outcomes facilitate an individuals' learning

over time, and then possible adjustments occur in their perceptions and expectations for future behavioural outcomes. Hence, improved or expected behaviour can be attained through a more facilitating environment and increased empowerment of individuals (Thøgersen 2005; Thøgersen & Grønhøj 2010).

The TAI theory is grounded in the concept of cognitive information-processing, self-regulation and perspective taking (as proposed by Social Cognitive Theory) to suggest essential mechanisms of successful intervention for improved behavioural outcome (Greene & Hecht 2013). Greene (2013, p. 645) claims TAI as a ‘theory of change’ in attitude and behaviour through ‘active involvement intervention.’ The phrase (active involvement intervention) conveys the idea of engaging participants in active planning for meaningful behaviour which is demonstrated through literacy interventions, specially intended towards high-risk behaviour situations where the critical thinking process needs to be effectively applied (Greene & Hecht 2013). This makes the theory highly relevant for situations involving financial decision making. Though the theory was proposed in the context of health-related literacy interventions, intended decisions and behaviours, Greene (2013) argues that “The TAI conceptualization is also consistent with research utilizing self-perception theory, cognitive dissonance, and education literature on active and experiential learning” (p. 645).

Greene et al. (2016, p. 1072) contend that “interventions focus more on the acquisition of the knowledge and skills … but may fail to engage adequately or increase efficacy.” To address this issue, TAI highlights on intervention mechanisms in influencing an individual’s internal needs/ motivations, in addition to self-evaluation/ empowerment (through acquiring knowledge), since these are viewed as being more influential in generating behavioural improvements in the future (Greene 2013; Greene et al. 2016). The theory is therefore, particularly relevant in the context of the present research where regulatory interventions are promoted to facilitate consumer empowerment to prompt informed behavioural choice. The constructs and concepts relevant to consumer needs and motivations (such as involvement, value, price fairness, switching costs), and also the knowledge comprehension factors (familiarity with reforms, financial illiteracy, switching experience, banking expertise) appear critical in the context of policy reforms in bank switching and changing the consumers’ intention/ behaviour. TAI effectively

explains how the variables are important mediators of the intervention effect intended for improved cognition and behaviour of financial consumers. These variables are therefore, more suitably incorporated under the framework of TAI in explaining bank switching behaviour, as opposed to other theoretical models (such as TPB, TRA, Migration Theory) used by earlier research on service switching.

3.4 Contributing theoretical models

The TAI framework needs to include relevant antecedents and dependent variables to explain the switching phenomenon. Frank M. Bass (1974) has argued that theories guiding empirical research in consumer behaviour are mostly deterministic, which implies underlying causes result the behaviour. Although there is no evidence of any concluding account of causal factors of switching behaviour (Halinen & Tahtinen 2002; Selos et al. 2013), a set of switching antecedents (and consequences) has been selected those seem highly relevant to the TAI framework.

In the selection of bank switching antecedents, the following models have contributed. It is worth mentionable that some of the models relate to loyalty and repeat-purchase behaviour, whereas the present study relates to switching behaviour. As Bansal and Taylor (1999, p. 200) argue:

“The terms service provider switching, customer loyalty, and customer retention are all related. Whereas loyalty and retention refer to positive outcomes for the provider, switching refers to a negative outcome” (Bansal & Taylor 1999, p. 200).

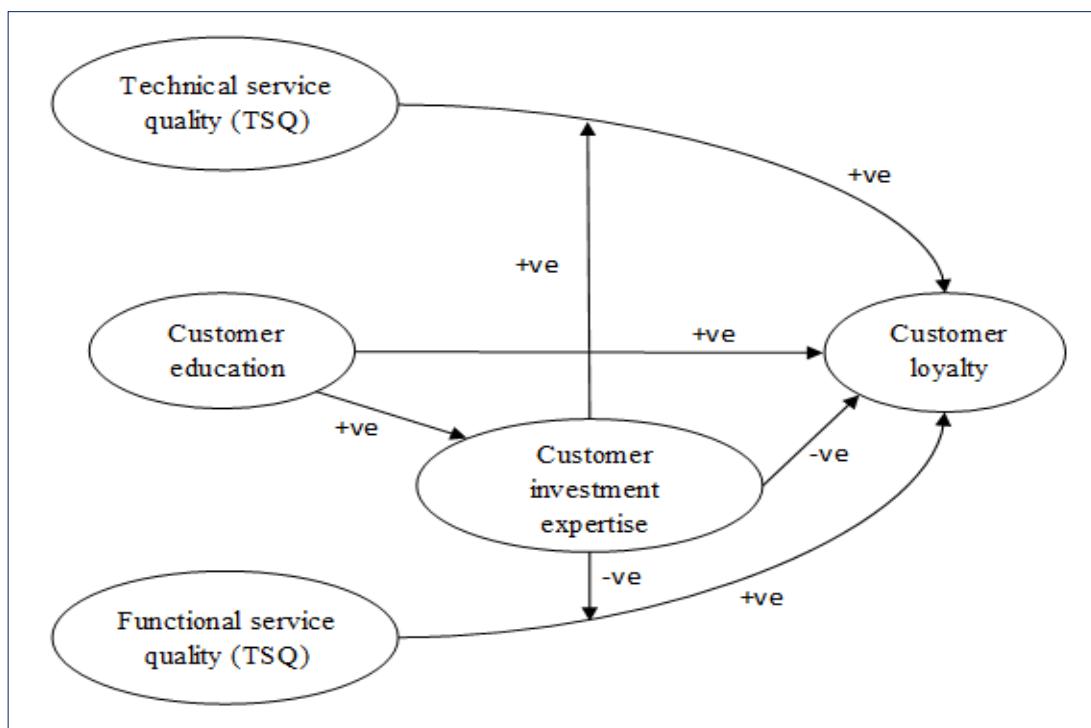
Therefore, use of some loyalty models in developing the switching framework is meaningfully relevant.

3.4.1 The model of customer education, expertise, service quality and loyalty

Bell and Eisingerich (2007) undertook a study involving 4,244 high valued Australian consumers of investment services. Characterised by complexity and information asymmetry similar to that found in mortgage and other banking services, investment planning services provide lending, cash accounts, and other support services. Therefore,

the researchers argue that this industry reveals varying degrees of financial expertise, and has a subsequent link with customer education. The study proposes a model of customer education, expertise, technical service quality, functional service quality, and loyalty depicted. This model is outlined in Figure 3.2 below:

Figure 3.2: The model of customer education, expertise, service quality & loyalty



Source: Bell and Eisingerich (2007, p. 468)

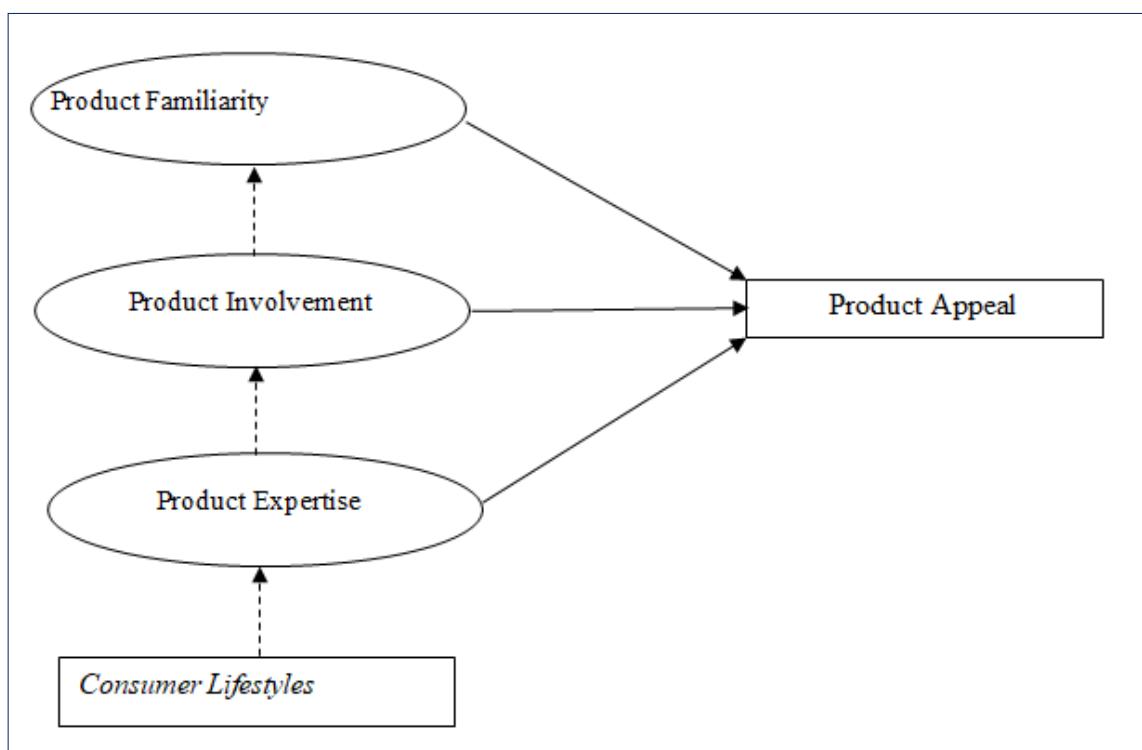
Bell and Eisingerich (2007) discuss some of the paradoxical ways in which customer education impacts on service quality-loyalty dimensions. They hypothesize that education positively influences expertise and loyalty, and this has been empirically established by the results of their analysis. The hypothesized negative link between expertise and loyalty, however, has not been supported by data. The researchers explain this phenomenon against the fact that, there is less availability of suitable better alternatives that high-expert consumers can prefer; therefore, consumers remain loyal to the current provider. They also concluded that expert consumers exhibit high levels of satisfaction and behavioural intention when compared to non-experts because of high familiarity, but only in the cases where a provider has demonstrated a high service performance.

The main findings of this study are that education increases expertise and that, highly expert consumers are able to process advanced levels of information and grasp the subtle attributes of service offerings. Therefore, “the moderating effects of customer expertise suggest that clients with high expertise rely more heavily on technical service quality than functional service quality in forming their intentions to remain loyal to the organisation” (Bell & Eisingerich 2007, p. 480).

3.4.2 The model of familiarity, involvement, expertise and product appeal

Taylor-West et al. (2008) examine the relationships that familiarity, involvement and expertise have with the perceptions of new products (Figure 3.3). The researchers adopt a quantitative approach (survey), distributing paper-based questionnaires on 105 visitors at Frankfurt Motor Show, Frankfurt, Germany, where the manufacturer launched two new auto-mobile models.

Figure 3.3: The model of familiarity, involvement, expertise & product appeal



Source: Taylor-West et al. (2008, p. 363)

The study takes into account the established relationship (in literature) between familiarity and expertise in moderating consumer perception of new products (Danneels & Kleinschmidt 2001; Kleiser & Mantel 1994). It also agrees that product involvement has influence on familiarity and expertise (Shimp & Sharma 1983; Taylor-West et al. 2008). Furthermore, the study examines how these three variables impact on new product evaluation. The study examines whether there is any correlation between consumer perceptions and consumer classifications (such as lifestyles).

Taylor-West et al. (2008) comprehend newness of product in two aspects- perceptual newness and epistemic newness (Michaut, van Trijp & Steenkamp 2001). They argue that perceptual newness is a result of on-the-spot sensory stimulation which is easy to formulate, and is not influenced by familiarity or expertise. However, degree of epistemic newness, conceptualised as ‘elements that require more information processing and reflection’, varies across expert and non-expert consumers with varying degree of familiarity or unfamiliarity, in context of high involvement purchases as compared to a low-involvement purchase (Taylor-West et al. 2008, p. 362). Finally, the results of the analysis establish that familiarity, expertise and involvement are the main antecedents of consumer perceptions and evaluations of (new) products.

3.4.3 The combined model of fairness concepts and relationship variables

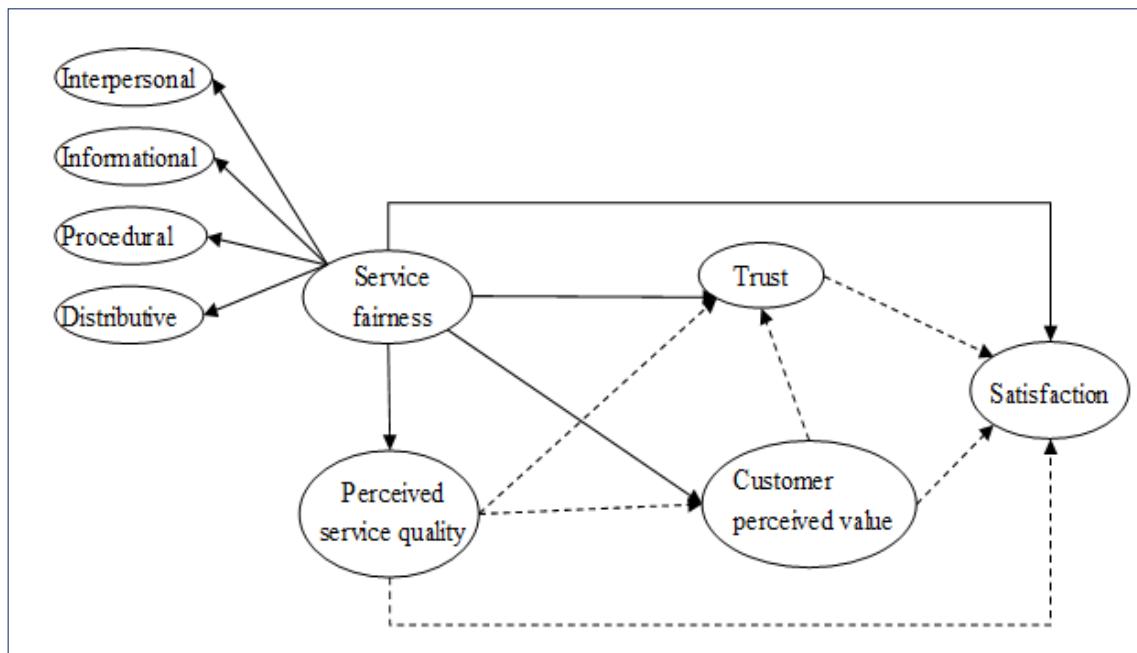
Fair treatment for consumers by financial institutions has now become a policy agenda in many developed countries. Understanding fairness considerations in context of financial products are important due to the sector’s implication for the economy and policymakers. It is well accepted as a problematic area for consumers to understand fairness aspects of financial products due to their complexity and credence attributes (Devlin, Roy & Sekhon 2014).

The concept of service fairness perception is promoted as “FAIRSERV”. Carr (2007) argues that a higher level of FAIRSERV perception has a positive influence on satisfaction-quality perception. Therefore, fairness perception positively influences consumer retention (Carr 2007). In research on service provider switching, ‘quality-satisfaction-behavioural intention’ has long been a distinct paradigm (Lu, Tu & Jen 2011).

However, the proponents of using *justice/ fairness theory* in explaining switching and retention behaviour either extend on this long-established paradigm (such as, Carr 2007), or on the relationship marketing paradigm (such as, White & Yanamandram 2007), or on a combination of both paradigms (Chen et al. 2012).

It has long been established that higher service quality leads to better value perception and good relationship quality (Chen et al. 2012). Literature on this topic mostly highlights service quality as a key derivative of provider-consumer relationship, though quality does not always ensure relationship continuance. Consumers do not perceive poor quality service as unfair one as long it satisfies the equity and equality requirements of principle of justice/ fairness (Seiders & Berry 1998). Chen et al. 2012 argue that consumers aspire for the fair and consistent service rather than the best service. They argue that higher fairness perception leads to greater trust and value for financial customers in arriving better satisfaction.

Figure 3.4: The model of fairness, service quality & relationship quality variables



Source: Chen et al. (2012, p. 405)

Chen et al. (2012) proposes an improved fairness model (based on Carr's 2007 model), as depicted in Figure 3.4. The model proposes that perceived service fairness leads to stronger value perception, trust and ensures satisfaction. The study has been conducted

on Taiwan's financial industry using cross-sectional questionnaire survey. Findings of the study establish that FAIRSERV plays a crucial role on consumers' satisfaction, trust and value, and hence leads to a behavioural outcome. Chen et al. conclude that:

Although service quality can increase customer satisfaction both directly and indirectly as service fairness can, service fairness has a substantially stronger effect on customer satisfaction in the financial services industry when considering service quality and service fairness together (Chen et al. 2012, p. 411).

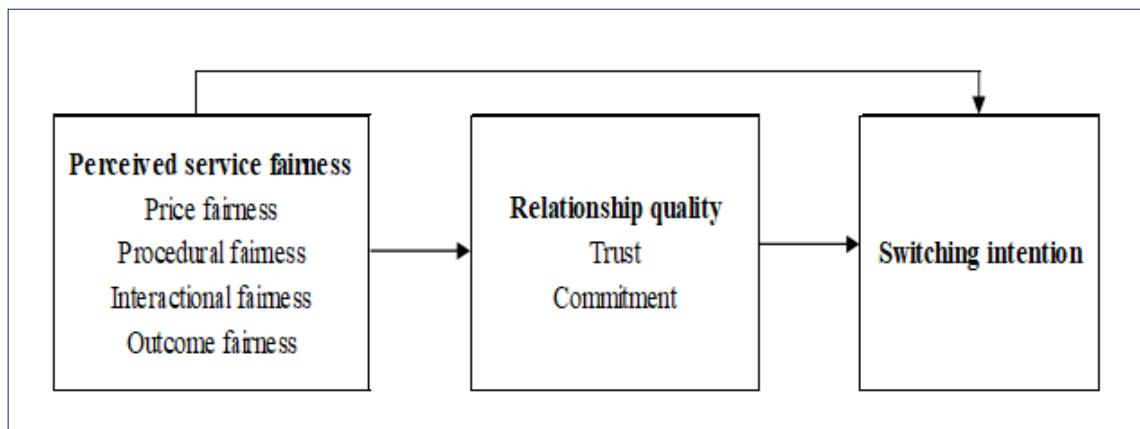
3.4.4 The model of price fairness, relationship quality and switching intention

While service satisfaction reflects service quality perception, price satisfaction is reflected through perceptions of price fairness. Nikbin, Marimuthu and Hyun (2013) argues that the concept of distributive fairness/ justice (from *justice theory*) seeks to attain equitable allocation of cost and rewards in an exchange relationship. This concept ties together two most basic concepts of consumer psychology (cost and reward) embedded in the theory of social exchange and the theory of equity. The concepts of cost and reward are equally important to meet consumer needs and demands in modern competitive market. Namkung and Jang (2010) argue that price fairness and procedural fairness are representatives of (time and monetary) costs incurred by consumers; and that outcome (distributive) fairness and interactional fairness are representatives of rewards received against the costs incurred.

Some literature has posited that consumers assess and compare not only service quality, but also its price with that of competitors, to decide on purchasing additional services from the current provider (Verhoef, Franses & Hoekstra 2001). Ting (2011) conceptualises service fairness in duel domains, that is, the economic domain (outcome fairness and price fairness) and the social domain (interpersonal fairness and informational fairness). Thus, incorporating price fairness into the overall fairness concept (Namkung & Jang 2010; Nikbin, Marimuthu & Hyun 2013) more accurately describes the fairness perceptions of customers. The diagram below represents the theoretical framework developed by Nikbin, Marimuthu and Hyun (2013) in explaining consumers' switching intention with the *theory of justice*. This is a further improvement of 'fairness-intention' models in the aspect that it combines price fairness with other

fairness concepts and with modern concepts of RM, by incorporating relationship quality (RQ) with service fairness in determining consumers' switching intention.

Figure 3.5: The model of price fairness, relationship quality & switching intention



Source: Nikbin et al. (2013, p. 9)

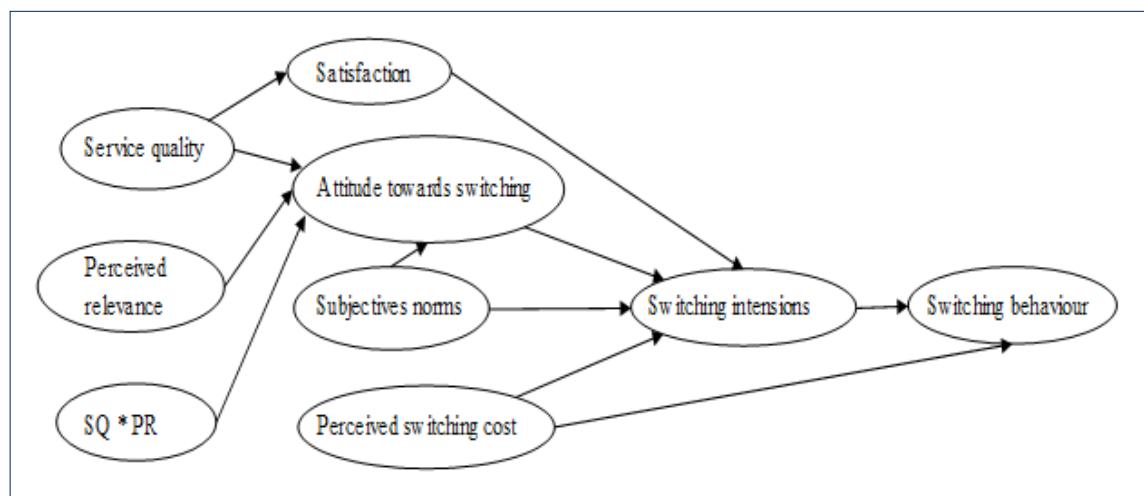
This study was conducted on 500 customers of four fine-dining Malaysian restaurants. The findings indicate that all dimensions of fairness have a negative influence on the switching intention, while RQ dimensions (trust and commitment) also have a negative influence on switching. Results suggest, however, that procedural fairness has the highest (negative) impact on switching intention, while interactional fairness has the highest (positive) impact on trust. Additionally, procedural and interactional fairness have been proven to have the highest influence on commitment, whereas price and outcome fairness do not appear to have any relationship with commitment. This finding has been supported with the argument that, fairness of procedures and interactions are more important than fairness of price and outcome itself (food) in context of the food industry.

3.4.5 The service provider switching model (SPSM)

The ‘Service Provider Switching Model’ (SPSM) (Figure 3.6) developed by Bansal and Taylor (1999) is based on Ajzen’s (1991) theory of planned behaviour (TPB). In the services context, this model is unique in combining the previously researched antecedents of switching in coherence with the framework of a behavioural theory (TPB). As explained by Ajzen (1991), TPB examines the influence of intention on behaviour. Bansal and Taylor’s argue for the adoption of TPB to explain the service switching process:

TPB suggests that behaviour is a direct function of behavioural intention and perceived behavioural control and that behavioural intention is formed by one's attitude, which reflects feelings of favourableness or unfavourableness toward performing a behaviour; subjective norms, which reflect perceptions that significant referents desire the individual to perform or not perform a behaviour; and perceived behavioural control, which reflects perceptions of internal and external constraints on behaviour (Ajzen 1985, 1991). (Bansal & Taylor 1999, p. 202).

Figure 3.6: The SPSM model



Source: Bansal & Taylor (1999, p. 202)

Bansal & Taylor (1999) conducted this study on 4000 mortgage customers of Canadian Banks and Trust agencies. Treating switching behaviour and intention as dependent variables, their SPSM model considers antecedents of switching to be service quality, perceived relevance, social norms, attitude towards switching, satisfaction, and the perceived switching cost. The researchers argue that switching intention is the key to capture the motivational factors those drive consumers in performing the behaviour. The factors those directly influence consumers' intention are social norms and attitudes (positive or negative feelings) towards switching. The model also reflects service quality and perceived relevance that contribute to the behavioural attitude. Apart from these, service quality-satisfaction is treated as an important predictor of switching intention.

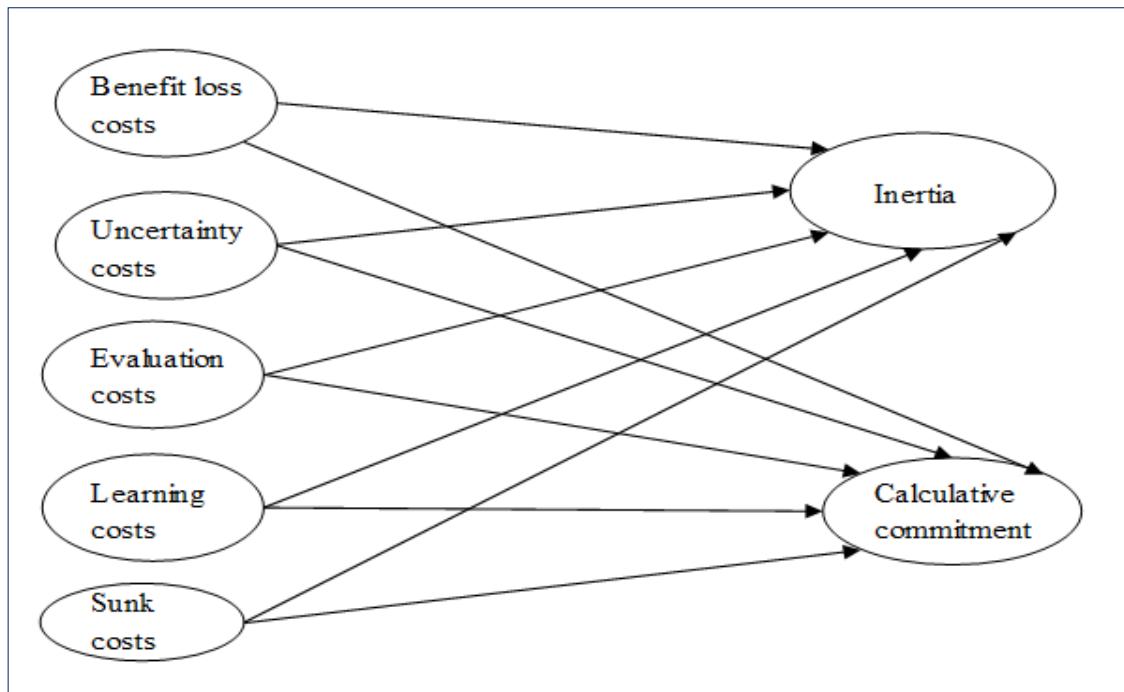
From the perspective of TPB, the most important concept incorporated in this model is ‘perceived switching cost’. Previous intention-behaviour models were mostly based on TRA (theory of reasoned action), and failed to notice the influence of ‘perceived behavioural control’, i.e., the perceived ease or difficulty to perform an action (such as, switching). The concept of ‘perceived behavioural control’ theorised in TPB conveys two concepts: i. individual’s self-efficacy; and ii. facilitating conditions to perform the act (Bansal & Taylor 1999; Taylor & Todd 1995). The term ‘self-efficacy’ refers to “the conviction that one can successfully execute behaviour” (Bandura 1977, p. 193). On the other hand, the term ‘facilitating conditions’ refers to the availability or scarcity of resources required to perform an action (Bansal & Taylor 1999). By using the TPB framework, Bansal and Taylor (1999) captures this behavioural factor in the concept of ‘switching cost’. This concept is a vital predictor of that switching behaviour that was theorised in past switching literature.

3.4.6 The model of switching costs, inertia and calculative commitment

Yanamandram and White’s (2010) view on calculative commitment is a kind of negative attachment to the service provider which recognises some loss of benefits and incurrence of costs when switching is considered. On the other hand, they define ‘inertia’ as a “non-conscious form of retention” that is characterised by “passive service patronage without true loyalty and an unwillingness to expend effort” (Yanamandram & White 2010, p.571). Their study recruits a market research panel of 2,083 Australian business managers. Out of them, 376 responses relevant to financial services have been used for the analysis.

The study defines ‘switching cost’ as “the perceived economic and psychological costs associated with the process of switching from one service provider to another, and establishing a new relationship with the replacement service provider” (Yanamandram & White, 2010, p. 572). The study uses calculative commitment and switching cost scales from studies undertaken by Jones, Mothersbaugh and Beatty (2002), and Burnham, Frels and Mahajan (2003) respectively, to develop a new scale for inertia.

Figure 3.7: The model of switching costs, inertia & calculative commitment



Source: Yanamandram & White (2010, p. 574)

Yanamandram and White (2010) establish an empirical relationship between switching cost dimensions and calculative commitment. They also identify inertia and calculative commitment as the antecedents of repeat buying behaviour for long term customers who act as loyal, but in reality, they are not loyal. Though both the constructs derive similar outcome of spurious loyalty, they have been established as two distinct constructs by empirical evidence of the study. The researchers draw on Burnham, Frels and Mahajan (2003) to hypothesise that there are five typologies of switching costs (namely, benefit loss cost, uncertainty cost, evaluation cost, learning cost and sunk cost). These typologies are said to positively influence inertia and calculative commitment. The results of their analysis, however, establish discriminant validity between the constructs. Additionally, results also exhibit switching cost having differential effects on inertia and calculative commitment, thus establishing them as distinct and different.

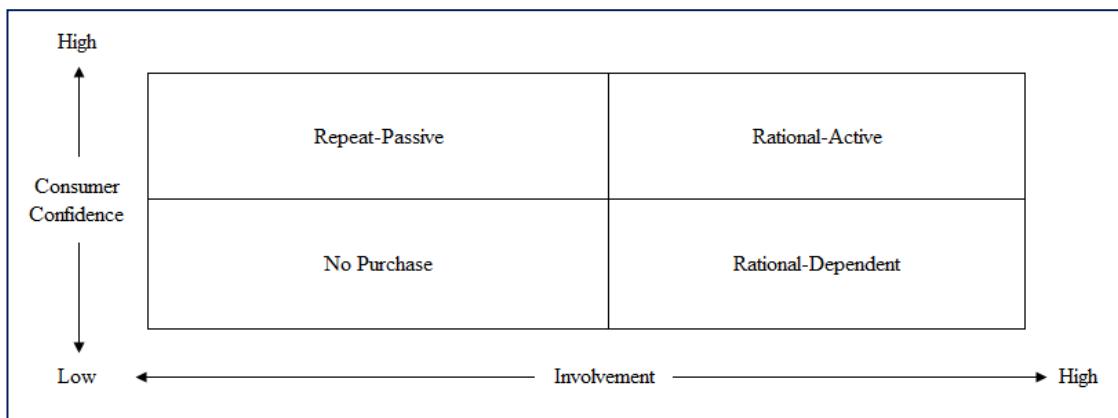
3.4.7 Consumers' financial purchase behaviour

Beckett, Hewer and Howcroft (2000, p. 16) postulate that:

Consumer "involvement" in the buyer-seller interchange incorporates a number of subsets: customer control (Bateson, 1989), customer participation and level of contact (Chase, 1978). Similarly, it is assumed that uncertainty or "confidence" is largely determined by perceptions of risk, which are determined by the complexity of the product being purchased and the certainty of outcome associated with that product (Shostack, 1977).

Their study (which was conducted in the UK) investigated the consumer behaviour in financial contracts and purchase process for three categories of products: transaction services, basic insurance services and long-term investment services. Drawing upon the literature of consumer behaviour evolving around involvement and uncertainty, Beckett, Hewer and Howcroft (2000) propose a four-quadrant matrix in explaining financial consumer behaviour. The matrix groups are named thus: i. repeat-passive; ii. rational-active; iii. no purchase; and iv. relational-dependent (see Figure 3.8).

Figure 3.8: Financial consumer behaviour matrix



Source: Beckett et al. (2000, p. 16)

According to their postulation, low involvement coupled with high confidence level is the characteristics of 'repeat-passive' consumers. This group show passive behaviour through repeat purchase in feeding their 'limited risk' perceptions due to lack of motivation in searching for alternatives (as a result of limited choice). Financial products

(such as transaction accounts) with high switching cost and low differentiation coerce such behaviour of ‘bounded rationality’ (Beckett, Hewer & Howcroft 2000; Simon 1957). The repeat purchase of the same brand is soon altered whenever a worthy alternative appears.

However, the extreme end group is the ‘no-purchase’ consumers, neither having confidence in financial transactions nor involvement, and hence, they are highly risk-averse. They are comfortable with the average return of simple bank deposits rather than high-return choices. Furthermore, they prefer continued loyalty to the current brand.

Apart from the two groups discussed, consumer group of ‘rational-actives’ are characterised with high confidence and high involvement, and are commonly postulated as ‘rational consumers’ by economic behavioural theories. These are the consumers equipped with financial education/ knowledge that help them to make informed purchasing decision in pursuit of a higher than average return on their investment. Rational-active consumers consult with media information in assessing the prospective return and they are not affectively dependent on the service providers. Absence of interpersonal communication in such cases instils limited trust in the provider. Examples are the basic insurance products (such as, motor and home contents) for which price comparisons are available through internet and printed media. Price is a quality indicator for these typical services. Hence, high switching is observed among these consumers as compared to the consumers of transaction accounts.

However, Beckett, Hewer and Howcroft (2000, p. 24) assume, “Consumers have a predisposition to create relationships and emphasise trust and loyalty when they find it difficult to make rational choices on the basis of available information.” Hence, the last and the most relevant financial consumer group for the present study is the ‘relational-dependent’ segment. These consumers are characterised by high involvement due to their high financial exposure with the provider (examples are the complicated investments, such as home mortgages). They have, however, reduced confidence in dealing with the product directly. Hence, these financial purchases are referred as ‘relational contracting’ which emerges from MacNeil (1980) and Williamson (1985).

This concept depicts the context of exchange situations where there are lack of consumer information and knowledge, high complexity, and uncertainty. In such situations, consumers can roughly perceive that some differences exist in the competing service offerings. Hence, they depend on some relationships (such as, the bank manager or third parties as mortgage brokers) to make informed choices, which replaces/ reduces the need for active information search and effective information processing. Trust plays a key role in such cases. Therefore, the service delivery channel needs to be conducive to close interpersonal communication in forming trust-worthy relationship bond (Beckett, Hewer & Howcroft 2000). As such, relational-dependent consumers are ready to pay a premium price or may behave price-insensitive towards the preferred brand. Hence, this segment has strategic importance for financial institutions as it offers the opportunity of service differentiation and competitive advantage through relationship value and brand equity building.

Table 3.1 summarises the authors' names along with the antecedents and consequences of consumer behavioural models discussed so far.

Table 3.1: Summary of contributing models of loyalty and switching behaviour

Authors	Model outcome/s	Antecedents	Industry
Bell and Eisingerich (2007)	Loyalty	Service quality (technical & functional), customer education, customer investment expertise	Investment services industry of Australia
Taylor-West et al. (2008)	Product appeal (consumer perception)	Familiarity, involvement, expertise	Auto-mobile industry of Germany
Chen et al. (2012)	Satisfaction	Service fairness, service quality, trust, value	Financial industry of Taiwan
Nikbin et al. (2013)	Switching intention	Service fairness and price fairness, relationship quality (trust and commitment)	Restaurant industry of Malaysia
Bansal and Taylor (1999)	Switching intention and behaviour	Service quality, perceived relevance, satisfaction, subjective norms, attitude towards switching, perceived switching cost	Home mortgage industry of Canada
Yanamandram and White (2010)	Inertia, calculative commitment	Dimensions of switching cost: benefit loss costs, uncertainty costs, evaluation costs, learning costs, sunk costs.	Financial services industry of Australia (B2B context)
Beckett, Hewer and Howcroft (2000)	Financial purchase behaviour (such as, repeat purchase, price insensitivity and switching)	Involvement, consumer confidence (in risk and uncertainty)	Consumer finance industry of UK

Source: Developed for this research

The antecedents and behavioural outcomes summarised in Table 3.1 are carefully considered in selecting the variables for the present study under the framework of TAI, given the pertinent regulatory scenario of the home mortgage industry in Australia. These contributed to answering the research questions (developed in Chapter 2) and formulating the associated hypotheses for the present study. The next section elaborates on the development of research hypotheses.

3.5 Developing the research hypotheses

3.5.1 Knowledge factors influencing banking expertise

This section approaches the first (secondary) research problem (a):

To evaluate the influence of Australian consumers' knowledge factors, i.e., familiarity with reforms, purchase involvement, financial illiteracy and switching experience on their banking expertise.

Therefore, the behavioural factors considered are: familiarity with reforms, purchase involvement, financial illiteracy and switching experience.

3.5.1.1 Familiarity with reforms and banking expertise

Taylor-West et al. (2008) argue that consumers' product evaluation and perception are related to three main constructs: familiarity, expertise and involvement. Regarding physical goods, the researchers suggest that the (epistemic) newness and complexity of a product varies between experts and non-experts, based on product exposure and familiarity. Their research on new automotive product appeal indicates that familiarity, expertise and involvement jointly influence consumer perception about new product (appeal). They argue that familiarity has the most significant influence on consumer perception and decision making among the three variables (Taylor-West et al. 2008). Alba and Hutchinson (1987) argue that familiarity moderates expertise, and that non-experts can become or behave like experts when they become familiar with a product. Therefore, it is apparent that familiarity contributes to expertise.

In the services context, Patterson and Mattila (2008) argue that familiarity creates provider-biasness through repeat exposure. Garcia-Marques and Mackie (2000) argue that familiarity stimulates positive feelings, which in turn is bestowed upon the stimulus object. As such, familiarity derives positive feelings and affective response about the arousal. Such affective feelings about the familiar object (such as, the service provider) significantly contribute to experience and service evaluation (Patterson & Mattila 2008).

However, when familiarity is concerned with a different object (which is not included in past literature) such as bank switching reforms (rather than the service provider), it is arguable that familiarity contributes towards consumers' awareness about their rights on service providers, and also towards their financial knowledge and expertise. Based on the foregoing discussion, the following hypothesis has been developed:

H_{1a}: Familiarity with reforms positively influences banking expertise.

3.5.1.2 Purchase involvement and banking expertise

Sanchez-Franco (2009) argues that ego or enduring involvement reveals knowledge, expertise and familiarity with a product or service, i.e. consumer's experience and values gained from usage. On the other hand, purchase involvement is expressed in terms of time, effort and cost investment that arises due to individuals concern for risk reduction in purchasing a service. For high search goods such as banking products, the perceived risk is higher and therefore, the level of purchase involvement is also higher (Sanchez-Franco 2009).

In the case of on-line purchase behaviour, it has been established that high-involvement consumers seek for and process a good volume of quality information (Shiue & Li 2013). Jacoby et al. (2001) argue that consumers need to understand the requirement of information and its usefulness in making a particular financial decision. In this context, the effect of consumer involvement is linked with consumer knowledge and expertise in finance and financial products (Martenson 2005). Therefore, it can be argued that a higher level of purchase involvement can help the consumer attain a better status of ego involvement with the service. This better level of ego involvement is reflected through customer's banking expertise, since ego involvement is said to be a function of past experience and value intensity in relation to a particular service (Rothschild 1979; Slama & Tashchian 1987).

Therefore, the following hypothesis is proposed:

H_{1b}: Purchase involvement positively influences banking expertise.

3.5.1.3 Financial illiteracy and banking expertise

When expertise in banking is concerned, it is insufficient to say that the task is very complex and multifaceted, considering the level of difficulty in becoming a financially expert consumer (Martenson 2005). Researchers on financial literacy have argued that consumers' financial expertise is the outcome of financial literacy (Barrutia & Espinosa 2014; Brown & Graf 2013). Bell and Eisingerich (2007) indicate that there is a direct positive link between consumer education and expertise, depicting expertise as outcome of education.

Howcroft, Hamilton and Hewer (2007) argue that consumers possess relatively less interest and enthusiasm about financial products, while the financial risk perception is considered important (Howcroft, Hamilton & Hewer 2007). Benartzi and Thaler's (1999) study finds that consumers spend less than an hour to make financial decisions on retirement funds and they process only the information received from the providers and close contacts. These respondents, though, seem to be confident enough that their choice is the correct one.

In context of the US and Europe (and many other countries), a significant group of consumers have been classified as financially illiterate (Martenson 2005; Sandler 2002). Some researchers have argued that consumers' lack of knowledge and understanding in financial products has the potential to bring fatal consequences, especially when savings and investments are concerned (Beatty et al. 2012; Devlin, Roy & Sekhon 2014). Behavioural finance literature has established a strong link between financial illiteracy and consumer behaviour (Duca & Kumar 2014). Financial illiteracy results inadequate retirement savings and wealth accumulation, over-borrowing and expensive borrowing, and thus it reduces the effectiveness of programs catered to improve consumers' financial expertise (Duca and Kumar 2014). Hence, it might be concluded that financial illiteracy has negative impact on banking expertise. Therefore, the following hypothesis has been developed:

H_{1c}: Financial illiteracy negatively influences banking expertise.

3.5.1.4 Switching experience and banking expertise

Consumers' past experience with other service providers is considered to influence two types of behavioural dimensions: i. perception of switching cost; and ii. domain expertise (i. e. the expertise related to a product/ service category, such as banking expertise) (Burnham, Frels & Mahajan 2003). Switching experience, together with alternative experience, act as the antecedents of consumers' expertise in a certain category of products/ services. Alternative experience is defined as "the breadth of experience the consumer has with the various products, features and functions offered by a competing service provider" (Burnham, Frels & Mahajan 2003, p. 114). This expertise enables consumers to swiftly and efficiently evaluate the available alternatives and gather new information about products or services (Alba & Hutchinson 1987; Burnham, Frels and Mahajan 2003; Park, Mothersbaugh & Feick 1994).

When a consumer has a relatively frequent switching history, his perception of switching cost becomes lower, while his domain expertise grows higher (Dagger & David 2012). Expert consumers have the capacity to comprehensively evaluate alternative offerings in making more rational choice of service attributes that suits their needs and demands (Bell & Eisingerich 2007; Brucks 1985). Therefore, the following hypothesis is proposed:

H_{1d}: Switching experience positively influences banking expertise.

3.5.2 Influence of banking expertise on consumers' cognitive evaluations

This section deals with the second problem statement (b):

To evaluate the influence of Australian consumers' banking expertise on their perceptions of price fairness, value and switching cost.

In the context of this thesis, factors relating to consumers' cognitive evaluations are considered as price fairness, perceived value, and switching cost. The, relationships among these cognitive factors are hypothesised in the following sections.

3.5.2.1 Banking expertise and price fairness

Barrutia and Espinosa (2014) argue that financial consumers, and especially the loan mortgage consumers, are treated as price-takers in the bargaining situation. Despite this fact, though, Bell and Eisingerrich (2007) argue that providers become more vulnerable to switching and losing business when the consumers are expert and well-educated in the financial service. Experts are more demanding in financial deals due to reduced level of risk and switching cost perception. Such behavioural traits are observed in expert consumers since they are equipped with the skills to compare among available alternatives (Bell & Eisingerrich 2007). This suffices the argument that experts possess above average consumer power to negotiate a better price in financial deals (Barrutia & Espinosa 2014).

Before Barrutia and Espinosa's (2014) study, the influence of consumer expertise had not been considered as a price antecedent in the mortgage loan price negotiation context. Barrutia and Espinosa (2014, p. 1963) argue that the mortgage price charged to financial consumers is the result of consumer expertise displayed through information gathering, processing and price bargaining, given the fact that "financial expertise is a crucial variable to understand the differences in loan prices." Drawing upon that epistemic view, this study comprehends that financial expertise equips the consumer with the required capacity to identify any embedded lack of price fairness, which non-experts cannot envisage. Therefore, the following hypothesis is proposed:

H_{2a}: Banking expertise negatively influences price fairness perception.

3.5.2.2 Banking expertise and perceived value

In a similar vein to price fairness, the relationship between expertise and perceived value can be explored. Coutelle-Brillet, Riviere and des Garets (2014) opines, "value is a relativistic (comparative, situational, personal) preference characterising a consumer's experience of interacting with some object, i.e. any product or service" (p. 165). This view explains value as a person-specific outcome of consumption experience.

Considering past usage experiences as drivers of value, it can be argued that expertise and value has some intertwined relationship, as expertise is also derived from past experience (explained earlier). Bell and Eisingerich (2007, p. 480) argue that ‘expert clients are in a better position to assess when a superior service has been delivered.’ In case of expert consumers, it is argued that there are higher level of expectation disconfirmations, i.e., post-purchase perceptions are very negative as compared to pre-purchase expectations (Jamal & Anastasiadou 2009). Considering expert consumers’ higher knowledge and skills of service attributes and subsequent ‘highly demanding’ behavioural traits, this thesis proposes the following hypothesis:

H_{2b}: Banking expertise negatively influences perceived value.

3.5.2.3 Perceived value and price fairness

Some researchers have argued that perceived value is influenced by consumers’ service fairness perception (Chen et al 2012), given the fact that both the concepts (price fairness and value) have their genesis in the theory of equity. Researchers have argued that consumers perceive the price as fair if the payments (effort) made for the same purchase (outcome) is equal for all (Low, Lee & Cheng 2013; Monroe 1973). Conversely, value is conceptualised as an overall functional and relational utility, when service benefits are compared with relevant sacrifices made by the consumer in a certain purchase situation (Coutelle-Brillet, Riviere & des Garets 2014; Zeithaml 1988).

Kahneman, Knetsch and Thaler (1986) establish that consumers are concerned about the social norms behind setting the price as well as about their personal or economic self-interests. Therefore, it is plausible that, the service will not provide good value for a typical consumer unless it is perceived as fairly priced following the norms of the marketplace.

Hence, fairness perception, particularly price fairness perception has a significant impact on consumers’ value perception (Chen et al. 2012; Hanzaee & Yazd 2010). Similarly, Monroe (2012) concludes that consumers’ unfair price perception leads to a lower level

of value perception. Considering this relationship of value and price fairness, this research also proposes the following hypothesis:

H_{2c}: Price fairness perception positively influences value perception.

3.5.3 Cognitive factors influencing perceived switching cost

This section deals with the third problem statement (c):

To evaluate the influence of Australian consumers' familiarity with reforms, purchase involvement, financial illiteracy, switching experience and perceived value on their perceptions of switching costs.

Familiarity with switching reforms, purchase involvement, financial illiteracy and switching experience are considered as relevant behavioural factors in this section. The relationship between these factors and switching cost is hypothesised next.

3.5.3.1 Familiarity with reforms and perceived switching cost

Some researchers have argued that long-term stable relationship between the financial service providers and customers enable efficient usage of finance, as it gradually improves capital mobilisation through relationship dynamics by lowering the information asymmetry (Stephan, Tsapin & Talavera 2012). The greater degree of familiarity reduces consumers' information search, which reveals a negative correlation between familiarity and information search (Arora & Stoner 1996). However, the disposition of this research involves the familiarity with bank switching reforms (rather than familiarity with providers), and the perception of switching costs.

Switching cost is considered as one of the influential determinants of provider-consumer relationship duration. Price and term structure of financial products incorporates the switching barriers for bank consumers (Ho 2014). Consumers' relationship duration with banks strongly depends on their perceived switching costs (Kiser 2002a). Dagger and David (2012) conclude that consumers' involvement, relationship benefits and switching cost influence the link between their satisfaction and loyalty. Consumers equipped with

extensive array of information prior to purchase of the service are more cautious about the service outcome (Dagger & David 2012). These consumers' selection of provider is an outcome of informed choice making (Dagger & David 2012).

When legislations are formulated to remove the bank switching barriers and equip consumers with easier access to information, this should lower their perception of switching costs and empower them to make financially worthwhile decision. Given that the consumers are aware of the benefits of banking reforms and familiar with the product-related changes (such as, banning of the mortgage exit fees, availability of loan key fact sheets) brought forward by the legislations, switching banks for better home mortgage deals should appear easier to them post-legislation. In this context, this thesis proposes the following hypothesis:

H_{3a}: Familiarity with reforms negatively influences perceived switching cost.

3.5.3.2 Purchase involvement and perceived switching cost

Literature states that high involvement consumers perform extensive research during the purchase process (Homburg & Giering 2001). Baumann, Burton and Elliott (2005) argue that high-involved consumers tend to shop around as they get equipped with extensive information. Therefore, switching is not that costly to them as it appears to the low-involved consumers. To explain further, switching cost reveals monetary and non-monetary costs of finding a better alternative, e.g., time and cost involved to find a new provider (Dagger & David 2012; Jones, Mothersbaugh & Beatty 2002).

When high-involved consumers gather information to compare alternatives, they happily invest their time and effort to scrutinize the facts. Therefore, switching cost perceptions cannot lock them into a relationship that is not worthy, as they have better understanding of the product attributes, price-quality trade-offs, and relevant contractual obligations of a financial product (Dagger & David 2012). To high-involved consumers, switching cost is one of the several other opportunity costs in a situation of repurchase decision (Petty, Cacioppo & Schumann 1983). Therefore, the following hypothesis is proposed:

H_{3b}: Purchase involvement negatively influences perceived switching cost.

3.5.3.3 Financial illiteracy and perceived switching cost

Literature suggests that very few consumers in the financial market possess the required expertise to deal with financial matters. Acquiring financial knowledge involves cost and consumers lack expertise to process economic information, formulating plans for savings, and budgeting their spending against income in a realistic manner (Lusardi & Mitchell 2014). Lusardi and Mitchell (2014) argue that the worldwide spread of financial markets has made the consumer financial products (such as credit cards and mortgages) more accessible than before to all income groups. In such circumstances, it is now unusually difficult for financially illiterate consumers to decide on household borrowings (Lusardi & Mitchell 2014), and especially deciding on the choice of institutions and loan amounts, as far as the portfolio diversification is concerned (Mouna & Jarboui 2015). Mouna and Jarboui (2015) conclude that financial literacy positively influences portfolio diversification or investing in alternative institutions.

It is argued that financial illiteracy leads to under-diversification of investment portfolios, as consumers fail to obtain accurate financial information and cannot perceive existing opportunities. As these consumers may suffer from behavioural bias out of “familiarity” and “narrow framing”, they exhibit risk-avert behaviour (Mouna & Jarboui 2015, p. 811) and hence, perceive higher cost for diversification. Similarly, this thesis proposes that financially illiterate consumers perceive higher switching cost than the literate consumers, and thus develops the following hypothesis:

H_{3c}: Financial illiteracy positively influences perceived switching cost.

3.5.3.4 Switching experience and perceived switching cost

Consumers those are satisfied with current provider, having less experience of past switching may exhibit inertia or spurious loyalty, and hence perceive higher cost of switching (Matzler 2015, Liu 2006). Consumers’ switching experience reveals the degree of past switching among alternative providers and brands (Burnham et al., 2003), and this in turn reduces satisfaction (Matzler 2015). Switching experience has a negative correlation with satisfaction for two reasons. Firstly, consumers develop poorer relationship bond, gather less relational benefits and have less time to perceive provider

uniqueness (Bhattacharya, Hayagreeva & Glynn 1995; Matzler et al. 2015). Secondly, such consumers become difficult to satisfy due to their broader array of experience and knowledge that contributes to greater expectation or norms of service performance (Matzler et al. 2015, Sharma & Patterson 2000).

High (switching) experienced consumers become more skilled and aware of the switching process, and this leads to a lower switching cost perception (Matzler et al. 2015, Nilssen 1992). Some researchers have argued that experienced switchers have larger consideration set of alternatives and they can better perceive the likelihood of switching consequences than less experienced switchers (Ganesh, Arnold & Reynold 2000). All these are reasons for experienced switchers to perceive lower switching cost. Therefore, the following hypothesis is proposed:

H_{3d}: Switching experience negatively influences perceived switching cost.

3.5.3.5 Perceived value and perceived switching cost

Drawing from the empirical evidence within previous research, Edward and Sahadev (2011) stipulate that switching cost influences consumer retention directly as well as indirectly through a few other variables, where perceived value plays a significant role. The authors argue: “The financial aspect of SC described by Burnham et al. (2003) can be directly linked to the PV for the service as PV is often defined as the outcome of a cost-benefit comparison process” (Edward & Sahadev 2011, p. 332). While evaluating the potential alternatives, consumers consider their dependable others’ experience with alternative providers (Edward & Sahadev 2011).

With the service having a higher perceived value, the consumers feel higher level of uncertainty and perceived risk when switching is considered (Edward & Sahadev 2011; Liu 2006). This is due to the fact that consumers tend to minimise their cognitive dissonance and prefer familiar brands they can rely upon (Edward & Sahadev 2011; Klemperer 1995). Therefore, when consumers perceive greater value from a service, their chances of switching are narrowed down (Liu 2006). In other words, switching does not seem worthy for services with higher perceived value. Milan, Eberle and Bebber (2015)

argue that perceived value positively influences perceived switching cost, though their data eventually does not support the proposition. Drawing on supporting evidence in the literature, however, the following hypothesis is proposed:

H_{3e}: Perceived value positively influences perceived switching cost.

3.5.4 Cognitive factors influencing consumers' affective response

This section approaches the fourth (secondary) research problem (d):

To evaluate the influence of Australian consumers' banking expertise, and their perceptions of price fairness and value on the relationship quality between the service provider and consumer.

Considering the cognitive factors that are price fairness, perceived value and banking expertise, consumers' affective responses are hypothesised in terms of relationship quality (RQ). Relationship quality has been chosen to capture possible emotional reactions since this constitutes an array of first-order affective variables (such as, trust, satisfaction, commitment and conflict).

3.5.4.1 Perceived price fairness and relationship quality

Relationship quality is strongly predicted by consumers' fairness perception (Giovanis, Athanasopoulou & Tsoukatos 2015). The concept of relationship quality is comprehended as "the strength of the relationship and the extent to which it meets the needs and expectations of the parties" (Smith 1998, p. 78). From this definition, it can be argued that consumers' expectation, needs and demands regarding the price are important for healthy relationship quality. RQ is an affective concept comprising of quite a few first order constructs, commonly accepted dimensions being satisfaction, trust and commitment (Athanasopoulou 2009; Giovanis, Athanasopoulou & Tsoukatos 2015).

Chen et al (2012) establish that fairness perception positively influences satisfaction and trust. Ting (2011) argues that each components of fairness have influence on consumers' relationship commitment. In the banking context, it is emphasised that perceived price

fairness significantly influences consumers' service evaluation and choice of provider due to the relatively complex price structure of financial products (Kaura, Prasad & Sharma 2015).

It is now widely accepted that the price fairness perception influences consumer-provider relationship and the repeat purchase intention (Andres-Martinez, Gomez-Borja & Mondejar-Jimenez 2013). Consumer's negative perception of price fairness leads to dissatisfaction, relationship termination, negative word of mouth, and other activities that sabotage the provider's reputation, trust-worthiness and business (Xia, Monroe & Cox 2004). Most importantly, the perceived unfairness of price gives rise to negative consumer emotions, such as disappointment, anger and (affective) conflict with the provider (Namkung & Jang 2010; Xia, Monroe & Cox 2004). Therefore, price fairness perception has the potential to significantly impact the relationship quality. Hence, the following hypothesis is proposed:

H_{4a}: Perceived price fairness positively influences relationship quality.

3.5.4.2 Perceived value and relationship quality

In relationship marketing, perceived value is considered as a first-order element (Ravald & Gronroos 1996, Moliner 2009). Relationship specialists consider relationship quality as an accumulation of values perceived through consumer's relationship experience (Moliner 2009). Past literature has already established that perceived value works as a strategic device in reducing switching and improving retention (El-Manstrly 2016; Zeithaml 1988). It has a positive influence on each first-order constructs/ dimensions of relationship quality, namely satisfaction, trust and commitment (Chen et al. 2012; Morgan & Hunt 1994).

Despite the lack of sufficient empirical evidence on direct link between perceived value and relationship quality, Moliner et al. (2007) have been able to establish a causal model that depicts perceived value as predictor of relationship quality. Taking the multi-dimensional view of perceived value, Moliner et al. (2007) concludes that value predicts consumer attitude towards a service provider through both cognitive and affective

process. Their assumption conceptualises value as a dynamic variable which is a post-consumption experience. Value therefore includes primary affective reactions such as fear, anger, or positive emotions those arise during the transaction before arousal of the cognitive valuations and higher level affective reactions of RQ such as satisfaction, trust and commitment (Moliner et al. 2007; Roig, García & Tena 2009). Based on this disposition, this thesis also proposes that:

H_{4b}: Perceived value positively influences relationship quality.

3.5.4.3 Banking expertise and relationship quality

Consumer perceived expertise (of provider's employees) has been found to be a positive indicator of relationship quality in financial services sector (Crosby, Evans & Cowles 1990; Izogo 2016b). However, when expertise is concerned with consumers, the consequence is different. It has been discussed earlier that consumers' financial expertise equips them with a greater degree of bargaining power and a high level of expectation in the relationship.

Bell, Auh and Smalley (2005) argue that financially expert consumers assess the functional and technical (core) service quality more critically as compared to non-experts. Low expert consumers rely on relational and tangible aspects of service quality as they lack the skills to assess technical aspects (Bell, Auh & Smalley 2005; Sharma and Patterson 2000). Expert consumers have greater confidence in assessing alternatives while switching providers (Heilman, Bowman & Wright 2000); they have lower level of risk perception in decision-making situations due to reduced information asymmetry between them and the market (Bell & Eisingerich 2007).

Finally, expert consumers can distinguish between the finer aspects of product attributes and therefore exhibit the 'cherry picking' habit by diversifying their financial investments among different providers and negotiate for better prices with greater bargaining power (Bell & Eisingerich 2007). Based on this evidence, Bell & Eisingerich (2007) propose that customer expertise has negative influence on customer loyalty, though the proposition has not been supported by their data.

Drawing on the evidence available in the literature, however, it can be concluded that expert consumers' relationship bond with the service provider is not as strong as the non-experts. Hence, the following hypothesis is proposed:

H_{4c}: Banking expertise negatively influences relationship quality.

3.5.5 Influence relationship quality on behavioural intention and outcome

The final problem statement (2e) has been dealt in this section:

To evaluate the influence of relationship quality between the service provider and the consumer of their price insensitivity and bank switching propensity.

Therefore, the influence of relationship quality on price insensitivity (behavioural outcome) and propensity to switch (behavioural intention) has been hypothesised at this final stage.

3.5.5.1 Relationship quality and price insensitivity

In financial services, relationship quality has a positive influence on relationship bond, repurchase intention and retention (Izogo 2016b; Rajaobelina & Bergeron 2009). Research has established that each first-order component of RQ (namely satisfaction, trust and commitment) act as antecedents of loyalty and switching behaviour (discussed in earlier chapter). Morgan and Hunt's (1994) commitment-trust theory establishes trust as a strong and key predictor of switching propensity in the relationship marketing paradigm. Similarly, Kaur, Sharma and Mahajan (2012) argue that satisfaction, trust and commitment are strong predictors of loyalty intentions.

In addition to trust and commitment, service satisfaction has been established as a predictor of relationship bond and price sensitivity in past literature (Ganesh, Arnold & Reynolds et al. 2000; Zeithaml, Berry & Parasuraman 1996). Consumers with low price sensitivity (or price insensitivity) do not switch with an unfavourable price change, given that quality of service creates a very high level of satisfaction (Goldsmith & Newell 1997;

Munnukka 2005). Dominique-Ferreira, Vasconcelos and Proen  a (2016), establish that loyal consumers are less price-sensitive, i.e., higher relationship bond leads to price insensitivity. Extending on such findings on RQ and price insensitivity, the following relationship is hypothesised:

H_{5a}: Relationship quality positively influences price insensitivity.

3.5.5.2 Relationship quality and propensity to switch

Some researchers have argued that behavioural (repurchase) intention is enhanced with strong relationship maintenance (Ahamed & Skallerud 2015; Izogo 2016b). Comprehending the shortcomings of RQ literature, Izogo (2016b, p. 375) argues: "Few studies have examined customers' behavioural intentions through a RQ lens despite the construct's importance in the relationship marketing literature." Taking a two-dimensional view (trust and satisfaction) of RQ, Izogo (2016b) argues that RQ has had a positive influence on behavioural intentions in context of Nigerian retail banking sector. Izogo's (2016b) study regards 'repurchase intention' and 'willingness to recommend' as being behavioural intentions. In context of the luxury automobile industry, Tonder, Petzer and Zyl (2017) adopt a three-dimensional view of RQ (satisfaction, trust, commitment) and establish RQ as a strong predictor of behavioural intentions. In their study, intention has been noted in terms of 'word-of-mouth communication', 'repurchase intention', and 'price sensitivity'.

Therefore, this thesis proposes the following relationship of RQ with switching intention (propensity to switch):

H_{5b}: Relationship quality negatively influences consumers' propensity to switch.

3.5.6 Relationship of perceived switching cost with behavioural intention/ outcome

This section relates to problem statement (2f):

To evaluate the influence of Australian consumers' perceived switching cost on their calculative commitment and their propensity to switch banks.

Therefore, the propensity to switch and the calculative commitment are the dependent variables considered against the hypothesised relationship of switching costs.

3.5.6.1 Perceived switching cost and calculative commitment

Nationwide studies (in 2006 and 2007) on SMEs in Australia have pointed out that 60 per cent of businesses are highly dissatisfied with their banks (Yanamandram & White 2010). Despite this, though, 50 per cent of the respondents did not seem to have any history of switching banks. Similar patterns of long-term patronage behaviour can be observed in the consumer finance market due to the heterogeneous and complex nature of financial products. This behaviour has been attributed to consumers' calculative commitment (Yanamandram & White 2010; White & Yanamandram 2007), which has its genesis in perceived switching costs.

Some researchers have argued that procedural and financial switching costs are particularly responsible for reducing undesirable affective responses and developing calculative commitment that deters switching to ensure economic or similar gains for consumers (Jones, Mothersbaugh & Beatty 2002; Kaur, Sharma & Mahajan 2012). Consumers with high levels of perceived switching costs attain their instrumental consumption goals by calculatedly remaining with a provider (Tsai et al. 2014). Yanamandram & White (2010, p. 571) argue that "calculatively committed customers continue a relationship, provided the costs associated with leaving the partner are higher than the expected benefits of switching." Therefore, the following hypotheses can be proposed:

H_{6a}: Perceived switching cost positively influences calculative commitment.

3.5.6.2 Perceived switching cost and propensity to switch

Switching cost involves three broad categories of perceived costs associated with switching providers: i. procedural switching cost; ii. financial switching cost; and iii. relational switching cost (Burnham, Frels & Mahajan 2003; Vasudevan, Gaur & Shinde 2006). Calculatively committed consumers consider only the instrumental costs, though

relational switching costs also act as important switching barrier for a large group of consumers.

Milan, Eberle & Bebber (2015) empirically establish that perceptions of switching cost can positively influence customer retention. Switching cost has long been used as a highly influential, defensive marketing tool in minimising relationship costs through retention and developing competitive advantage (Matzler et al. 2015). Research has established that high perceptions of switching cost can have a positive influence on relationship quality (Aziz & Noor 2013; Vasudevan, Gaur & Shinde 2006).

The impact of switching cost on satisfaction, commitment and loyalty has long been established (Vasudevan, Gaur & Shinde 2006). A direct relationship has also been established between switching cost and repurchase intention (Jones, Mothersbaugh & Beatty 2002). Burnham, Frels and Mahajan (2003) confirm that switching cost contributes to consumers' intention to stay with the provider. Though past research has provided mixed results about the relationship of switching cost and switching intention, Asimakopoulos and Asimakopoulos (2014) establish that certain categories of switching cost have a significant impact on consumers' switching intention in context of the internet services industry. In the context of financial (mortgage) services in Canada, however, Bansal and Taylor (1999) conclude that there exists a direct negative relationship between switching cost and switching intention. In the context of recent switching legislations catered to removing certain switching costs in Australian consumer banking industry, this thesis proposes that:

H_{6b}: Perceived switching cost negatively influences propensity to switch.

3.6 Developing the initial conceptual model

As the TAI theory states, motivating messages can influence cognitive and behavioural change, given that participants are involved actively in the intervention process for change. Regulatory intervention by switching reforms are intended to stipulate switching in the industry, which can only happen as a result of change in the cognitive structure of

the consumers' minds, as evidenced in the literature. Therefore, some focal variables are chosen from existing switching models and relevant hypotheses are developed from the extant literature to conceptualise a holistic model of financial consumers' switching behaviour (using TAI) in post-reform Australia.

At the beginning or 'engagement' stage, TAI stipulates that 'arousal' is an important component of intervention that causes audience involvement. In the context of bank switching, 2010 switching reforms represent the corresponding coherence with the 'arousal' concept. More comprehensively, consumers' familiarity with reforms provides the necessary 'arousal' for meaningful (purchase) involvement in financial deals. Though the switching literature draws upon consumer expertise (derived from education) which seems to have negative association with loyalty, it does not discuss the potential implications of consumers' financial illiteracy on switching behaviour. Since TAI is based on learning and education, illiteracy in finance can be considered as a key relevant factor if switching to be explained by TAI framework.

Additionally, consumers' bank switching history can be considered as another important determinant of expertise as evidenced from literature, which is captured by switching experience. Finally, familiarity with reforms, purchase involvement, financial illiteracy and switching experience together contributes to banking expertise, which is viewed as immediate gain/outcome of 'active involvement intervention' in the TAI framework of bank switching.

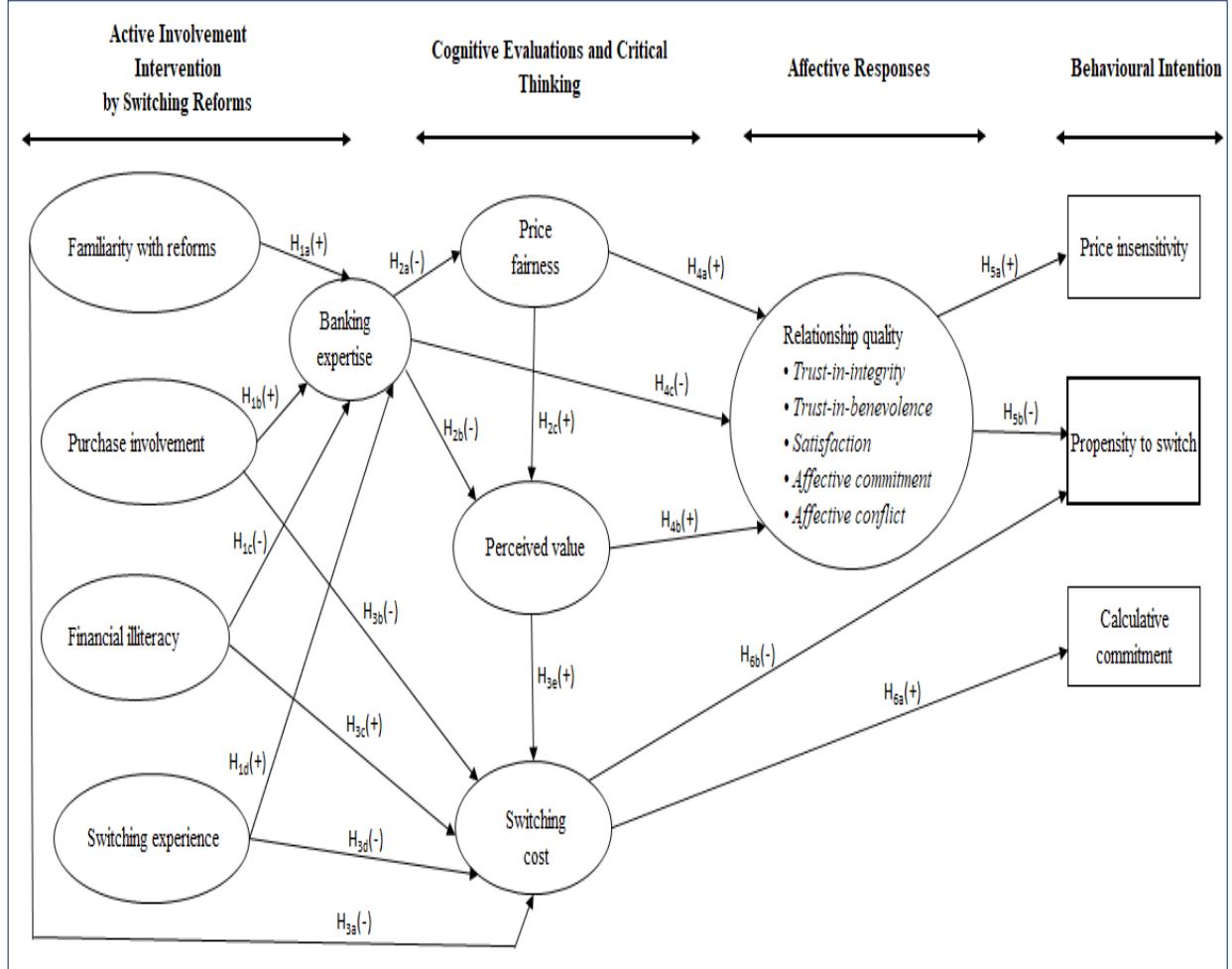
In the middle ('critical thinking') part of the proposed model, some cognitive factors have been chosen. These factors are price fairness, perceived value, and switching cost. These behavioural factors are closely relevant to the contemporary Australian banking context in two ways. First, the 2010 reforms aimed to minimise the switching costs of mortgage borrowers. The reforms also aimed to extend various supports for consumers in finding better price deals and superior value in financial transactions. In the long term, the reforms aim to improve Australian's cognitive capacity of making responsible financial decisions. Second, in the context of financial services be it global or local, consumer perceptions of price fairness, value and switching cost are the most important predictors of switching and staying (Kaur & Sambyal 2016; Worthington & Devlin 2013). Therefore, the choice

of expertise variables along with switching cost, price fairness and value are highly relevant and justified in the context of this research.

At the final stage (reflection, cognition) of the model, consumers' 'reflections on perceptions' are captured through affective responses of relationship quality (RQ) variables. These variables include satisfaction, trust, commitment, and conflict. These RQ dimensions and perceived switching costs are the immediate predecessors of resultant 'cognitions' in terms of switching behavioural intentions/ outcomes. N'Goala (2007, p. 511) argues that relationship maintenance should be linked to some key relational constructs, such as perceived equity or fairness, trust and affective commitment.

Finally, the perceived switching cost leads to customers' calculative commitment. When there is a potential trigger for switching, the consumer may still prefer not to switch due to price insensitivity, or due to a calculative commitment (Bloemer & Odekerken-Schröder, 2007). A long relationship with a service provider indicates either that the customer prefers a service provider's characteristics and prices which are indicative of high relationship quality, or that the customer has a high perceived switching cost which stops or delays the switching (Kiser 2002) and indicates calculative commitment. There exists, however, a behavioural intention (propensity to switch) even when no particular behaviour of switching apparently takes place. Based on these concepts and proposed hypotheses, the initial conceptual model has been developed as presented in Figure 3.9

Figure 3.9: The proposed conceptual model of switching financial service providers



As displayed in Figure 3.9, the model has considered four domains of switching behavioural factors; The first domain represents the initial knowledge factors (i.e. familiarity with reforms, purchase involvement, financial illiteracy, switching experience and banking expertise); the second domain represents other cognitive factors (i.e. price fairness, value and switching costs perception); the third domain represents affective factors (i.e. relationship quality, in terms of trust, satisfaction, affective commitment and conflict); and the fourth domain represents the resultant behaviour (i.e. price insensitivity, calculative commitment and propensity to switch).

Consideration of multiple knowledge factors is demanded by the typical characteristics of financial industry. In addition, the long term contractual obligations, coupled with the complex structure of price and terms of mortgages indicate that home loan consumers are relational dependent (Beckett, Hewer & Howcroft 2000). Hence, the simultaneous

inclusion of cognitive and affective factors is considered important for depicting financial consumers' choice formation (Moliner et al. 2007). Finally, the three forms of resultant behaviours are chosen considering a typical mortgage consumer's possible intentions/actions.

3.7 Summarising the *research questions* and associated *hypotheses*

Table 3.2 summarises the nineteen hypotheses developed throughout the current chapter, which correspond to each of the six secondary research questions developed in Chapter 2.

Table 3.2: Summary of the research questions and hypotheses

Research Questions	Hypothesis	Hypotheses
<i>RQ1: What are the knowledge factors that influence consumers' banking expertise?</i>	H _{1a}	Familiarity with reforms positively influences banking expertise.
	H _{1b}	Purchase involvement positively influences banking expertise.
	H _{1c}	Financial illiteracy negatively influences banking expertise.
	H _{1d}	Switching experience positively influences banking expertise.
<i>RQ2: How does consumers' banking expertise influence their cognitive evaluations, such as price fairness perception, value perception and perception of switching cost?</i>	H _{2a}	Banking expertise negatively influences price fairness perception.
	H _{2b}	Banking expertise negatively influences perceived value.
	H _{2c}	Price fairness perception positively influences value perception.
	H _{3a}	Familiarity with reforms negatively influences perceived switching cost.

<i>RQ3: Do consumers' cognitive factors directly influence their perceived switching cost?</i>	H _{3b}	Purchase involvement negatively influences perceived switching cost.
	H _{3c}	Financial illiteracy positively influences perceived switching cost.
	H _{3d}	Switching experience negatively influences perceived switching cost.
	H _{3e}	Perceived value positively influences perceived switching cost.
<i>RQ4: What are the cognitive factors that influence consumers' affective response (relationship quality) to service provider?</i>	H _{4a}	Perceived price fairness positively influences relationship quality.
	H _{4b}	Perceived value positively influences relationship quality.
	H _{4c}	Banking expertise negatively influences relationship quality.
<i>RQ5: How does relationship quality between the service provider and the consumers influence consumers' behavioural intentions (price insensitivity, switching propensity)?</i>	H _{5a}	Relationship quality positively influences price insensitivity.
	H _{5b}	Relationship quality negatively influences propensity to switch.
<i>RQ6: What is the relationship between consumers' perceived switching cost with bank switching propensity or other behavioural outcomes?</i>	H _{6a}	Perceived switching cost positively influences calculative commitment.
	H _{6b}	Perceived switching cost negatively influences propensity to switch.

3.8 Chapter summary

This chapter has developed the hypotheses and conceptual model for the study. Section 3.1 provided an introduction to the chapter. The chapter began by providing brief overviews of underpinning theories of service switching literature. The chapter has proposed a new behavioural framework (known as the “Theory of Active Involvement” or TAI) in conceptualising switching behaviour, which no previous switching model has been found to explore. A brief overview of past behavioural models of service switching was provided in Section 3.4. These models contributed to selection of antecedents (also,

dependent variables) and development of hypotheses which fits the TAI framework. In Section 3.5, arguments drawn from extant literature were presented which contribute to developing the hypotheses. In Section 3.6, the chapter concluded with the epiphany of this research by developing the initial conceptual model. Section 3.7 summarised the research questions and associated hypotheses.

Chapter 4: Research Methodology

4.1 Chapter overview

This chapter provides a methodological overview of the research. It is basically organised into three parts. The first part includes section 4.2 which describes the philosophical stand and approach of the research, the second part describes how the constructs of the proposed model were operationalised, and finally, the third part of the chapter details the design of the study, sampling procedure and execution of the survey. The chapter begins by discussing the ontological and epistemological perspectives of the research. Sub-section 4.2.1 extends the discussion on research approach in terms of the deductive or inductive design of the study. Sub-section 4.2.2 discusses the attributes of quantitative and qualitative research techniques, and then justifies the technique that the thesis has adopted. Sub-section 4.2.3 discusses the benefits and problems associated with the questionnaire survey. Sections 4.3 and 4.4 discuss how the exogenous and endogenous constructs are operationalised. As depicted in the proposed conceptual model of this study, four exogenous and eight endogenous constructs were involved. Section 4.5 details the pre-testing and finalising of the survey instrument. Section 4.6 highlights the pre-data collection consideration, including sampling and execution of the survey. Section 4.7 represents the pre-analysis discussion relating to validity and reliability. Finally, Section 4.8 highlights the study's ethical considerations.

4.2 Research philosophy: ontological and epistemological overviews

Research is described as a conscious activity that aspires to signify the connections among the variables being studied (Johnston 2014). The methodological perspective of a research project is suggested by the specific research questions and the preferred methods in answering those questions (Bisman 2010). The underlying research philosophy can be examined through questions that reflect the researcher's ontological and epistemological assumptions (Abernethy et al. 1999; Bisman 2010). In explaining these the terms 'ontology' and 'epistemology', Bisman writes:

Ontological assumptions affect the way a researcher views the world and what they consider to be 'real'. Deriving from ontology is epistemology, which concerns the theory

of knowledge, its nature and limits (Blackburn 1996), and how people acquire and accept knowledge about the world (2010, p. 5).

Johnston (2014) argues that individuals filter in (or out) knowledge based on their pre-disposition of truth and reality. The nature of reality comprises in two viewpoints: materialistic and idealistic. Idealism rejects the deterministic view of human behavior and builds upon historical, social or contextual perspective. Conversely, in the materialistic view, reality is explained (in metaphysics) as being objective and tangible (Bisman 2010).

The materialist ontological view uses the epistemology of positivism, which views reality as being independent of social actors. Positivists accept sensory perceptions as the ultimate reality; such realism is mentioned as ‘naive realism’ (Guba & Lincoln 1998). Positivists further argue that reality is independent of and external to human perceptions and thought processes (Sarantakos 2005). Bright (1991) argues that the positivist view postulates equal applicability of natural and physical science methods in social and human behavioural studies. Conversely, the idealistic view negates the philosophy by arguing that phenomena can only be explained through their pertaining context, history and social disposition, as their reality is viewed as being non-material, subjective and self-referential.

Hunt (1991) argues that the realm of marketing research is dominated by a positivist approach, which is supported by the theoretical evidences of scientific classifications schemata regarding products, pricing policies, and other marketing decision-sciences. There is, however, a divergence from positivism, upon which most social and business researchers prefer to take their stand. The philosophical disposition of critical realism is argued to have much relevance with business and management research (Bhaskar 1989). Critical realism basically agrees with the positivistic approach in developing scientific knowledge through observable phenomena (Saunders, Lewis & Thornhill 2009).

Critical realism states that “phenomena create sensations which are open to misinterpretation” (Saunders, Lewis & Thornhill 2009, p. 119). To avoid such misinterpretations, it provides explanations accounting for the context of the phenomena. The argument for the integral connection of critical realism with social/ business research

is that such areas of research should not only explain the existing phenomena, but they should also prescribe the desired one (Sayer 2004). Therefore, the critical realist reflects on both positivist and postmodernist through extensive arguments and counterarguments (Sousa 2015).

In marketing research, extensive use of the theoretical concepts is a common phenomenon which limits the explicit usability of the positivistic approach of empirically observable concepts (Hunt 1991). Hence, to understand the unobservable constructs (e.g., consumer perceptions), marketing researchers use some measurable phenomena. This makes ‘scientific realism’ as the guiding philosophy for marketing research, which simultaneously includes the positivistic assumptions while aiming for the predictable truth rather than the accurate truth (Hunt, 1991). ‘Scientific realism’ is said to occupy the middle ground among the philosophical viewpoints of positivism and relativism (Brown & Brunswick 1991; Hunt 1991).

Drawing upon foregoing discussion, it can be argued that this research encompasses the paradigm of *scientific realism*, that aims to obtain the approximate truth. This is epistemologically similar to positivism, as both paradigms employ scientific enquiry in knowledge development (Saunders, Lewis & Thornhill 2009). However, theoretical constructs (such as attitude/ intentions) do not require observable referents at all times, for their acceptance in the context of scientific realism (Hunt 1991). Taking the philosophical view of latent constructs, this study uses a deductive approach and quantitative analytical techniques such as, the use of structural equation modeling (SEM) and other statistical tools aided by computer software programmes.

4.2.1 Approach of the research: deductive versus inductive

Johnston (2014) argues that a research approach can be conceptualised as a process which a researcher applies in conducting the research activity. Therefore, the methods and underpinning rationales delineate the research approach. The fundamental grounding of research approach, be it deductive or inductive, lies within the philosophical stand of the research as discussed earlier. In both inductive and deductive processes, theory is substantially important (Gill & Johnson 2010). The inductive approach seeks to build

theory upon observation, while the deductive approach seeks to test the theory through observation of the expected likelihoods (Johnston 2014; Saunders, Lewis & Thornhill 2009). Table 4.1 displays the differences between the deductive and inductive research approaches:

Table 4.1: Differences between deductive and inductive research approach

Emphasis of deduction	Emphasis of induction
Scientific principles	Gaining an understanding of the meanings
Moving from theory to data	Humans attach to events
The need to explain causal relationships	A close understanding of the research context
The collection of quantitative data	The collection of qualitative data
The application of controls to ensure validity of data	A more flexible structure to permit changes of research emphasis as the research progresses
The operationalisation of concepts to ensure clarity of definition	
A highly-structured approach	
Researcher independence of what is being researched	A realisation that the researcher is part of the research process
The necessity to select samples of sufficient size in order to generalise conclusions.	Less concern with the need to generalise

Source: Adapted from Saunders, Lewis & Thornhill (2009, p. 127)

Thus, the deductivist approach suggests that the researcher starts with a theory or abstract idea, then proceeds with logical relationships in between the concepts and constructs, and finally seeks to find substantial empirical evidence in support of those relationships (Ali & Birley 1999). Therefore, the theory contributes to the development of hypotheses, selection of variables, and the choice of measurement techniques in the deductive approach, which are all prevalent in this study.

4.2.2 Design of the research: quantitative versus qualitative methods

In explaining the inherent views of quantitative techniques as opposed to qualitative techniques, Saunders, Lewis and Thornhill (2009) write:

Quantitative is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data. In contrast, qualitative is used predominantly as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorizing data) that generates or uses non-numerical data (Saunders, Lewis & Thornhill 2009, p. 151).

In the social sciences, quantitative research is regarded as scientific and often referred to as 'hypothetico-deductive' because of the logical formulation of testable hypotheses derived from prevalent theory and studies of incumbent variables (Ali & Birley 1999; Hannabuss 1995). These hypotheses are gradually put forward for valid tests to confirm the propositions against objective evidence. In this course of action, the research proceeds with systematic methods of data collection and analytical techniques, such as sampling and statistical significance testing. Any discrepancy between the propositions and subsequent observations draws attention to the issue of significance or insignificance in statistical terms (Hannabuss 1995).

Not all research situations, however, support this quantitative design, where variables are not easily measurable or characterised as dependent and independent in nature. In such cases, the holistic-inductive paradigm (sometimes referred to as the 'hermeneutic approach') is required (Gummesson 1991; Hannabuss 1995). This approach takes an interpretivist view of idealism, and is illuminative, exploratory and qualitative. Therefore, it is plausible that qualitative design emphasises the understanding on the basis of context, rather than rationalising or logically inferring on the subject matter. Qualitative research does not take hypotheses as the start point; rather it proceeds with considering the circumstances (Hannabuss 1995).

Also, the use of a mixed approach is not uncommon, when drawing upon both traditions of quantitative and qualitative designs. Research designs may vary in terms of multi-

methods and mono-methods which account for the use of data collection techniques. Mono-method research relies upon a single technique for collecting data for subsequent analysis, as opposed to multiple techniques of multi-method research (Saunders, Lewis & Thornhill 2009). Hussey and Hooley (1995), however, have argued that:

The PC revolution had served to fuel an increase in both the volume and complexity of those quantitative methods applied to the solution of marketing problems. At a time when marketing academics are questioning the importance of quantitative skills relative to qualitative skills, and the traditional paradigms are coming under increasing attack by postmodernist perspectives, practitioners (both researchers and managers) are embracing quantitative methods to a far greater extent than previously (Hussey & Hooley 1995, p. 30).

Extant literature on service switching behaviour commonly uses quantitative methodology (Colgate & Hedge 2001; Keaveney 1995; White & Yanamandram 2004). Quantitative strategy is best suited for social and behavioural science research in terms of economy, turnaround in data collection and feasibility of conducting the study through applicable sampling techniques (Creswell 2003; Owens 2002). However, a research design and its approach depend on the ontological position of the researcher's view of reality and the epistemological stand-point of acceptability of knowledge in rationalising the approach (Bryman & Bell 2011). The approach of scientific generalisability suggests a quantitative methodology (Bisman 2010). Hence, it can be argued that this study pursues the deductive approach as its research process and the quantitative mono-method being the design. It is also arguable that switching behaviour investigated through quantitative techniques adds value to the existing qualitative models of service switching (Keaveney 1995).

4.2.3 Survey research as the strategy of enquiry

Some researchers have argued that surveys provide the best measure of self-assessed views, opinions and behaviours (Neuman 1997). Surveys are most commonly associated with the deductive approach. Surveys make it possible to collect data on extensive scale from good sized sample/ population at an extremely low cost. Some other benefits are noted, and these include: i. use of easily administrable questionnaire; ii. possible

standardisation of collected data; iii. comparability of data due to standardisation; iv. respondent-friendly manner in terms of authority of participants; v. easy to explain as well as understand; vi. ample control over the research process; and vi. overall, the results that can be generalised on the population, given that proper survey instrument and sampling technique has been used in ensuring appropriate response rate (Saunders, Lewis & Thornhill 2009).

Considering the positive aspects of survey research, and the fact that the majority of Australian households (79% in 2014-15) have access to the internet (ABS 2016b), an on-line questionnaire survey design has been chosen for the present study. Researchers have argued that survey methods are more effective in extracting reliable and valid responses due to greater control over the process (Saunders, Lewis & Thornhill 2009). Online survey enables the researchers to monitor the response time taken by each participant. As a result, robustness of data can be maintained through the screening process. Researchers can identify the completions with lower response time (as compared to the standard completion time, which is pre-determined), as such responses reveal that the questions are not answered with due diligence (Chaudhry 2014). In addition, on-line survey has the potential to generate more reliable, complete and in-depth responses than other survey techniques, due to higher level of engagements by enthusiastic participants (Monroe & Adams 2012). They are more efficient in soliciting comprehensive information at lower cost, effort and time as compared to the other forms of surveying (McDonald & Adam 2003).

There are, however, disadvantages associated with online surveys. For example, these surveys have applicability to internet users, and this makes obtaining email addresses a crucial requirement. It also creates sample bias towards high-income and technologically savvy young people, and thus runs the risk of extracting unrepresentative sample of the pertinent population due to lower/ biased rate of participation across the segments/groups (Börkan 2010; Bosnjak et al. 2013). The risk of such negative outcomes can, though, be overcome through employing professional research agents who execute market research through experienced panel of agreed participants.

4.3 Operationalising the exogenous constructs of the conceptual model

The questionnaire survey requires developing the design of questions and defining them in terms of their inter-relationships. The literature review of services marketing reflects extensive use of ‘list question’ forms, as far as the survey design is concerned. List question displays a list of responses in the form of some statements. The respondents can choose to agree or disagree with any of the statement in varied degrees depending upon the response scale format. This list of statements is designed to form a construct that reflects the conceptual underpinnings of a variable (Saunders, Lewis & Thornhill 2009). As SEM (structural equation modelling) deals with latent variables, these in fact correspond to hypothetical or unobservable constructs (Kline 2011). These hypothetical constructs, referred to as exogenous constructs, basically take the role of explanatory variables “in reflecting a continuum that is not directly observable” (Kline 2011, p. 9). In the proposed model (as discussed in Chapter 3), four exogenous constructs have been identified which play independent roles: familiarity with reforms, purchase involvement, financial illiteracy, and switching experience. The following discussion develops the measurement instruments of the exogenous constructs as presented in the initial conceptual model.

4.3.1 Familiarity with reforms

Consumers familiarity (with product/ service) bring about trust and confidence in evaluation when choosing among alternatives (Herrera & Blanco 2011; Lange & Dahlen 2003; Shehryar & Hunt 2005). Marketing scholars have viewed familiarity as a dimension of knowledge; whereas in the traditional view, familiarity has been the usual reference of knowledge (Herrera & Blanco 2011). In this thesis, the context of applying the ‘familiarity’ construct focuses on consumers’ familiarity with 2010 bank switching reforms. It is arguable that consumer’s ‘knowledge of’ or ‘familiarity with’ relevant (switching) reforms has not been investigated in any past research in explaining their bank switching intentions.

The inspiration of this scale has been derived from Inakura and Shimizutani’s (2010) study, which investigates the depositor’s knowledge of a policy change in deposit

insurance scheme. These researchers examined whether the depositors' level of knowledge of policy change predicts their bank switching behaviour for deposits. In this regard, Inakura and Shimizutani (2010) classified the respondents (as presented in Table 4.2) depending on their knowledge level of the reform to predict the post-reform deposit switching behaviour.

Table 4.2: Households' knowledge of insurance scheme and switching behaviour

Classification	Statements	Level of Knowledge
Knowledge level 2	Had detailed knowledge of the insurance scheme	Detailed knowledge
Knowledge level 1	Knew of the deposit insurance scheme	Basic knowledge
Knowledge level 0	Did not know about the deposit insurance scheme	No knowledge

Source: Inakura & Shimizutani (2010, p. 3409)

In capturing the intended cognitive factor (familiarity with 2010 bank switching reforms), two published scales of familiarity were combined. The language of the statements was modified according to this research context to represent the scale of 'familiarity with reforms'. The first two scale items of familiarity developed by Oliver and Bearden (1985) were adapted with minimal change. However, the familiarity scale of Martin and Stewart (2001)/ Martin, Stewart and Matta (2005) was used only for providing insights in developing the relevant scale items in context of the reforms. The original interrogative statements (asking the consumers, "how familiar are you with ___?") were modified into assertive statements stating the level/ degree of familiarity by considering various aspects of the switching reforms. These scale items were intended to assess consumers' degree of familiarity with the facilitations provided by the switching reforms for mortgage and transaction account switching. They also intended to capture the familiarity with reform related issues, such as loan key fact sheets and comparison rates. Therefore, though there are some similarities in terms of language, the spirit of the scale items remains the same in capturing the concept of familiarity. The source of the original scale items, their alpha values and the statements of both present and original scale items have been presented in

Table 4.3. The modifications made to the statements to fit the research context are displayed in bold.

Table 4.3: Measurement scale of familiarity with reforms

Construct source	Original construct	Original statement	Adapted statement	Reference no. in survey
<i>Developed for this study, based on Oliver & Bearden 1985; Martin & Stwert 2001; Martin, Stwert & Matta 2005</i>	Familiarity of the Object (Oliver & Bearden 1985) Alpha value: 0.85	Would you consider yourself informed or uninformed about ____?	I consider myself informed about the 2010 banking reforms related to Home Loans and bank accounts.	1
		In general, would you consider yourself familiar or unfamiliar with ____?	I am familiar with the website (www.bankingreforms.gov.au) which explains consumer benefits of the new banking reforms.	2
	Familiarity with the Product Category & Brand (Martin & Stwert 2001; Martin, Stwert & Matta 2005)	How familiar are you with ____?	I am aware that no 'Exit Fee' applies if I switch my mortgage from 1 July 2011.	3
		How familiar are you with ____?	I am aware that I can easily switch my home mortgage with the linked accounts.	4
		How familiar are you with ____ in general?	I am aware that I can ask for a 'Home Loan Key Facts Sheet' when I consider a new/ prospective loan.	5
		How familiar are you with the type of advertising that ____ currently uses?	I am familiar with the 'personalised comparison rate' which appears on the Loan Facts Sheet to help me compare rates and fees of Home Loans offered by different banks.	6
		How much experience do you have with ____ products?	I am aware that the Home Loan Facts Sheet provides key information on required repayments which I can compare for similar loans offered by other banks.	7

4.3.2 Purchase involvement

Involvement is considered to be important for consumer behaviour analysis, when the purchase is a service rather than a good. Csipak, Chebat and Venkatesan (1995) argue that consumers exhibit greater degree of involvement when purchasing a service in opposition to purchasing of goods. Sanchez-Franco (2009) argues that:

In risky purchase situations, high situational involvement motivates consumers to spend considerable effort and time to make a wise choice (Houston and Rothschild 1978) because of careful search and deliberation, the motivation to feel satisfied is strong (Sanchez-Franco 2009, p. 248).

Thus, this thesis aims to capture bank consumers' level of involvement in terms of time, effort, research and subsequent making of deliberate choice in the purchase process of a home mortgage product. To operationalise the involvement construct, the scale items have been adapted from Sanchez-Franco (2009), which has a similar background involving bank consumers, though the segment is online/ e-bank (of Spain). However, Sanchez-Franco's (2009) study adapts the items from the original study of Ganesh, Arnold and Reynold (2000), which also investigates bank consumer behaviour. Ganesh, Arnold and Reynold (2000) limit the measurement of involvement to purchase and ego involvement for their study on bank consumers switching and staying behaviour. They adapt nine scale items of involvement from previous studies (such as, Zaichkowsky 1985), six of which represent purchase involvement and three represent ego involvement.

The focus of this thesis has been limited to purchase involvement. The thesis has adapted only six items related to purchase involvement from Sanchez-Franco's (2009) study. The reliability and validity measures, along with the statements of the scale items of purchase involvement, are displayed below in Table 4.4. The modifications made to the statements to clarify further and fit the research context are highlighted in bold.

Table 4.4: Measurement scale of purchase involvement

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Sanchez-Franco, 2009; Ganesh, Arnold & Reynolds 2000	Purchase Involvement Discriminant validity= 0.709 Composite reliability= 0.840 AVE=0.503	I constantly compare the prices and rates offered by various e-banks	I constantly compare the rates and fees offered by various banks .	8
		I visited multiple e-banks before I opened an account with the current e-bank	I have considered many banks before I opened my Home Loan and Offset/Repayment accounts with the current bank .	9
		I compared the prices and rates of several e-banks before I selected my current bank	I compared the rates and fees of several banks before I selected my current bank.	10
		After deciding on my current e-bank, I have discussed my choice with family and friends	Prior to applying for Home Loan (and Offset/Repayment account) with my current bank , I have discussed my choice with family and friends.	11
		After deciding on my current e-bank, I have compared my e-bank with other e-banks	After deciding on my current bank , I have compared my bank with other banks .	12
		After deciding on my current e-bank, I have weighed the pros and cons of my choice.	After deciding on my current bank , I have weighed the pros and cons of my choice.	13

4.3.3 Financial illiteracy

‘Financial literacy’ is a vibrant knowledge construct for consumer behavioural research in finance. Considering the volume of available literature in services marketing, financial illiteracy reveals an under-researched area, as far as consumer switching is concerned. However, evidences are available in the behavioural finance literature that financial literacy predicts bank consumers’ switching behaviour (Brunetti, Ciciretti & Djordjevic 2016). The finance literatures mostly use objective measures to capture consumers’ financial literacy, whereas this study employs subjective (self-reported) measures to capture financial illiteracy.

Financial illiteracy is a global problem (Zahirovic-Herbert, Gibler & Chatterjee 2016). Noting this, it seems more rational to focus on the negative/ reverse aspect of the ‘literacy’ construct; i. e., financial illiteracy/ lack of literacy deserves more importance rather than the positive aspect. To capture consumers’ lack of literacy, a knowledge construct (namely, ‘knowledge of product class’) has been adapted from the ‘marketing scales handbook’ (Bruner II 2009). The scale ‘knowledge of product class’ originally developed by Laroche et al. (2005) contains seven statements which reflect consumers self-reported familiarity and experience (compared to others) in relation to a product. Only four of the seven items, however, are used which seem relevant in developing the ‘financial illiteracy’ scale.

Finally, three more statements are adapted from Disney and Gathergood (2013). They identify ‘financial literacy’ to be the driver of consumer behaviour and the determinant of effective participation in the retail credit market. The researchers attempt to study not only the consumers’ objective knowledge in finance, but also, they analyse the relationship between consumers’ self-awareness of (or, self-reported) financial literacy and credit portfolio holding behaviour using econometric analysis. Their survey uses a seven-point scale to elicit responses against the self-reported statements. Considering the closeness in approach in studying the cognitive factor, three items have been adapted for this study from Disney and Gathergood (2013) with limited modifications. Table 4.5 represents the details of the financial illiteracy scale.

Table 4.5: Measurement scale of financial illiteracy

Construct source	Original construct	Original statement	Adapted statement	Item ref.
<i>Developed for this study, based on:</i> Laroche et al. 2005 Disney & Gathergood 2013	Knowledge of the Product Class (Laroche et al. 2005)	In general, my knowledge of ----- is: <i>very weak/ very strong.</i>	In general, my knowledge of finance is not very strong.	14
	Alpha values of two samples of the study are: 0.874 and 0.886	Compared with my friends and acquaintances, my knowledge of ----- is <i>weaker/ stronger.</i>	Compared with my friends and acquaintances, my knowledge of finance is weaker.	15
		Compared with experts in that area, my knowledge of ----- is: <i>weaker/ stronger</i>	Compared with experts in the area, my knowledge of finance is weak.	16
		I don't have much experience making this kind of decision: <i>Strongly agree/ strongly disagree</i>	I don't have much experience in making financial decisions.	17
	Financial Literacy (Disney & Gathergood 2013)	When you are shown information about a financial product such as a loan, credit card or store card, on a scale of 1 to 7, how confident are you that you understand the total amount you would need to repay?	When I am shown information about a financial product such as a home loan, I am not confident that I understand the total amount I would need to repay.	18
		Financial services are complicated and confusing to me.	Financial services are complicated and confusing to me.	19
		I regularly read the personal finance pages in the press.	I don't feel interested in reading the personal finance pages in the press/ browsing news releases on finance & banking.	20

4.3.4 Switching experience

Frequent switching provides the consumer with two required experiences: the process of switching, and the process of experiencing a new provider. When the consumer switches frequently, greater level of experience accumulates over shorter period of time and this is expressed by the construct ‘switching experience’. Therefore, there is little scope for relationship bonding and benefit accumulation when the consumer has a high switching frequency (Burnham, Frels & Mahajan 2003). Additionally, ‘*alternative experience*’, captures the switching experience in terms of familiarity with the quality of other service providers (Bruner II 2009). This thesis, however, combines both the scales of alternative and switching experiences developed by the same authors to measure the overall attributes of switching experience, that is, in terms of quality as well as quantity. The alpha values and other details are presented in Table 4.6.

Table 4.6: Measurement scale of switching experience

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Burnham, Frels and Mahajan 2003	<i>Alternative experience</i> Alpha values are 0.78 and 0.72	I have tried the services offered by other service providers.	I have tried the services offered by other banks .	21
		I am familiar with the quality of service that other service providers offer.	I am familiar with the quality of service that other banks offer.	22
		My experience with other service providers is limited. (r)	My experience with other banks is quite a lot .	23
	<i>Switching experience</i> Alpha values are 0.74 and 0.76	I have switched between service providers a lot.	I have switched between banks a lot.	24
		I occasionally try other service providers.	I try other competing banks very often.	25
		How many competing service providers have you tried in the last two years?	I have tried many competing banks in the last two years.	26

4.4 Operationalising the endogenous constructs of the conceptual model

The indirect measure of a construct is commonly mentioned as indicator or endogenous construct (Kline 2011). The proposed conceptual model accounts for eight endogenous constructs, which are: banking expertise, perceived price fairness, perceived value, switching cost, relationship quality (comprising of five first order constructs), price insensitivity, calculative commitment and propensity to switch. Among these endogenous constructs, price insensitivity, calculative commitment and propensity to switch are the outcome variables of the study. The rest play the role of mediating variables. The development of the measurement scales of the endogenous constructs are discussed next.

4.4.1 Banking expertise

Although researchers have described experience, familiarity and expertise as various dimensions of knowledge, expertise has also been viewed as an outcome variable of knowledge, given that acquiring expertise delineates much more than acquiring knowledge (Tucker 2014). Perrone (2004) argues that “expertise — regardless of the specific domain — is an outcome of skill and knowledge acquired after years of training and practice” (p. 3).

In relation to financial services, Bell, Auh and Smalley (2005) argue that expertise is gained through knowledge as well as involvement with the financial market, which is different from provider-specific and product-category specific knowledge developed through years of relationship. They argue that such expertise is market-based, and that it grows with the extent and tenure of operating within the financial market. Therefore, it can be concluded that banking expertise describes accumulated knowledge, familiarity, experience and skills in relation to banking performance of a typical consumer. This research looks into the expertise construct to apprehend bank consumers’ prudence and judgements in switching/ selecting banking deals. Herrera and Blanco (2011) have argued that “consumer knowledge can affect or influence the ability to look for and understand information about a product, as well as their behaviour in making decisions about which product to buy and how to use it” (p. 286). As a construct, consumer expertise is well-established in capturing such influential knowledge and its application in behaviour.

Kleiser and Mantel (1994) describe expertise as a five-dimensional construct: i. effort/automacity; ii. Analysis; iii. elaboration; iv. Memory; and v. familiarity. They develop the measurement scale with 17 statements. To operationalise the expertise construct in the banking context, this thesis has adapted six items from Kleiser and Mantel's (1994) scale. Out of these six items, two items (40, 41) represent the 'memory' dimension, two items (39, 40) represent 'elaboration', and the rest represent analysis and effort (as described in Table 4.7). To represent the 'familiarity' dimension, however, two items were considered from Laroche et al.'s (2005) scale of "knowledge of the product class". Finally, four more items were selected from Smith and Park (1992) scale of "knowledge of product class"- which represent consumer confidence in making the selection from available alternatives, which is key to the expertise concept of this study. The finalised measurement scale of banking expertise is presented in Table 4.7.

Table 4.7: Measurement scale of banking expertise

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Smith and Park 1992	<i>Knowledge of the product class</i>	I feel very knowledgeable about this product.	I consider myself knowledgeable about banks' service related to Home Loans (and Offset/ Repayment accounts).	28
Laroche et al., 2005	(Smith & Park 1992) Alpha value: 0.80	I feel very confident about my ability to tell the differences in quality among different brands of this product.	I feel very confident in my ability to tell the differences in quality of services (related to Home Loans and Offset/ Repayment accounts) between different banks.	29
Kleiser and Mantel 1994		If I had to purchase this product today, I would need to gather very little information in order to make a wise decision.	If I had to apply for a Home Loan (and Offset/ Repayment account) today, I would need to gather very little information in order to make a wise decision.	31
		If a friend asked me about this product, I could give them advice about different brands.	If my friends asked me about Home Loans (and Offset/ Repayment accounts) of different banks, I could give them advice.	32
	<i>Knowledge of the product class</i> (Laroche et al. 2005)	Would you consider yourself informed or uninformed about ____? <i>very uninformed/ very informed</i>	I consider myself well informed about banks and their financial products in the category of Home Loans and Offset/ Repayment accounts.	27
	Alpha values: 0.874 and 0.886	The information search I have performed on ____ is: <i>very weak/ very thorough</i> .	The information search I have performed in making decision on my Home Loan (and Offset/ Repayment account) is very thorough.	30
	<i>Consumer expertise</i>	I automatically know which brand of cameras to buy. (Cognitive effort)	I can readily identify my preferred bank for Home Loan (and Offset/ Repayment account) from other banks.	33

	(Kleiser & Mantel 1994)	I keep current on the most recent developments in cameras. (Analysis)	I keep current on the most recent developments in Home Loans, (and Offset/ Repayment accounts).	34
	Alpha values: Effort: 0.90 Analysis: 0.72 Elaboration: 0.89 Memory: 0.86 Familiarity: 0.86	I use my knowledge on cameras to verify that advertising claims are in fact true. (Elaboration)	I use my knowledge and expertise in Home Loans (and Offset/ Repayment accounts) to verify that advertising claims are, in fact, true.	35
		My knowledge of cameras helps me to understand very technical information about this product. (Elaboration)	My knowledge and expertise help me to understand the technical information about Home Loans (and Offset/ Repayment accounts) of various banks.	36
		I can recall product - specific attributes of cameras. (Memory)	I can recall product -specific attributes of Home Loans (and Offset/ Repayment accounts).	37
		I can recall brand-specific attributes of the various brands of cameras. (Memory)	I can recall brand-specific attributes of Home Loans (and Offset/ Repayment accounts) offered by different banks.	38

4.4.2 Perceived price fairness

Consumers arrive at their price fairness perception from the value of services they perceive and from comparable others' prices (e.g. competitor's price or price paid by similar others). Consumers also arrive at their price fairness perception through their perception of the provider's pricing practice, which relates to policies or procedures (Ferguson and Ellen 2013). The literature identifies two main dimensions of price fairness, i.e., distributive and procedural fairness (Herrmann et al. 2007; Shehryar & Hunt 2005).

Ferguson and Ellen (2013), however, argue that lack of transparency in pricing policy has the potential to destroy relationship trust as it communicates lack of fairness. Therefore, transparency might be considered as an important element of price fairness, which the 2010 banking reforms also seek to achieve for Australian consumers by introducing financial product's 'key fact sheets' and other disclosure requirements. In the context of

the Australian financial market, Worthington and Devlin (2013) p. 290) state: “The issue of fairness has also been raised with policy makers in Australia, as this would assist in increasing the levels of trust and confidence in Australia’s financial services provider” (p. 290).

The perception of distributive unfairness of price takes place when the consumer is charged with a higher price than others who purchased a similar service. On the other hand, procedural price unfairness perception arises when the consumer perceives price inequality resulting from provider’s unfair policy or procedure (Hermann et al. 2007; Worthington & Devlin 2013). Each of these components are claimed to be equally important (Herrmann et al. 2007). A contrary argument, however, is that distributive price fairness is not as easily perceived as procedural price fairness in services context, since the seller’s cost structures remain unknown to the consumer (Shehryar & Hunt 2005).

To operationalise price fairness, this thesis has adapted four scale items from Herrmann et al.’s (2007) study. The thesis takes a global view of the construct. The thesis combines two items from each scale of price fairness in a single construct with some modifications in language to fit the banking context. These four items of Herrmann et al. (2007) are then combined with two more items to attain a ‘global’ view of the construct. The additional pair of items is based on the work of Lymeropoulos, Chaniotakis and Soureli (2013). These researchers focus on price fairness and transparency with other price perceptions in predicting price satisfaction and switching intention in retail banking industry, which reflects high relevance with the current research. Therefore, one item of ‘price transparency’ and another item of ‘price fairness’ have been adapted from Lymeropoulos, Chaniotakis and Soureli’s (2013) price scales to arrive at the global construct of price fairness. Table 4.8 represents the details of the price fairness construct.

Table 4.8: Measurement scale of perceived price fairness

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
<i>Developed for this study, based on Lymeropoul os, Chaniotakis and Soureli (2012)</i>	Price transparency Alpha value: 0.868	i. Comprehensive information, and ii understandable information on interest rates	The rates and fees of this bank are clear and understandable.	39
	Price fairness Alpha value: 0.809	Fair interest rate	All customers are treated equally by the bank's rates and fees.	40
Herrmann et al. 2007	Price offer fairness , Alpha value: 0.95	I think the price of the dealer is based on cost.	I think the rates and fees of this bank are based on costs.	41
		The price of the car is independent of customer's needs.	The rates and fees of this bank are independent of customers' needs.	42
	Pricing procedure fairness , Alpha value: 0.85	The terms of this dealer are fair.	The terms of this bank are fair.	43
		The procedure of buying the car from the dealer is fair.	The repayment procedure of this bank is fair.	44

4.4.3 Perceived value

Chen et al. (2012, p. 402) argue that consumers' subjective perception of 'value' is an outcome of "a personal evaluation of product attributes and performance, consequences in use situations, and the customers' goal achievement." Conversely, Chen, Drennan and Andrews (2012), conceptualise value as sharing of experience in the value co-creation process. This view is inspired by the latest developments in service value literature by Nordic school of thoughts (such as, Gronroos & Ravald 2011; Vargo & Lusch 2011). Prahalad and Ramaswamy (2004) indicate a trend towards the conceptualisation of value

embedded in experiences in exchange situations, rather than in mere goods and services. In this vein, Chen, Drennan and Andrews (2012) state: “Value is not derived from the consumption of goods and services but is embedded in the actual personalised experiences created through engagement and involvement” (p. 1539).

Andres-Martinez et al. (2013) argue that consumers make their cognitive evaluation of a service by judging the price fairness and value of the service, where value denotes the perceived benefit acquired from availing the service against the sacrifices made both monetary and non-monetary. Therefore, value of service is derived in looking into both of the aspects, monetary costs and non-monetary costs, such as time and effort involved in acquiring the reward/ service outcome. From these perspectives, the value scale of Nijssen et al. (2003) (named as ‘value of the transaction’) was adapted in full for this study. This scale accounts for time, effort and price cost along with an overall evaluation of transaction experience in capturing consumers’ perceived value. Table 4.9 details the operationalisation of the value construct.

Table 4.9: Measurement scale of perceived value

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Nijssen et al. 2003	<i>Value of the Transaction</i>	For the time you spent in order to _____, would you say it is: <i>highly unreasonable/ highly reasonable?</i>	For the time I spent in acquiring my Home Loan (and Offset/ Repayment account) , I would say it is highly reasonable.	45
	Alpha value: 0.88	For the effort involved in _____, would you say it is: <i>not at all worthwhile/ very worthwhile?</i>	For the effort involved in acquiring my Home Loan (and Offset/ Repayment account) , I would say it is very worthwhile.	46
	CFA was performed and convergent and discriminant validities were confirmed.	For the prices you pay for _____, would you say it is a: <i>Very poor deal/ very good deal?</i>	For the rates and fees I pay for my Home Loan (and Offset/ Repayment account) , I would say it is a very good deal.	47
		How would you rate your overall experience? <i>Extremely poor value/ Extremely good value</i>	I would rate my overall experience with this bank as extremely good value.	48

4.4.4 Switching cost

Sharma and Patterson (2000) define switching cost as “the perception of the magnitude of the additional costs required to terminate the current relationship and secure an alternative” (p. 474). Considering switching cost as being a one-off cost associated with the switching process, Burnham, Frels and Mahajan (2003) undertook their study using two consumer groups (credit card and long-distance telecommunication consumers) to identify the determinants of switching costs.

Burnham, Frels and Mahajan's (2003) study identifies this construct as being eight-dimensional. These eight dimensions are subsequently re-organised into three higher-order costs facets: i) procedural switching cost; ii) financial switching cost; and iii) relational switching cost. The procedural switching cost involves economic risk cost, evaluation cost, learning cost and set-up cost which denote consumer expenditure in terms of time and effort. The financial switching cost involves benefit loss and monetary loss costs- which denote financially measurable expenditures.

Finally, the relational switching cost involves personal-relationship and brand-relationship loss costs which denote affective or psychological discomfort that arises from the break-up of bond. The scales used in this survey were all Likert-type scales. This thesis has adapted two items from each of the dimensions of economic risk cost and evaluation cost, considering their high relevance with the banking reforms related to home loans. Then one item from each of the six remaining dimensions of switching cost was adapted. Additionally, two more items were adapted from the 'global' switching cost construct developed by Bansal, Irving and Taylor (2004). This thesis aims to have a 'global' effect of switching cost construct while simultaneously accounting for the eight-facets developed by Burnham, Frels and Mahajan (2003). The details are provided in Table 4.10.

Table 4.10: Measurement scale of perceived switching cost

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Burnham, Frels & Mahajan (2003)	Economic risk cost	Switching to a new service provider will probably involve hidden costs/ charges. Alpha values: 0.85 and 0.87	Switching to a new bank will probably involve hidden costs/ charges.	50
	Evaluation cost	Switching to a new service provider will probably result in some unexpected hassle.	Switching to a new bank will probably result in some unexpected hassle.	53
	Evaluation cost	I cannot afford the time to get the information to fully evaluate other service providers.	I cannot afford the time/ effort to get the information to fully evaluate other banks' offer .	51
	Set up cost	Comparing the benefits of my service provider with the benefits of other service providers takes too much time/ effort, even when I have the information.	Comparing the benefits of my bank with the benefits of other banks is difficult and takes too much time/ effort, even if I have the information.	52
	Monetary loss cost	There are a lot of formalities involved in switching to a new service provider. Alpha values: 0.74 and 0.80	There are a lot of formalities involved in switching to a new bank .	54
		Switching to a new service provider would involve some up-front costs (set-up fees, membership fees, deposits, etc.) Alpha values: 0.72 and 0.71	Switching my Home Loan (and Offset/ Repayment account) to a new bank would involve some up-front costs (set-up fees, deposits, exit fees, penalties for breaking the contract , etc.).	55

	Benefit loss cost Alpha values: 0.81 and 0.76	I will lose benefits of being a long-term customer if I leave my service provider.	I will lose the benefits of being a long-term customer if I leave my bank .	56
	Learning cost Alpha value: 0.85	Getting used to how another service provider works would be easy. (r)	Getting used to how another bank works would not be easy .	57
	Personal relationship loss cost Alpha values: 0.87 and 0.85	I am more comfortable interacting with the people working for my service provider than I would be if I switched providers.	I am more comfortable interacting with the people working for my bank than I would be if I switched banks .	58
	Brand relationship loss cost Alpha values: 0.77 and 0.68	I like the public image my service provider has.	I like the public image of my bank .	59
Bansal, Irving & Taylor (2004)	Switching cost (Global) Alpha value: 0.89	Generally speaking, the costs in time, money, effort and grief to switch from “My Auto Service Company” would be high.	Generally speaking, the costs in time, money and effort to switch to another bank would be high.	49
		Overall, I would spend a lot and lose a lot if I switched from “My Auto Service Company.”	Overall, I would spend a lot and lose a lot if I switched my bank.	60

4.4.5 Relationship quality

Grönroos (2007) defines relationship quality as “the dynamics of long term quality formation in on-going customer relationships” (p. 91). It is argued that consumers’ perceived relationship with the provider is the basis of relationship maintenance in services, where relationship quality (RQ) dimensions and switching cost remain as the focal points (Morgan & Hunt 1994; N’Goala 2007).

In the RQ (relationship quality) literature, “trust, satisfaction and commitment are the most examined components of relationship quality” (Izogo 2016a, p. 117). Roberts, Varki and Brodie’s (2003) five-dimensional view of RQ, however, seems to be more distinct and complete which takes into account all possible affective aspects of relationship. Such affective or emotional instincts have important implications for the marketing bottom line of organisations as they predict consumers’ behavioural outcomes, (Izogo 2016a). Therefore, this research adopts the five-dimensional affective view of RQ as directed by Roberts, Varki and Brodie (2003). The items have, though, been chosen by more scrupulous selection from different published studies.

It is worth mentioning that Roberts, Varki and Brodie (2003) consider Bagozzi’s (1984) framework for defining a construct (RQ), which takes into account attributional (properties/ dimensions), dispositional (possible consequence/ impact) and structural (conceptual link with other constructs) definitions. As such, they link the five-dimensional RQ with the SERVQUAL concept of Parasuraman, Zeithaml and Berry (1988) in drawing conclusions about RQ’s impact on behavioural intentions, such as less price sensitivity, willingness to spend more and spread positive word-of-mouth. In this aspect, some possible overlaps in between the two constructs (RQ and SERVQUAL) have been agreed upon by Roberts, Varki and Brodie (2003). The researchers, however, state:

Despite the unavoidable overlap, in the operationalisation of the two constructs, it needs to be remembered that service quality, in essence, seeks to measure firm performance along transactional dimensions, whereas relationship quality emphasises the intangible aspects of on-going interactions over one-off encounters (Roberts, Varki & Brodie 2003, p. 181).

The next few sections discuss the operationalisation of each of the first-order constructs of RQ.

4.4.5.1 Trust

The items for operationalising trust were chosen from Harris and Goode's (2004) study; however, one statement of benevolence trust has been selected from Roberts, Varki and Brodie's (2003) study. The scales capture consumers' perceived dependability and trustworthiness of a provider, which originally uses seven-point Likert-type scales in measuring both the trust dimensions. Significantly, the scale of Harris and Goode (2004) is a global trust scale containing eight statements, which reflect the properties of both dimensions of trust. This scale of trust is compiled in the Marketing Scales Handbook (Bruner II 2009, p. 956) as "Trust in the Service Provider", which has been used by many other studies. One example of this is Chen et al.'s (2012) study, which has contextual relevance with the current study (see Chapter 3 for a discussion of this relevance). Therefore, this research adapts similar trust scale and then carefully subdivides the components under two groups (integrity and benevolence trust) according to the properties of the statements and their similarities with alternative sources of integrity and benevolence trust scales.

The study of Hong and Cho (2011) refers to Mayer, Davis and Schoorman (1995) in explaining the dimensional views of trust. Trust-in-integrity is said to capture "the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable"; on the other hand, the trust-in-benevolence apprehends "the extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive" (Hong & Cho 2011, p. 470). Tables 4.11 and 4.12 provide details of the scales of trust-in-integrity and trust-in-benevolence respectively.

Table 4.11: Measurement scale of trust-in-integrity

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Harris & Goode (2004)	Trust in service provider Alpha values: 0.77 and 0.80	Most of what _____ says about its products is true.	Most of what my bank says about its financial services is true.	61
		If _____ makes a claim or promise about its product, it's probably true.	If my bank makes a claim or promise about its service , it's probably true.	62
		In my experience, _____ is very reliable.	In my experience, my bank is very reliable.	63
		I feel I know what to expect from _____.	I feel I know what to expect from my bank .	64

Table 4.12: Measurement scale of trust-in- benevolence

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Harris & Goode (2004)	Trust in service provider Alpha values: 0.77 and 0.80	_____ is interested in more than just selling me goods and making a profit.	My bank is interested in more than just selling me its products/ services and making a profit.	65
		There are no limits to how far ____ will go to solve a service problem I may have.	There are no limits to how far my bank will go to resolve a service problem that I may have.	66
		_____ is genuinely committed to my satisfaction.	My bank is genuinely committed to my satisfaction.	67
Roberts, Varkie & Brodie (2003)	Trust in Benevolence Alpha value: 0.91	I can count on my service provider considering how their actions affect me.	I can count on my bank in considering how its actions affect me.	68

4.4.5.2 Satisfaction

To capture the quality of relationship through the consumer satisfaction dimension, Roberts, Varki and Brodie (2003) use the definition of Storbacka, Strandvik and Grönroos (1994) which describes satisfaction as a combination of cognitive and affective evaluation of accumulated episodic service experiences over the time. This view is congruent with the views expressed in several other studies (Patterson & Smith 2003; Sharma & Patterson 2000). The concept of overall satisfaction is comprehended throughout the process of receiving the service from a provider. Therefore, this concept describes satisfaction in the relationship experience.

This research takes a similar view of service satisfaction and intends to capture the overall satisfaction, rather than a single episodic satisfaction on transactions. However, given that the concern of this research is service switching behaviour, it relates overall satisfaction with the satisfaction on the decision or choice being made regarding the provider bank. Therefore, the satisfaction scale used in this thesis captures a consumer's evaluation of the decision in selecting the provider. The greater is their cumulative service experience/satisfaction, the higher is the pleasure of the choice being made (Patterson & Smith 2003). This scale was originally developed by Patterson and Smith (2003). Table 4.13 provides the details of the satisfaction scale.

Table 4.13: Measurement scale of satisfaction

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Patterson & Smith 2003	Satisfaction with choice of service provider	I am happy with my decision to use this ____.	I am happy with my decision to use the services of this bank.	69
		My choice of ____ was a wise one.	My choice of bank was a wise one.	70
		I feel good about my decision to use this ____.	I feel good about my decision to use the services of this bank.	71
	Australia and Thailand 0.91 to 0.95 in	Taking everything into consideration, how do you feel about the service you received from ____.	Taking everything into consideration, I feel the service I receive from my bank is better than the service of any other bank.	72

4.4.5.3 Affective commitment

Bansal, Irving and Taylor (2004) define affective commitment as “an emotional attachment to, identification with and involvement in an organization” (p. 238). They argue that such kind of commitment is a force generated from strong desires that compel the consumer to stay within the relationship. Roberts, Varki and Brodie (2003) have used the scale of ‘affective commitment’ to measure “the degree to which the consumer wants to maintain a relationship with the firm” (p. 179). This scale has been shown to provide a strong measure of relationship quality since the affective feelings develop over time while the consumer gradually becomes used to the provider, feels accustomed, warm and secure in the relationship (Roberts, Varki & Brodie 2003). This thesis adapts the affective commitment scale of Bansal, Irving and Taylor (2004), which is considered as one of the seminal papers in service switching literature. This paper adapts all of the three items from the affective commitment scale and then combines one more item from the study of Gustafsson, Johnson and Roos (2005). The details of the affective commitment scale are provided in Table 4.14.

Table 4.14: Measurement scale of affective commitment

Construct item source	Original construct	Original statement	Adapted statement	Item ref. no.
Bansal, Irving & Taylor (2004)	Affective Commitment Alpha values: 0.80 and 0.8180	I do not feel “emotionally attached” to my _____. (r)	I feel “emotionally attached” to my bank .	73
		I do not feel like “part of the family” with my _____. (r)	I feel like “part of the family” with my bank .	74
		I do not feel a strong sense of “belonging” to my _____. (r)	I feel a strong sense of “belonging” to my bank .	75
Gustafsson, Johnson & Roos 2005	Affective Commitment AVE: 0.692	I take pleasure in being a customer of the company.	I take pleasure in being a customer of my bank .	76

4.4.5.4 Affective conflict

Roberts, Varki and Brodie (2003, p. 179) define ‘affective conflict’ as a “retained level of conflict felt by the consumer.” Such conflict may turn into ‘manifest conflict’ which is unretained and manifest form, resulting in aggressive disagreement and resistance in relationship outcome (Kumar, Scheer & Steenkamp 1995; Roberts, Varki & Brodie 2003). While ‘manifest conflict’ is viewed as capturing negative behavioural outcomes in the form of switching and/ or complaining, it is argued that such an outcome is primarily influenced by the affective component or retained form of conflict.

This research takes the same view of affective conflict as “hostility, frustration and anger towards a partner” (Roberts, Varki & Brodie 2003, p. 179). The scale items have all been chosen from the original study of Roberts, Varki and Brodie (2003). One new item has been added to the scale, which is developed based on the study of Morgan and Hunt (1994). The details of the affective conflict scale are provided in Table 4.15.

Table 4.15: Measurement scale of affective conflict

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
<i>Developed based on Morgan and Hunt (1994)</i>			I feel friction in the relationship with my bank, which is not “just a part of doing business”.	77
Roberts, Varki & Brodie 2003	Affective conflict Alpha value: 0.96	I am annoyed with my service provider.	I feel annoyed with my bank .	78
		I am frustrated with my service provider.	I feel frustrated with my bank .	79
		I am angry with my service provider.	I am angry with my bank .	80

4.4.6 Price insensitivity

Price insensitivity represents the strongest form of loyalty behavioural intention. Zeithaml, Berry and Parasuraman (1996) have originally contributed to the development of this concept. They have drawn ample research attention upon the argument that “dimensions of loyalty, such as willingness to pay more, and loyalty under increased pricing have often been left out in previous research” (Bloemer & Odekerken-Schröder 2007, p. 27).

Bloemer and Odekerken-Schröder (2007) have developed the scale of price insensitivity with original inspiration from Zeithaml, Berry and Parasuraman (1996). Zeithaml, Berry and Parasuraman’s (1996, p. 38) paper lists two ‘behavioural intention’ dimensions which include price considerations, i.e., ‘switch’ and ‘pay more.’ While ‘switch’ entails reducing exposure with the current provider over the foreseeable future, or taking some business away to competitors for better prices, the other construct ‘pay more’ denotes continuation of business with the current provider for premium prices, or paying higher than the competitors’ prices for the same benefits received from the existing provider. As such, Bloemer and Odekerken-Schröder (2007) develop the unique construct of ‘price insensitivity’ consisting of three items based on the concepts of ‘switch’ and ‘pay more’ dimensions of behavioural intentions. This thesis adapts their scale and adds one new item. However, it should be mentioned that the new item was also developed based on Zeithaml, Berry and Parasuraman (1996). The details of the price insensitivity scale are provided in Table 4.16.

Table 4.16: Measurement scale of price insensitivity

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Bloemer & Odekerken-Schröder (2007)	Price insensitivity AVE= 0.62 Composite reliability: 0.76 $R^2 = 0.63$	When the services I usually buy at Bank X are charged less at another Bank I go to that bank (r)	When the services I usually use at my bank 'X' are charged less at another bank 'Y', I do not go to bank 'Y.'	81
		I am willing to go to another bank that offers more attractive prices (r)	I am not willing to go to another bank that offers more attractive rates or price discounts.	82
		I am willing to pay a higher price than other banks charge for the benefits I currently receive from Bank X	I am willing to pay higher rates and fees than other banks charge for the same service/benefits I currently receive from my bank.	83
<i>Developed based on Zeithaml et al. (1996)</i>	Behavioural intention-'pay more'	Continue to do business with XYZ if its prices increase somewhat.	If my current bank were to raise the rates and fees related to my Home Loan and Offset/Repayment accounts, I would still continue to be a customer of this bank.	84

4.4.7 Calculative commitment

Bansal, Irving and Taylor (2004, p. 238) refer to continuance commitment as "a constraint-based force binding the consumer to the service provider out of need." These researchers view the construct the same as calculative commitment, though there are opinions to the contrary (Yanamandram & White 2010). In this content, they write:

Continuance commitment is similar to Bendapudi and Berry's (1997) notion of a "constraint-based relationship" in which consumers believe they cannot end a relationship because of economic, social, or psychological costs. This basis of commitment has also been described as "calculative commitment" (Gilliland and Bello 2002), which reflects a disposition to stay based on the rational economic costs of leaving (Bansal, Irving & Taylor, p. 238).

In this thesis, the construct 'calculative commitment' has been operationalised by combining items from two scales. Firstly, two items have been taken from Bansal, Irving and Taylor's (2004) seminal study on commitment-switching behaviour, and three items have been taken from Gustafsson, Johnson and Roos' (2005) commitment-retention study. The first pair of items (85, 86) capture negative dimensionalities of calculative commitment, and this is denoted in the form of lack of choice or high cost of switching. The last three items (87, 88, 89) capture positive dimensionalities in the form of perceived advantage of relationship continuance. Thus, this thesis develops a more complete comprehension of calculative commitment's dimensions in construct measurement, with conceptual inspiration from Sharma, Young and Wilkinson (2006), and Cater and Cater (2010). Table 4.17 represents the details of the measurement scale of calculative commitment.

Table 4.17: Measurement scale of calculative commitment

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Bansal, Irving & Taylor (2004)	Continuance commitment Alpha = 0.77	It would be very hard for me to leave my ___ right now, even if I wanted to.	It would be very difficult for me to leave my bank right now, even if I wanted to.	85
		I feel that I have too few options to consider leaving my ___.	I feel that I have too few options to consider leaving my bank .	86
Gustafsson, Johnson & Roos (2005)	Calculative commitment AVE= 0.630	It pays off economically to be a customer of the company.	It pays off economically to be a customer of this bank .	87
		I would suffer economically if the relationship were broken.	I would suffer economically if the relationship was broken with my current bank .	88
		The company has location advantages versus other companies.	My bank has locational advantages as compared to other banks.	89

4.4.8 Propensity to switch

The scale of switching intention/ propensity to switch has been adapted from the study of Morgan and Hunt (1994). Although their study was conducted in the context of a channel of distribution (automobile tire retailers), their theory makes a significant contribution to the area of commitment and trust as antecedents of switching versus retention. Between 1994 and 2012, the study received over 2600 citations in peer reviewed journals. Thus, the study has been shown to have had a strong influence on relationship studies (Lariviere et al. 2014). Morgan and Hunt's (1994) switching construct was originally named as 'propensity to leave' that captures an entity's likelihood of terminating a valid

relationship within a predictable future time. However, the researchers write: “The propensity to leave measure was adapted from Bluedorn's (1982) measure of employees' propensity to leave the organization” (Morgan & Hunt 1994, p. 29). This thesis modifies the language to the extent that it fits with the B2C context (whereas the original one relates to B2B context), as presented in Table 4.18.

Table 4.18: Measurement scale of propensity to switch

Construct source	Original construct	Original statement	Adapted statement	Item ref. no.
Morgan & Hunt (1994)	Propensity to leave	What do you think are the chances of your firm terminating the relationship ... (anchors: Very high/ Very low) a) ...within the next six months? b) ...within the next one year? c) ...within the next two years?	What do you think are the chances of switching your Home Loan and Offset/ Repayment accounts within the next six months? What do you think are the chances of switching your Home Loan and Offset/ Repayment accounts within the next one year? What do you think are the chances of switching your Home Loan and Offset/ Repayment accounts within the next two years?	90 91 92

4.5 Pre-testing and finalising the survey instrument

4.5.1 Pre-testing

Pre-testing increases the reliability and validity of the research findings (Colgate & Hedge 2001). The survey instrument was pretested using the social network of the investigators. Seven participants gave their opinion on each item of the instrument. This pre-testing was conducted on three categories of participants. The first three participants were academics with home-mortgage exposures (two were practitioners and one was a research student); the second three participants were non-academic financial consumers; and the last participant consulted held a management position in the consumer lending unit of an Australian bank. The participants with varied expertise in respective fields provided invaluable feedback on the content validity of the questionnaire to improve clarity and ease of understanding, along with online layout of the survey instrument. Based on the responses of each, changes were made to the wording, syntax, sequence of questions and overall structure of the survey instrument.

By sourcing participants' views through rigorous interactions, amendments were made especially for wording of the items. Subsequent to the pre-test phase, expressions, such as 'provider', or 'service provider' were replaced with the word 'bank'. This allowed for modification to the instrument design as the items were taken from published literature having contextual differences with the present study. The qualitative improvement in terms of wording and syntax of the instrument items particularly related to the scale of 'familiarity with reforms', since the scale was new. Moreover, some demographic questions were deleted after pre-testing, considering the response time required for the overall length of the initial survey instrument. The deleted questions basically were related to respondents' employment commitment and family status.

4.5.2 Choosing the response format

Multiple-item measurement scales were used to operationalise the constructs relevant to switching behaviour. The scales used intensity anchors to measure the strength of feelings of respondents toward certain object/ behaviour stated in the item statements. Odd-numbered scales add a middle anchor as compared to even-numbered scales, which helps

the respondents to express their neutral or undecided position (Saunders, Lewis & Thornhill 2009). To record the respondents' feelings with finer accuracy, it is possible to extend the scale from five-point to seven-point, or eleven-points scales. Some researchers prefer the scales with greater number of anchors (such as, a nine-point scale) to provide respondents with wide array of choices and to allow better reflection on the differences in choices (Darbyshire & McDonald 2004; Hall, O'Mahony & Gayler 2017). However, when the respondents are likely to answer more accurately with less number of choices, it is better to choose the scales with minimum number of anchors (Saunders, Lewis & Thornhill 2009). From these perspectives, an odd-numbered rating scale was intended with reasonably good number of anchors, so that participants can express their feelings with utmost accuracy without confusing with too many choices/ anchors.

Despite the availability of different response formats, a seven-point Likert-style scale is the most commonly and widely accepted measurement scale for surveys on switching behaviour (Wang & Wu 2012). This scale is adaptable due to its optimum size compared to five and ten point scales (Clemes, Gan & Zheng 2007). Moreover, it incorporates a neutral option (such as neither agree, nor disagree) which is also considered important to enhance response rate (Matthews, Moore & Wright 2008). Above all, it is argued that a seven-point Likert-style scale provides for superior variance resolution (Jacobs et al. 2012, p. 962). Hence, seven-point Likert-type response format was chosen for the main part of the survey (i.e., Section A- that excludes demographic and usage questions).

The respondents were asked to indicate their perceptions on each of the items which operationalised the constructs by using appropriate descriptors such as 'agree/ disagree'. The scales were anchored at 1 ('strongly disagree'), and then proceeded to 2 ('mostly disagree'), 3 (slightly disagree), 4 (neither agree nor disagree, i.e., 'neutral'), 5 (slightly agree), 6 (mostly agree) and finally, anchored at 7 ('strongly agree').

4.5.3 The complete structure of the survey instrument

The finalised survey instrument was comprised of three sections (Sections 'A', 'B' and 'C'). These sections are described in Appendix C. The survey began with a screening question to filter home mortgage consumers. 'Section A' was the main part which

consisted of total twelve sets of items (for four exogenous constructs and eight endogenous constructs), which were intended to investigate the behavioural dimensions of participants. This section started with a statement of guidelines for respondents to provide them the necessary understanding of the 1 to 7-point scale of the items. This section also explained that the purpose of the question items solely relates to home mortgage (relationship) experience with the main banks. This section comprised of knowledge constructs (such as familiarity, involvement, literacy, experience, expertise), other cognitive evaluation constructs (such as perceived value, price fairness, switching costs), and affective constructs (relationship quality variables) along with behavioural intention indicators (such as switching intention, price insensitivity, calculative commitment).

‘Section B’ items were intended to obtain details about the participants’ financial exposure. These items included four multiple choice questions. These questions aimed to explore the facts and figures related to participants’ banking exposure, such as name of the main bank, number/s and year/s of mortgage exposure/s and post-2010 loan exposure. ‘Section C’ comprised of seven multiple choice questions which were intended to obtain general demographic details of the respondents for classification purposes. They included items on education, occupation, gender, age, income and respondents’ locations. Thus, the survey instrument was developed based on extant literature in cross-disciplinary areas, where well-defined constructs and concepts were relevant to this research context. This final survey instrument was intended to examine the respondent’s experiences and relationships with a financial institution, in which s/he had a home mortgage and linked transaction accounts.

4.6 Pre-Data collection considerations

For empirical research where, primary data is used through techniques of data collection, sampling is considered as an integral part of the research process, as it is a valid representation of the population for cases where alternatives to census are crucial (Saunders, Lewis & Thornhill 2009). Therefore, at the pre-data collection phase, the main consideration lies in sampling strategies.

4.6.1 The population and sample

The Australian home loan consumer segment (those who have home mortgages and linked credit card and/or transaction accounts) was considered as the population for this research study. Consumers who had home loans were deemed likely to have had linked transaction accounts with their financial institutions. In some cases, they might also have had linked credit card accounts. Thus, examining home loan consumers' perceptions provided an in-depth focus relating to the relevant interest groups of the switching legislations. All intended respondents for the sample were above 18 years of age, as this is the minimum age for holding a bank account/ home mortgage in the Australian financial industry.

4.6.2 The sample size and sampling

The SEM technique requires a minimum sample size of 100 to 150, or 10 times the parameters of estimation in case of small to medium sized study (Kline 2011). However, when the maximum likelihood estimation is applied (such as the case of present research), a ratio of five responses against each parameter of estimation is considered sufficient (Reisinger & Mavondo 2007). This is further stipulated by Hair et al. (2014), who argue that studies employing Structural Equation Modelling (SEM) including CFA require a minimum of 5 respondents for each parameter in the SEM model. Though many scholars in SEM literature differ with this view, the use of congeneric models of summated scales (such as the case of present research) makes it less of an issue (Byrne 1998; Holmes-Smith & Rowe 1994). Hence, a sample size in excess of 460 to 500 was considered adequate for this research study, considering that the estimated number of items operationalising all the constructs were 92 (that were subject to SEM analysis). The survey, however, finally obtained 564 usable responses.

The sampling technique: Probabilistic sampling techniques are useful in reducing sampling bias (Bryman 2012). As a quantitative research technique, stratified random sampling was employed so that the sample of respondents represented the overall demographic characteristics of the Australian population. Stratified random sampling is argued as "a modification of random sampling" for which the population is divided into

multiple significant strata based on few relevant criteria of the population and then a random sample is derived from each stratum (Saunders, Lewis & Thornhill 2009, p. 228). For the purpose of this research, the parametric distributions of gender, age, income, and state location which were planned for adhered to the population profile of Australian bank consumers.

4.6.3 Recruitment and execution of the survey

For this research, the consumer panel of a professional research firm was used to obtain the intended data. This panel comprised people and households, who had pre-consented to participate, were *pre-stratified*, and complied with online survey guidelines. The Research Information Statement was included, together with the survey instrument which was sent on-line by the agency to randomly selected members of their consumer panel.

The internet survey questionnaire was placed on University's "Opinio" survey platform for the month of September 2014. The professional research agency was asked to administer the survey while ensuring the sample's representation of the Australian population. The following stratifications were requested in recruiting the panel:

- i. Gender
- ii. Age
- iii. Income
- iv. State location

Then panel data was collected after the survey was administered to a sample frame of 1,157 members. A total of 876 qualifying responses were collected by the online survey started from 4 September 2014 and ended on 23 September 2014.

The survey was designed to screen out the unqualified respondents, who did not have a home loan. In addition, it incorporated a feature labelled as "return ticket" through a link that enabled a respondent to complete the survey in more than one attempts, which provided for additional convenience. Finally, the data revealed the following statistics:

Number of recruits: 1,157

Number of completed surveys: 876

Therefore, the completion rate: 76%

The sample limitations: For valid and reliable outcomes, it is ideal to conduct a nationwide face to face survey on a large scale of respondents, which is not realistic in terms of time and cost. However, the researcher put sincere efforts to have a sample representative of the Australian population, though recruited through a third party. The agency agreed to ensure the stratifications mentioned (i.e., gender, age, income and state location), in the panel recruits in accordance with those of the Australian population.

The nature of the sample has been discussed in detail in Chapter 5 under section 5.3 (i.e., respondents' demographic and usage profiles), taking into account some additional demographic characteristics including education, occupation and place of birth. The relevant evidences are presented with analysis and comparison against the corresponding population profiles, from data available at Australian Bureau of Statistics (ABS 2011). It revealed that the sample slightly deviated from the Australian population in terms of age, income and state location, which was not in accordance with the plan of recruitment. However, it closely represented the population in terms of gender, age (except for the higher age groups, i.e., 55 and over), income (except for the income category between \$80,001 and \$130,000), state location (except for the location profiles of New South Wales and Victoria) and place of birth. It also reflected a reasonable mix of education and occupation profiles of the respondents.

The implications of this sampling methodology on validity and reliability: An online panel has been considered suitable for this research for the following reasons:

- An online panel is more representative of the population where around 80% of the population have access to the internet (ABS 2016b). The chance of non-response error is minimised in online survey as compared to the traditional survey methods.
- It provides adequate time for the respondents to reflect on their answers when there are large numbers of variables that need to be measured in the survey instrument (as in this research study).

- The researchers can ensure the robustness of data collected by online survey through screening out the completions revealing response time biasness. In addition, recruiting a panel of participants through third party ensures higher level of privacy and anonymity since the investigators never have any access to identity information of the participants (Chaudhry 2014).
- Other modes of survey, such as mail surveys, have low response rates and some modes, such as face to face administration of surveys are costly and exorbitant. The online panel provides desired response rates, is relatively cheap, and within the achievable research budget for PhD students.

Panel recruitment for online survey may, however, result in ‘panel conditioning’, which explains the risk of more experienced participants’ responding to survey questions in a different manner as compared to less experienced participants (Fricker 2008). Such bias is, however, considered insignificant in the context of one-off survey that investigates unexplored area of research as compared to repeat studies of longitudinal surveys (Chaudhry 2014).

4.7 Pre-analysis considerations

After the data collection, the ‘summary data with comments’ report was extracted from the ‘Opinio’ interface. This report was auto-generated by the ‘Opinio’ software in SPSS file format. The variables were then analysed and tested for normality, as well as for their fit for distribution and assumptions of the multivariate analysis. The variables with reverse coded items were recoded into positive items for analytical purposes. However, the preliminary screenings were performed against the identification of incomplete data, response time bias and repeat pattern responses, in addition to checking for normality and treating for outliers. The procedures and results of the screenings are discussed in detail in the next chapter. Finally, a stratified random sample of 564 usable responses was considered adequate to ensure the validity and reliability of the results.

In order to analyse the findings from the final data set, Structural Equation Modelling (SEM) was performed using MPlus software. SEM allows for “paths to be drawn between latent variables” or factors /hypothetical-constructs which are not observed directly, but they have effects on observable variables, e.g. questionnaires and behavioural measures (Streiner 2006, p. 317). Therefore, this research used SEM as it enables to scrutinise the relationships among the hypothesised/ unobserved constructs which have multiple measured variables associated with them. In addition to using SEM on Mplus platform, various SPSS (version 21) techniques were also applied for univariate and multivariate analysis.

Considerations for reliability and validity: While reliability reflects the degree of consistency among findings generated by the data collection and analytical procedures, validity confirms if the findings really reflect what is intended to measure by the measurement instruments, i.e., validating the cause-effect relationship of the variables concerned (Saunders, Lewis & Thornhill 2009). Statistical techniques, such as exploratory and confirmatory factor analysis (EFA and CFA) were used to examine the associations and relationships between the variables.

The majority of the items in the survey instrument were adopted from previously validated scales, commonly compiled in the ‘Marketing Scales Handbook’ (Bruner II 2009) as indicated in the earlier sections. For compatibility with the study context, however, some of the questions were new or have been modified, especially for the following two constructs: i. familiarity with reforms; and ii. financial illiteracy. Exploratory Factor Analysis (EFA) was conducted for these two constructs to establish their uni-dimensionality and validity.

Additionally, CFA is used when the researcher has “a priori hypotheses about which items or variables are grouped together as manifestations of an underlying construct” (Streiner 2006, p.318). Moreover, the items need to be tested for validation to ascertain how well the data matches or fits the hypothesised model (Bannigan & Watson 2009). Therefore, Confirmatory Factor Analysis (CFA) was conducted upon each construct to test the dimensionality and validity of the items used, and the model’s fit to data gathered by the survey instrument. After the CFA, the overall measurement model and the structural

model were tested to determine whether the model was a good fit to data. The results of these tests and analysis are discussed in detail in the next chapter.

4.8 Ethical considerations

4.8.1 General integrity in conducting the research

The outcomes of this research were not dependent on the private or confidential information of individuals. This research study did not involve any conflict of interest relating to any particular financial institution. The study was not focused on any specific group of people (i.e., Aboriginal or Torres Strait Islander peoples, or people from specific ethnic or cultural background), or on any specific institution. All participants were 18 years of age or over. All participants were provided with the Research Information Statement (provided in Appendix B) and their informed consent was obtained prior to their voluntary participation in the online survey.

Unidentifiable data given by the participants were recorded by the investigators which was stored in secured locations. All the data was entered into SPSS prior to the analysis and stored in a password-protected computer to which only the investigators had access. Electronic copies of raw data (unidentifiable) were stored for five years post-publication on password protected computers on University premises by the investigators.

4.8.2 SUHREC clearance for research ethics

Ethics clearance for this research study was given by SUHREC (Swinburne University Human Research Ethics Committee). This is a mandatory requirement of the University prior to execution of the research, and it aims to ensure vigorous compliance to standard ethical protocols of human research in Australia. SUHREC reviews the level of risks facing the participants and researcher/s, as well as the sponsors (if any). SUHREC also ascertains the rationale for conducting the project; any potential problems that may arise out of the project; privacy issues and other ethical considerations; data collection and post-publication security of data and the overall ethical ability and professional training

of the researcher/s for proper execution of the project. A copy of the ethics clearance is provided in ‘Appendix A’.

4.9 Chapter summary

The chapter has provided a thorough understanding of the methodological aspects of the present research. The chapter began by highlighting the philosophical views of the researcher, and moved on to discuss the research approach, design, data collection and analytical techniques. The chapter has attempted to justify the methodological properties of the study, as well as justify the use of the deductive approach, quantitative methods, and the questionnaire survey design. The measurement scales of all exogenous and endogenous constructs have been detailed with discussion on the rationale of using those scales. The chapter has also discussed the questionnaire format, sampling strategy, analytical techniques and consideration at each stage provides an in-depth understanding of ‘justification of the research methodology’ employed in this research.

Chapter 5: Analysis & Findings

5.1 Chapter overview

This chapter discusses the treatment and analysis of the data collected for this research. The basic organisation of the chapter can be outlined in two parts. The initial part that includes sections 5.2 to 5.8, involves development of the measurements. Then the rests of the chapter that includes sections 5.9 to 5.11, attempts to evaluate the structural model.

The chapter begins by elaborating on the preliminary screening of data. Section 5.3 depicts the demographic and usage profile of respondents with comparable data of the population. Section 5.4 provides an overview of the scale evaluation procedures, such as EFA, CFA and other measures of validity and reliability, such as Cronbach alpha, Construct Reliability (CR) and Average Variance Extracted (AVE). Section 5.5 depicts the procedures (EFA and CFA) adapted for all the twelve constructs of the proposed model in establishing the scale reliability and validity. Section 5.6 describes the CFA of the overall measurement model. Section 5.7 describes three invariance tests for respondents' sub-groups of education, income and usage history of home-loan. Section 5.8 establishes the outcome of the common method variance (CMV) test. Section 5.9 demonstrates the structural equation modelling (SEM) using Mplus. This section starts with the initial conceptual model containing the purified scales derived from the single factor CFA. The statistical significance of each hypothesised path is assessed. The direct and indirect effects along with the total effects are calculated in Section 5.10. Section 5.11 concludes this chapter.

5.2 Preliminary screening of data

In this study, the preliminary screening procedure comprises five stages: i. filtering out the non-qualifying responses; ii. checking for response time bias; iii. checking for repeat pattern responses; iv. identifying and treating the outliers; and v. checking for normality of distributions. These stages are discussed next.

5.2.1 Incomplete responses

The survey aimed to target only those who had a home loan. A total of 281 incomplete responses were identified from participants who did not have a home loan. After filtering out these responses, a total of 876 qualifying responses were identified.

5.2.2 Response time bias

To check for the quality of responses, the researcher decided to accept only those responses which took a minimum of 12 minutes to complete the survey. This was the least time required by a respondent to complete the survey as predicted by the pilot test. As a result, responses which took less than 12 minutes to complete were deleted. A total of 227 cases were found to have taken less than 12 minutes to complete and these were deleted, leaving 649 valid responses.

5.2.3 Repeat pattern responses

It is important to check for repeat pattern responses when the survey is designed using Likert-type scales. Some respondents follow a cruising pattern in answering most of the questions. After a judgmental check to detect repeat pattern responses, 76 cases were deleted. Hence, the final set of valid responses was 573.

5.2.4 Univariate and multivariate outliers

Before assessing the data against the assumptions for multivariate analysis, it is important to detect the existence of problematic outliers within the data set. Problematic outliers hold exceptional value or score as compared to the value or score of other variables in the same data set, and do not represent the sample's or population's true characteristics (Hair et al. 2014). The detection of outliers is important, and this is because a small proportion of outliers may result in biased or inaccurate test statistics.

Univariate outliers are those which have extremely high or extremely low values which make them lie at the outer range of a distribution pattern (Hair et al. 2014). Univariate outliers can be identified with the z-scores of the variables, which tend to be far beyond the absolute value of $z=3.29$ ($p<0.001$ for two tailed test) (Tabachnick & Fidell 2007).

Multivariate outliers are identified by calculating Mahalanobis Distances (D^2 measures). Hair et al. (2014, p. 64) explain Mahalanobis D^2 as a method that “measures each observation’s distance in multidimensional space from the mean centre of all observations, providing a single value for each observation no matter how many variables are considered.”

Hair et al. (2014) suggest that D^2/df (df = number of variables involved) value exceeding a maximum of 4.00 can be designated as possible outliers. Scholars have varying opinions regarding the treatment of outliers. The removal of outliers is emphasised by Barnett and Lewis (1994). However, researchers’ prudence and judgement in retention or removal of outliers is also essential (Vieceli 2007). In the data set of 573 responses, nine cases had D^2/df value which exceeded 4. Hence, these responses were deleted as being potential outliers and the sample size was reduced to 564.

5.2.5 Normality

Normality refers to “the shape of the data distribution for an individual metric variable and its correspondence to the normal distribution” (Hair et al. 2014, p. 69). If the distribution of sample data shows significant variation from normal distribution, the application of statistical tools (such as, maximum likelihood estimation/ ML) will produce biased or invalid outcome (Reisinger & Mavondo 2007). Tabachnick and Fidell (2007) define ‘multivariate normality’ as an assumption that considers the variables and their linear combinations are distributed normally and are independent. The sample data needs to meet this assumption for SEM, since a high level of non-normality has a strong impact on the results (Hancock & Mueller 2006).

The distribution of responses for each construct should be normally distributed or bell-shaped to meet the normality assumption (Hair et al. 2014). Normality can be measured by two components, and these are kurtosis and skewness. Kurtosis describes the height (flat or peak) of the distribution; skewness describes the symmetry or balance of the distribution’s shape (Hair et al. 2014). Hence, the skewness and kurtosis values of each construct items were checked (as presented in Table D1, Appendix D). The skewness and

kurtosis values of each item were within the range of -1.25 and +1.25. Thus, it was concluded that the sample data met the normality assumption.

5.3 Respondents' profile

The demographic profile of respondents included their gender, age group, education level, occupation, income, location and place of birth. These characteristics of the sample were compared with the Australian population characteristics assessed from the latest available data of Australian Bureau of Statistics/ ABS (the full census data of 2016 are yet to be published by ABS till the thesis date). The respondents' profiles are discussed next (in Appendix D, the corresponding pie-charts are provided that represents the respondents' profile).

5.3.1 Demographic profiles

Gender profile: Table 5.1 (and Figure D-1, Appendix D) represents the gender profile. The sample data revealed that 52.13% of the respondents were female and 47.87% were male. This is a close representation of the Australian population data (ABS 2016a) which shows that 50.25% of the population were female and 49.75% were male.

Table 5.1: Respondents' gender profile

Gender	Frequency (n= 564)	Percentage
Female	294	52.1
Male	270	47.9

Age profile: The age distribution of participants is provided in Table 5.2 (and Figure D-2, Appendix D). The results revealed that the highest number of survey respondents represented the age group of 55-67 (29.3%) followed by the age group of 45-54 (21.5%), then 35-44 (19.3%) and 25-34 (16%). Respondents in the sample data represented a diversity of age groups from the youngest (18-24 years) to the oldest (68+ years).

Table 5.2: Respondents' age profile

Age	Frequency (n= 564)	Percentage
18-24	27	4.8
25-34	90	16.0
35-44	109	19.3
45-54	121	21.5
55-67	165	29.3
68+	52	9.2

As a comparison, 15% of the Australian population belong to the age group of 65+, and 66% belong to the 15-64 age group (ABS 2016a). The details of 2011 census data reveals that 15.9% of the Australian population belong to the age group of 55-69, 13.7% belong to the 45-54 age group, 14.3% belong to the 35-44 age group and 13.8% belong to the 25-34 age group (ABS 2011). Hence, the sample slightly deviates from the Australian population in terms of the higher age groups' profile (i.e., 55 and over).

Income profile: Table 5.3 (and Figure D-3, Appendix D) details the household income distribution of the respondents.

Table 5.3: Respondents' income profile

Income	Frequency (n= 564)	Percentage
\$18,201 -\$37,000	68	12.1
\$37,001 -\$80,000	169	30.0
\$80,001 -\$130,000	192	34.0
\$130,001-\$180,000	78	13.8
\$180,001 and over	45	8.0
Less than \$18,200	12	2.1

The ABS (2011) data reveals that approximately 31.2% of the Australian population belonged to the annual income category between \$37,001 and \$80,000; and then approximately 19.2% belonged to the annual income category between \$80,001 and \$130,000. Those with very high annual incomes (income level \$130,001-\$180,000, and over \$180,001) accounted for 17.7% of the total population (ABS 2011). In comparison, the largest group of respondents (34%) belonged to the income category between \$80,001 and \$130,000, which deviated from the population data (of 19.2%) to some extent. However, the next largest group (30% of respondents) belonged to the income category

between \$37,001 and \$80,000, followed by the group (21.8%) belonging to the very high-income bracket (income level \$130,001-\$180,000, and over \$180,001). These were highly close approximation of the population data (ABS 2011).

Location profile: Table 5.4 (and Figure D-4, Appendix D) depicts the residential state of the survey respondents. The highest number of participants hailed from Victoria (30%) followed by 27% representation from New South Wales (including ACT). According to ABS (2017) data, however, the Australian population comprises 25.19% from Victoria and 32.03% from NSW.

Table 5.4: Respondents' location profile

State Location	Frequency (n= 564)	Percentage
Australian Capital Territory (ACT)	13	2.3
New South Wales (NSW)	139	24.6
Northern Territory (NT)	1	.2
Queensland	126	22.3
South Australia (SA)	52	9.2
Tasmania	21	3.7
Victoria	169	30.0
Western Australia (WA)	43	7.6

The remaining state-wise distribution of respondents closely resembled to the census data (ABS 2017). Approximately 2% of the respondents were located in ACT (as compared to the population distribution of 1.64%); 22% respondents were located in Queensland (as compared to the population distribution of 20.07%); 9% were located in South Australia (as compared to the population distribution of 7.06%); 4% were located in Tasmania (as compared to the population distribution of 2.15%) and 8% were located in Western Australia (as compared to the population distribution of 10.83%).

Educational profile: Table 5.5 (and Figure D-5, Appendix D) depicts participants' educational profile. Approximately 25% of the respondents had completed high school education, which was a reasonable approximation of the population data (ABS 2011). In addition, approximately 32% of the respondents had a trade qualification or diploma degree, nearly 24% had a bachelor degree, nearly 13% had a post-graduate qualification, and 5% had a professional degree. This represents an impressive mix of educational levels

of the respondents. However, the ABS (2011) census data reveals that 20.5% of Australians had high school education while 27% had primary education, 14.3% had tertiary education and 7.3% had technical or further institutional degree.

Table 5.5: Respondents' education profile

Educational Achievement	Frequency (n= 564)	Percentage
Post Graduate Qualification	72	12.8
Professional Degree	28	5.0
Bachelor Degree	133	23.6
Trade Qualification/Diploma	179	31.7
High School	143	25.4
Primary School	2	.4
Others	7	1.2

Occupation profile: Table 5.6 (and Figure D-6, Appendix D) depicts the occupational distribution of the survey respondents. The highest group belonged to the professionals (28%). This is comparable to the Australian population in that the most common occupation for Australians are 'professionals', representing 21.3% of the population (ABS 2011). In addition, 12.8% of the respondents represented the office workers, which was also very close approximation of the population data (14.7% in 2011). However, the sample included approximately 16% of retired/ unemployed persons, whereas the Australian population data included approximately 6% of unemployed persons (ABS 2011).

Table 5.6: Respondents' occupation profile

Occupation	Frequency (n= 564)	Percentage
Community & personal service	12	2.1
Government service-holder	27	4.8
Home duties	63	11.2
Office worker	72	12.8
Professional	158	28.0
Retired/ unemployed	89	15.8
Self-employed	49	8.7
Student (full time)	8	1.4
Tradesman/ Technician	42	7.4
Other	44	7.8

Respondents' place of birth: To represent the multicultural nature of the Australian population, it is expected that the sample respondents should represent different places of birth, other than Australia. Table 5.7 (and Figure D-7, Appendix D) depicts the respondents' origin/ place of birth. The sample data revealed that 76.6% of the respondents were born in Australia, and the rest 23.4% were born outside Australia.

Table 5.7: Respondents' place of birth

Place of Birth	Frequency (n= 564)	Percentage
Australia	432	76.6
Outside Australia	132	23.4

In comparison to sample data, 70% of the Australian population were born in Australia and the rest (30%) were born outside Australia (ABS 2011). Hence, the sample was a close approximation of the Australian population, as far as the birth place of the respondents was concerned.

5.3.2 Respondents' banking profiles

In addition to the demographics, some questions were asked in the survey about respondents' product usage histories which provide further information regarding their purchase behaviour. These findings are depicted next.

Exposure to mortgages: Table 5.8 (and Figure D-8, Appendix D) depicts the nature of ownership of mortgages by respondents. Approximately 84% of respondents had a single mortgage, whereas the rest (i.e., 16%) had more than one mortgages.

Table 5.8: Respondents' exposure to mortgages

Number of Mortgages	Frequency (n= 564)	Percentage
One	473	83.9
More than one	91	16.1

Exposure to banks: Table 5.9 (and Figure D-9, Appendix D) depicts respondents' exposure to (main) banks. The largest number of respondents (23%) used Commonwealth

Bank and the second largest group (around 14%) used ANZ Bank, followed by the next group (around 12%) which used Westpac Banking services. The cumulative percentage of sample respondents who used the services of ‘Big Four’ banks was approximately 61%. The rest (39% of respondents) used the services of smaller financial institutions for their home loans.

Table 5.9: Respondents’ exposure to banks

Banks	Frequency (n= 564)	Percentage
ANZ Bank	76	13.5
Commonwealth Bank	130	23.0
NAB Bank	66	11.7
Westpac	70	12.4
Other	222	39.4

Length of time with main bank: Table 5.10 (and Figure D-10, Appendix D) depicts respondents’ history of banking with their main bank.

Table 5.10: Length of service usage (main bank)

Banks	Frequency (n= 564)	Percentage
Less than 12 months	25	4.4
More than 1 year but less than 2 years	39	6.9
More than 2 years but less than 3 years	35	6.2
More than 3 years but less than 4 years	33	5.9
4 years or more	432	76.6

The sample data revealed that approximately 77% of the respondents were using the services of their main banks for more than four years. This could possibly signify that the majority of the respondents were not prone to switching banks for mortgages in the short terms.

Mortgage before/ after the legislation: Finally, the respondents were asked whether they had taken their home loans before or after the 2011 legislation. It was possible for a respondent to have more than one mortgage and these could have been taken either before

or after the 2011 legislation. Table 5.11 (and Figure D-11, Appendix D) depicts the findings.

Table 5.11: Mortgage before/ after the legislation

Periods	Frequency (n= 564)	Percentage
Before 1 July 2011	275	48.8
On/ after 1 July 2011	180	31.9
Both of the above periods apply	109	19.3

The findings suggest that approximately 49% of the respondents had taken the home loan before the legislation (banning of mortgage exit fee) and around 40% had taken the mortgages after the legislation. For 19% of the respondents, however, both of the periods applied.

5.4 Reliability and validity of the measurement scales

This research used a range of assessment criteria to establish the reliability and validity of the measurement scales. The constructs were subject to exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) to ascertain if the pre-specified relationships held. High inter-item correlations are desirable for ensuring high internal consistency of a measurement scale (Bearden & Netemeyer 1999). This ensures that all corresponding items provide similar conceptual measures (DeVellis 2011). Through the scale purification procedure of EFA and then CFA, some items from each single factor model were deleted to improve the scales' internal consistency, reliability and validity.

There was a total of twelve (12) constructs in this research as discussed in Chapter 4, namely: i. familiarity with reforms; ii. purchase involvement; iii. financial illiteracy; iv. switching experience; v. banking expertise; vi. price fairness; vii. perceived value; viii. switching cost; ix. relationship quality (this has five first order constructs: trust-in-integrity, trust-in-benevolence, satisfaction, affective commitment and affective conflict); x. price insensitivity; xi. calculative commitment; and xii. propensity to switch. Ten out of these twelve constructs were theoretically established from previous research. Since the scale items for these constructs had been chosen from theoretically validated scales,

the validity and reliability of these scales were already established. Therefore, only CFA was adequate for purifying the scales in the context of the sample data of this research.

For compatibility with the study context, however, some of the items were modified or newly developed with careful consideration. Examples of such constructs are: i. price fairness, which had two new items (out of six items) based on literature; ii. affective conflict, that had one new item (out of four items); and iii. price insensitivity, that had one new item (out of the four items).

Apart from these ten constructs, two constructs were especially developed and designed for the sole purpose of this study. The items in these two constructs were developed based on the examples and insights available in the literature. These two constructs were: i. familiarity with reforms (seven items were developed based on the insight from past literature); and ii. financial illiteracy (seven items were developed based on past literature in marketing and behavioural finance). EFA was used to test the uni-dimensionality of these two constructs, and subsequently CFA was used to further establish construct validity and reliability (Anderson & Gerbing 1982).

Finally, the descriptive statistics, namely the composite means and standard deviations (SD) of each construct, were calculated. To further establish each construct's reliability and validity, Cronbach Alpha (α), Composite Reliability (CR) and Average Variance Extracted (AVE) were calculated. The measures of reliability and validity are elaborated next.

5.4.1 Reliability

Reliability refers to the degree of consistency of variable/s in measuring the underlying concepts (Hair et al. 2014). A higher level of reliability is ensured when the measurement score of a latent variable is close enough to its true score (DeVellis 1991). Among the various statistical tools, individual item reliability, Cronbach's alpha, construct reliability (CR) and the average variance extracted (AVE) are the most widely accepted methods of establishing reliability (Bagozzi & Yi 2012; Fornell & Larcker 1981).

Individual item reliability is established by investigating the standardised squared multiple correlations (R^2) of indicator items. If the R^2 returns a value above the minimum threshold of 0.5, the individual item reliability is confirmed (Hair et al. 2014). However, 0.5 is not a universally accepted measure and it can vary depending upon the particular model of concern (Bagozzi & Yi 2012; Hair et al. 2014).

An alternative to individual item reliability, Cronbach's (1951) Alpha (α) is a more valid measure of multiple item scale reliability (Churchill 1979), which is widely used in the literature. This measure indicates the proportion of variance in the factor scores that can be precisely ascribed to the true score of the factor (DeVellis 1991). Though DeVellis (1991) suggests that the alpha value is acceptable within the range of 0.65 to 0.70, this research used the higher threshold value of 0.70 as suggested by Nunnally (1978). The alpha (α) values were calculated by using SPSS for the sample data. Fornell and Larcker (1981) have developed a measure of internal consistency through construct reliability (CR). CR was calculated for each construct of the conceptual model.

Some researchers have recommended that the CR values should be above 0.60 (Fornell & Larcker 1981). Hence, the internal consistency was ensured by using values above the threshold point of 0.60. Finally, the average variance extracted (AVE) explains the variance captured by a construct in correspondence with the variance which occurs for the measurement errors (Fornell & Larcker 1981). The calculated AVE has been presented for each factor in relevant sections. The suggested AVE for ensuring good reliability is 0.50 (Hair et al. 2014), which was ensured for each case of the measurement scales used in this research.

5.4.2 Validity

Hair et al. (2014) define ‘validity’ as the extent of accuracy of a measurement scale in representing the underlying concept. There are, however, categorical differences in concepts of validity, such as content (or face) validity, convergent validity, discriminant validity, and nomological validity (Hair et al. 2014). As defined by Hair et al. (2014, p. 123), “content validity is the assessment of the correspondence of the variables to be included in a summated scale and its conceptual definition.” Content validity is the most

important one which is required to be established before any theoretical tests (such as CFA). Such a validity of scales is usually assessed by experts' rating, pre-tests or using alternative subjective means. There were two experts who scrutinised the measures for ensuring content validity of the scale items used in this research. After resolving any disagreement on a particular item, they agreed that all scales used in this research are appropriate to measure the constructs in the conceptual model.

Convergent validity is the assessment of the extent of correlations among alternative measures of an underlying concept, where high correlations define higher degree of convergent validity (Hair et al. 2014, p. 124). Support for convergent validity is confirmed in each case, when items load significantly onto the corresponding construct and thus return high CR and AVE values. In this research, a construct's convergent validity was accepted when the standardised factor loadings returned a minimum value of 0.7 and the subsequent CR and AVE values also returned higher than the corresponding threshold points. Hair et al. (2014), however, suggest the minimum threshold value as 0.50 for the standardised factor loadings.

Conversely, discriminant validity is the measure of distinctiveness of two similar concepts, where a low measure of correlation between the summated scale and a similar distinct measure indicates higher level of discriminant validity (Hair et al. 2014). To establish discriminant validity, it is suggested that the AVEs of the measurement model constructs should be greater than the squared correlations between the constructs (Fornell & Larcker 1981). Hence, the AVEs obtained from the measurement model and the squared correlations of the constructs are compared to confirm the discriminant validity.

Finally, nomological validity measures the capacity of a measurement scale to demonstrate the theoretically valid relationships with other concepts (Hair et al. 2014). The estimation of the structural model at the later section of this chapter confirms nomological validity for all the constructs.

5.4.3 Exploratory Factor Analysis (EFA)

Exploratory factor analysis (EFA) helps in defining the relationships in sample data and reducing the number of items/ dimensions into meaningful sets (Hair et al. 2014). According to Hair et al. (2014), the basic objective of EFA is “grouping highly inter-correlated variables into distinct sets (factors)” (p. 93). However, Cunningham (2010) elaborates thus:

The main purpose of EFA is to identify the smallest number of meaningful latent variables or factors that closely reproduce the original correlations/ co-variances amongst a larger set of measured variables (p. 3-3).

Some conditions are required to be met when EFA is run to decide about the scale dimensionality. The correlation matrix ('Pearson's correlation r') of the variables' pair is required to be observed (Allen & Bennett 2012). The Bartlett Test of Sphericity provides the measure of statistical significance of the correlations ($p < 0.05$) existing in the variables of correlation matrix. The Measure of Sampling Adequacy (MSA) quantifies the extent of inter-correlations among the variables under observation and appropriateness of the factor analysis (Hair et al. 2014). Higher MSA value indicates better factor prediction. For KMO Measure of Sampling Adequacy, the generally recommended value for acceptability is 0.60 (Cunningham 2010).

Communality is another measure that provides estimation of shared/ common variance among the variables in the factor (Allen & Bennett 2012, Hair et al. 2014). For better factor extraction, higher communality values are expected. The minimum threshold point is 0.50 (Hair et al. 2014). The factor matrix should also be observed for acceptable factor loadings value of above 0.50 and identification of cross-loadings, if any.

The Total Variance Explained is the amount of variance that can be explained by the factor analysis (Allen & Bennett 2012). It displays the Eigenvalues in order from the highest to the lowest. Finally, the Scree Plot needs to be interpreted where the point of radical decline in the Eigenvalues is identified (i.e., below 1) to determine the scale dimensionality (Cattell 1966).

5.4.4 Confirmatory Factor Analysis (CFA)

After the EFA was performed (only for the two newly developed constructs: familiarity with switching reforms and financial illiteracy), the CFA was run for each construct. The single factor measurement models and the results thereof are reported for each case. The purpose of a measurement model is to get a clear picture of the relationship between the measurement indicators and the latent variables within the conceptual model (Tabachnick & Fidell 2001). As Hair et al. (2014) state:

CFA is used to provide a confirmatory test of our measurement theory (...) Measurement theory specifies a series of relationships that suggest how measured variables represent a latent construct that is not measured directly. The measurement theory may then be combined with a structural theory to fully specify a structural model (p. 603).

Some researchers have argued that the main difference between the two methods of factor analysis (EFA and CFA) is that the models tested through CFA must be pre-specified based on past theory (Cunningham 2010; Hair et al. 2014). While CFA is a preferred approach for testing the measurement models which have strong theoretical basis, the EFA is more suitable for empirically driven ones (Cunningham 2010). In EFA, no theory is required for factor extraction.

In the process of CFA, a construct needs to be first defined with the specified number of variables that load on the factor. Then, the factors that operationalise the conceptual constructs in the final measurement model must be specified (Hair et al. 2014). Hence, to rectify the initial measures and test the internal consistency of the items, a two-step CFA is required (Anderson & Gerbing 1988; Bagozzi & Yi 2012). In step-1, a single factor model is tested which is applied to each of the constructs (i.e., the congeneric model). In step-2, all the factors or constructs are put into one model for the CFA test (i.e., the overall measurement model). This test ascertains that none of the items cross load on multiple factors.

5.4.4.1 Model fit indices

CFA provides an indication of the construct validity based on the model's fit and other validity evidences (Hair et al. 2014). Several fit indices are used as indicators of model fit to sample data. However, Mplus software produces the values of Chi-square, RMSEA, CFI, TLI and SRMR for assessing the model fits. The precision of the structural model depends on establishing the optimum model fit for every conceptual factor (Anderson & Gerbing 1982). Different types of statistics are available. The main categories of fit indices used in this study are absolute fit indices and incremental fit indices. Chi-square Goodness of Fit statistic (χ^2), Root Mean Square Error of Approximation (RMSEA) and Standardised Root Mean Residual (SRMR) represent absolute fit indices. On the other hand, Comparative Fit Index (CFI) and Tucker Lewis Index (TLI) represent incremental fit indices.

Absolute fit indices

Absolute fit indices are “a direct measure of how well the model specified by the researcher reproduces the observed data” (Hair et al. 2014, p. 578). The most widely used absolute fit index is the Chi-square (χ^2) statistic. This statistic provides a goodness-of-fit comparison between the covariance matrix for the observed data and the covariance matrix derived from a theoretically derived structure model (Fornell & Larcker 1981). Traditionally, a p-value above 0.05 is essential for a model's good fit. However, this statistic is no longer a single or unique measure of model fit provided that it relies upon the sample size and the sample size differs across different studies (Bagozzi, Yi & Phillips 1991). This statistic generates an inflated value when the sample size and the number of variables under study are large (Reisinger & Mavondo 2007). In such cases, researchers recommend using the ‘normed Chi-square value’ (i.e., Chi-square value divided by the degrees of freedom) to assess the model fit (Jöreskog 1969; Otto et al. 2011). In addition, other relative fit indices are used in combination with Chi-square values, such as Root Mean Squared Error of Approximation (RMSEA) and Standardised Root Mean Square Residual (SRMR).

RMSEA is another absolute fit index that corrects the tendency of Chi-square (χ^2) test statistic to reject a good model with large sample size or large number of observed variables. Thus, RMSEA better reflects the population by accounting for both model complexity and sample size (Hair et al. 2014). The lower the RMSEA value, better the model fit (Hair et al. 2014, Reisinger & Mavondo 2007).

SRMR is another index which determines absolute model fit and especially useful for comparing fits across models, though its use is not considered appropriate in all conditions (Hair et al. 2014). Hair et al. (2014) argues that SRMR is biased upward when the sample size (N) exceeds 250 and the number of observed variables (m) is less than 12 (p. 584). Hence, the use of SRMR was avoided in single factor models (where, $m < 12$ and $N > 250$) and other fit indices were considered adequate for such cases. However, lower SRMR value indicates better model fit and values above 0.1 indicate problem with model fit (Hair et al. 2014). Hence, this study used SRMR for assessing the fits of the overall measurement model and the structural models.

Incremental fit indices

The absolute fit indices provide measures for the measurement models and path models, without providing comparison between the original and alternate models (Reisinger & Mavondo 2007). Therefore, the incremental fit indices are used in combination with the absolute fit indices as they provide the required comparison. The Comparative Fit Index/ CFI and Tucker Lewis Index/ TLI are the most widely reported incremental fit indices (Hair et al. 2014). The CFI compares performance of the alternate model with the performance of the baseline or null model, whereas the TLI compares the normed chi-square values of the two by taking into account model complexity to some extent (Hair et al. 2014). The CFI values range between 0 and 1 since it is normed, however the TLI values may vary from below 0 to above 1 with a good fit model approaching 1 (Hair et al. 2014, p. 580). Hence, higher CFI and TLI values indicate a better fit.

Table 5.12 demonstrates the acceptable values of each of these fit indices in context of the present study, where the sample size (n) is 564 and the number of observed variables

(m/ M) is less than 12 for single factor models and above 30 for the measurement/ structural model.

Table 5.12: Threshold values for model fit indices (n=564)

Test Statistic	m<12 (single factor model)	M>30 (full model)
Chi-square	Non-significant p-values even with good fit ($p > 0.05$)	significant p-values expected
CFI	0.95 or higher	Above 0.90
TLI	0.95 or higher	Above 0.90
RMSEA	Below 0.07 with CFI at or above 0.97	Below 0.07 with CFI at or above 0.90
SRMR	Not used as biased upward	At or Below 0.08 with CFI >0.92

[Note: m=Number of observed variables in a single factor model; M=Number of observed variables in the full measurement model]

Source: Hair et al. 2014 (p. 584)

5.5 EFA and CFA of the constructs

The next sections examine the scale purification procedure of all the twelve constructs used in this study. Factor analysis was performed to check the underlying structure of the variables studied, and also to assess the extent to which the data met the expected structure (Hair et al. 2014). Various fit indices were used to conclude if the sample data fit well each single factor model. Redundant items were removed from further analysis with the rationale of deletion specified in each case. Cronbach Alpha (α), Construct Reliability (CR) and AVE were finally calculated for each single factor model to further ascertain internal consistency, reliability and validity (Fornell & Larcker 1981; Hair et al. 2014). The results are presented in diagrams and tables for each case.

The constructs and corresponding items were, however, coded first to run the CFA (and EFA) test. Table 5.13 displays the names of the constructs, codes of the constructs, item codes for analysis (using SPSS and Mplus) and corresponding item reference numbers in the survey instrument.

Table 5.13: Construct codes and corresponding items of survey instrument

Construct name	Construct code	Item code	Survey item number
<i>Consumer knowledge factors</i>			
Familiarity with reforms	FAR	far_1 to 7	1-7
Purchase involvement	PIN	pin_1 to 6	8-13
Financial illiteracy	FIL	fil_1 to 7	14-20
Switching experience	SWE	swe_1 to 6	21-26
Banking expertise	BEX	bex_1 to 12	27- 38
<i>Other cognitive factors</i>			
Price fairness	PRF	prf_1 to 6	39-44
Perceived value	PVL	pvl_1 to 4	45-48
Switching cost	SWC	swc_1 to 12	49-60
<i>Affective factors</i>			
Relationship quality	RQ (<i>contains five second order constructs as listed below</i>)		
Trust in integrity	TIN	tin	61-64
Trust in benevolence	TIB	tib	65-68
Satisfaction	SAT	sat	69-72
Affective commitment	ACM	acm	73-76
Affective conflict	ACF	acf	77-80
<i>Behavioural (intention/ outcome) factors</i>			
Price insensitivity	PRI	pri	81-84
Calculative commitment	CCM	ccm	85-89
Propensity to switch	PSW	psw	90-92

Source: Developed for this study

5.5.1 EFA and CFA of ‘Familiarity with reforms’ (FAR)

The first factor, FAR represents consumers’ familiarity with reforms related to home mortgage and linked accounts. To investigate the uni-dimensionality of the newly developed scale of ‘FAR’ (familiarity with reforms), the seven items were subjected to EFA. Following the research convention in the relevant discipline, the screened data set

of N=564 was randomly split into two data sets with proximally equal size. Then EFA was run in SPSS using one data set (n=272) and the other data set (n= 292) was used for CFA analysis of the same construct (with Mplus 7.0). This procedure confirms the non-interference of findings with one another (Bollen 1989).

5.5.1.1 EFA of FAR

For EFA of the construct, Maximum Likelihood (ML) extraction method (with Direct Oblimin-oblique rotation) was applied, as it is assumed to be supported by more statistical theories and approximates higher possibilities of statistical inference (Fabrigar et al. 1999). Oblique rotations allow correlating between the rotated factors (Hair et al. 2014). Hence, oblique rotation most closely resembles to SEM and is suitable for the research assumption that the obtained factors might be correlated (Cunningham 2010).

The correlations among the items measuring FAR are found to be above 0.30, indicating inter-correlations among the items. The KMO (Kaiser-Meyer-Olkin) value is 0.846, which exceeds the minimum 0.6 required for an EFA. The Bartlett's Test of Sphericity value is significant ($p=0.000$), which also suggests that the data are suitable for factor analysis. Only one of the initial eigenvalues exceeds 1 (value is 4.261), which therefore reveals a single factor solution. The scree plot also suggests a one factor solution by depicting one factor above eigenvalue of 1 (Figure 5.1). Therefore, the result of the EFA of the construct ‘familiarity with reforms’ (FAR) is determined to be made up of a single factor.

Figure 5.1: Scree plot extracted from EFA of FAR

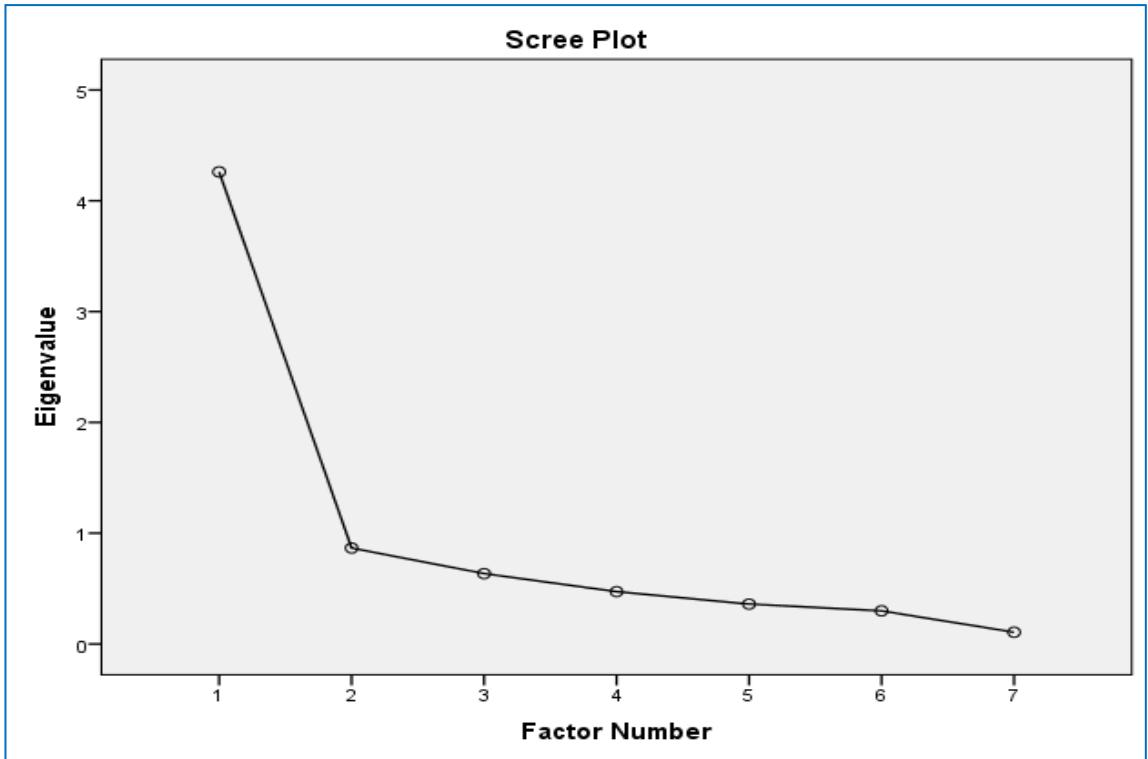


Table 5.14 displays the factor loadings of the FAR items, Eigenvalue and total variance explained. It was observed that the items far_1, far_2, far_3 and far_4 showed poor standardised factor loadings, i.e., below 0.7. These items also produced low extraction communalities (below 0.5).

Table 5.14: EFA of FAR

Item	Items codes	Factor loadings
far_1	I consider myself informed about the 2010 banking reforms related to Home Loans and bank accounts.	0.666
far_2	I am familiar with the website (www.bankingreforms.gov.au) which explains consumer benefits of the new banking reforms.	0.559
far_3	I am aware that no ‘Exit Fee’ applies if I switch my mortgage from 1 July 2011.	0.475
far_4	I am aware that I can easily switch my home mortgage with the linked accounts.	0.626
far_5	I am aware that I can ask for a ‘Home Loan Key Facts Sheet’ when I consider a new/ prospective loan.	0.824
far_6	I am familiar with the ‘personalised comparison rate’ which appears on the Loan Facts Sheet to help me compare rates and fees of Home Loans offered by different banks.	0.895
far_7	I am aware that the Home Loan Facts Sheet provides key information on required repayments which I can compare for similar loans offered by other banks.	0.937
Eigenvalue		4.261
Percentage of total variance explained		53.309%

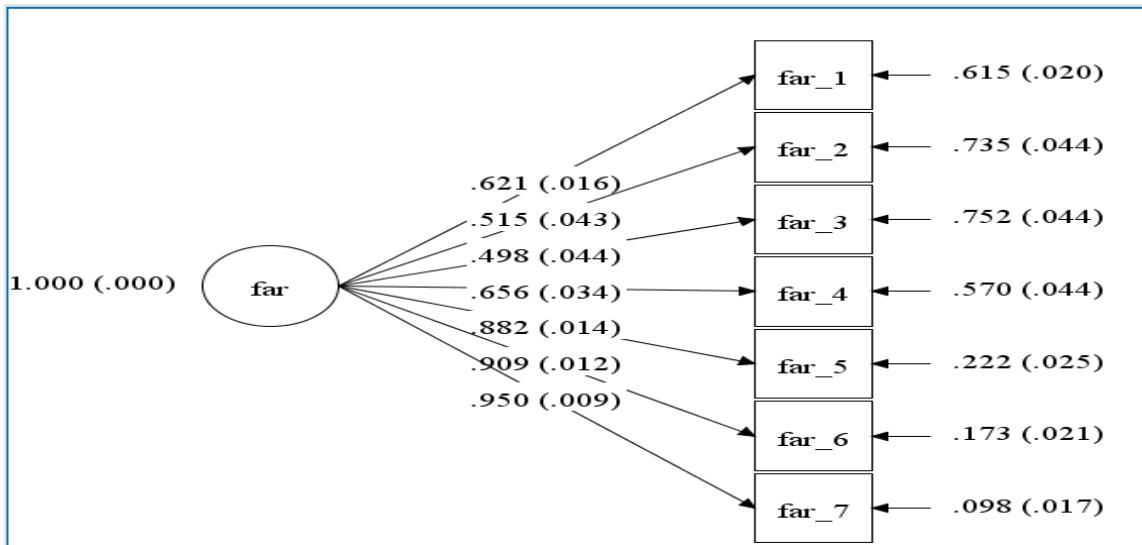
5.5.1.2 CFA of FAR

The factor’s uni-dimensionality was established using EFA on the first half of the data set (n=272). Subsequently, CFA was run for the same seven items using the second half of the data set (n=292).

Figure 5.2 represents the outcomes of CFA. The standardised regression weights of four items (far_1, far_2, far3 and far_4) were below the cut-off point of 0.7 (0.621, 0.515, 0.498 and 0.656, respectively), which is similar to the observations of the EFA. These

low standardised factor loadings eventually made the squared multiple correlations (R^2) below 0.50, indicating that the items extracted low variance caused by measurement errors. Hence, these items were deleted.

Figure 5.2: Initial single factor model of FAR (n=292)



Also, when compared to the threshold values of fit indices (for a sample $n > 250$ and indicator variables $m < 12$), the model did not produce acceptable outcomes (presented in Table 5.15). The Chi-square was 147.648, with significant p value ($p < 0.001$). The CFI and TLI were below 0.95 with RMSEA above 0.07. Therefore, the model was a poor fit for the sample data.

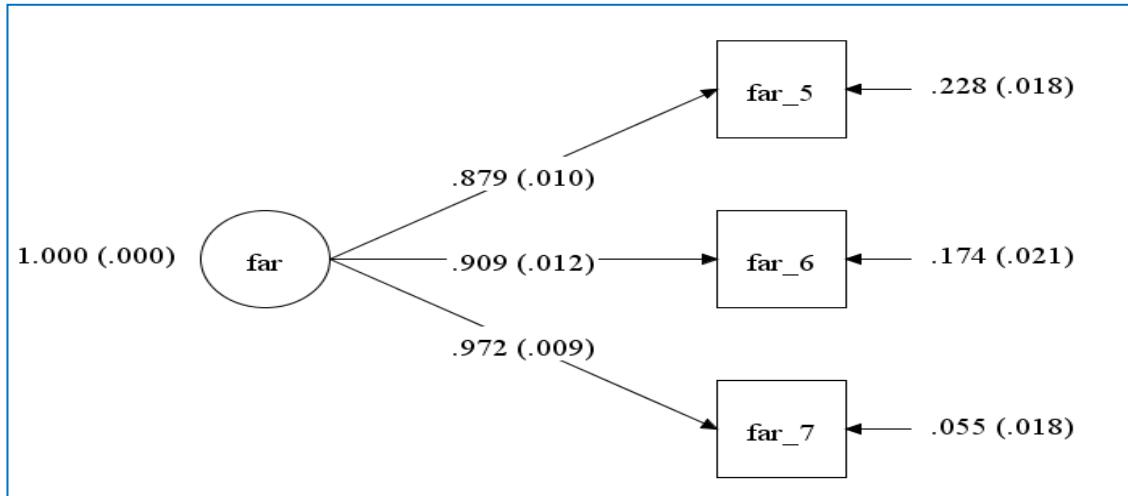
Table 5.15: Model fit indices for initial CFA of FAR (n=292)

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
147.684	15	0.000	0.174	0.907	0.869

Hence, the single factor model of FAR was re-specified by retaining only the items far_5, far_6 and far_7. To assess the model fit, at least one degree-of-freedom (df) is required (Kline 2011). In a three-item single factor model, however, the df is zero unless the variance of at least one item is fixed equal to the other. Therefore, one of the items with

close estimates to each other was set equal, to get at least one degree of freedom. The CFA model was re-run accordingly using the same data set of n=292. Figure 5.3 represents the single factor model of FAR for n=292.

Figure 5.3 Re-specified single factor model of FAR (n=292)



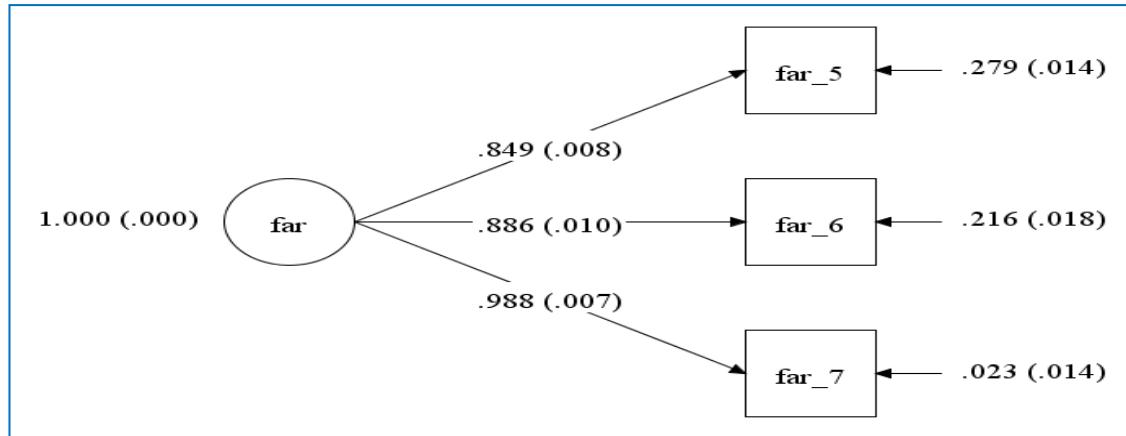
The results reflected better fit indices as shown in Table 5.16. The observed factor loadings of each item were above 0.7 and Chi-square statistic was now 0.005, with non-significant p-value of 0.945 ($p > 0.05$), suggesting very good model fit to data. Additionally, CFI and TLI were greater than 0.95, (i.e., both were 1.000). Most importantly, RMSEA was less than 0.07.

Table 5.16: Fit indices for re-specified model of FAR (n= 292)

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.005	1	0.945	0.000	1.000	1.000

Finally, the same test was re-iterated using the full data set n= 564. Figure 5.4 depicts the final single factor model of FAR for n=564. The factor coefficients of each FAR item were well above 0.7 for n=564.

Figure 5.4: Final single factor model of FAR (n=564)



The CFA results of FAR (for n=564) reflected good fit indices as presented in Table 5.17. The Chi-square statistic was 0.332, with non-significant p-value of 0.564 ($p > 0.05$), suggesting good model fit to data. In addition, RMSEA was below 0.07, CFI and TLI were above 0.95, i.e., both were 1.000 (similar to the CFA results for n=292).

Table 5.17: Model fit indices of final model of FAR

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.332	1	0.564	0.000	1.000	1.000

The retained items far_5, far_6 and far_7 sufficiently explained the underlying concept of the construct (familiarity with reforms) while providing statistically sound model results. The items were particularly related to home loan ‘key fact sheet’ that was prescribed by the reforms to facilitate the comparison of alternative offerings. The respondents did not seem to resonate with the initial items (far_1, far_2, far_3 and far_4). This reflected financial consumers’ particular interest in the comparative pricing information for the purpose of mortgage switching. Therefore, a composite variable of the three reflective items were created as ‘FAR’. The reliability of FAR was confirmed further by calculating the composite reliability (CR) and average variance extracted (AVE) as presented in Table 5.18.

Table 5.18: Descriptive statistics and reliability of FAR

Mean	SD	α	CR	AVE
3.70	1.75	0.930	0.935	0.827

The alpha value of 0.930 (was well above the minimum cut-off point of 0.70), CR value of 0.935 (was well above the minimum cut-off point of 0.60) and AVE of 0.827 (was well above the minimum cut-off point of 0.50) was found for FAR. These figures represent strong construct reliability.

5.5.2 CFA of ‘Purchase involvement’ (PIN)

The construct purchase involvement or ‘PIN’ represents consumers’ involvement in the purchase process of home mortgage products. All items of the construct were adapted from a previously validated scale.

The initial CFA of PIN was run with all six items (pin_1 to pin_6). The factor loadings of items indicated that two items had lower standardised loading than the threshold value of 0.7 (pin_1 was 0.556 and pin_4 was 0.464). This eventually resulted in the squared multiple correlations (R^2) value being below 0.50. Hence, these items were deleted. Though the R^2 value of item inv_6 was 0.481, it was very close to 0.5. The initial model fit indices had the Chi-square value of 351.011, with a significant p value ($p < 0.001$). The CFI and TLI were below 0.95 (0.831 and 0.747 respectively) with RMSEA of 0.246, i.e., well above 0.07. Therefore, the model was a poor fit to sample data. Investigating the model modification indices, it was identified that item pin_6 with pin_5 revealed unusually high M. I. value of 233.219. Hence, the model needed to be re-specified by deleting either of the items (either pin_5, or pin_6), along with the items pin_1 and pin_4 (as specified earlier). When the CFA was re-run by deleting the items pin_6, pin_1 and pin_4, the model again produced poor fit indices.

Finally, CFA was re-run with the items pin_2, pin_3 and pin_6. This final test produced reasonable factor loadings as depicted in Figure 5.5. The observed factor loading was now above 0.7, except for item pin_6 (similar to earlier stage CFA result). But it had to

be retained as every construct should have at least three items for SEM analysis (Hair et al 2014).

Figure 5.5: Final single factor model of PIN

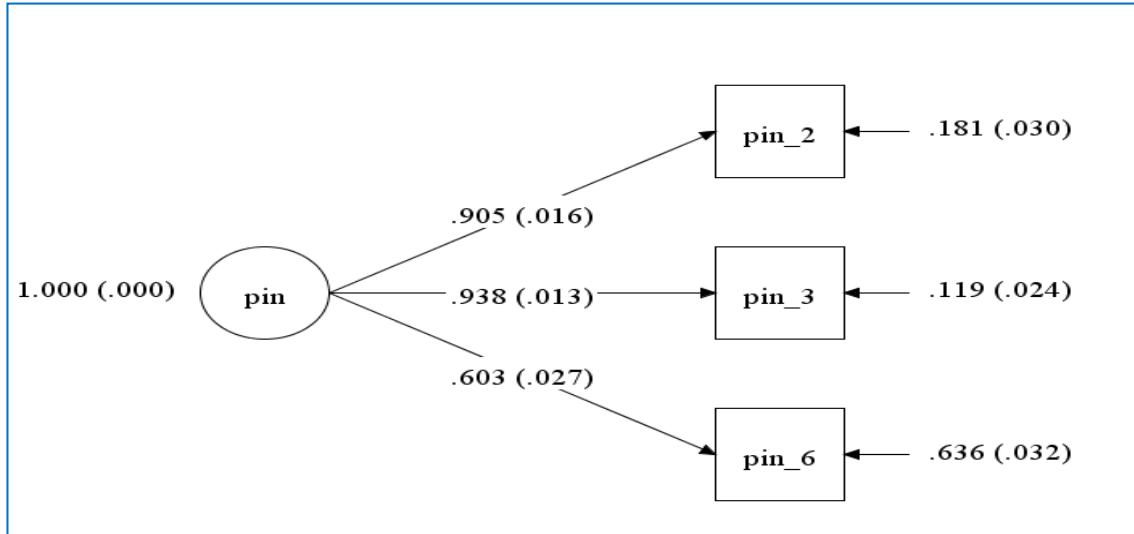


Table 5.19 represents the fit indices of the final model of ‘PIN’. The Chi-square statistic was now 2.214, with non-significant p-value of 0.136 ($p > 0.05$). Additionally, RMSEA was 0.046 (below 0.07), CFI and TLI were 0.999 and 0.996 respectively (which are above 0.95). Hence, the fit indices suggested very good model fit with the data.

Table 5.19: Model fit indices of final model of PIN

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
2.214	1	0.136	0.046	0.999	0.996

Therefore, a composite variable of three reflective items was created as ‘PIN’. The reliability of the construct was further confirmed by calculating the Cronbach Alpha, CR and AVE as presented in Table 5.20.

Table 5.20: Descriptive statistics and reliability of PIN

Mean	SD	α	CR	AVE
4.43	1.57	0.859	0.865	0.687

The alpha value of 0.859 was well above the minimum cut-off point of 0.70. CR value 0.865 was well above the minimum cut-off point 0.60. The AVE 0.687 was also higher than the minimum cut-off point 0.50. These indices indicate strong construct reliability.

5.5.3 EFA and CFA of ‘Financial illiteracy’ (FIL)

The factor financial illiteracy or ‘FIL’ represents consumers’ level of self-reported knowledge in financial services products. The seven items of this new construct were subjected to EFA using the first half of data set (n=272).

5.5.3.1 EFA of FIL

A similar procedure (as the EFA for FAR) was reciprocated for the EFA analysis of FIL. To test the uni-dimensionality of the 7-item construct, Maximum Likelihood (ML) extraction method with Direct Oblimin-oblique rotation was applied. The same threshold criteria (as used for EFA of FAR) of acceptance were applied to arrive at the solution.

Only one correlation (items fil_3 and fil_5) was found to be below 0.3, i.e., 0.288. The KMO value, however, was found to be 0.901 which exceeded the required minimum of 0.6. The Bartlett’s test value was also found significant ($p=0.000$). Therefore, the data were considered suitable for factor analysis. Only one of the initial eigenvalues exceeded 1 (value found 4.293) and hence a single factor solution is found. The scree plot also suggested the same, i.e., one factor above eigenvalue of 1 (Figure 5.6). Therefore, the result of the EFA of the construct ‘financial illiteracy’ (FIL) was determined to be made up of a single factor.

Figure 5.6: Scree plot extracted from EFA of FIL

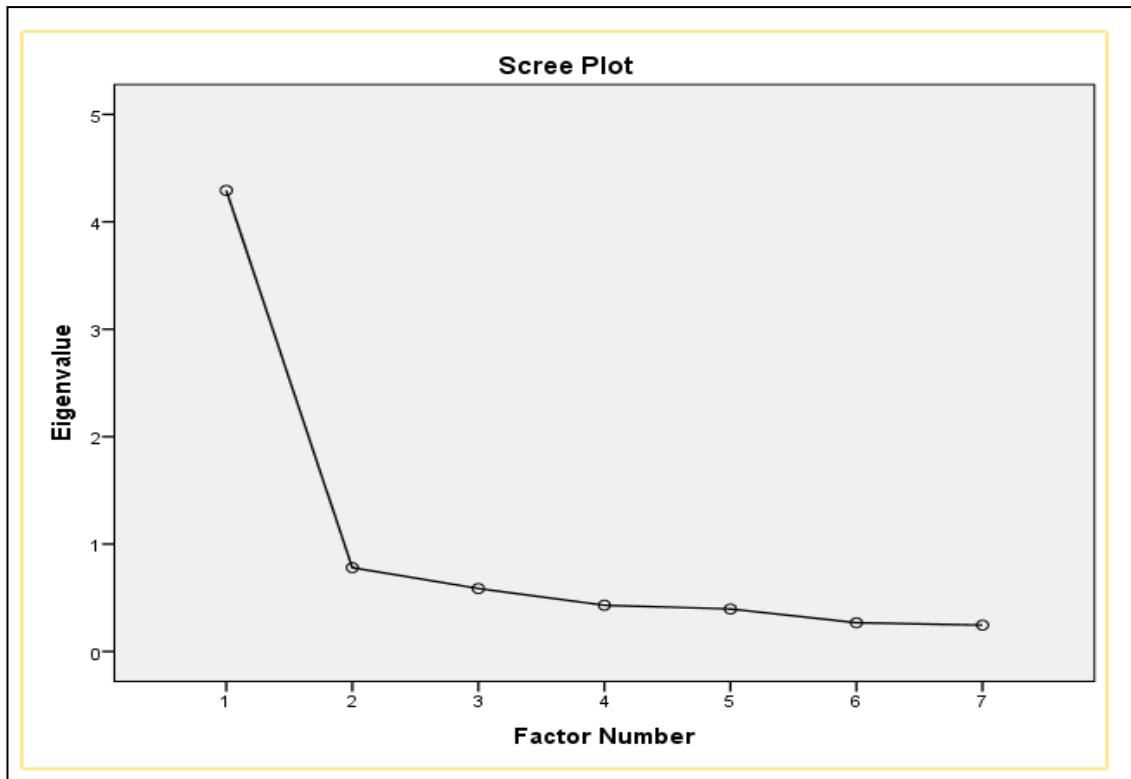


Table 5.21 depicts the factor loadings of the various items of FIL, the eigenvalue and total variance explained. It was observed that the items fil_5, and fil_7 showed poor loadings, i.e., below 0.7. Subsequently, the CFA was run using the second half of data set to ascertain if the results were similar or not.

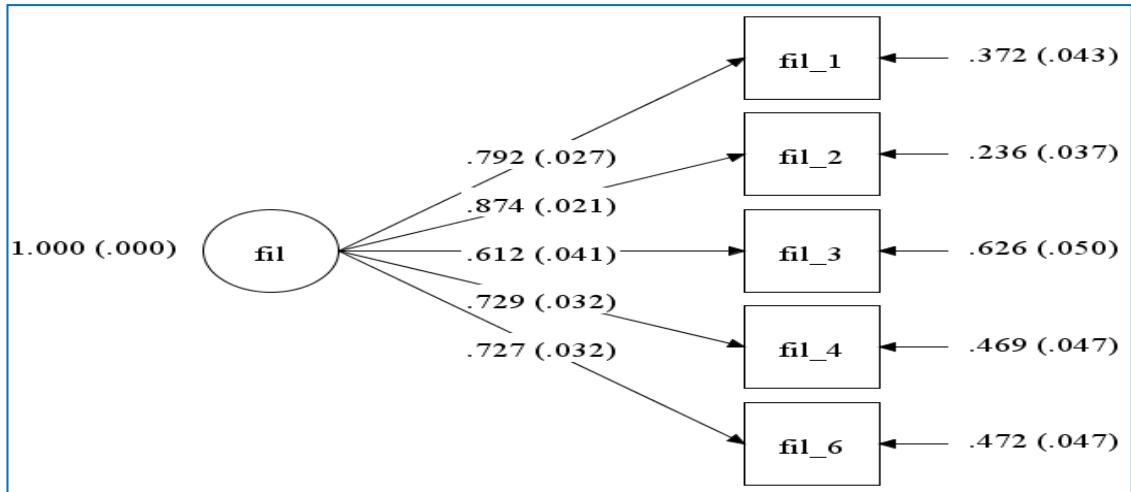
Table 5.21: EFA of FIL

Label	Item	Factor loadings
fil_1	In general, my knowledge of finance is not very strong.	0.847
fil_2	Compared with my friends and acquaintances, my knowledge of finance is weaker.	0.827
fil_3	Compared with experts in the area, my knowledge of finance is weak.	0.690
fil_4	I don't have much experience in making financial decisions.	0.757
fil_5	When I am shown information about a financial product such as a home loan, I am not confident that I understand the total amount I would need to repay.	0.567
fil_6	Financial services are complicated and confusing to me.	0.848
fil_7	I don't feel interested in reading the personal finance pages in the press/ browsing news releases on finance & banking.	0.625
Eigenvalue		4.293
Percentage of total variance explained		55.465%

5.5.3.2 CFA of FIL

The initial CFA of FIL was run using the second half of dataset (n=292) for all seven items. The factor loadings of three items (fil_3, fil_5 and fil_7) were found to be below the cut-off point of 0.7. The initial model Chi-square was 46.099, with significant p value ($p < 0.001$). The CFI was slightly above 0.95, i.e., 0.964. TLI of 0.946 was marginally different to 0.95. The RMSEA of 0.089 was well above 0.07. Therefore, the initial model was a poor fit for the sample data. To re-specify the model, only items fil_5 and fil_7 were deleted initially (since EFA had produced better standardised loading for item fil_3). The construct's CFA was then re-run with five items. Figure 5.7 depicts the single factor model of FIL.

Figure 5.7: Single factor model of ‘FIL’ (n= 292)



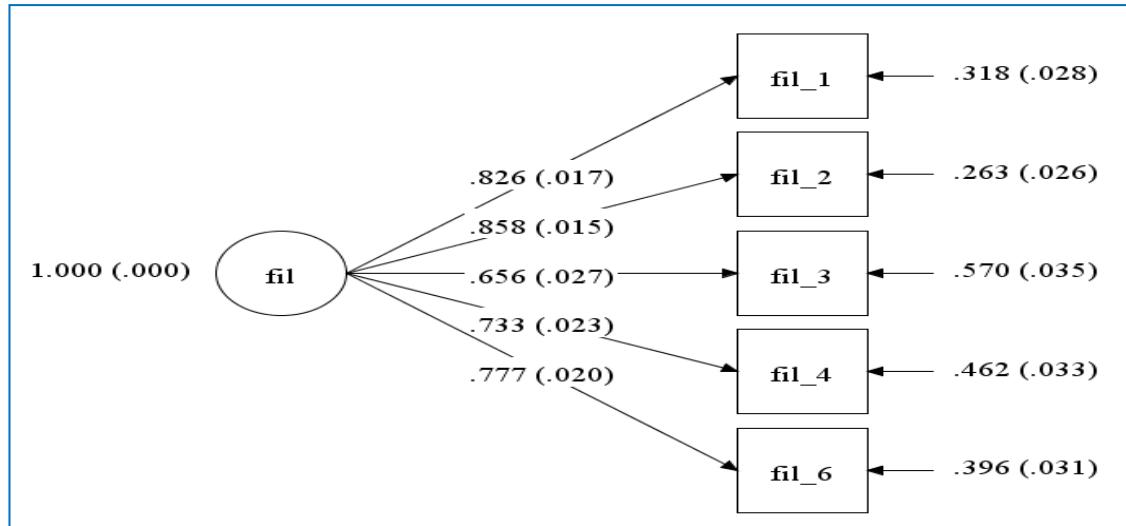
For the re-specified model, the observed standardised factor loadings of each item were now above 0.7, except for item fil_3. The fit indices of the model are presented in Table 5.22. The Chi-square statistic was 5.640, with non-significant p-value of 0.342 ($p > 0.05$) which indicated a good model fit. The RMSEA of 0.021 was within the threshold limit of 0.07. Additionally, CFI and TLI were above 0.95. These results suggested a good model fit.

Table 5.22: Model fit indices for CFA of FIL (n=292)

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
5.640	5	0.342	0.021	0.999	0.998

The same test was re-iterated using the full data set (n= 564). Figure 5.8 depicts the final single factor model of FIL for n=564. The observed factor loadings of each item were above 0.7 except for item fil_3, which was similar to the previous CFA result.

Figure 5.8: Final single factor model of FIL



The FIL model fit indices for the total sample are presented in Table 5.23. The Chi-square statistic was 16.198, with p-value of 0.006. The RMSEA of 0.063, however, was within the threshold limit (of 0.07), with CFI and TLI above 0.95 (0.992 and 0.984). This suggested a good model fit.

Table 5.23: Model fit indices for final CFA of FIL

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
16.198	5	0.006	0.063	0.992	0.984

Therefore, a composite variable of five reflective items was created as ‘FIL’, which adequately reflected the underlying concept of financial illiteracy. Finally, the reliability of the construct was further confirmed by calculating the Cronbach Alpha, composite reliability (CR) and average variance extracted (AVE) as presented in Table 5.24.

Table 5.24: Descriptive statistics and reliability of FIL

Mean	SD	α	CR	AVE
3.88	1.36	0.877	0.881	0.598

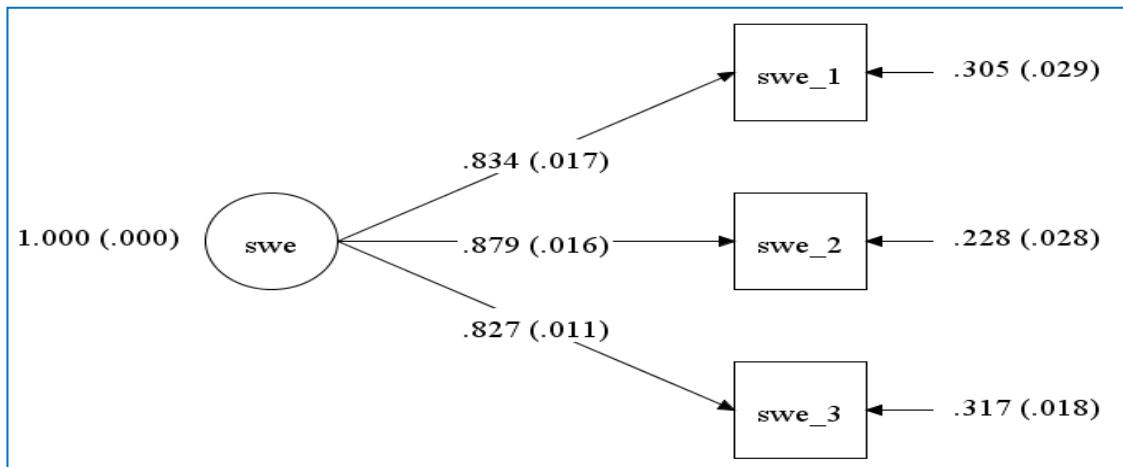
The alpha value of 0.877 was well above the minimum cut-off point of 0.70. CR value of 0.881 was well above the minimum cut-off point of 0.60. AVE of 0.598 was also above

the minimum cut-off point of 0.50. These indices represent strong reliability for the construct.

5.5.4 CFA of ‘Switching experience’ (SWE)

The factor switching experience or ‘SWE’ represents consumers’ past switching experience. The initial CFA was run for the six items model using the full data set. All items showed standardised factor loadings above 0.7 except item q4_6. The initial model fit indices revealed the Chi-square value as 522.643, with significant p value ($p < 0.001$). The CFI and TLI were also far below 0.95 (0.758 and 0.597 respectively) with RMSEA of 0.318, which was well above 0.07. Therefore, the model was a poor fit with the sample data. The residuals co-variance matrix and large modification indices (MI) suggested deletion of items q4_4, q4_5 and q4_6. Therefore, CFA was re-run with items swe_1, swe_2 and swe_3. The final single factor model of SWE is depicted in Figure 5.9.

Figure 5.9: Final single factor model of SWE



The observed factor loadings of all three items were now above 0.7. The final fit indices are presented in Table 5.25.

Table 5.25: Model fit indices for final CFA of SWE

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
2.251	1	0.133	0.047	0.999	0.996

The Chi-square statistic was 2.251, with non-significant p-value of 0.133 ($p > 0.05$), suggesting very good model fit to data. In addition, CFI and TLI were above 0.95, i.e., 0.999 and 0.996 respectively. The RMSEA value of 0.047 was below 0.07. Therefore, a composite variable of SWE was created with three reflective items.

The reliability of the construct was further confirmed by the Cronbach Alpha of 0.871, CR of 0.884 and AVE of 0.717. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively) and are presented in Table 5.26. Hence, the construct reliability was confirmed.

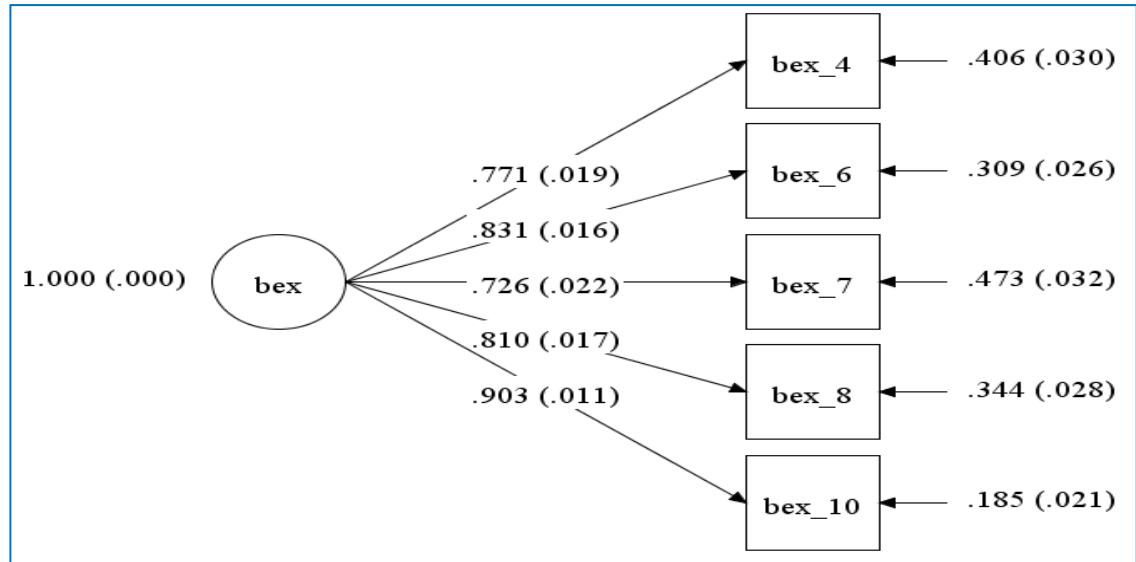
Table 5.26: Descriptive statistics and reliability of SWE

Mean	SD	α	CR	AVE
4.13	1.48	0.871	0.884	0.717

5.5.5 CFA of ‘Banking expertise’ (BEX)

The factor banking expertise, or ‘BEX’, represents consumers’ level of expertise in financial services products. The initial CFA was run using all twelve measurement items. The standardised factor loading of the item bex_5 is 0.616 (below 0.7), which indicated item redundancy. The fit indices of the initial model revealed poor results. The Chi-square was 867.623, with significant p value ($p < 0.001$). The CFI and TLI were 0.873 and 0.844 (below 0.95). The RMSEA of 0.163 was above 0.07. Therefore, the model required re-specification. The standardised residuals for co-variances and model’s modification indices suggested deletion of the items bex_1, bex_2, bex_3, bex_5, bex_9, bex_11 and bex_12. The CFA of the re-specified model of BEX produced better results as presented in Figure 5.10.

Figure 5.10: Final single factor model of BEX



The fit indices of single factor BEX are presented in Table 5.27.

Table 5.27: Model fit indices for final CFA of BEX

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
14.767	5	0.011	0.059	0.994	0.989

The observed standardised factor loadings of all items were above 0.7. Regarding the model fit indices, the Chi-square statistic was 14.767, with p-value of 0.011 (significance of $p < 0.05$). However, RMSEA of 0.059 was below 0.07. Also, CFI was 0.994 and TLI was 0.989, i.e., both above 0.95. Therefore, five reflective items were retained to measure the construct BEX.

The reliability of the construct was further confirmed by Cronbach Alpha, CR and AVE. The alpha value was 0.904, CR was 0.905 and AVE was 0.657 as presented in Table 5.28. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively). Hence, the construct reliability was confirmed.

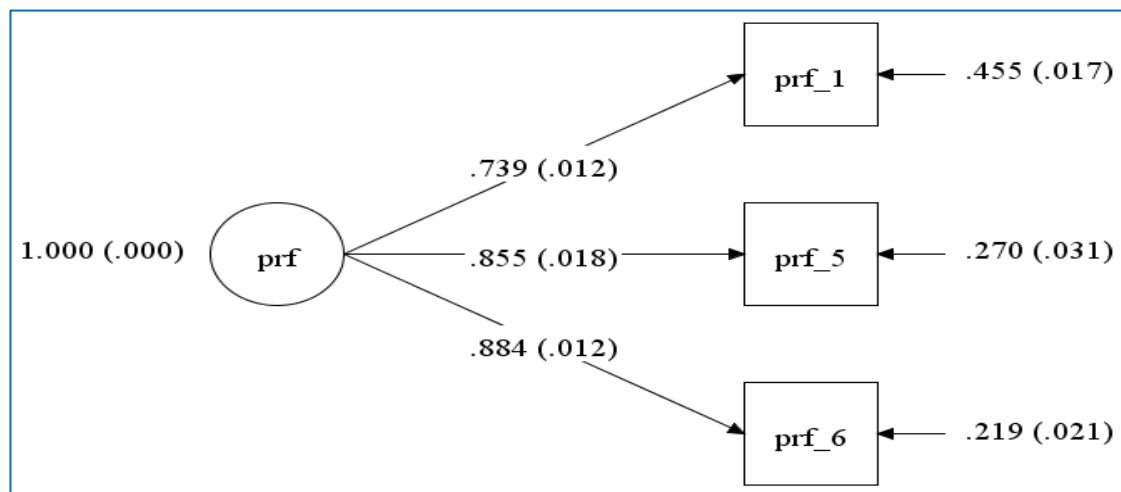
Table 5.28: Descriptive statistics and reliability of BEX

Mean	SD	α	CR	AVE
3.84	1.39	0.904	0.905	0.657

5.5.6 CFA of ‘Price fairness’ (PRF)

Price fairness or ‘PRF’ represents consumers’ fairness perception about the pricing of financial services products. CFA of PRF was initially run with all six items (prf_1 to Prf_6). For the initial model, standardised factor loadings of two items failed to meet the threshold criteria of 0.7 as they were found to be 0.550 for prf_3 and 0.400 for prf_4. This suggested removal of these items. The initial fit indices also revealed poor value. The Chi-square was 98.008, with significant p value ($p < 0.001$). The CFI of 0.94 and TLI of .899 were below 0.95, with RMSEA of 0.132 (above 0.07). The standardised residuals for co-variances suggested deletion of the items q6_6, q6_7 and q6_8. After deletion of the items, PRF model was re-specified with the items prf_1, prf_5 and prf_6. The final CFA result produced improved model outcome as shown in Figure 5.11.

Figure 5.11: Final single factor model of PRF



The observed standardised factor loadings of all items were above 0.7. The model fit indices were presented in Table 5.29. The Chi-square statistic was 0.387, with non-significant p-value of 0.824 ($p > 0.05$). RMSEA of 0.000 was far below 0.07, while CFI and TLI were both 1.000, i.e., both above 0.95. Therefore, three reflective items were retained to measure PRF.

Table 5.29: Model fit indices for final CFA of PRF

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.387	2	0.824	0.000	1.000	1.000

The reliability of the construct was further confirmed by Cronbach Alpha, CR and AVE. The alpha value was 0.777, CR was 0.867 and AVE was 0.686 as presented in Table 5.30. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively). Hence, the construct validity was confirmed.

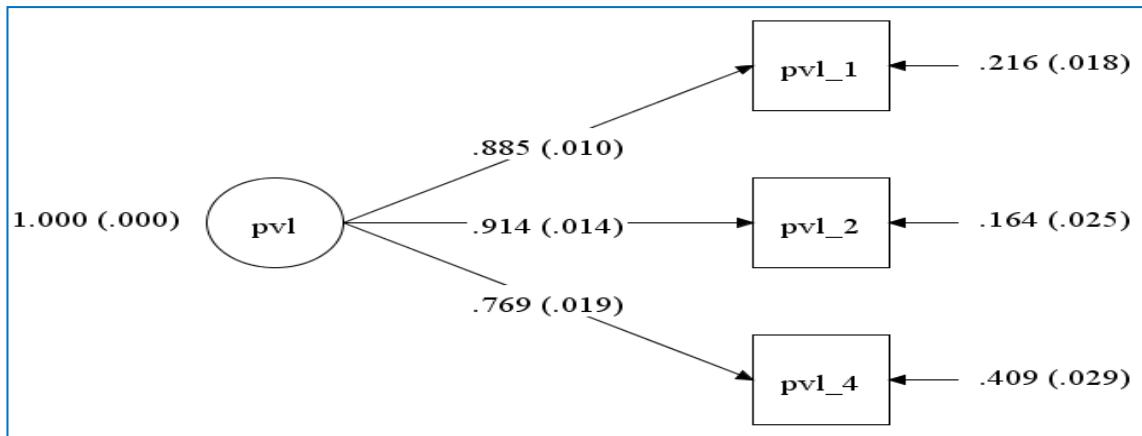
Table 5.30: Descriptive statistics and reliability of PRF

Mean	SD	α	CR	AVE
4.54	1.15	0.777	0.867	0.686

5.5.7 CFA of ‘Perceived value’ (PVL)

The perceived value or ‘PVL’ represents consumers’ value perception about the financial services products. The initial CFA was run using all four items to measure the factor. All items seemed to meet the threshold criteria, as all standardised factor loadings exceeded 0.7. However, the fit indices of the initial model revealed poor outcomes. The Chi-square was 103.072, with significant p value ($p < 0.001$). The CFI of 0.937 and TLI of .812 values were below 0.95. The RMSEA of 0.299 was above 0.07. The high modification indices (M.I.) values suggested deletion of the item pvl_3. After deletion, the fit indices of the re-specified PVL model produced better model fit as shown in Table 5.31. Figure 5.12 depicts the final single factor model of PVL.

Figure 5.12: Final single factor model of PVL



The observed standardised factor loadings of all items were above 0.7. As Table 5.31 shows, the Chi-square statistic was 0.428, with non-significant p-value of 0.513 ($p > 0.05$). RMSEA was 0.000, i.e., below 0.07. Both the CFI and TLI were =1.000, (i.e., both above 0.95). Therefore, three reflective items were retained to measure PVL.

Table 5.31: Model fit indices for final CFA of PVL

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.428	1	0.513	0.000	1.000	1.000

The reliability of the construct was further confirmed by Cronbach Alpha, CR and AVE. The alpha value was 0.883, CR was 0.893 and AVE was 0.737 as presented in Table 5.32. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively), and thus suggest the high reliability of the construct.

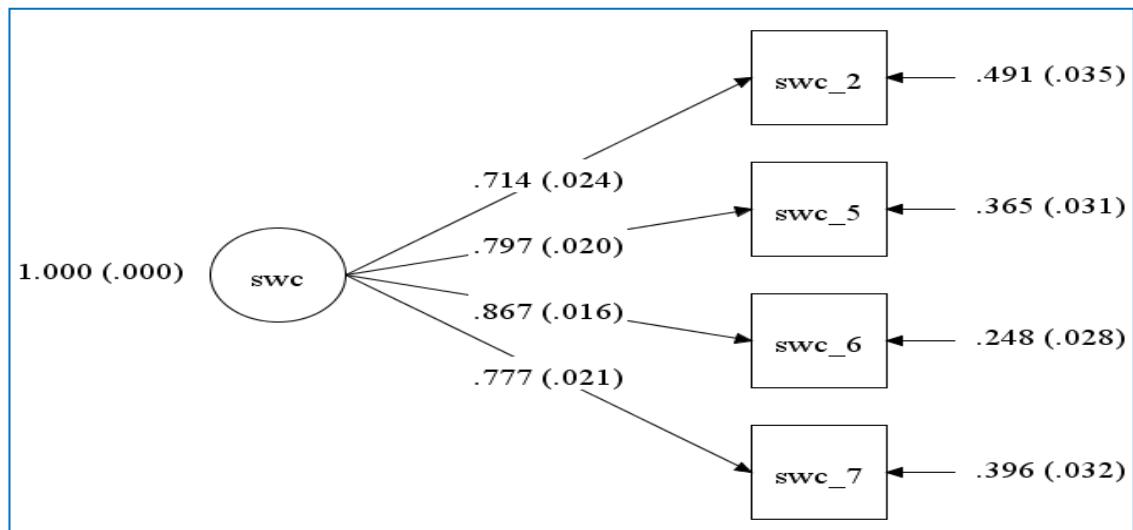
Table 5.32: Descriptive statistics and reliability of PVL

Mean	SD	α	CR	AVE
4.94	1.19	0.883	0.893	0.737

5.5.8 CFA of ‘Switching cost’ (SWC)

Switching cost, or ‘SWC’, represents consumers’ perception of costs associated with switching banks. The initial CFA was run using all twelve items (swc_1 to swc_12) to measure the factor. Seven items (swc_1, swc_3, swc_8, swc_9, swc_10, swc_11 and swc_12) exhibited poor standardised factor loadings of below 0.7 and squared multiple correlations of below 0.500. The Chi-square value was found to be 925.616, with significant p value ($p < 0.001$). The CFI of 0.732 and TLI of 0.673 values were far below 0.95. The RMSEA of 0.169 was above 0.07. The standardised residuals for co-variances and model modification indices suggested deletion of the items swc_1, swc_3, swc_4 and swc_12. Therefore, the SWC model was re-specified by retaining only the items swc_2, swc_5, swc_6 and swc_7 and the CFA was re-run. The final single factor model is presented in Figure 5.13.

Figure 5.13.: Final single factor model of SWC



The observed standardised factor loadings of all items were now above 0.7. The model fit indices are presented in Table 5.33.

Table 5.33: Model fit indices of final model of SWC

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.524	2	0.769	0.000	1.000	1.000

The final SWC model generated a chi-square value of 0.524, with a non-significant p value of 0.769 ($p > 0.05$). The RMSEA value 0.000 was far below 0.07. CFI and TLI both were 1.000 (i.e., both above 0.95). The fit indices of the re-specified model revealed a good fit with the data. Hence, the four reflective items were retained to measure the construct SWC.

The reliability of the construct was further confirmed by Cronbach Alpha, CR and AVE. The alpha value found was 0.867, CR was 0.869 and AVE was 0.625 as presented in Table 5.34. The measures were all well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively). Hence, this represents high construct reliability.

Table 5.34: Descriptive statistics and reliability of SWC

Mean	SD	α	CR	AVE
5.05	1.08	0.867	0.869	0.625

5.5.9 CFA of ‘Relationship quality’ (RQ)

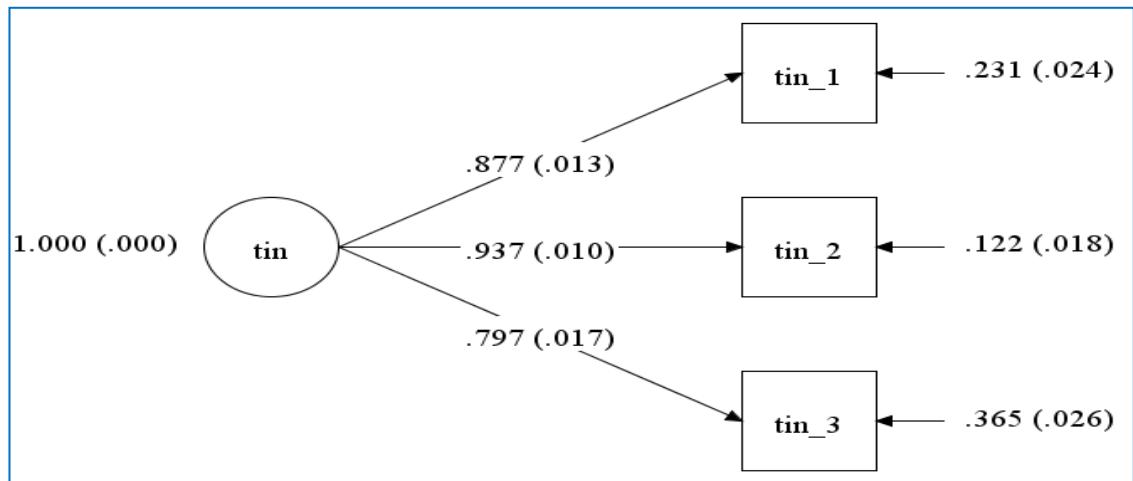
The construct relationship quality or ‘RQ’ reflects consumers’ relationship bond with the bank. Theoretically RQ comprises of five affective (first order) constructs: i. trust in integrity; ii. trust in benevolence; iii. Satisfaction; iv. affective commitment; and v. affective conflict (Roberts, Varki & Brodie 2003). The outcomes of CFA for each of the first order constructs are outlined next.

5.5.9.1 CFA of ‘Trust-in-integrity’ (TIN)

The construct ‘trust in integrity’ (TIN) reflects consumers’ judgement on provider’s honesty, credibility and integrity. The initial CFA is run for TIN with four items. All the standardised factor loadings were found above 0.7 that ensure the items as good reflectors of the latent variable TIN. However, the Chi-square value was 128.875 with significant p value of 0.000 ($p < 0.001$). The RMSEA was 0.335, much higher than 0.07. The CFI and TLI were 0.927 and 0.781 respectively, both below 0.95. Hence, the fit indices of the initial model of TIN failed to meet the threshold criteria. To re-specify the model, one

item with the lowest standardised factor loading (tin_4 with 0.786) was deleted and the model was re-run. This significantly improved the fit indices. Hence, the final model of TIN was left with three items as depicted in Figure 5.14.

Figure 5.14: Final single factor model of TIN



The fit indices of TIN model are presented in Table 5.35. The Chi-square value was 1.356 with non-significant p value of 0.244 ($p > 0.05$). The RMSEA was 0.025 which was much lower than 0.07. The CFI and TFI were 1.000 and 0.999 respectively. Hence the three items TIN model was a good fit for the sample data.

Table 5.35: Model fit indices for CFA of TIN

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
1.356	1	0.244	0.025	1.000	0.999

The reliability of the construct was further confirmed by Cronbach Alpha, CR and AVE. The alpha value was 0.908, CR was 0.905 and AVE was 0.761 as presented in Table 5.36. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively), which confirmed high construct reliability.

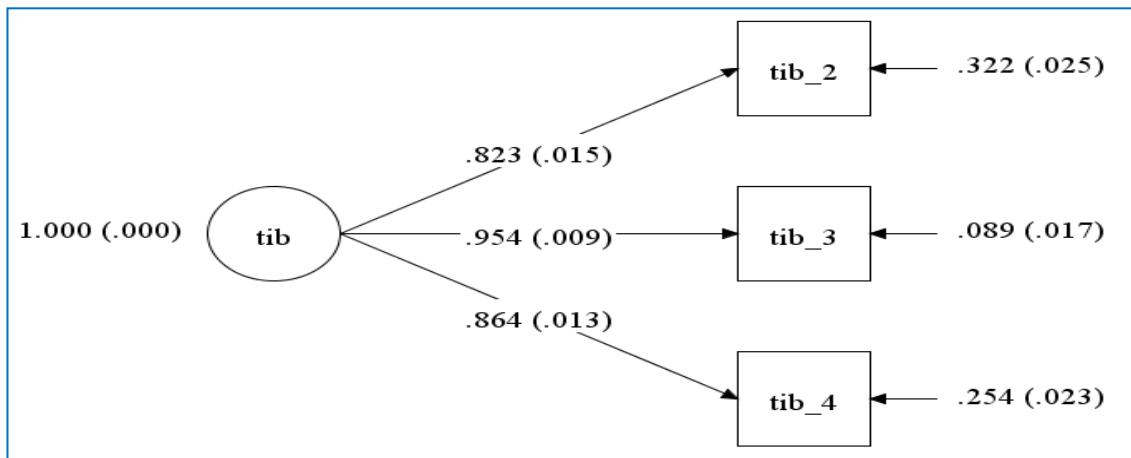
Table 5.36: Descriptive statistics and reliability of TIN

Mean	SD	α	CR	AVE
5.07	1.17	0.908	0.905	0.761

5.5.9.2 CFA of ‘Trust-in-benevolence’ (TIB)

The construct ‘trust in benevolence’ (TIB) reflects consumers’ perception of the provider’s altruism. The initial CFA was run for TIB with four items. The standardised factor loadings were found to be above 0.7. However, the Chi-square value was found to be 16.261, with a significant p-value of 0.000 ($p < 0.001$). The RMSEA of 0.112 was far greater than the 0.07 cut-off point, though the CFI and TLI were above 0.95 (0.991 and 0.973 respectively). Hence, the fit indices indicated that the initial model of TIB was not a good fit to sample data. To re-specify the model, item with the lowest factor loading (tib_1 with 0.714) was deleted and the model was re-run. The final single factor model of TIB is presented in Figure 5.15

Figure 5.15: Final single factor model of TIB



The fit indices are presented in Table 5.37 which reveals much improvement than the initial model fit indices. The chi-square value was now 0.333 with non-significant p value of 0.563 ($p > 0.05$). The RMSEA also improved which was 0.000, i.e., below 0.07. The CFI and TLI were much above 0.95, (i.e., both were 1.000). Hence, the three item TIB model seems to be a good fit with the data.

Table 5.37: Model fit indices for CFA of TIB

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.333	1	0.563	0.0000	1.000	1.000

The reliability of the construct was further confirmed by Cronbach Alpha, CR and AVE. The alpha value was 0.913, CR was 0.913 and AVE was 0.778 as presented in Table 5.38. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively). Hence, the construct reliability was confirmed.

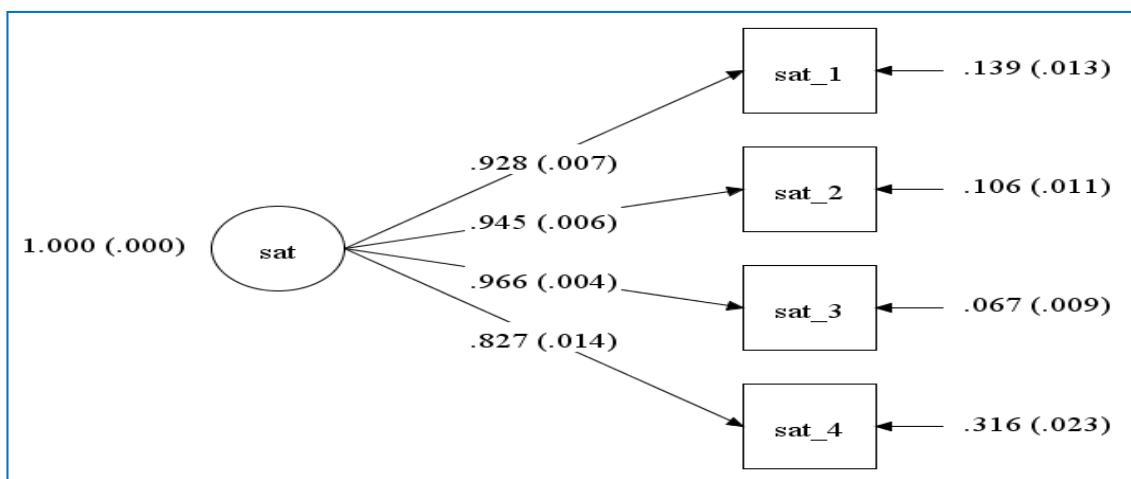
Table 5.38: Descriptive statistics and reliability of TIB

Mean	SD	A	CR	AVE
4.32	1.37	0.913	0.913	0.778

5.5.9.3 CFA of ‘Satisfaction’ (SAT)

Satisfaction (SAT) reflects consumers’ overall relationship experience. The CFA of SAT was run with four items (sat_1 to sat_4). All of the standardised factor loadings were found to be above 0.7 which indicated that the items were good reflectors of the construct SAT. Figure 5.16 depicts the single factor SAT model.

Figure 5.16: Final single factor congeneric model of SAT



The fit indices of SAT model are presented in Table 5.39. The Chi-square value was 2.130, with a non-significant p value of 0.344. The RMSEA was 0.011 (i.e. far below 0.07). Both the CFI and TFI value were 1.000, which were above 0.95. Hence, the fit indices met the threshold criteria and all items of SAT were worth retaining.

Table 5.39: Model fit indices for CFA of SAT

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
2.130	2	0.344	0.011	1.000	1.000

The reliability of the construct was further confirmed by Cronbach Alpha, CR and AVE. The alpha value was 0.954, CR is 0.955 and AVE was 0.843 as presented in Table 5.40. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively). Hence, the construct reliability was confirmed.

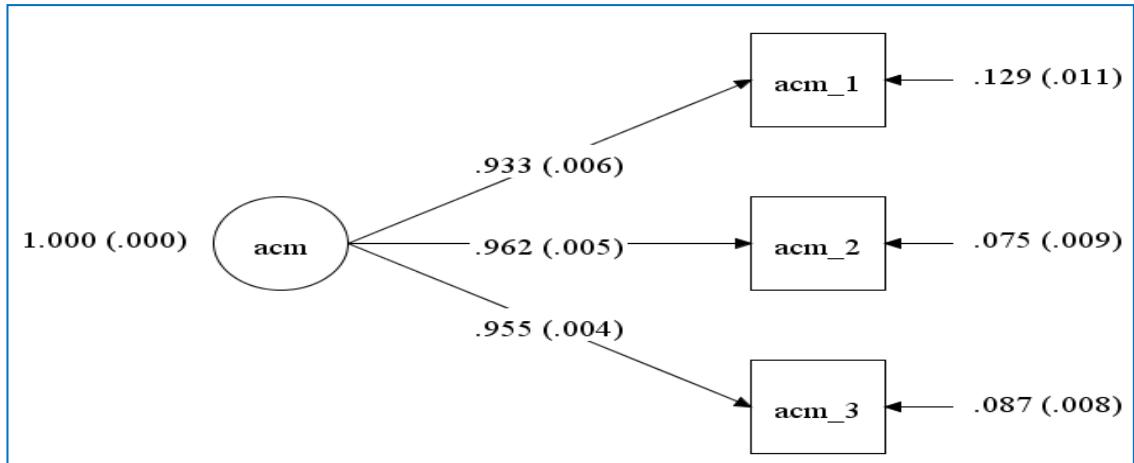
Table 5.40: Descriptive statistics and reliability of SAT

Mean	SD	α	CR	AVE
5.25	1.27	0.954	0.955	0.843

5.5.9.4 CFA of ‘Affective commitment’ (ACM)

Affective commitment (ACM) reflects consumers’ willingness to be in the relationship with the current provider. The initial CFA of ACM was run with four items (acm_1 to acm_4). All of the standardised factor loadings were found to be above 0.7. However, the Chi-square value was 20.578, with a significant p value of 0.000 ($p < 0.001$). The RMSEA was 0.128, far above the limit of 0.07, though the CFI and TLI values were above 0.95 (i.e., 0.993 and 0.980 respectively). Therefore, the initial model of ACM was a poor fit to sample data. To re-specify the ACM model, item acm_4 (with the lowest standardised factor loading of 0.869) was deleted and the CFA was re-run. The outcome is depicted in Figure 5.17.

Figure 5.17.: Final single factor model of ACM



The fit indices are presented in Table 5.41. The Chi-square value was 0.000 with non-significant p value of 0.994 ($p > 0.05$). The RMSEA was 0.000, i.e., below 0.07. The CFI and TLI were both 1.000 (i.e., both were above 0.95). Hence the three items ACM model was shown to be a good fit with the data.

Table 5.41: Model fit indices for CFA of ACM

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.000	1	0.994	0.000	1.000	1.000

The reliability of the construct was further confirmed by Cronbach Alpha, CR and AVE. The alpha value was 0.965, CR was 0.965 and AVE was 0.903 as presented in Table 5.42. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively). Hence, the construct reliability was confirmed.

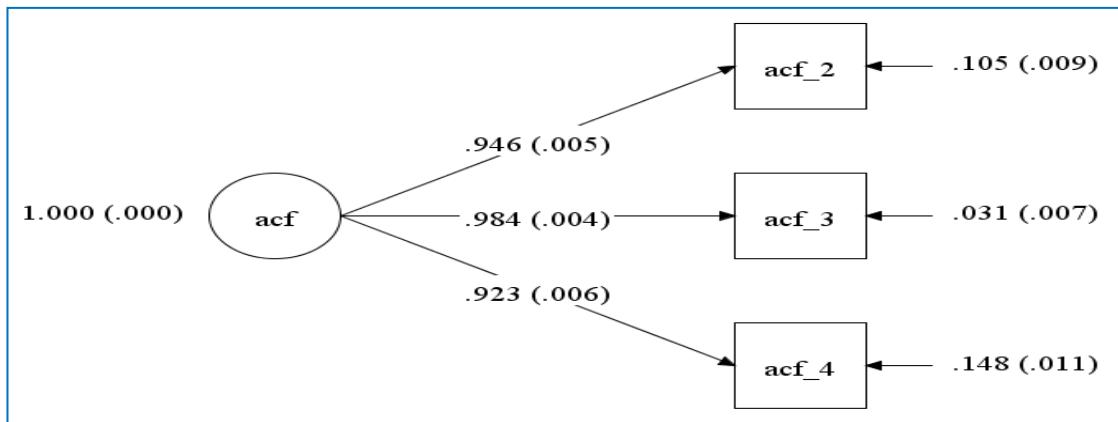
Table 5.42: Descriptive statistics, reliability and validity of ACM

Mean	SD	α	CR	AVE
3.44	1.70	0.965	0.965	0.903

5.5.9.5 CFA of ‘Affective conflict’ (ACF)

Affective conflict or ‘ACF’ reflects negative emotions, such as anger and frustration. The initial CFA of ACF was run with four items (acf_1 to acf_4). All of the factor loadings were found to be above 0.7. However, the Chi-square value was 12.354 with p-value of 0.0021. Though the CFI and TLI were 0.996 and 0.988 (respectively), they were above the cut-off point 0.95; the RMSEA of 0.096 was well above 0.07. Hence the ACF model was re-specified by deleting item acf_1 with lowest coefficient of 0.777. The CFA was re-run for three-item ACF model as presented in Figure 5.18.

Figure 5.18: Final single factor model of ACF



The final ACF model fit indices are presented in Table 5.43. The Chi-square value was 0.000 with non-significant p-value of 0.998 ($p > 0.05$). The RMSEA was now 0.000, i.e., below 0.07. Both the CFI and TFI improved to 1.000. Hence, the three-item model of ACF was a good fit with the sample data.

Table 5.43: Model fit indices for CFA of ACF

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.000	1	0.998	0.000	1.000	1.000

The reliability of the construct was further confirmed by the Cronbach Alpha of 0.966, CR of 0.966 and AVE of 0.905. All the measures were well above the minimum cut-off

points (0.7, 0.6 and 0.5 respectively) and are presented in Table 5.44. Hence, the construct reliability was confirmed.

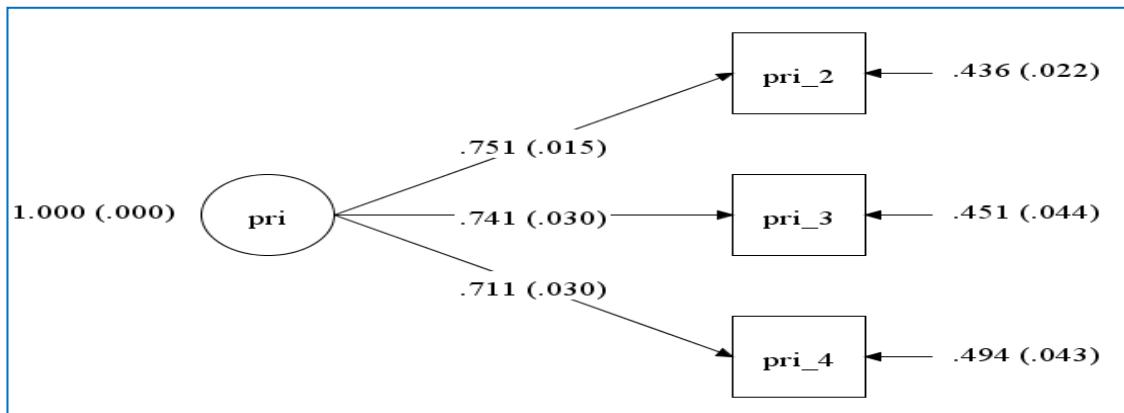
Table 5.44: Descriptive statistics and reliability of ACF

Mean	SD	α	CR	AVE
5.45	1.60	0.966	0.966	0.905

5.5.10 CFA of ‘Price insensitivity’ (PRI)

‘Price insensitivity’ or PRF reflects consumers’ lack of responsiveness to provider’s price changes. The initial CFA of four-item PRI model exhibited good fit indices. The Chi-square value was 0.126 with non-significant p-value of 0.938 ($p > 0.05$). The RMSEA of 0.000 was below the cut-off point 0.07. Both the CFI and TLI were 1.000, i.e. above 0.95. The model, however, showed a very poor standardised factor loading of one item (0.293 for pri_1), though the other items had good standardised loadings of above 0.7. Hence, the item was not a good reflector of the construct PRI. The PRI model was re-specified by deleting the item (pri_1) and the CFA was re-run. Figure 5.19 depicts the final outcome. All the factor coefficients were now above 0.7.

Figure 5.19: Final single factor model of PRI



The fit indices of the final model of PRI are presented in Table 5.45. The chi-square value was 0.000 with non-significant p-value of 0.995 ($p > 0.05$). The RMSEA of 0.000 was below 0.07. The CFI and TLI were above 0.95 (i.e., both were 1.000). Hence, the single factor PRI model was a good fit with the data.

Table 5.45: Model fit indices for CFA of PRI

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.000	1	0.9951	0.000	1.000	1.000

The Cronbach Alpha of 0.778, CR of 0.778 and AVE of 0.540 were calculated for the construct PRI, and further confirmed high reliability. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively) and are presented in Table 5.46.

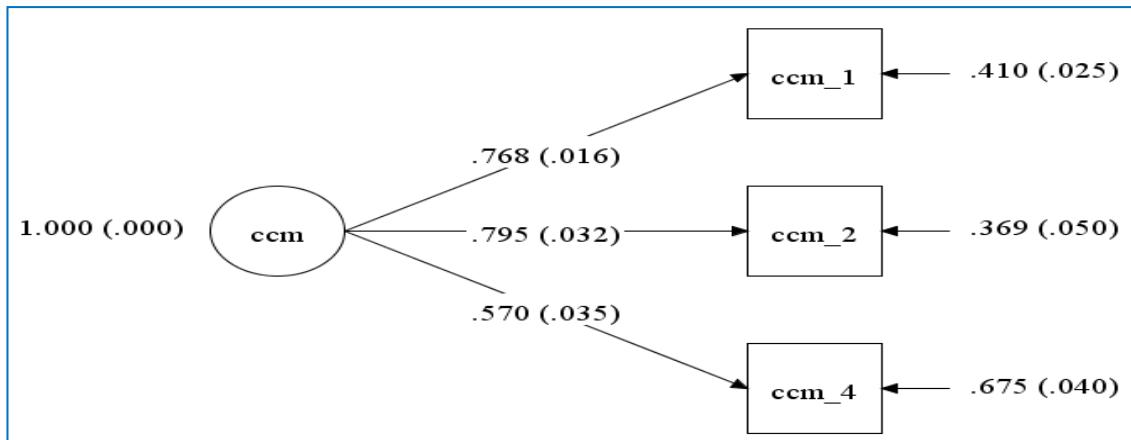
Table 5.46: Descriptive statistics and reliability of PRI

Mean	SD	α	CR	AVE
3.47	1.24	0.778	0.778	0.540

5.5.11 CFA of ‘Calculative commitment’ (CCM)

The construct ‘calculative commitment’ or CCM reflects consumers’ spurious commitment to the provider out of cost-benefit rationales. The initial CFA was run with five items that produced four factor loadings lower than 0.7. Specially, items ccm_3 and ccm_5 needed to be removed due to very low R^2 value of 0.269 and 0.162. The other three items’ R^2 values were not that far from the cut-off point of 0.5, and were therefore retained. The fit indices of the five-item CCM model also failed to meet the threshold criteria. The Chi-square value was 170.659 with significant p-value of 0.000 ($p < 0.001$). The RMSEA was 0.242, which is far above 0.07. Both the CFI and TLI were below 0.95, i.e., 0.771 and 0.542 respectively. Hence, the five-item CCM model needed to be re-specified. After removing the items ccm_3 and ccm_5, the CFA of the model was re-run with three items (ccm_1, ccm_2 and ccm_4). Figure 5.20 depicts the outcome of final CCM model.

Figure 5.20: Final single factor model of CCM



The standardised factor loadings were now above 0.7 except for item ccm_4. However, the model fit indices had improved as presented in Table 5.47. The Chi-square value was now 0.076 with non-significant p value of 0.782 ($p > 0.05$). The improved RMSEA value of 0.000 was below 0.07. The CFI and TLI were above 0.95, i.e., both were 1.000. Hence, the three-item CCM model was a good fit with the data.

Table 5.47: Model fit indices for CFA of CCM

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.076	1	0.782	0.000	1.000	1.000

The reliability of the construct was further confirmed by the Cronbach Alpha of 0.754, CR of 0.758 and AVE of 0.516. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively) and are presented in Table 5.48. Hence, the construct reliability was confirmed.

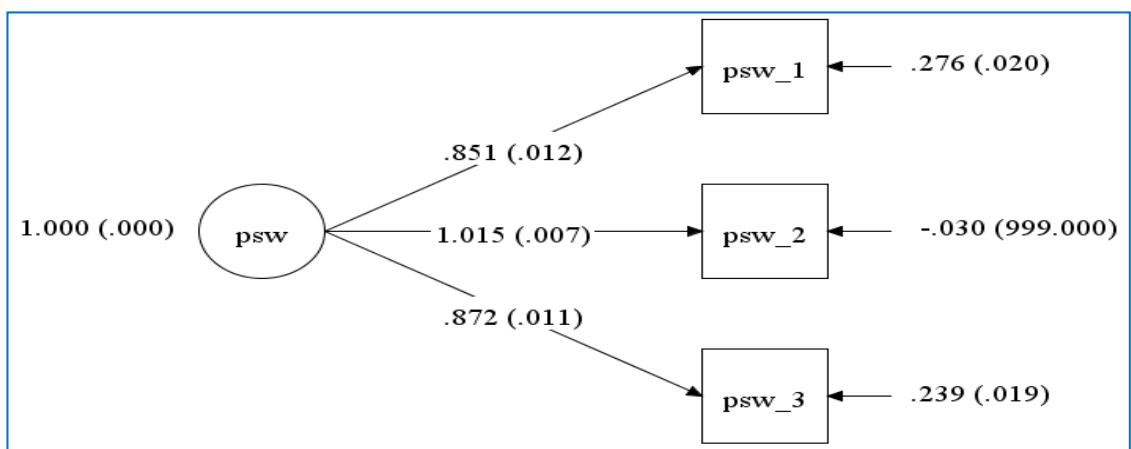
Table 5.48: Descriptive statistics and reliability of CCM

Mean	SD	α	CR	AVE
3.90	1.30	0.754	0.758	0.516

5.5.12 CFA of ‘Propensity to switch’ (PSW)

Finally, the construct ‘propensity to switch’ or PSW reflects consumers’ willingness to leave the provider in foreseeable future. The initial CFA of PSW was run with three items. The standardised factor loadings of all the items were found to be above 0.7. However, the item psw_2 showed negative residual variance and therefore indicated redundancy, as depicted in Figure 5.21.

Figure 5.21: Single factor model of PSW



The three items PSW model showed good fit indices as presented in Table 5.49. The Chi-square value was 0.000 with non-significant p-value of 0.996 ($p > 0.05$). The RMSEA was 0.000, i.e. below 0.07. Both the CFI and TLI were 1.000, i.e., above 0.95.

Table 5.49: Model fit indices for CFA of PSW

Chi-square	Degrees of freedom	P value	RMSEA	CFI	TLI
0.000	1	0.996	0.000	1.000	1.000

Due to redundancy of item psw_2, the PSW was re-specified with the items psw_1 and psw_3. As there were no degrees of freedom, the fit indices could not be assessed for PSW. The standardised factor loadings and residual variances, however, were now acceptable. Hence, these two items were determined to be included in the overall CFA.

The Cronbach Alpha of 0.850, CR of 0.852 and AVE of 0.742 were calculated for PSW to further confirm the reliability of the construct. All the measures were well above the minimum cut-off points (0.7, 0.6 and 0.5 respectively) and are presented in Table 5.50. Hence, the reliability of PSW was confirmed.

Table 5.50: Descriptive statistics and reliability of PSW

Mean	SD	α	CR	AVE
2.61	1.58	0.850	0.852	0.742

5.5.13 Summary of results of single factor CFA

At the end of the scale purification procedure using EFA and CFA, total 53 items (out of 92) were retained. Table 5.51 provides a summary of the statistical outcomes for each construct's single factor congeneric models which have been discussed in sections 5.5.1 to 5.5.12.

Table 5.51 Summary of the results of scale purification

Constructs	Initial items of survey	Deleted items	P-Value	RMSEA	CFI	TLI	α	CR	AVE
			Threshold values						
			$P > 0.05$	0.7 or below	0.95 or above	0.95 or above	0.7 or above	0.6 or above	0.5 or above
FAR	1-7	1-4	0.564	0.000	1.000	1.000	0.930	0.935	0.827
PIN	8-13	8, 11, 12	0.136	0.046	0.999	0.996	0.859	0.865	0.687
FIL	14-20	18, 20	0.006	0.063	0.992	0.984	0.877	0.881	0.598
SWE	21-26	24-26	0.133	0.047	0.999	0.996	0.871	0.884	0.717
BEX	27-38	27-29, 31, 35, 37, 38	0.011	0.059	0.994	0.989	0.904	0.905	0.657
PRF	39-44	40-42	0.824	0.000	1.000	1.000	0.777	0.867	0.686
PVL	45-48	47	0.513	0.000	1.000	1.000	0.883	0.893	0.737
SWC	49-60	49, 51, 52, 56-60	0.769	0.000	1.000	1.000	0.867	0.869	0.625
TIN	61-64	64	0.244	0.025	1.000	0.999	0.908	0.905	0.761
TIB	65-68	65	0.563	0.000	1.000	1.000	0.913	0.913	0.778
SAT	69-72	none	0.344	0.011	1.000	1.000	0.954	0.955	0.843
ACM	73-76	76	0.994	0.000	1.000	1.000	0.965	0.965	0.903
ACF	77-80	77	0.998	0.000	1.000	1.000	0.966	0.966	0.905
PRI	81-84	81	0.995	0.000	1.000	1.000	0.778	0.778	0.540
CCM	85-89	87, 89	0.782	0.000	1.000	1.000	0.754	0.758	0.516
PSW	90-92	91	0.996	0.000	1.000	1.000	0.850	0.852	0.742

[FAR=familiarity with reforms, PIN=purchase involvement, FIL=financial illiteracy, SWE=switching experience, BEX=banking expertise, PRF=price fairness, PVL=perceived value, SWC=switching cost, RQ=relationship quality, PRI=price insensitivity, CCM=calculative commitment, PSW=propensity to switch]

5.6 The overall measurement model (Full CFA)

In the final stage of scale purification, CFA was conducted on the 53 retained items in all the four exogenous and eight endogenous constructs. This was to ascertain that no item cross loaded on multiple factors. Thus, the full CFA of overall measurement model included all twelve (12) constructs, namely, i. FAR, ii. PIN, iii. FIL, iv. SWE, v. BEX,

vi. PRF, vii. PVL, viii. SWC, ix. RQ (with five first-order constructs: TIN, TIB, SAT, ACM and ACF), x. PRI, xi. CCM, and xii. PSW. Table 5.52 displays the fit indices of the full measurement model.

Table 5.52: Model fit indices for CFA of full measurement model

Chi-square	Degrees of freedom	P value	Normed Chi-square	RMSEA	CFI	TLI	SRMR
2534.011	1205	0.000	2.103	0.044	0.946	0.938	0.051

The model fit indices in Table 5.52 shows a good fit with the data (except for the significant Chi-square value). However, the Chi-square value is sensitive to a large sample size ($n= 574$) (Hair et al. 2014, p. 584). For such cases, where Chi-square value shows high sensitivity to a large sample size, the normed Chi-square value (i.e., χ^2/df) is recommended by the researchers to assess the model fit (Jöreskog 1969; Otto et al. 2011). The normed Chi-square value for the full model was 2.103 (i.e., 2534.011/1205), which was below the threshold limit of 3. In addition, the RMSEA value of 0.044 was within the threshold limit of .07. The CFI and TLI were also above the cut-off point 0.90 (for full model $M > 30$), being 0.946 and 0.938 respectively. The SRMR value was 0.051, which was within the threshold limit of 0.08. These fit indices indicated that the overall measurement model was a very good fit with the sample data.

To further check the reliability and validity of the overall model constructs, Table 5.53 was produced with Cronbach's Alpha (α), Composite Reliability (CR) and AVE (Average Variance Extracted) calculated for all constructs representing the full measurement model. An extended version of Table 5.53 is provided in Appendix D (see Table D2), which includes the detailed item statements of each construct and corresponding factor loadings along with the indices.

Table 5.53: Summary of Overall Measurement Model

Constructs	Mean	Standard Deviation	Cronbach's α	CR	AVE
Familiarity with reforms (FAR)	3.695	1.75	.930	0.934	0.825
Purchase involvement (PIN)	4.427	1.569	0.859	0.873	0.702
Financial illiteracy (FIL)	3.876	1.359	0.877	0.881	0.599
Switching experience (SWE)	4.135	1.478	0.871	0.874	0.699
Banking expertise (BEX)	3.837	1.390	0.904	0.905	0.656
Price fairness (PRF)	4.541	1.145	0.777	0.807	0.593
Perceived value (PVL)	4.936	1.186	0.883	0.891	0.732
Switching cost (SWC)	5.054	1.081	0.867	0.869	0.626
RQ: Trust-in-integrity (TIN)	5.066	1.173	0.908	0.909	0.770
RQ: Trust-in-benevolence (TIB)	4.322	1.374	0.913	0.916	0.783
RQ: Satisfaction (SAT)	5.245	1.273	0.954	0.956	0.844
RQ: Affective commitment (ACM)	3.443	1.697	0.965	0.965	0.901
RQ: Affective conflict (ACF)	5.450	1.596	0.966	0.965	0.906
RQ Global	4.739	1.147	0.859	n/a	n/a
Price insensitivity (PRI)	3.469	1.242	0.778	0.778	0.540
Calculative commitment (CCM)	3.905	1.297	0.754	0.762	0.519
Propensity to switch (PSW)	2.609	1.579	0.850	0.856	0.749

Table 5.53 summarises the descriptive statistics and reliability measures of the constructs in the overall measurement model. As summarised in the table, the AVE of each construct was found to be well above 0.5, and thus suggested good reliability (except two, which were calculative commitment and price insensitivity). The AVE for calculative commitment was found to be 0.519 and price insensitivity was 0.540, which were still above the minimum threshold point of 0.5. The Construct Reliability (CR) value of each construct was above the threshold point of 0.6 which confirmed good internal consistency (Fornell & Larcker 1981).

Moreover, the Cronbach Alpha (α) of each construct as revealed in the table was well above the minimum threshold value of 0.7, which confirmed good reliability of the constructs (Nunnally 1978). Additionally, the summarised factor loadings (as per Table

D2 in Appendix D) reflect that majority items retained in the measurement model had loadings above 0.7. However, four items (out of fifty-three) were found to have loadings below 0.7 (items pin_6, fil_3, prf_7 and ccm_4) and two of these had loadings close to 0.5. These were one item in price fairness (with factor loading of 0.528 for prf_7) and one item in calculative commitment (with factor loading of 0.594 for ccm_4). The values, however, were still above the minimum threshold value of 0.5. This ensured the convergent validity of the constructs (Hair et al. 2014).

Finally, Table 5.54 is presented with the AVE, construct correlations and correlations squares for each pair of constructs. The construct AVEs were presented diagonally across the table from upper left to lower right-hand corner. The AVEs of all constructs were greater than the correlation squares of respective pair of constructs, which confirmed the discriminant validity of the constructs within the overall model (Fornell & Larcker 1981).

Table 5.54: Discriminant validity of constructs

AVE ↴	FAR	PIN	FIL	SWE	BEX	PRF	PVL	SWC	TIN	TIB	SAT	ACM	ACF	RQ	PRI	CCM	PSW
FAR	0.825	0.113	0.100	0.045	0.285	0.044	0.080	0.038	0.019	0.052	0.042	0.072	0.002	N/A	0.007	0.000	0.009
PIN	.336 **	0.702	0.027	0.188	0.256	0.026	0.039	0.023	0.005	0.006	0.023	0.003	0.001	N/A	0.019	0.005	0.020
FIL	-.317 **	-.163 **	0.599	0.056	0.291	0.029	0.061	0.025	0.023	0.011	0.023	0.015	0.042	N/A	0.011	0.059	0.000
SWE	.212 **	.434 **	-.237 **	0.699	0.152	0.017	0.026	0.005	0.006	0.007	0.012	0.001	0.001	N/A	0.011	0.000	0.017
BEX	.534 **	.506 **	-.539 **	.390 **	0.656	0.098	0.128	0.040	0.030	0.044	0.048	0.076	0.007	N/A	0.000	0.020	0.018
PRF	.209 **	.160 **	-.170 **	.129 **	.313 **	0.593	0.323	0.005	0.360	0.394	0.324	0.245	0.199	N/A	0.032	0.000	0.031
PVL	.283 **	.197 **	-.247 **	.161 **	.358 **	.568 **	0.732	0.013	0.391	0.361	0.453	0.220	0.255	N/A	0.016	0.000	0.043
SWC	-.196 **	-.150 **	.157 **	-.074	-.201 **	-.072	-.115 **	0.626	0.001	0.004	0.004	0.010	0.007	N/A	0.016	0.104	0.013
TIN	.139 **	.068	-.151 **	.079	.172 **	.600 **	.625 **	-.025	0.770	0.432	0.420	0.401	0.254	N/A	0.076	0.004	0.055
TIB	.227 **	.078	-.104 *	.085 *	.209 **	.628 **	.601 **	-.065	.657 **	0.783	0.546	0.264	0.328	N/A	0.015	0.003	0.072
SAT	.206 **	.153 **	-.150 **	.109 **	.219 **	.569 **	.673 **	.002	.739 **	.648 **	0.844	0.312	0.406	N/A	0.040	0.000	0.138
ACM	.269 **	.054	-.121 **	.032	.276 **	.495 **	.469 **	-.100 *	.514 **	.633 **	.559 **	0.901	0.102	N/A	0.130	0.016	0.027
ACF	.043	.023	-.204 **	.027	.084 *	.446 **	.505 **	-.085 *	.573 **	.504 **	.637 **	.320 **	0.906	N/A	0.001	0.027	0.140
RQ	.221 **	.094 *	-.181 **	.080	.239 **	.668 **	.703 **	-.069	.836 **	.838 **	.886 **	.757 **	.750 **	1.000	0.062	0.000	0.123
PRI	.083 *	-.139 **	.104 *	-.106 *	.015	.178 **	.126 **	.125 **	.124 **	.275 **	.200 **	.361 **	.029	.249 **	0.540	0.135	0.011
CCM	-.009	-.069	.242 **	-.013	-.142 **	-.001	-.004	.323 **	-.051	.067	-.003	.127 **	-.164 **	-.003	.368 **	0.519	0.039
PSW	.094 *	.143 **	.021	.129 **	.133 **	-.177 **	-.207 **	-.116 **	-.268 **	-.234 **	-.372 **	-.163 **	-.374 **	-.350 **	-.198 **	-.104 *	0.749

[Note: **Correlation is significant at the 0.01 level (2-tailed), *Correlation is significant at the 0.05 level (2-tailed). FAR=familiarity with reforms, PIN= purchase involvement, FIL= financial illiteracy, SWE= switching experience, BEX= banking expertise, PRF= price fairness, PVL= perceived value, SWC= switching cost, RQ= relationship quality, PRI= price insensitivity, CCM= calculative commitment, PSW= propensity to switch]

Hence, the findings of the full measurement model ensured internal consistency, reliability of each construct as well as the convergent and discriminant validity for items of the constructs within the model. As revealed in Table 5.55, most of the constructs were significantly correlated with each other and all correlations were below 0.9 confirming absence of multi-collinearity between the constructs.

5.7 Invariance test

It is important to investigate if the respondents in different groups with different characteristics (e.g. cultures, countries or demographics) assigned essentially the same

meanings to the survey items measuring a certain construct, which is conceptualised as measurement equivalence or invariance (Cheung & Rensvold 1999). Steenkamp and Baumgartner (1998) define measurement invariance as “whether or not, under different conditions of observing and studying phenomenon, measurement operations yield measures of the same attribute” (p. 78). The respondents’ representation of different sub-groups may give rise to the differences in their conceptualisation of survey items and corresponding responses. Without investigation of the measurement invariance, the conclusions of a research might be biased or poor (Horn 1991; Steenkamp & Baumgartner 1998).

Therefore, the test of invariance was undertaken on the final measurement model to address the issue of differences in response data across population sub-groups. Three sub-groups were defined for invariance test in this research. Two of these subgroups were defined on the basis of respondents’ demographics (low versus high education, and low versus high income) and the rest were defined on the basis of service usage i.e., home-mortgage availed before or after the exit fee legislation. The next sections elaborate on the results of the invariance tests.

The literature ascertains that the multi-group confirmatory factor analysis is used for testing the invariance (Jöreskog 1971; Steenkamp & Baumgartner 1998). This involves sequentially testing the levels of invariance starting from i. configural invariance, then ii. metric invariance, and finally iii. scalar invariance. Firstly, the configural invariance ensures that items in the measurement instruments reflect the same concept and hence, have the same pattern of factor loadings across the groups (Steenkamp and Baumgartner 1998). To obtain this, CFA is run simultaneously for two groups while allowing all parameters to be free (Byrne 1998; Robertson et al. 2016).

Secondly, the metric invariance test is done by constraining the factor loadings to be the same across the groups (Robertson et al. 2016; Steenkamp & Baumgartner 1998). This test facilitates for meaningful comparison of data across the groups by ascertaining whether the participants have responded to the items in the same way. Finally, a scalar invariance test ascertains that group-wise differences in the items’ means are the results of the differences in the means of the corresponding constructs (Steenkamp &

Baumgartner 1998). Scalar invariance is obtained by constraining the latent mean structures across the groups. These procedures were applied sequentially for multi-group invariance test based on the results obtained at a previous level, as demonstrated next.

5.7.1 Invariance of educational level

This research assumed literacy and knowledge as being important factors of banking expertise and switching behaviour. Therefore, the demographic sub-groups based on education were considered to be important. The 564 respondents were classified on the basis of having tertiary education or not. Around 41% of respondents were found to have tertiary education and the rest 59% were found to have no tertiary education.

Configural invariance demands that the measurement model for both sub-groups should have the same dimensional structure (Steenkamp & Baumgartner 1998; Vandenberg & Lance 2000). Accordingly, the CFA was run for both education groups simultaneously, and all the parameters were set free to estimate configural invariance. The outcome of the test supported the equality of the factor structure for the education groups. The fit indices indicated a good fit with the data. The Chi-square value is 4188.461 (df= 2410) with significant p-value of 0.000. The RMSEA was 0.051 (i.e., below 0.07), CFI was 0.929 and TLI was 0.919 (i.e., both above 0.90). This confirmed conceptual equivalence of the constructs across the groups.

Following the configural invariance, the metric invariance test was run to establish whether the factor loading pattern within dimensions were statistically equivalent for both education groups. The metric invariance test resulted in a Chi-square value of 4228.259 (df= 2447) with a significant p-value of 0.000. The hypothesis of equal factor loading was hence accepted, as the $\Delta\chi^2 = 39.798$ with $\Delta df = 37$ (the maximum limit is $\Delta\chi^2 = 52.19$). Additionally, other fit indices indicated a good fit to data. The RMSEA was 0.051 (below 0.07), CFI is 0.929 and TLI is 0.920 (both above 0.90). Therefore, the procedure of partial metric invariance test was not required as the equivalence of factor loading patterns across the two groups was confirmed.

Scalar invariance of the items was tested to ascertain that differences in the means of the observed items were results of the differences in the underlying constructs' means (Steenkamp & Baumgartner 1998). The results revealed that the hypothesis of latent mean structure was accepted, since change in χ^2 was non-significant. The chi-square value was found 4290.483 (df= 2500) with significant p value of 0.000. Hence, $\Delta\chi^2 = 62.224$ with $\Delta df = 53$ (the maximum limit is $\Delta\chi^2 = 70.993$). In addition, other fit indices also indicated a good fit to data. The RMSEA was 0.050 (below 0.07), CFI is 0.929 and TLI was 0.922 (both are above 0.90). Thus, the measurement model demonstrated an appropriate level of measurement invariance across the two education groups. The results of the invariance tests of education groups are reported in Table 5.55.

Table 5.55 Invariance analysis of two education groups (tertiary and non-tertiary)

Competing model	χ^2	df	$\Delta\chi^2$	Δdf	RMSEA	CFI	TLI
Configural invariance	4188.461	2410	n/a	n/a	0.051	0.929	0.919
Metric invariance	4228.259	2447	39.798	37	0.051	0.929	0.920
Scalar invariance	4290.483	2500	62.224	53	0.050	0.929	0.922

(Significance level, $p < 0.001$)

5.7.2 Usage-time Invariance

The sample of 564 home loan respondents was classified on the basis of mortgage usage time. One group was defined (around 49% of the respondents) with those who availed their home-loans before the banning of the mortgage exit fee. The other group (around 51% of the respondents) was defined with respondents experienced of availing a home-loan after the legislation (i.e., after 1 July 2011).

The CFA was run for both usage-time groups simultaneously, and all parameters were set free to estimate configural invariance. The outcome of the test supported the equality of the factor structure for the usage-time groups. The fit indices indicated a good fit to data. The Chi-square value was 4195.657 (df= 2410) with significant p value of 0.000. The RMSEA was 0.051 (below 0.07), CFI was 0.929 and TLI was 0.919 (both above 0.90). This confirmed conceptual equivalence of the constructs across the groups.

The metric invariance test was run to investigate the factor loading pattern equivalence. The metric invariance test results returned a Chi-square value of 4236.678 (df= 2447) with a significant p-value of 0.000. The hypothesis of equal factor loading was accepted, as the $\Delta\chi^2 = 41.021$ with $\Delta df = 37$ (the maximum limit is $\Delta\chi^2 = 52.19$). In addition, other fit indices indicated a good fit with the data. The RMSEA was 0.051 (below 0.07), CFI was 0.929 and TLI was 0.920 (both above 0.90). Therefore, factor loadings were equal for both the usage-time groups.

Scalar invariance test results revealed that the hypothesis of latent mean structure was accepted, since change in χ^2 was non-significant. The Chi-square value was found 4304.855 (df= 2500) with significant p-value of 0.000. Hence, $\Delta\chi^2 = 68.177$ with $\Delta df = 53$ (the maximum limit is $\Delta\chi^2 = 70.993$). Additionally, other fit indices also indicated a good fit with the data. The RMSEA was 0.051 (below 0.07), CFI was 0.928 and TLI was 0.921 (i.e., both were above 0.90). Thus, the measurement model demonstrated an appropriate level of measurement invariance across the two education groups. The results of the invariance analysis of usage-time groups are reported in Table 5.56.

Table 5.56: Invariance analysis of usage-time groups (before or after 1 July 2011)

Competing model	χ^2	df	$\Delta\chi^2$	Δdf	RMSEA	CFI	TLI
Configural invariance	4195.657	2410	n/a	n/a	0.051	0.929	0.919
Metric invariance	4236.678	2447	41.021	37	0.051	0.929	0.920
Scalar invariance	4304.855	2500	68.177	53	0.051	0.928	0.921

(Significance level, $p < 0.001$)

5.7.3 Income Invariance

The sample was sub-grouped on the basis of income. One sub-group (44% of the respondents) was defined with per annum income of \$80,000 or below, and the other sub-group (60% of the respondents) was defined with per annum income above \$80,000. The CFA was run for both income groups with the same dimensional structure, and all parameters were set free to estimate the configural invariance. The results supported the

equality of the factor structure for the two income groups. The fit indices indicated a good fit to sample data. The Chi-square value was 4207.868 (df= 2410) with significant p-value of 0.000. The RMSEA was 0.051 (below 0.07), CFI was 0.929 and TLI was 0.918 (i.e., both above 0.90). Hence, the conceptual equivalence of the constructs across the income groups was confirmed.

The metric invariance test was run to investigate the factor loading pattern equivalence. The results returned a Chi-square value of 4232.027 (df= 2447) with significant p value of 0.000. The hypothesis of equal factor loading was accepted, since the $\Delta\chi^2 = 24.159$ with $\Delta df = 37$ (the maximum limit is $\Delta\chi^2 = 52.19$). In addition, other fit indices indicated a good fit to data. The RMSEA was 0.051 (below 0.07), CFI was 0.929 and TLI was 0.920 (both above 0.90). Therefore, an equal factor loading pattern was confirmed, and scalar invariance test followed this.

The results of scalar invariance test revealed a non-significant change in χ^2 . The Chi-square value found 4302.160 (df= 2500) with a significant p value of 0.000. Hence, $\Delta\chi^2 = 70.133$ with $\Delta df = 53$ (the maximum limit is $\Delta\chi^2 = 70.993$). This demonstrated that the hypothesis of latent mean structure is accepted. Additionally, other fit indices also indicated a good fit with the data. The RMSEA was 0.051 (below 0.07), CFI was 0.928 and TLI was 0.921 (i.e., both were above 0.90). Thus, the measurement model demonstrated an appropriate level of measurement invariance across the two income groups. The results of all the three invariance tests of income groups are reported in Table 5.57.

Table 5.57 Invariance analysis of income groups (within \$80,000 and above \$80K)

Competing model	χ^2	df	$\Delta\chi^2$	Δdf	RMSEA	CFI	TLI
Configural invariance	4207.868	2410	n/a	n/a	0.051	0.929	0.918
Metric invariance	4232.027	2447	24.159	37	0.051	0.929	0.920
Scalar invariance	4302.160	2500	70.133	53	0.051	0.928	0.921

(Significance level, $p < 0.001$)

5.8 Common Method Variance (CMV)

Common method variance (CMV) emerges as a concern where the method of collecting data is performed by self-report questionnaires (Chang, Witteloostuijn & Eden 2010). Since this research used self-reported data, it was important to ensure that no possible CMV existed in the analysis. CMV is defined as “the amount of spurious covariance shared among variables because of the common method used in collecting data” (Malhotra, Kim & Patil 2006, p. 1865). Hence, the CMV is more attributable to the measurement method rather than to the measured construct (Podsakoff, MacKenzie & Lee 2003). The causes of CMV are attributed to four categorical areas, any of which might be the potential source. These causal effects of CMV, named as common rate effects, item characteristics effects, item context effects, and measurement context effects (Podsakoff, MacKenzie & Lee 2003), influence the way of responses of survey participants. When CMV is present, an apparent internal consistency originated from the common data source is observed.

The possible remedies against CMV can be taken either during the research design (*ex ante*) stage, or on post hoc basis (Chang, Witteloostuijn & Eden 2010). As a precaution at the design stage, construct items had been phrased with simple and clear sentences (Podsakoff, MacKenzie & Lee 2003). Additionally, anonymity and confidentiality had been ensured for all respondents during the administration of the survey. The respondents had also been informed of their freedom in answering the questions by stating non-existence of any right or wrong answers for the questions provided. These efforts are the best possible ways to minimise potential CMV during the research design stage.

On a post hoc basis, however, Harman’s single-factor test was applied to detect the presence of any potential CMV since this is the most widely applied technique for single-method research designs (Malhotra, Kim & Patil 2006; Podsakoff, MacKenzie & Lee 2003). The typical approach involves loading all retained items from all constructs into one EFA to examine if one single factor emerges or one general factor accounts for most of the measurement covariance. If not, then it is concluded that CMV is not an issue. However, CFA can also be used as an alternative to EFA for Harman’s test (Malhotra, Kim & Patil 2006). This study used CFA to run Harman’s test for CMV. All 53 retained

items were included into one single (general) factor using CFA. The Chi-square value was found 17306.085 (df= 1325) with significant p-value of 0.000. In addition, the other fit indices indicated that the one-factor model poorly fitted the data. RMSEA= 0.146 (far above 0.07), CFI=.350, TLI=.324 (both were far below 0.90) and SRMR= 0.155 (far above 0.08). This therefore confirmed the non-existence of any serious CMV problem in this research.

5.9 The structural model

In the final stage of analysis, the proposed conceptual model and relevant hypotheses were tested using the widely accepted analytical tool named SEM (Structural Equation Modelling). SEM refers to a group of related procedures, such as analysis of covariance structure or covariance structure modelling, rather than a single statistical tool (Kline 2011). Kline (2011) argues that “covariance is the basic statistic of SEM” considering the two main objectives of SEM analysis: “(1) to understand the patterns of covariances among a set of observed variables and (2) to explain as much of their variance as possible with the researcher’s model” (p. 10).

Literature also uses the term ‘causal modelling’ to refer to SEM which is basically associated with SEM technique of path analysis (Kline 2011). SEM allows for ‘paths to be drawn between latent variables’ or factors which are not observed directly, but which have effects on some observable variables (Streiner 2006, p. 317). This enables the researcher to scrutinise the relationships among the hypothesised constructs which also have multiple measured variables associated with them. SEM is, however, a more superior analytical technique than path analysis as it allows for measurement errors in predictor variables to be accounted for (Tabachnick & Fidell 2007).

To scrutinise the hypothesised inter-relationships, SEM investigates a hypothetical model through a series of equations similar to multiple regression. However, SEM also includes factor analysis in its analytical procedure that makes the measurements more robust than any other statistical tools (Reisinger & Mavondo 2007). In addition to accounting for multiple latent variables, inter-dependence relationships and measurement errors, SEM

provides the researcher with the measure of model fit (Hair et al. 2014; Schumaker & Lomax 2004). This level of sophistication has led SEM to receive wide acceptance in multiple academic disciplines. Provided the high number of latent variables, hypothesised complex inter-relationships and overall complexity of the proposed model developed in Chapter 3, SEM was considered the best-suited analytical technique for this research. The research convention in relevant disciplines has established that SEM demands a two-step procedure (Anderson & Gerbing 1988; Schumaker & Lomax 2004). Hair et al. (2014) explains this two-step process as an “approach to SEM in which the measurement model fit and construct validity are first assessed using CFA and then the structural model is tested, including an assessment of the significance of the relationships” (p. 640). This process is followed to avoid possible model mis-specification considering that model specification is the most important step in SEM (Kline 2011).

Hence, this research has accordingly followed the two-step process where CFA has been used to establish each construct’s validity and measurement model fit as described in the earlier sections of this chapter. At this stage, the structural model was required to be specified, which is defined as the ‘set of one or more dependence relationships linking the hypothesised model’s constructs’ that follows the structural theory or ‘conceptual representation of the relationships between constructs’ (Hair et al. 2014, p. 640). Before moving forward to structural model specification, multivariate normality assumption was checked against each composite variable.

Composite variables: The research model formulated for this study was based on several latent constructs that were measurable only by some specific observable items. These items were retained through the CFA test for each case. The items contributing to individual latent factor can be summated/ collapsed to form multi-item composite factors as suggested in the literature (Hair et al. 2014; Kline 2011; Sass & Smith 2006). For this thesis, multi-item composite measures were created by taking the averages of the retained items in each factor. Composites can overcome the violation of normality by relevant items, minimise measurement errors to a certain level, and can also represent several aspects of a concept through a single measure (Hair et al. 2014; Little et al. 2002). The descriptive statistics with mean, standard deviation, skewness and kurtosis of all the composite variables are provided in Table 5.58.

Table 5.58: Descriptive statistics of composite exogenous and endogenous variables

Constructs	Mean	SD	Skewness		Kurtosis	
			Statistic	Std. Error	Statistic	Std. Error
FAR	3.695	1.751	.019	.103	-1.005	.205
PIN	4.427	1.569	-.422	.103	-.590	.205
FIL	3.876	1.359	-.120	.103	-.422	.205
SWE	4.135	1.478	-.413	.103	-.449	.205
BEX	3.837	1.390	-.095	.103	-.549	.205
PRF	4.541	1.145	-.335	.103	.141	.205
PVL	4.936	1.186	-.397	.103	-.002	.205
SWC	5.054	1.081	-.323	.103	.412	.205
TIN	5.066	1.173	-.635	.103	.735	.205
TIB	4.322	1.374	-.277	.103	-.110	.205
SAT	5.245	1.273	-.840	.103	.796	.205
ACM	3.443	1.697	.043	.103	-.986	.205
ACF	5.450	1.596	-.840	.103	-.181	.205
RQ	4.739	1.147	-.387	.103	-.141	.205
PRI	3.469	1.242	-.007	.103	-.119	.205
CCM	3.905	1.297	-.020	.103	-.167	.205
PSW	2.609	1.579	.721	.103	-.361	.205

Table 5.58 reveals that the skewness and kurtosis value for each composite variable lies within the acceptable range of -1 to +1. The majority of items had a negative skewness values that are common in response data that uses the seven-point Likert-type response format, Positive skewness revealed responses had fewer larger values, and negative skewness revealed responses had fewer smaller values (Hair et al. 2014). It was confirmed, however, that the retained items were normally distributed and met the quality for further analysis using SEM.

5.9.1 The initial structural model

The initial model was based on the conceptual model derived from theoretical relationships between the latent endogenous and exogenous constructs (as described in Chapter 3). Fifty-three (53) indicator variables had been retained after the CFA analysis of single factor congeneric models and the overall measurement model. These retained variables were included in the structural model. Since all the twelve constructs had been retained with sound measure of validity and reliability, all nineteen hypotheses were retained (as derived from the theory) for test and were integrated in the initial structural model for analysis.

The model was specified with four independent variables (FAR, PIN, FIL and SWE) which were hypothesised to directly influence two variables, namely BEX and SWC. BEX was hypothesised to have influence on other variables at the centre of the model, such as PRF, PVL, and RQ. Also, PRF and PVL were hypothesised to have an influence on RQ, and PVL was hypothesised to have influence on SWC. Therefore, variables in the centre of the model (BEX, PRF, PVL, SWC, and RQ) played mediating roles. The mediating paths had been embedded in the model through a series of direct paths. Finally, RQ and SWC had direct influence on variables at the end part of the model, such as RQ influences PRI and PSW, SWC influences CCM and PSW. All these relationships in the model were defined as unidirectional with no feedback loops. The initial structural model was run using Mplus basic version 7.0, which produced the fit indices presented in Table 5.59.

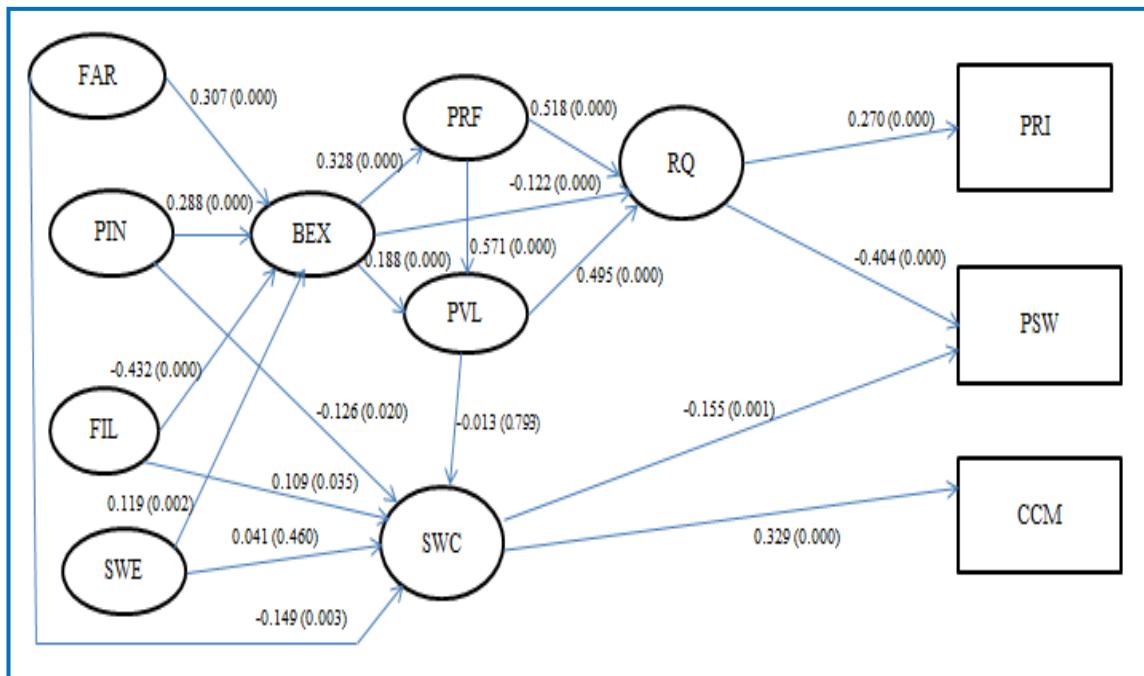
Table 5.59: The initial structural model fit indices

Chi-square	Degrees of freedom	P value	Normed Chi-square	RMSEA	CFI	TLI	SRMR
2086.442	791	0.0000	2.638	0.054	0.913	0.910	0.070

Table 5.59 reveals very good fit indices generated by the initial model. Though the Chi-square value was 2086.442 with significant p-value ($p=0.000$ with df 791), the normed chi-square value (i.e., χ^2/df) was below the threshold limit of 3 (i.e., 2.638). The normed

chi-square value is recommended by researchers to assess the model fit in cases of large sample size (such as the case of present research) (Jöreskog 1969; Otto et al. 2011). The RMSEA value was 0.054, i.e. below the maximum threshold level of 0.07. The CFI and TLI were above the minimum threshold value of 0.90 (for total number of indicator variables $m > 30$), being 0.913 and 0.910 respectively. Finally, the SRMR value was marginally below the maximum cut-off point of 0.08, which was 0.070. Therefore, the initial model was concluded as being a good fit to sample data. The model is depicted in Figure 5.22. The beta-coefficients (β) along with path significances are denoted.

Figure 5.22: The initial structural model



[*FAR=familiarity with reforms, PIN=purchase involvement, FIL=financial illiteracy, SWE=switching experience, BEX=banking expertise, PRF=price fairness, PVL=perceived value, SWC=switching cost, RQ=relationship quality, PRI=price insensitivity, CCM=calculative commitment, PSW=propensity to switch]*

Initial results of hypotheses tests: The standardised regression weights/ path-coefficients (β) revealed the strength of the i.e. hypothesised paths or causal relationships between the variables joined by the arrows (Byrne 2010). The significance levels (p-values) of each hypothesised path/ relationship reveal whether a hypothesis is supported or not supported. Though the initial structural model's fit indices concluded a good model approximation to sample data, the path-coefficients were required to be examined to conclude on the

hypotheses integrated in the model. Table 5.60 summarises the results of the hypotheses tests of the initial model.

Table 5.60: Summary of the results of hypotheses tests of the initial model

Regression Paths/ proposed hypothesis (H_x)	Paths	β	p	Results
H_{1a} Familiarity with reforms to banking expertise	positive	0.307	0.000	Supported
H_{1b} Purchase involvement to banking expertise	positive	0.288	0.000	Supported
H_{1c} Financial illiteracy to banking expertise	negative	-0.432	0.000	Supported
H_{1d} Switching experience to banking expertise	positive	0.119	0.002	Supported
H_{2a} Banking expertise to price fairness perception	negative	0.328	0.000	<i>Not supported</i>
H_{2b} Banking expertise to perceived value	negative	0.188	0.000	<i>Not supported</i>
H_{2c} Price fairness perception to perceived value	positive	0.571	0.000	Supported
H_{3a} Familiarity with reforms to switching cost	negative	-0.149	0.003	Supported
H_{3b} Purchase involvement to switching cost	negative	-0.126	0.020	Supported
H_{3c} Financial illiteracy to perceived switching cost	positive	0.109	0.035	Supported
H_{3d} Switching experience to switching cost	negative	0.041	0.460	<i>Not supported</i>
H_{3e} Perceived value to perceived switching cost	positive	-0.013	0.793	<i>Not supported</i>
H_{4a} Price fairness perception to relationship quality	positive	0.518	0.000	Supported
H_{4b} Perceived value to relationship quality	positive	0.495	0.000	Supported
H_{4c} Banking expertise to relationship quality	negative	-0.122	0.000	Supported
H_{5a} Relationship quality to price insensitivity	positive	0.270	0.000	Supported
H_{5b} Relationship quality to propensity to switch	negative	-0.404	0.000	Supported
H_{6a} Switching cost to calculative commitment	positive	0.329	0.000	Supported
H_{6b} Perceived switching cost to propensity to switch	negative	-0.155	0.001	Supported

The results summarised in Table 5.60 reflect that out of nineteen hypotheses, fifteen hypotheses were supported and four hypotheses were not supported/ rejected. All hypotheses were checked at 95% confidence level ($p < 0.05$). The beta-coefficient of hypothesis H_{3d} (SWE to SWC) returned a positive value of 0.041, which had been

reversely (negatively) hypothesised. The path also turned out as being non-significant, with p-value of 0.460 (above 0.05). Similarly, for hypotheses H_{3e} (PVL to SWC) the beta coefficient was -0.013, which was positively hypothesised. The path revealed as being non-significant, with p-value of 0.793 ($p > 0.05$). This reflects that these two hypotheses were not supported at all. The results also reflect that the hypotheses H_{2a} and H_{2b} were not supported in the directions as hypothesised. The beta-coefficients had just produced the opposite value, positive 0.328 for H_{2a} and positive 0.188 for H_{2b}, whereas the hypothesised relationships were negative for both the cases.

Since the initial model was developed based on theoretical arguments from past research, the rejection of few hypotheses is not uncommon. The context of this research is different and the combinations of constructs incorporated are unique to this study. Hence, it is required to check the proposed model against the alternate models (Morgan & Hunt 1994), so that the results of the hypotheses tests (of the initial model) can be checked/ re-confirmed through alternate model/s.

5.9.2 Mediation effects and the alternate model

The fit indices do not necessarily prove a good model which prompts model modification (Reisinger & Mavondo 2006). With the aim of achieving a theoretically sound model with robust statistical results, researchers re-specify alternate models on iterative basis. In the initial model, the constructs in the middle parts of the model (BEX, PRF, PVL, SWC, RQ) were hypothesised to play a mediating role between the exogenous and endogenous variables. From the exogenous variables of the initial part of the model (FAM, PIN, FIL and SWE) to the endogenous variables (CCM, PRI and PSW), no direct paths were hypothesized initially. Trials undertaken on alternate models allow for all possible direct relationships among the variables to be tested, and for the researcher to conclude whether these relationships are partially or fully mediated.

To obtain the alternate models, direct paths ‘from’ and ‘to’ each and every construct were tested, where no fully mediating relationships were allowed. Therefore, no indirect relationships/paths were allowed in the alternate model (Morgan & Hunt 1994). To conclude on the mediations and direct relationships, the alternate model was specified as mentioned and run in MPlus. The model fit indices are presented in Table 5.61.

Table 5.61: The alternate structural model fit indices

MODEL	Chi-square	DF	P value	Normed Chi-square	RMSEA	CFI	TLI	SRMR
Alternate Model	1914.655	753	0.000	2.542	0.052	0.922	0.911	0.057
Initial Model	2086.442	791	0.000	2.638	0.054	0.913	0.910	0.070

Table 5.61 reveals that the fit indices improved with the alternate model. The alternate model had a Chi-square value of 1914.655 with significant p value (0.000). This revealed an improvement in the normed chi-square value for the alternate model, which was 2.542 (as compared to the initial value of 2.638). In addition, the RMSEA had further reduced from 0.054 to 0.052 (limit is 0.07). The CFI was assumed to be a good parameter to compare between models (Morgan & Hunt 1994). The initial CFI of 0.913 improved in the alternate model, which went up to 0.922 (much above the minimum cut-off point 0.90). The TLI slightly improved from 0.910 to 0.911 and the SRMR further reduced (from 0.070) to 0.057 (limit is 0.08). The alternate model's outcomes in terms of the hypothesised direct paths and additional paths are summarised in detail in Table D3 of Appendix D. However, a brief picture of the outcomes (in comparison with the outcomes of the initial and final models) is provided in Table 5.63.

5.9.3 The saturated/ final model

The hypothesised model has been shown to be consistent enough with the best fit model (Cunningham 2010). To improve the model fit, some paths within the model constructs are required to be added or removed (Shook et al. 2004). On the basis of the conclusions drawn from the alternate model, the final structural model was re-specified. In the final model, all the direct paths of the alternate model with significant p-values ($p < 0.05$) were retained. In the initial model, some of these paths had not been originally hypothesised to have direct relationships. The significant p-values of these paths in the alternate model (see Table D3 of Appendix D) meant that the relationships/ paths are direct (and only partially mediated), rather than indirect. The paths with non-significant p-values ($p >$

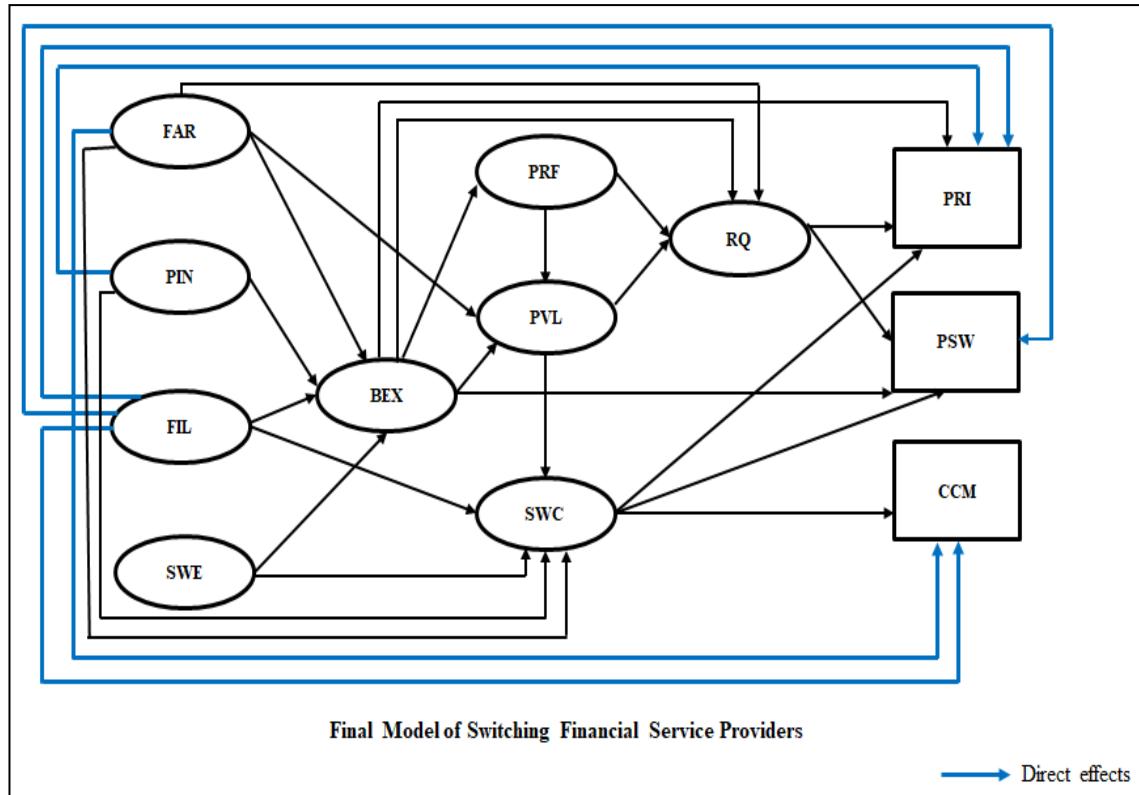
0.05) of the alternate model (and not hypothesised in the initial model) were deleted to redefine the final model, as these paths either did not have any statistically significant relationship between the constructs, or they were fully mediated paths as depicted in the initial model. After the final model was re-specified, it was re-run in MPlus. The fit indices of the final model (in comparison with the fit indices of the initial and alternate model) are provided in Table 5.62.

Table 5.62: The final structural model fit indices

MODEL	Chi-square	DF	P value	Normed Chi-square	RMSEA	CFI	TLI	SRMR
Initial Model	2086.442	791	0.000	2.638	0.054	0.913	0.910	0.070
Rival Model	1914.655	753	0.000	2.542	0.052	0.922	0.911	0.057
Final Model	1948.717	781	0.000	2.495	0.051	0.922	0.914	0.058

For the saturated model, the Chi-square value was 1948.717, with a significant p-value of 0.000 (at df 781). The normed chi-square value was calculated accordingly (Jöreskog 1969; Otto et al. 2011), which showed a further improved value of 2.495 for the final model. Further model comparison revealed that in the final model, the RMSEA value slightly reduced from 0.052 to 0.051 (threshold limit is 0.07), which is good. The TLI also improved from 0.911 to 0.914 (cut-off point is 0.90 or above). However, the SRMR slightly deteriorated from 0.057 to 0.058 (limit is 0.08), while the CFI value remained unchanged at 0.922. The saturated or final model is presented in Figure 5.23.

Figure 5.23: The final model derived from SEM



[*FAR=familiarity with reforms, PIN=purchase involvement, FIL=financial illiteracy, SWE=switching experience, BEX=banking expertise, PRF=price fairness, PVL=perceived value, SWC=switching cost, RQ=relationship quality, PRI=price insensitivity, CCM=calculative commitment, PSW=propensity to switch]*

In the initial model, the total number of hypotheses was nineteen. Additionally, based on the results of the alternate model, ten new relationship paths were incorporated to obtain the best model approximation with the sample data. With this addition of ten (10) paths, the final model was concluded with 29 hypotheses. The results of the hypotheses tests from the saturated model are presented in Table 5.63. The new paths added in the final model are presented in italic fonts. Also, the hypotheses that are not supported are presented in bold fonts.

Table 5.63: Summary results of the structural models

Specified paths	Proposed Model			Alternate Model			Final Model		
	β	S.E.	T	β	S.E.	t	β	S.E.	t
FAR→BEX	0.307	0.034	9.139***	0.307	0.034	9.107***	0.313	0.033	9.415***
PIN→BEX	0.288	0.037	7.759***	0.286	0.037	7.696***	0.288	0.037	7.819***
FIL→BEX	-0.432	0.033	-12.954***	-0.430	0.033	-12.881***	-0.431	0.033	-13.018***
SWE→BEX	0.119	0.038	3.116**	0.118	0.038	3.076**	0.116	0.038	3.064**
FAR→SWC	-0.149	0.050	-2.977**	-0.114	0.056	-2.052*	-0.149	0.050	-2.981**
PIN→SWC	-0.126	0.054	-2.326*	-0.087	0.060	-1.469 ^{ns}	-0.129	0.054	-2.386*
FIL→SWC	0.109	0.051	2.108*	0.041	0.064	0.636^{ns}	0.100	0.051	1.937^{ns}
SWE→SWC	0.041	0.056	0.739^{ns}	0.053	0.057	0.931^{ns}	0.043	0.056	0.771^{ns}
PVL→SWC	-0.013	0.049	-0.263^{ns}	-0.004	0.066	-0.054^{ns}	-0.013	0.050	-0.257^{ns}
BEX→PRF	0.328	0.043	7.677***	0.290	0.080	3.639***	0.327	0.043	7.660***
BEX → PVL	0.188	0.040	4.701***	0.045	0.069	0.662^{ns}	0.115	0.049	2.360*
PRF → PVL	0.571	0.036	15.840***	0.570	0.036	15.946***	0.572	0.036	15.972***
FAR → PVL	n/a	n/a	n/a	0.124	0.045	2.761**	0.119	0.045	2.642**
FAR → RQ	n/a	n/a	n/a	0.088	0.035	2.548*	0.084	0.034	2.438*
BEX → RQ	-0.122	0.032	-3.882***	-0.163	0.052	-3.145**	-0.158	0.037	-4.274***
PRF → RQ	0.518	0.040	12.979***	0.522	0.040	13.125***	0.522	0.040	13.125***
PVL → RQ	0.495	0.040	12.245***	0.486	0.041	11.966***	0.483	0.041	11.898***
PIN → PRI	n/a	n/a	n/a	-0.284	0.060	-4.721***	-0.303	0.053	-5.674***
FIL → PRI	n/a	n/a	n/a	0.309	0.064	4.810***	0.319	0.062	5.136***
BEX → PRI	n/a	n/a	n/a	0.316	0.089	3.564***	0.312	0.071	4.371***
SWC → PRI	n/a	n/a	n/a	0.138	0.049	2.795**	0.127	0.049	2.620**
RQ → PRI	0.270	0.044	6.113***	0.462	0.129	3.580***	0.288	0.044	6.519***
FAR→ CCM	n/a	n/a	n/a	0.150	0.058	2.598**	0.121	0.047	2.578*
FIL → CCM	n/a	n/a	n/a	0.323	0.063	5.139***	0.295	0.048	6.140***
SWC→CCM	0.329	0.046	7.226***	0.353	0.047	7.492***	0.354	0.047	7.598***
FIL → PSW	n/a	n/a	n/a	0.186	0.060	3.116**	0.202	0.056	3.607***
BEX→ PSW	n/a	n/a	n/a	0.268	0.081	3.304**	0.380	0.056	6.820***
SWC→PSW	-0.155	0.045	-3.442**	-0.097	0.045	-2.143*	-0.114	0.044	-2.558*
RQ → PSW	-0.404	0.041	-9.934***	-0.608	0.115	-5.278***	-0.459	0.041	-11.323***

[β = standardised path coefficients; S.E. = standard error; Significant at *** $p < .001$, ** $p < .01$, * $p < .05$ (two-tailed test), ns = not significant; FAR=familiarity with reforms, PIN=purchase involvement, FIL=financial illiteracy, SWE= switching experience, BEX= banking expertise, PRF= price fairness, PVL=perceived value, SWC= switching cost, RQ= relationship quality, PRI= price insensitivity, CCM=calculative commitment, PSW= propensity to switch]

The results of the final model summarised in Table 5.63 reflect that 24 significant relationship paths were supported. Familiarity with reforms was positively and significantly correlated ($\beta= 0.313$, $p< 0.001$) with banking expertise, and hence hypothesis H_{1a} was supported. Similarly, purchase involvement ($\beta= 0.288$, $p< 0.001$) and switching experience ($\beta= 0.116$, $p< 0.01$) were positively and significantly correlated with banking expertise, thus hypotheses H_{1b} and H_{1d} were supported as well. Then, financial illiteracy was found to have significant negative correlation with banking expertise ($\beta= -0.431$, $p< 0.001$). Hence, hypothesis H_{1c} was also supported.

On the basis of past literature, expertise was hypothesised to be negatively correlated with price fairness (H_{2a}) and value perception (H_{2b}). Evidence was found contrary to this, as banking expertise was found to have significant positive correlation with price fairness perception ($\beta= 0.327$, $p< 0.001$) and value perception ($\beta= 0.115$, $p< 0.05$). Hence, an opposite direct relationship was supported. The fairness perception, however, showed a significant positive correlation with perceived value ($\beta= 0.572$, $p< 0.001$), which supported hypothesis H_{2c}.

The results revealed that familiarity with reforms ($\beta= -0.149$, $p< 0.01$) and purchase involvement ($\beta= -0.129$, $p< 0.05$) had significant negative correlations with switching cost, thus H_{3a} and H_{3b} were supported. Though based on past literature, financial illiteracy, switching experience and perceived value were hypothesised to be correlated with switching cost, however statistically no significant relationship was revealed. The paths in financial illiteracy to switching cost ($\beta= 0.100$, $p> 0.05$), switching experience to switching cost ($\beta= 0.043$, $p> 0.05$), and perceived value to switching cost ($\beta= -0.013$, $p> 0.05$) were all found to be non-significant. Hence, hypotheses H_{3c}, H_{3d} and H_{3e} were not supported.

Price fairness perception ($\beta= 0.522$, $p< 0.001$) and perceived value ($\beta= 0.483$, $p< 0.001$) were found to have significant positive correlation with relationship quality, while banking expertise ($\beta= -0.158$, $p< 0.001$) showed significant negative correlation with the same. Hence, hypotheses H_{4a} H_{4b} and H_{4c} were all supported. Conversely, switching cost had significant positive correlation ($\beta= 0.354$, $p< 0.001$) with calculative commitment and significant negative correlation ($\beta= -0.114$ $p< 0.05$) with the propensity to switch.

Therefore, hypotheses H_{5a} and H_{5b} were also supported. Finally, relationship quality had a significant positive correlation ($\beta= 0.288$, $p< 0.001$) with price insensitivity and significant negative correlation ($\beta= -0.459$ $p< 0.001$) with propensity to switch. Thus, H_{6a} and H_{6b} were also supported.

Ten new paths revealed statistically significant direct relationships which were not hypothesised in the initial model. These were, significant positive correlation of familiarity with reforms with perceived value ($\beta= 0.119$, $p< 0.01$) and relationship quality ($\beta= 0.084$, $p< 0.05$), significant negative correlation of purchase involvement ($\beta= -0.303$, $p< 0.01$) with price insensitivity, significant positive correlation of financial illiteracy ($\beta= 0.319$, $p< 0.001$), switching cost ($\beta= 0.127$, $p< 0.01$) and banking expertise ($\beta= 0.312$, $p< 0.001$) with price insensitivity, significant positive correlation of financial illiteracy ($\beta= 0.202$, $p< 0.001$) and banking expertise ($\beta= 0.380$, $p< 0.001$) with propensity to switch, significant positive correlation of familiarity with reforms ($\beta= 0.121$, $p< 0.05$) and financial illiteracy ($\beta= 0.295$, $p< 0.001$) with calculative commitment.

To conclude, a total of five hypothesised paths (out of twenty-nine) were not supported. Though the paths BEX to PRF and BEX to PVL appeared to be significant in the final model, the beta-coefficients were positive (same as the initial model), whereas negative relationships had been hypothesised. Additionally, the paths PVL to SWC and SWE to SWC appeared non-significant, the same as the results of the initial and alternate models. Finally, one more path FIL to SWC appeared non-significant in the final model (different than the initial model, but same as the alternate model). Hence, these five hypothesised paths were not supported.

5.10 Calculating direct, indirect and total effects

Due to the complexity of the proposed model with a large number of constructs, the mediations were not hypothesised so as to keep the number of hypotheses at parsimonious level. However, the final structural model demonstrated enormous number of indirect paths which presented added level of complexity.

Several methods are available for ascertaining direct and indirect effects. Though the bootstrap method of (Bollen & Stine 1990) has been appreciated for its statistical

sophistication, Baron and Kenny's (1986) method is the most commonly used approach (MacKinnon et al. 2002). The direct effect arises between two correlated constructs when there is no influence of any third construct in the model path (Bollen & Stine 1990). On the other hand, intervention of a third construct is responsible for the resulting mediation effect between two related constructs, where all the three constructs are to satisfy the condition of mediation by having significant correlations among them (Baron & Kenny 1986, Hair et al. 2014). The final model, however, showed multiple mediations (path with multiple mediating variables) along with some simple (path with a single mediating variable) mediations which is also not uncommon (Preacher & Hayes 2004). Such mediation is the result of a sequence of relationships with one or multiple mediating constructs in the corresponding path (Hair et al. 2014).

To ascertain the total effect, Kline's (2011) formula (presented below) was used which stipulates: "Total effects are the sum of all direct and indirect effects of one variable on another" (p. 166).

$$\text{Total effects} = \text{Direct effect} + \sum \text{Indirect effects}$$

The Mplus software (7.0) is sophisticated enough to perform this calculation. The software produces both total effects and total indirect effects along with all specific direct and indirect effects of one variable on another. The next sections are presented with standardised path estimations for direct and indirect effects of each exogenous variable on endogenous variable. The level of significance has been demonstrated through the p-values. Each of the endogenous variables (PRI, CCM and PSW) were indirectly affected by the independent variables (FAR, PIN, FIL and SWE) through some mediating variables (BEX, SWC, PRF, PVL and RQ). The sections provide the details of these indirect effects along with the direct effects, and finally provide calculation of the total effects on each construct.

5.10.1: Effects of constructs on price insensitivity (PRI)

Table 5.64 consolidates the results of all direct and indirect effects on PRI.

Table 5.64: All constructs affecting PRI

Construct	Direct effects (D)	Indirect effects (I)	Total effects (D + I)
FAR	---	0.133***	0.133***
PIN	-0.303***	0.086**	-0.217***
FIL	0.319***	-0.141***	0.178***
SWE	---	0.047**	0.047**

[Significant at: * $p < 0.05$, ** $p < 0.01$ and *** $p < 0.001$; FAR=familiarity with reforms, PIN=purchase involvement, FIL=financial illiteracy, SWE=switching experience]

All four independent variables—familiarity with reforms, purchase involvement, financial illiteracy and switching experience—had significant indirect effects on price insensitivity. A total of 35 indirect paths leading to price insensitivity were initiated from these four variables. Out of those, 21 mediations were found to be statistically significant. Only two independent variables, namely purchase involvement (-0.303***) and financial illiteracy (0.319***) had significant direct effects on price insensitivity. The direct and total effects of purchase involvement were found to be negative. Also, the total indirect effect of financial illiteracy was negative. Apart from these, all other direct, indirect and total effects on price sensitivity were found to be positive.

5.10.2: Effects of constructs on calculative commitment (CCM)

Table 5.65 summarises the results of all direct and indirect effects on CCM.

Table 5.65: All constructs affecting CCM

Construct	Direct effects (D)	Indirect effects (I)	Total effects (D + I)
FAR	0.121*	-0.054**	0.067 ^{ns}
PIN	n/a	-0.046*	-0.046*
FIL	0.295***	0.036 ^{ns}	0.331***
SWE	n/a	0.015 ^{ns}	0.015 ^{ns}

[Significant at: * $p < 0.05$, ** $p < 0.01$ and *** $p < 0.001$; ns=non-significant; FAR=familiarity with reforms, PIN=purchase involvement, FIL=financial illiteracy, SWE=switching experience]

A total of 13 indirect paths leading to calculative commitment were initiated from the independent variables. Only two mediations were found statistically significant, these paths were initiated from familiarity with reforms (-0.054**) and purchase involvement (-0.046*). Only two independent variables, namely familiarity with reforms (0.121*) and financial illiteracy (0.295***), had significant direct effects on calculative commitment. The indirect and total effects of purchase involvement were found to be negative. Also, the indirect effect of familiarity with reforms was negative. Apart from these, all other direct, indirect and total effects on calculative commitment were found to be positive.

5.10.3 Effects of constructs on propensity to switch (PSW)

Table 5.66 consolidates the results of all direct and indirect effects on PSW.

Table 5.66: All constructs affecting PSW

Construct	Direct effects (D)	Indirect effects (I)	Total effects (D + I)
FAR	n/a	0.049 ^{ns}	0.049 ^{ns}
PIN	n/a	0.103***	0.103***
FIL	0.202***	-0.144***	0.058 ^{ns}
SWE	n/a	0.031*	0.031*

[Significant at: * $p < 0.05$, ** $p < 0.01$ and *** $p < 0.001$; ns= non-significant; FAR=familiarity with reforms, PIN=purchase involvement, FIL=financial illiteracy, SWE=switching experience]

Three independent variables—purchase involvement, financial illiteracy, and switching experience—had significant indirect effects on propensity to switch. A total of 35 indirect paths leading to consumers' propensity to switch were initiated from the four independent variables. Out of 35, total 21 mediations were found to be statistically significant. Only financial illiteracy (0.202***) was found to have a direct (positive) significant effect on propensity to switch. However, the total indirect effect of the same variable was found to be negative, and significant as well (-0.144***). The total effects of familiarity with reforms and financial illiteracy on propensity to switch were found to be non-significant. On the other hand, the total effects of purchase involvement and switching experience were found significant.

5.11 Chapter summary

This chapter has provided details on the thesis' data collection, screening, processing and analytical procedures. The chapter began by describing the data preparation procedures. The chapter moved on to provide details of respondents' profiles, as well as an overview of reliability, validity, and scale evaluation procedures. The chapter elaborated on EFA, CFA, Cronbach alpha, CR and AVE that are used for establishing reliability and validity. The chapter also described the fit indices used for assessing the model fit. There was a description of the EFA and CFA procedure of all twelve constructs. Out of 92 initial survey items, 53 items were retained after CFA of 12 single factor models. Section 5.6 described the CFA of full measurement model along with the alpha values, CR and AVE. This section further confirms the scale reliability and validity and non-cross loading of the items. Section 5.7 depicted the invariance tests which produced sound statistical results confirming measurement equivalence across the groups. Section 5.8 confirmed non-existence of common method variance (CMV). Section 5.9 described the testing of the structural model with nineteen hypotheses. The initial model was run based on the hypothesised relationships derived from the theory. The model was then re-specified twice and re-run until the saturated or final model was derived. Finally, 29 hypothesised paths were included where 24 significant relationships were ascertained. The chapter concluded with an estimation of all direct, indirect and total effects with tables.

Chapter 6: Discussion and Conclusion

6.1 Chapter overview

This chapter provides discussion on the findings of this study, which relates to the switching behaviour of home mortgage consumers in Australia. The chapter is basically organised into three parts. The first part includes sections 6.2 to 6.3, which describes the justification of the research, and the findings regarding the hypothesised relationships. It explains the relevant importance of the variables for modelling financial consumers' switching behaviour. There is a detailed discussion of the nineteen hypotheses initially developed for this research. Statistical, as well as theoretical support is established for fourteen hypotheses. The next part of the chapter reflects on the findings of the final model (see Figure 6.1), in terms of direct, indirect and total effects throughout the section 6.4. Finally, the sections 6.5 to 6.7 draw the discussion upon the contribution of the research, and the implications for marketing theory and practice. The limitations, and future research directions, are also described.

6.2 Financial market participants and research justification

The structural complexity of some financial products and the inherent uncertainty of the transaction outcomes influence consumers' confidence in dealing with financial services, such as home mortgages, investment planning, and insurances. This makes relational contracts an inevitable outcome in such arenas of consumer banking (Beckett, Hewer & Howcroft 2000). As a result, mortgage consumers are characterised as being 'relational-dependents' who lack the confidence for independent decision making and they depend highly on inter-personal relationship with the service personnel. Their lack of expertise draws them towards high involvement and trust on the current provider. Such behaviour is prompted by reduced level of access to information, legal and contractual bindings featured in the typical financial product (Llewellyn 2005; Nga, Yong & Sellappan 2010). In this regard, Beckett, Hewer and Howcroft write:

To purchase in an "instrumentally rational" manner, the individual consumer is assumed to possess sufficient ability and information to enable them to make clear comparisons

between competing products and thus make an informed choice. If the information is not available or the consumer lacks the ability to make choices, they have to move away from “instrumental” rationality (2000, p. 18).

This investigation is undertaken in context of Australian home-loan consumers (post-2010 legislation). As mentioned, the home mortgage consumer segment of retail banking market has some unique features that make it distinct from the other consumer segments. The proposed conceptual model identifies consumers’ *‘possession of relevant information’* as familiarity with reforms and their *‘lack of sufficient ability’* as financial illiteracy in clearly comparing the financial alternatives. This research is the first of its kind in the bank switching literature that has explored these two key constructs as switching determinants.

The study is underpinned by the concept of ‘involvement’. Involvement as an exogenous variable plays important role in explaining behavioural intention, since it associates with emotion (Thomson, MacInnis & Park 2005) which prevents consumers from behaving indifferent (Levy & Hino 2016). The theory of involvement postulates that the left hemisphere of the human brain extracts information from printed sources and interactive media (Nga, Yong & Sellappan 2010; Schiffman & Kanuk 2007). The familiarity with technical information and logical processing of that information for financial decision making is a cognitive process, which demands hemispheric brain dominance for high involvement and learning engagement (Nga, Young & Sellappan 2010). Hence, knowledge factors, such as involvement, literacy, familiarity, experience and expertise are considered important for modelling home-loan consumers’ behaviour.

Predominantly, this study considers four domains of cognitive and affective behavioural factors in articulating the model of switching behaviour, where perceptions regarding price, value and switching cost are considered in context of ‘relational-dependent’ financial consumers. It is known that individuals easily lose their motivation for financial literacy and develop indifference towards rational financial behaviour (Nga, Young & Sellappan 2010). Rather, they depend on the relationship trust and brand heuristics (Tversky & Kahnemann 1974, 1980). It is also widely known:

The cognitive perspective assumes that the individual/consumer actively researches information before making their purchases. In practice, the vast amount of diverse and complex financial information may lead to “analysis by paralysis” (Nga, Young & Sellappan 2010, p. 279).

Hence, financial decision-making is largely influenced by consumers’ informal social networks, trust on the bank and brand heuristics (Beckett, Hewer & Howcroft 2000; Nga, Young & Sellappan 2010; Tversky & Kahnemann 1980). For financial consumers, product-specific, targeted and customised financial education, as well as educational reinforcement, is therefore demanded for protecting consumers’ rights through knowledge internalisation (Lusardi & Mitchell 2007; Nga, Yong & Sellappan 2010). This proposition is considered important because impulsive motivators of consumerism have overriding influence on rationality in financial purchase decision. Accordingly, Greene’s (2013) *Theory of Active Involvement (TAI)* has been chosen as the underpinning concept as it revolves around learning engagement and subsequent behavioural change/reinforcement. These are factors that no previous study has taken into account when modelling consumers’ bank switching behaviour.

The involvement-activating knowledge factors, however, contribute to consumer expertise. They also relate to other cognitive factors (price fairness, value and switching cost perceptions) and affective factors (relationship quality). Some contemporary behavioural theorists have argued that interaction of cognitive and affective components are crucial to the behavioural outcome (Berkowitz 1993; Moliner et al. 2007). Information processed through cognitive evaluation is referred to as deliberative and of higher level as compared to any initial instinctive affective reaction. However, Moliner et al. write:

The higher-level processing may give rise to higher-level affective reactions and to action tendencies, which are generated more slowly than the lower-level affective reactions because the information is subjected to a more deliberative process before those reactions can occur (2007, p. 1394).

Hence, the affective factors of relationship quality, such as trust, satisfaction, commitment and conflict are crucial, and treated as ‘higher-level affective reactions’. Given the behavioural traits of ‘relational-dependent’ consumers in mortgage finance

industry, trust is considered to be the key driver of relationships (Beckett, Hewer & Howcroft 2000). This research is therefore, unique in depicting the roles of all relevant factors in a single model that simultaneously considers home-loan consumers' relationship vulnerability, as well as lack of information and knowledgeability. In the context of the Australian financial industry, as well as in the global context, no research to date has investigated mortgage consumers' switching behaviour as extensively and comprehensively as is undertaken in this study.

6.3 Findings on the bank switching model

The four-domain conceptual model of this study on bank switching behaviour is based on six secondary research questions which are addressed through nineteen hypotheses. The next discussion elaborates on the findings of this study in the four domains, namely: i. knowledge factors; ii. other cognitive factors; iii. affective factors; and iv. resultant behaviour.

6.3.1 Knowledge factors

The first research problem of this study is restated as:

To evaluate the influence of Australian consumers' knowledge factors, i.e., familiarity with reforms, purchase involvement, financial illiteracy and switching experience on their banking expertise.

The next discussion focuses on the findings of the four associated hypotheses.

6.3.1.1 Familiarity with reform and banking expertise (H_{1a})

The findings suggest that familiarity with reforms has significant positive influence ($\beta = 0.313^{***}$) on banking expertise, as hypothesised. This finding echoes the arguments of Taylor-West et al. (2008), and Shehryar and Hunt (2005), who associate consumers' product/ service evaluation with the familiarity construct. Most importantly, it supports Taylor-West et al. (2008) finding that familiarity works together with involvement and expertise in establishing consumers' evaluation of the product/ service.

In this study, the familiarity construct relates to the reforms which enable mortgage switching. Alba and Hutchinson (1987) were among the earliest scholars to argue that expertise increases as an individual's familiarity with a particular object increases. Familiarity stimulates positive response towards the stimulus object, and this positive stimulation works toward evaluative judgements (Garcia-Marques & Mackie 2000, Patterson & Mattila 2008). Hence, the findings regarding familiarity with reforms and banking expertise are consistent with the basic contention of the relevant literature.

6.3.1.2 Purchase involvement and banking expertise (H_{1b})

The findings strongly support the hypothesised relationship between involvement and expertise, in revealing that purchase involvement has a significant positive influence ($\beta = 0.288^{***}$) on banking expertise. Park and Mittal (1985) argue that attentive individuals are interested in the product attributes and performance when performing the task of purchase and hence, they consider a wide range of information. Consumers' high risk perception has been considered to be a crucial predictor of purchase involvement (Laurent & Kapferer 1985; Martenson 2005). This has resulted in the searching and processing of a large amount of information in pursuit of risk minimization (Sanchez-Franco 2009; Shiue & Li 2013). Home-mortgage is a high-involvement product that exposes consumers to high level of risk. This high-risk exposure eventually demands higher level of involvement in the purchase process and consumer expertise in dealing with the services. The seeking of information is an indication of prospective expert analysis for purchase decision making by the high-involved consumer.

In the context of financial services, there has been scant support for the relationship between involvement and expertise. The distinct nature of financial products fails to draw much attention, interest and eventual involvement; as a result, 'spurious loyalty' takes place due to consumers' inertia in decision making situation, rather than active involvement in the purchase process (Colgate & Hedge 2001; Howcroft, Hamilton & Hewer 2007).

6.3.1.3 Financial illiteracy and banking expertise (H_{1c})

The third hypothesis regarding knowledge factors involved a negative relationship between financial illiteracy and banking expertise. The findings reveal that financial illiteracy has significant negative influence ($\beta = -0.431^{***}$) on banking expertise which is consistent with the arguments of Bell and Eisingerich (2007), Mouna and Jarboui (2015) and Barrutia & Espinosa (2014). For the home mortgage market, literacy has been considered crucial by policy makers and researchers. Mortgage borrowers are referred to as ‘imperfectly rational’ in evaluating sophisticated multidimensional contracts (Zahirovic-Herbert, Gibler & Chatterjee 2016, p. 169). Mouna and Jarboui state that:

The empirical results indicate that financially illiterate households pay more for a given house than do more sophisticated buyers since the transaction price reflects the bargaining power of the buyer and the seller, and depends on the state of the credit market, the state of the housing market and the information sets of the buyer and the seller (Harding et al., 2003; Turnbull and Sirmans, 1993). (2015, p.809)

This clearly states the transaction inefficiency due to ‘imperfect rationality’ of financially illiterate or less literate consumers as opposed to experts who have been referred as ‘more sophisticated buyers’. Though increasing house prices, coupled with declining affordability, have resulted in soaring demand for mortgages, deregulation and advancement in technology has featured greater sophistication in these loan offerings, which require higher level of literacy and financial expertise (Zahirovic-Herbert, Gibler & Chatterjee 2016).

Similarly, performance expertise in personal finance matters is largely influenced by consumers’ financial knowledge factors (Lusardi & Mitchell 2014). The present finding strengthens this evidence. The thesis suggests that mortgage consumers should have a strong knowledge in finance so that they are not confused about product features, especially regarding the price and terms of the loan. Financial institutions use the ‘price obfuscation’ strategy for mortgage products that reduce consumers’ ability to differentiate between products’ prices. Hence, their optimal choice decision is hampered by the perceived similarity of alternatives (Barrutia & Espinosa 2014; Kalayci & Potters 2011). This strategy is, however, less effective for financially literate and expert consumers.

6.3.1.4 Switching experience and banking expertise (H_{1d})

The findings reveal that switching experience has a significant positive influence ($\beta = 0.116^{**}$) on banking expertise and hence, this hypothesis is supported. This finding is consistent with the arguments of Burnham, Frels & Mahajan (2003), who suggest that previous experience with alternative providers increases consumers' expertise on that particular service. There is, however, no direct empirical evidence regarding the relationships of the two variables. Yet the proposition appears to have legitimacy in the switching cost literature, where a higher level of switching experience has often been considered as a predictor of lower level of switching cost perception, due to increase in consumers' domain expertise (Dagger & David 2012; Matzler et al. 2014). This is understandable, as consumers who have switched numerous times become familiar with the process of switching as compared to novice consumers.

A related concept is the 'adoption difficulty' which is minimized through such experiences. Adoption difficulty is referred to as the perceived difficulty to perform the behaviour of adopting a new product/ service (Ajzen 1987; Hashim et al. 2015). Therefore, this finding demonstrates that consumers can gain a greater level of financial expertise by experiencing the services of alternative banks. This experience can make consumers more acquainted with the service quality of other banks and enriches their experience of alternatives. This equips them with a greater adaptive capacity and understanding of the switching process.

6.3.2 Other cognitive factors

The four initial knowledge factors— familiarity with reforms, purchase involvement, financial illiteracy and switching experience— have varying degrees of influence on consumers' banking expertise. As a result of these multidimensional influences on financial consumers' service comprehension, they gain varied level of expertise and respond differently in perceiving the service price-quality-value. This process of behaviour has been referred to as 'self-regulatory process', and is explained by Bagozzi (1992) in three steps: i. the appraisal process; ii. emotional reactions; and iii. coping behaviour (Chang & Wang 2011). Therefore, this is the continuation of the appraisal

process where internal conditions are evaluated after the situational conditions. The next discussion extends on other cognitive factors and their relationship with bank consumers' expertise. The second research problem is restated as:

To evaluate the influence of Australian consumers' banking expertise on their perceptions of price fairness, value and switching cost.

6.3.2.1 Banking expertise and price fairness (H_{2a})

The findings reveal that banking expertise has a significant positive influence ($\beta = 0.327^{***}$) on price fairness perception. This study, however, hypothesised a negative relationship between the two variables. Though there is limited empirical evidence in support of the positive relationship, this result is consistent with the views of Barrutia and Espinosa (2014), and Bell and Eisingerich (2007).

The empirical evidence of this study has already confirmed the efficacy of reforms in contributing to consumers' banking expertise. When expert consumers have hands-on information regarding alternative offerings, it assists them to compare and search for better price deals in the financial market. In such circumstances, clarity of competitive price structures may result in consumers' optimum decision making on provider selection. Hence, it is possible for expert consumers to perceive higher price fairness of the chosen provider.

However, comparing the home loan offers of several banks is not simple, as mortgages are complex in price and terms structure. Moreover, there is added complexity when the loan is offered as a leading product of a bundle which is often referred to as 'mixed-leader bundling strategy' (Barrutia & Espinosa 2014; Guiltinan 1987). Mortgages are linked with other banking products (e.g. repayment account, credit card). A discounted price might be offered only for the home loan, but other complementary products such as deposit accounts and credit cards are usually offered at their regular prices. In such cases, comparing the price is difficult even for expert consumers, although they may have ready access as well as understanding of the price related information. Consumers' optimal decision capacity is compromised in such situations, as perceiving the substitutability of

alternatives becomes difficult. However, experts such as mortgage brokers are available to support the consumers for complex purchases in exchange for fees. This also demands better expertise and bargaining power from the consumers (Barrutia & Espinosa 2014).

6.3.2.2 Banking expertise and perceived value (H_{2b})

The findings reveal that banking expertise has significant positive influence ($\beta = 0.115^*$) on perceived value. However, negative relationship was hypothesised between the two variables. The study of Bell and Eisingerich (2007) hypothesise that consumers' investment expertise has negative influence on their perception of functional service quality (process of the service delivery and interaction) and loyalty, though their findings reveal the contrary (i.e., expertise is found to positively influence loyalty). However, Jamal and Anastasiadou (2009) found strong negative relationship between expertise and loyalty of retail bank consumers. For expert consumers, it has been argued that: "Customers – through education, experience and accrued expertise – are better able to appreciate the subtleties of service they receive" (Bell & Eisingerich 2007, p. 480).

Consistent with the above contention, the findings of this study suggest that expert consumers can more clearly perceive the integral value of the service. Their technical and functional knowledge of mortgages potentially leads to higher value perception, given their past experience with alternative providers and relevant expertise. This view is based on the argument that value perceptions relates to competition (Cui & Coenen 2016; Ulaga 2003). From the perspective of competition, it is a challenge for the provider to create service value for expert consumers. This would not, however, apply to a particular provider through which the expert consumer receives high-quality/ high-value service.

6.3.2.3 Price fairness and perceived value (H_{2c})

The findings demonstrate that price fairness has a significant positive influence ($\beta = 0.572^{***}$) on perceived value and the hypothesis is supported. This finding is consistent with the findings of Chen et al. (2012), Martins and Monroe (1994). The pricing literature emphasises that consumers are highly dependent on 'reference price' and judge prices on a comparative basis (Monroe 2012). This applies especially in the context of the home mortgage industry, where consumers have little clue of the provider's cost-structure, and

price is compared against the prices of competing banks' offerings. Purchase decision is generally a two-step process, i.e. first the value of the offer is comprehended and then the 'yes/ no' decision is made. Hence, value perception is an integral part of the price evaluation in the purchase process.

This finding therefore suggests that providers need to be fair in pricing and the fairness should be addressed to all parties involved in direct and indirect ways (i.e., buyers, and other buyers acquainted to the buyers) to a certain transaction. The provider's established goodwill of fair pricing increases consumers' acceptability of price increases (Monroe 2012). Hence, price fairness contributes to service value even in times when prices increase, which has strategic implications for profitability and other financial aspects of banks.

The next discussion relates to an important cognitive component of bank consumers' switching behaviour, which is perceived switching cost. Bansal & Taylor (1999) were among the earliest scholars to introduce this variable in modelling service switching behaviour of mortgage consumers. These scholars were specifically referring to mortgage consumers in Canada. Since the relevant banking reforms have been enacted to address various switching barriers pertaining to the Australian banking industry, switching cost is important in context of this research. The research problem is restated as:

To evaluate the influence of Australian consumers' familiarity with reforms, purchase involvement, financial illiteracy, switching experience and perceived value on their perceptions of switching costs.

6.3.2.4 Familiarity with reforms and switching cost (H_{3a})

The findings reveal significant negative influence of familiarity with forms ($\beta = -0.149^{**}$) on perceived switching cost. This result supports the hypothesised relationship and is consistent with the objectives of the 2010 banking reforms. There is, however, no direct evidence in the literature to support this relationship, since the construct 'familiarity with reforms' is relatively new. Nevertheless, the hypothesis is based on the arguments of studies on bank switching, switching cost (such as, Burnham, Frels and Mahajan 2003;

Ho 2014;) and familiarity (Arora & Stoner 1996, Inakura & Shimizutani 2010). This finding demonstrates that consumers' perception of switching cost declines when they conceptualise the information introduced by the reforms, which finally optimises their future intention to switch.

Arora and Stoner (1996) argue that familiarity contributes to time-saving in the purchase decision process. This is because familiar consumers spend less time on searching for information. Burnham, Frels and Mahajan (2003) identify this as 'evaluation cost' (i.e., the time and effort invested in searching and analysing the information) in the switching process. Apart from the evaluation cost, other categories of switching cost have been addressed by the reforms. For example, the banning of mortgage exit fees reduces monetary loss.

Since the reforms aim to increase competition in the banking sector (Treasury 2010) by empowering consumers to perform informed switching, they are expected to have reduced the switching barriers/ costs to customers. Hence, this is one of the most important findings of this research. The finding indicates the efficacy of the switching reforms in context of the Australian banking industry and its consumers.

6.3.2.5 Purchase involvement and switching cost (H_{3b})

The findings reveal significant negative influence ($\beta = -0.129^*$) of purchase involvement on consumers' perceived switching cost and the hypothesis is supported. This finding is consistent with studies undertaken by Dagger and David (2012), and Howcroft, Hamilton and Hewer (2007). Dagger and David (2012) argue that increased involvement weakens (moderates) the negative impact of switching costs on the satisfaction-loyalty (relationship quality) dimension. However, the empirical evidence in support of the direct relationship between purchase involvement and switching cost is scant. Firstly, in the context of services, only few researchers have focused on involvement (Dagger & David 2012; Kinard & Capella 2006) in the purchase decision. Consequently, the impact of situational (purchase) dimension of involvement has been hardly investigated as far as the switching cost is concerned. In the context of financial services products, Howcroft, Hamilton and Hewer state:

Risk and its relationship with involvement is important because these two constructs play an important role, as explanatory and motivational variables, in understanding various facets of customer behaviour when contemplating product purchases (2007, p.482).

Risk is therefore, addressed in this research context using consumers' perception of switching cost (Burnham, Frels & Mahajan 2003), which has different dimensions such as economic risk, risk of monetary loss, risk of personal relationship loss and few other dimensions (discussed earlier in Chapter 2). Risk reduction is the basic motivator of financial consumers' purchase involvement (Howcroft, Hamilton & Hewer 2007) and hence, the outcome of greater purchase involvement is reduced risk, a greater confidence and a lower perception of switching costs.

6.3.2.6 Financial illiteracy and switching cost (H_{3c})

The findings of this research suggest that financial illiteracy does not have significant influence ($\beta = 0.100^{ns}$) on consumers' perceived switching cost. This finding could be attributed to the contribution of reforms which might have provided consumers with information that would assist them to switch mortgages. This could have reduced the immediate impact of illiteracy that is prevalent across the industry. Thus, illiteracy does not seem to significantly influence the switching cost perceptions of mortgage borrowers.

To capture consumers' financial illiteracy, this research used consumers' statements of self-reported knowledge about finance (Disney & Gathergood 2013). There is no empirical evidence in the literature regarding the relationship between mortgage consumers' financial illiteracy and their perception of switching costs. However, this hypothesis has been derived on the basis of risk-averse behaviour of financially illiterate consumers (Mouna & Jarboui 2015). It is plausible that consumers who are less equipped with financial information, and who have less capacity to process the information, perceive higher level of associated costs of switching. This argument is also in line with the propositions of Duca and Kumar (2014), and Lusardi and Mitchell (2007). Duca and Kumar (2014) establish that financial illiteracy has strong linkage with consumers' inability to leverage on their portfolio. In case of mortgages, such leverage can be obtained through mortgage equity withdraw (MEW) or mortgage refinancing. In the

context of Australia, one-third of the new home loans indicate refinances/ mortgage switching (Fraser 2011). Such switching is supposed to be tied to responsible financial behaviour. However, consumers' 'responsible financial behaviour' is associated with low self-assessed risk-taking (Zahirovic-Herbert, Gibler and Chatterjee 2016, p. 167).

6.3.2.7 Switching experience and switching cost (H_{3d})

The findings suggest that switching experience does not have a significant influence ($\beta = 0.043^{ns}$) on consumers' perceived switching cost. This result could be attributed to multiple factors. The predominant ones might be rooted in the complex features of the financial services industry, especially in the product features of the home mortgage industry. The mortgage products of different banks contain different levels of complexity. Though the mortgage exit fees have been banned, and this is supposed to minimise the financial costs of switching in the industry, the perceived difficulty in understanding the features of sophisticated alternative offerings might prohibit further switching, even for experienced switchers.

Some scholars have argued that consumers with a broader array of service experiences develop a higher standard of comparison, and that this increases their service expectations and performance norms (Ganesh, Arnold & Reynolds 2000; Matzler et al. 2015). But the complexity of the price and terms structure of mortgages, and relation-dependent nature of the industry might have eliminated the impact of the prior switching experience. It is also possible that other expertise related variables, such as lack of adequate knowledge in finance (financial illiteracy) influences the understanding of price structure of new mortgage products and price bargaining process (Barrutia & Espinosa 2014) for switching.

6.3.2.8 Perceived value and switching cost (H_{3e})

The findings reveal that perceived value can have a negative influence on switching cost. The findings also show that there is no significant ($\beta = -0.013^{ns}$) relationship between the two variables. However, the positive relationship was hypothesised based on the arguments of existing literature (such as, Liu 2006), although evidence to the contrary was also available.

The possible explanation for such finding can be attributed to other variables that have simultaneous influence on switching cost. For example, earlier findings reveal that familiarity with reforms and purchase involvement has had a significant, negative influence on the perception of switching costs. As per the conceptual model, the indirect effect of financial illiteracy (through banking expertise) on perceived value might have impacted the relationship between value and switching cost. The simultaneous effects have the potential to contribute for less meaningful role of value on switching cost perceptions. This finding is, however, consistent with the findings of Edward and Sahadev (2011), and Milan, Eberle and Bebber (2015). Their findings reveal a negative relationship between perceived value and switching cost, though they initially hypothesised a positive relationship. Additionally, and similar to the present study, their findings suggest that there is no significant relationship between the variables.

6.3.3 Affective factors

In recent years, a line of research has emerged which attempts to investigate the effect of cognition and affect (Moliner et al. 2007). Consumer behaviour research has evolved considerably following the milestone behavioural theories, such as the Theory of Reasoned Action (Fishbein & Ajzen 1975) and the Theory of Planned Behaviour (Ajzen 1991). Consumer attitude, intention and consecutive behaviour have been modelled on those theories. However, the latest development is the addition of affective elements to cognitive elements in choice formation (Moliner et al. 2007), since affective components are the key to formation of attitude (Ajzen 2001). Moliner et al. state:

Affect is reserved for general states of mind (happiness, sadness) and for specific emotions (fear, anger, envy), states which contain degrees of valency and thresholds (...). Authors like Zajonc (1980) assign a preference to affect over cognition (2007, p. 1394).

Hence, this thesis includes affective and cognitive components for modelling switching behaviour. However, the various features of affect have been captured through one mega-construct: relationship quality. This construct captures trust-in-integrity, trust-in-benevolence, satisfaction, affective commitment and affective conflict. The research problem has been restated as follows:

To evaluate the influence of Australian consumers' banking expertise, and their perceptions of price fairness and value on the relationship quality between the service provider and consumers.

6.3.3.1 Perceived price fairness and relationship quality (H_{4a})

Perceived price fairness has been found to have a significant positive influence ($\beta = 0.522^{***}$) on relationship quality. The influence of price fairness has, however, largely been studied using the first order constructs of relationship quality, such as satisfaction, trust and commitment.

The significant positive influence of price fairness on consumer satisfaction and loyalty is a highly established fact in the services literature (Andres-Martinez, Gomez-Borja & Mondejar-Jimenez 2013; Asadi, Pool & Jalilvand 2014). Additionally, Namkung and Jang (2010) have established the influence of fairness on consumers' affective feelings and behavioural intentions. Later, Narteh's (2016) study on Ghana's retail banking industry empirically establishes that price fairness is the major fairness dimension that affects consumers' behavioural intention.

Nikbin, Marimuthu and Hyun (2013), however, had different findings when they studied the influence of price fairness on relationship quality (trust and commitment) and switching intention. In their study, price fairness was found to have a strong influence on trust, but not on commitment. The items retained in capturing the price fairness in this thesis relate to transparency of rates and fees, fairness in the structure of loan terms and fairness in repayment options. Hence, the results of this thesis reveal that these fairness aspects in mortgage pricing play an important role in strengthening bank consumers' relationship quality.

6.3.3.2 Perceived value and relationship quality (H_{4b})

The results reveal that perceived value has significant positive influence on ($\beta = 0.483^{***}$) relationship quality. This finding supports the hypothesised relationship and is

consistent with the findings of previous studies (Cui & Coenen 2016; Moliner 2009; Moliner et al. 2007).

The relevant service literature considers value as the outcome of marketing activities as far as relationship marketing is concerned (Ravald & Gronroos 1996). In this respect, value has been studied from two perspectives: i. functional/ cognitive value and ii. affective value (Moliner 2009). This thesis focuses on the functional dimension of value that includes the benefits received against costs in terms of time, effort, and money (Nijssen et al. 2003). It also aims to capture the integral spirit of relationship (affective) value through the last item (see Appendix C) concerning ‘overall experience in maintaining a relationship with the focal provider’ (Nijssen et al. 2003). During the scale purification process, the monetary component of value was eliminated. The ‘price fairness’ construct has, however, captured important aspects regarding consumers’ cognitive evaluation of the service pricing.

Some scholars have argued that issues relating to the relationship between provider and consumer surpass financial boundaries (Cui & Coenen 2016). Hence, value is not limited to price or monetary cost; rather, the overall experience is important in measuring relationship quality. The value construct in this study has focused on consumers’ experiential view of the mortgage service. The results indicate that this experience is a significant predictor of relationship quality, in terms of trust, satisfaction, commitment, and conflict.

6.3.3.3 Banking expertise and relationship quality (H_{4c})

Banking expertise has been found to have a significant negative influence ($\beta = -0.158^{***}$) on relationship quality, which is as expected. This finding is consistent with the relevant arguments of literature, such as Bell, Auh and Smalley (2005), Bell and Eisingerich (2007), and Jamal and Anastasiadou (2009). There is, however, little empirical evidence on the direct relationship between consumers’ banking expertise and relationship quality.

Bell and Eisingerich (2007) relate financial expertise to consumers’ loyalty, though the negative relationship was not supported by their data. Chang et al. (2012) also established

that trust and affective commitment is positively and significantly influenced by customer expertise; however, they also demonstrated that the relationship between expertise and affective commitment is mediated by trust. In the context of consumer knowledge and relationship, Chang et al. (2012) argue: “If a customer is knowledgeable and willing to perform transactions with the supplier, then the customer values the relationship” (p. 948). This thesis reveals that expertise can have a negative influence on relationship quality. This is somewhat similar to Jamal and Anastasiadou’s (2009) study, which found that expertise can negatively influence loyalty.

The findings of this thesis seem to be highly congruent with the features of the home mortgage industry. According to Barrutia and Espinosa (2014, p. 1966): “Consumer expertise might be especially relevant in complex buying contexts.” Barrutia and Espinosa (2016) are writing within the context of mortgage loans. In such a context, even good value for money is sometimes not effective, when the consumer is an expert to interpret the intrinsic value of the service (Anderson & Simester 2008; Barrutia & Espinosa 2014). In this context, a higher level of consumer expertise weakens the relationship quality.

6.3.4 Resultant behaviour

The final phase of this study involved behavioural outcomes and related constructs. Three outcome constructs (price insensitivity, calculative commitment, and propensity to switch) were investigated. The research problem involving two of the constructs (namely, price insensitivity and propensity to switch) is thus:

To evaluate the influence of relationship quality between the service provider and the consumer of their price insensitivity and bank switching propensity.

6.3.4.1 Relationship quality and price insensitivity (H_{5a})

Relationship quality was found to have a significant positive influence ($\beta = 0.288^{***}$) on price insensitivity, as hypothesised. This finding draws little support from existing research on the association between relationship quality and price insensitivity, as such research is scant. Also ‘price-insensitivity’ is an under-researched area. Zeithaml, Berry

and Parasuraman (1996) argue that providers benefit themselves by charging higher prices than their competitors, if consumers value maintaining the relationship and are willing to pay a premium price. Bloemer and Odekerken-Schröder (2007) established that affective commitment (a component of relationship quality) has significant positive relationship (0.38**) with price insensitivity. Similarly, Dominique-Ferreira, Vasconcelos and Proença (2016) empirically established that high-involved loyal consumers are less price-sensitive. These studies cannot, however, support the findings of this thesis, since price insensitivity is at one extreme end of price sensitivity, and relationship quality is a distinct measure besides loyalty and commitment. In the context of relationship quality, Roberts, Varki and Brodie argue thus:

There is some evidence also which suggests that consumers in relationships would be less sensitive to price (Reichheld and Sasser, 1990; Reichheld, 1996) and be willing to purchase other products from the firm (2003, p. 180).

Hence, the literature supports the present finding on price insensitivity, and it has importance from a managerial perspective. In the context of the insurance industry, Dominique-Ferreira, Vasconcelos and Proença (2016) argue that consumers' perception of brand similarity plays an important role in their lower response to prices. Similar perception applies to the consumers of banking industry (Akerlund 2005; Yanamandram & White 2010). According to this perspective, bank managers can manipulate price insensitive consumers in increasing their profitability and establishing a strong relationship bond to further strengthen this behavioural outcome.

6.3.4.2 Relationship quality and propensity to switch (H_{5b})

Relationship quality has been found to have a significant negative influence ($\beta = -0.459***$) on the propensity to switch. This result is consistent with the findings of previous studies (see Bansal, Taylor, & James, 2005; Ganesh, Arnold & Reynold 2000; Morgan & Hunt 1994;). Similarly, Kaur, Sharma and Mahajan argue:

On the whole, switching intentions are either the outcome of customer loyalty or switching costs and barriers, while loyalty is a concept that emerges from strong

commitment along with other relational factors viz., quality, value, satisfaction, and trust (2014, p. 79).

Several studies have been undertaken to study the link between relationship quality and loyalty-retention dimension. However, research is scant in the area of relationship quality and switching intention. Some researchers have focused on relationship characteristic measures (such as duration, empathy) and associate their relation to switching intention (Chakravarty, Feinberg & Rhee 2004). Some researchers have established a strong positive link between relationship quality and behavioural intention (repurchase) (Izogo 2016b; Tonder, Petzer & Zyl 2017). Hence, the reverse (i.e., negative) relationship between relationship quality and switching intention is expected and is logically supported by the findings. Notable is Nikbin, Marimuthu and Hyun's (2013) study, which also demonstrates that relationship quality (trust and commitment) has a significant negative influence on switching intention.

The last research problem involved two outcome constructs: calculative commitment and propensity to switch. The problem statement is restated as follows:

To evaluate the influence of Australian consumers' perceived switching cost on their calculative commitment and their propensity to switch banks.

6.3.4.3 Perceived switching cost and calculative commitment (H_{6a})

The findings of this thesis reveal that perceived switching cost has a significant positive influence ($\beta = 0.354^{***}$) on calculative commitment. This result supports the hypothesised relationship and is consistent with the findings of previous studies. Bansal, Irving and Taylor (2004) have empirically proven the positive relationship between perceived switching cost and calculative commitment. The findings of Mathews, Moore and Wright (2008), and Yanamandram and White (2010), however, suggest that different components of switching costs have differing levels of influence on consumers' calculative commitment. The present finding indicates that switching cost is a strong predictor of commitment for contractually locked-in home loan consumers.

6.3.4.4 Perceived switching cost and propensity to switch (H_{6b})

The research findings reveal that perceived switching cost has a significant negative influence ($\beta = -0.114^*$) on consumers propensity to switch. This result is consistent with the findings in extant literature (Bansal & Taylor 1999; Asimakopoulos & Asimakopoulos 2014), and supports the hypothesised relationship. The present finding is similar to the finding in context of the Canadian mortgage industry ($\beta = -0.16^*$) studied by Bansal and Taylor (1999). Those researchers were the first to conclude that (for home mortgage consumers) ‘switching costs did have a significant effect on one’s intention to switch service providers’ (p. 213).

More recently, and writing in the context of IS (information system) users, Asimakopoulos and Asimakopoulos (2014) have empirically demonstrated that different categories can have a negative influence on switching costs on service switching intention (propensity to switch). These researchers argue:

The current literature only evaluates the direct impacts of switching costs and barriers on user retention (Fornell, 1992; Lee et al., 2001; Ranaweera and Prabhu, 2003), but the relationship between switching costs and usability, as well as their specific role in determining user intention to switch IS remains unclear (Asimakopoulos & Asimakopoulos 2014, p. 584).

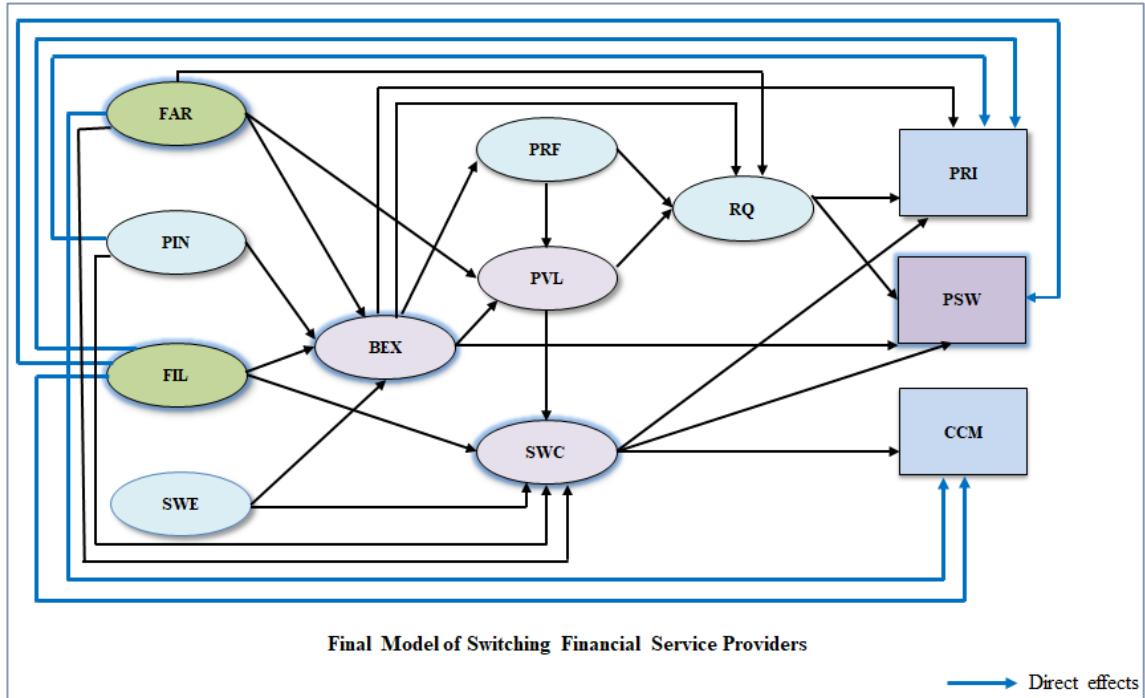
A similar view is applicable in the context of the Australian home-mortgage industry, where research is scant in clearly defining the relationship between switching costs and propensity to switch. This thesis helps to address this gap. There are, however, various dimensions of switching costs that have potential differences in predicting the behavioural intention (Matthews, Moore & Wright 2008).

6.4 The final best fit model

The SEM analysis of the final model generated ten new direct paths that were found to be significant. Additionally, eighty-three indirect paths were eventually identified, out of

which forty-four were found to be significant. The next discussion briefly elaborates on these findings.

Figure 6.1: The final model of switching financial service providers



[*FAR = familiarity with reforms, PIN = purchase involvement, FIL = financial illiteracy, SWE = switching experience, BEX = banking expertise, PRF = price fairness, PVL = perceived value, SWC = switching cost, RQ = relationship quality, PRI = price insensitivity, CCM = calculative commitment, PSW = propensity to switch]*

6.4.1 Discussions on direct relationships derived from the final model

The direct relationships are discussed in three sections. The first two sections focus on the key independent variables, familiarity with reforms and financial illiteracy. The third section focuses on the outcome variables, namely price insensitivity, calculative commitment, and the propensity to switch.

6.4.1.1 Findings on familiarity with reforms

The familiarity construct that was developed in the context of the 2010 banking reforms has already proven to play a predictive role on consumers' banking expertise ($\beta = 0.313^{***}$) and switching cost perceptions ($\beta = -0.149^{**}$), as hypothesised. However, the

SEM analysis of the structural model has further explored its significant influence on consumers' perceived value, relationship quality and calculative commitment, which had not been hypothesised initially. These findings have theoretical and practical implications.

In the brand research area, it is established that familiarity provides a competitive advantage (Aurora & Stoner 1996). These authors argue that there is a negative relationship between familiarity and the search for information. In this context, it is arguable that familiarity with reforms can help consumers to save time on searching for information about different providers. The reforms make it easier for consumers to identify which deal values are stronger (Treasury 2010). The results indicate that a familiarity with reforms has a significant direct influence ($\beta = 0.119^{**}$) on consumers' perceived value. Though the relationship was not hypothesised initially, it is an obvious indication of the reforms efficacy in terms of shaping consumers' perceived value of the alternative service offerings.

Grewal, Monroe and Krishnan (1998) refer to two components of value, i. e, acquisition (objective) value and transaction value. Consumers derive transaction value based on the attributive factors that are not objective and this represents their perception on 'the goodness of the deal' (Shehryar & Hunt 2005). If the familiarity construct contributes to value perception, it potentially shapes consumers' perception of relationship value and its quality. This fact has been demonstrated through the findings on the final structural model. A significant direct correlation has been explored between familiarity with reforms and relationship quality ($\beta = 0.084^*$). The reforms, however, act as helpful instruments for consumers to identify a suitable provider for their particular needs. Therefore, informed choice-making can provide consumers with better perception of relationship quality.

Finally, the SEM analysis has identified that familiarity with reforms has a significant positive influence on calculative commitment ($\beta = 0.121^*$). That point is relevant to this thesis. As mentioned earlier, familiarity with reforms has been found to have a significant negative (-0.149**) influence on perceived switching costs. Also, perceived switching costs have been found to have a significant positive (0.354***) influence on calculative

commitment. Hence, the strong positive relationship between the familiarity construct and calculative commitment might indicate some anomalies regarding these findings. Logically, consumers who are more familiar with reforms would be more likely to perceive that there is a lower cost of switching, and hence should exhibit a lower level of calculative commitment. The reason behind this finding might be attributed to the special features of the Australian retail financial industry, where the number of worthy alternatives is limited, and there is little differentiation between service attributes (CIFR 2014). In terms of banking services, more than 60% of the sample respondents indicated that they bank with one of Australia's four major banks. This suggests that they feel confident with their choice, no matter how limited the options are. The high calculative commitment suggests that consumers are aware of the market offerings, as information is now easier to collect and compare. Hence, consumers prefer to remain calculatedly committed to exploiting the value of economic benefits provided by their current home loan provider.

6.4.1.2 Findings on financial illiteracy

Financial illiteracy has important implications for bank consumers' behavioural intentions, towards both loyalty and defection. The results of the final structural model indicate strong positive influence of this construct on price insensitivity, calculative commitment, and propensity to switch. These relationships had not been hypothesised initially. However, it has been discussed already that financial illiteracy has a strong negative influence on banking expertise (-0.431***), which means that consumers lacking financial literacy substantially lack expertise in personal financing. This supports the finding that financial illiteracy has a strong positive influence ($\beta = 0.319***$) on price insensitivity. This means the more consumers lack financial education, the more likely they are to be price-insensitive. Hence, financial illiteracy leads to strong loyal behaviour and reduces industry competition.

Similarly, it is also plausible that financially illiterate consumers have strong calculative commitment ($\beta = 0.295***$), as the research findings indicate. Because such consumers are likely to perceive higher switching cost due to lack of information and knowledge, and hence remain spuriously loyal to the bank. Barrutia and Espinosa (2014, p. 1967)

argue that “the least financially literate are more likely to have costly mortgages.” Campbell (2006) has argued that financially illiterate consumers cannot capitalise on variable interest rate mortgage loans, as they do not tend to refinance their home loans when market interest rates fall. Therefore, literature supports the result of this study regarding financial illiteracy.

Finally, financial illiteracy has been shown to have a significant positive influence ($\beta = 0.202^{***}$) on the propensity to switch, which is consistent with the findings of Brunetti, Ciciretti and Djordjevic 2016. Brunetti, Ciciretti and Djordjevic (2016) empirically establish that financial literacy has strong negative influence on bank switching, which reveals that financially educated consumers are more stable in their banking relationships. Hence, it can be logically derived that more illiterate the consumers have higher propensity to switch banks, which has been established by the present findings.

In the context of the present study, the typical Australian consumer is now better equipped to make a switch to an alternative provider, even if s/he is not adequately literate in finance (since pro-switching regulations facilitate bank switching). Yet there would be little possibility for such consumers to gain from switching as illiteracy limits the capacity to make an optimum decision; hence, the relationship remains unstable as compared to the educated consumer’s relationship with the bank (Brunetti, Ciciretti & Djordjevic 2016).

6.4.1.3 Findings on direct relationships of the outcome variables

The earlier sections have discussed the direct influence of relationship quality ($\beta = 0.288^{***}$) and financial illiteracy ($\beta = 0.319^{***}$) on price insensitivity. Additionally, the final structural model has revealed that there is a strong negative relationship between purchase involvement and price insensitivity ($\beta = -0.303^{***}$). This finding has strong support in the literature. Zaichkowsky and Sood (1988) argue that highly involved consumers display reduced level of price sensitivity. Similar arguments have been made by Datta (2003) and Dominique-Ferreira, Vasconcelos and Proen  a (2016). In the context of insurance products, Dominique-Ferreira, Vasconcelos and Proen  a (2016) empirically establish that higher financial involvement results in lower price sensitivity. Similarly,

mortgage consumers are supposed to be less price sensitive due to their high financial involvement.

In line with the above findings, switching cost is found to have a significant positive influence on price insensitivity ($\beta = 0.127^{**}$). Consumers who perceive the high cost of switching prefer to pay more to the existing bank (out of calculative commitment, not from genuine loyalty), rather than switching at higher cost. Bloemer and Odekerken-Schröder (2007) establish significant negative relationship (-0.11**) between calculative commitment (which is an outcome of high switching cost and cost-benefit analysis) and price insensitivity.

Paradoxically, however, banking expertise has been shown to have a significant positive influence ($\beta = 0.312^{***}$) on price insensitivity. Expert consumers are supposed to exhibit high sensitivity to providers' price changes, but this study has found that the contrary is true. Barrutia and Espinosa (2014) established that expertise-related variables have a significant influence on mortgage prices. This cannot, however, be the case if expert consumers are price-insensitive, as per the present results. Such paradoxical finding on expert consumers' behaviour can be explained in light of the findings of Bell and Eisingerich (2007). Those researchers found a positive relationship between customer expertise and loyalty. This is where relationship plays important role for mortgage loans, as mortgages are 'relational-dependent' long-term contracts (Beckett, Hewer & Howcroft 2000). Hence, stronger relationship quality can ensure long term commitment even for expert consumers, given that the provider is performing well and is competitive (Bell & Eisingerich 2007; Chang et al. 2012).

Moreover, when the number of alternatives is limited, and the industry is less competitive, expert consumers may rate the current provider's service as being of high quality. When the service is rated high in terms of quality, this leads to higher levels of satisfaction, trust, and affective commitment (Roberts, Varki & Brodie 2003). Hence, it is possible that expert consumers sometimes behave insensitively to price changes, given that the service performance has high intrinsic value that the expert consumers can comprehend.

The earlier sections have highlighted the findings regarding direct effects on calculative commitment, which is significantly influenced by switching cost ($\beta = 0.354^{***}$), familiarity with reforms ($\beta = 0.121^*$) and financial illiteracy 0.295 ($\beta = 0.295^{***}$). Hence, this discussion moves on to the findings regarding ‘propensity to switch’. Some findings regarding the effects on this construct have already been discussed, such as direct effects of relationship quality ($\beta = -0.459^{***}$), switching cost ($\beta = -0.114^*$) and financial illiteracy ($\beta = 0.202^{***}$) is significant on consumers’ propensity to switch. In addition to these, the final model reveals that consumers’ propensity to switch is significantly influenced by banking expertise ($\beta = 0.380^{***}$), and the relationship is positive which is acceptable based on the arguments of extant literature (Alba & Hutchinson 2000; Jamal & Anastasiadou 2009). In the context of this finding, it can be concluded that expert consumers are less loyal and more switch-prone. Jamal and Anastasiadou state in this regard:

As expertise levels go up, customers are more likely to switch service brands rather than continue to patronise the same brand and vice versa. It might be that, having the ability to easily distinguish between competing service providers leads to the lower perceived switching costs and perceived risk, which in turn has a negative effect on loyalty (2009, p. 412).

This finding on banking expertise (having positive influence on propensity to switch) may seem to contradict another of this thesis’ findings, which is that a positive relationship exists between expertise and price insensitivity. It might be emphasised here that expertise has the potential to lead to such paradoxical consequences, as the evidences and examples in the literature explain (Bell & Eisingerich 2007; Jamal & Anastasiadou 2009). Whether a typical expert mortgage customer will behave price insensitively or be switch prone would, however, depend on the relationship quality. The findings of this study have already proven this fact, by evidencing that the construct ‘relationship quality’ has significant positive influence on price insensitivity (0.288***), together with significant negative influence on propensity to switch (-0.459***).

6.4.2 Indirect paths and the total effects on behavioural outcomes

As mentioned in Chapter 5, the indirect relationships were not hypothesised in the interest of parsimony. A number of indirect paths were, however, embedded in the proposed model, which is addressed eventually in the final SEM analysis to calculate their effects on three outcome variables: i. price insensitivity, ii. calculative commitment, and iii. propensity to switch.

According to Hair et al. (2014), there should be significant correlations between the variables to satisfy mediation/ indirect relationship. As depicted in the final model (Figure 6.3), the paths between the independent variables (namely, familiarity with reforms, purchase involvement, financial illiteracy and switching experience) and outcome variables (namely, price insensitivity, calculative commitment and propensity to switch) are affected by five mediating variables: banking expertise, price fairness, perceived value, switching cost, and relationship quality. In the final model, only three direct relationships were found to be non-significant, and these were financial illiteracy to switching cost (0.100^{ns}), switching experience to switching cost (0.043^{ns}) and perceived value to switching cost (-0.013^{ns}). The remaining twenty-six direct paths were found significant. Additionally, forty-four indirect paths were found significant (details provided in Appendix E). The next discussions briefly highlight these relationships.

6.4.2.1 Effects on price insensitivity

6.4.2.1.1 Effects of familiarity with reforms

Familiarity with reforms is found to have no direct impact on price insensitivity, but its indirect effect is found significant ($\beta = 0.133^{***}$). Hence, it can be concluded that the path is fully mediated. The final model reveals eleven indirect paths between the two constructs; however, seven mediations were significant (please see Appendix E, Table E1-1). Two single mediators, namely banking expertise ($\beta = 0.098^{***}$) and relationship quality ($\beta = 0.024^*$) were found to have significant impact on price insensitivity. Besides the single mediations, there were five paths with multiple mediations. These were: i. banking expertise, price fairness and relationship quality (0.015^{***}); ii. banking expertise,

price fairness, perceived value and relationship quality (0.008^{***}), iii. banking expertise and relationship quality (-0.014^{**}), iv. perceived value and relationship quality ($\beta = 0.017^*$) and v. banking expertise, perceived value and relationship quality ($\beta = 0.005^*$).

The literature states that expert consumers with high-familiarity show greater levels of satisfaction and highly positive behavioural intentions, given that the provider is a quality performer compared to the competitors (Bell & Eisingerich 2007; Soderlund 2002). Chang and Wang (2011) also conclude that when consumers have higher levels of quality and value perception, their service satisfaction shows greater impact on behavioural intentions. They found both direct and indirect impact of value on consumers' behavioural intention in terms of loyalty. This offers some support for the strong positive mediation effect of banking expertise and value on consumers' reforms-familiarity and price insensitivity.

Similarly, familiar consumers' fairness perception is also another predictor of their purchase behaviour (Shehryar & Hunt 2005). Consumers derive transaction value based on such qualitative factors that are not objective and this represents their perception on 'the goodness of the deal' (Shehryar & Hunt 2005). The findings of Worthington and Delvin (2013) suggest that Australian bank consumers place high weight on the service fairness aspect, especially in terms of price and the service outcome. The present findings are consistent with what the literature recommends, since the multiple-mediations of 'price fairness' factor along with other variables (expertise, value and relationship quality) seem to have the strongest influence on the link between familiarity and price insensitivity. This fairness perception strengthens consumers' relationship quality dimensions (as discussed earlier) and leads to high-end loyal behaviour.

6.4.2.1.2 Effects of purchase involvement

The direct effect of purchase involvement on price insensitivity has been discussed earlier, which is found significantly negative ($\beta = -0.303^{***}$). This means that consumers with high purchase involvement tend to be more price-sensitive. The same construct has, however, a significant, indirect, but positive influence ($\beta = 0.086^{**}$) on price

insensitivity. Hence, it can be concluded that the constructs' relationships are partially mediated.

Eight indirect paths were identified between purchase involvement and price insensitivity. Five mediations out of eight were found significant (see Appendix E, Table E1-2). The only simple mediation having strong influence was banking expertise (0.090^{***}). This means that consumer expertise is a strong component of high-involved consumers' price insensitivity. The rest of the four mediations were simultaneous, which are: i. banking expertise and relationship quality (-0.013^{**}); ii. banking expertise, price fairness and relationship quality (0.014^{***}); iii. banking expertise, perceived value and relationship quality (0.005^*); and iv. banking expertise, price fairness, perceived value and relationship quality (0.007^{***}).

Howcroft, Hamilton and Hewer (2007) provide important insight regarding the influence of purchase involvement on financial consumers' behaviour, especially when the market is risky, uncertain and lacks recognisable differentiation. In such circumstances, the small group of educated consumers show considerable involvement in the purchase process, and greater knowledge, expertise and confidence in assessing the value of alternatives. For the most part, however, majority of financial consumers show a lack of knowledge and understanding of financial products and very low levels of confidence in product selection; and are generally less switch-prone, even if they exhibit high level of purchase involvement (Howcroft, Hamilton & Hewer 2007). Dominique-Ferreira, Vasconcelos and Proen  a (2016) argue that highly involved consumers show higher levels of relational investments in terms of time and effort. The value of investment, service and price attributes generates provider-consumer relationship quality and loyalty (Moliner 2009). This suggests that the influence of involvement on price insensitivity is positive when mediated through expertise, value, price fairness and relationship quality- as revealed by the present findings.

6.4.2.1.3 Effects of financial illiteracy

Financial illiteracy has significant direct impact (0.319^{**}) on price insensitivity. Additionally, this construct has also been found to have a significant negative indirect

impact (-0.141***) on price insensitivity, when mediated through banking expertise, perceived value, price fairness, and relationship quality. Hence, it can be concluded that the constructs' relationship is partially mediated.

Five indirect paths were found significant from financial illiteracy to price insensitivity (see Appendix E, Table E1-3). All of the mediations were simultaneous-mediations, except one, i.e., banking expertise (-0.135***). The multiple mediations are: i. banking expertise and relationship quality (0.020**); ii. banking expertise, price fairness and relationship quality (-0.021***); iii. banking expertise, perceived value and relationship quality (-0.007*); and iv. banking expertise, price fairness, perceived value and relationship quality (-0.011***). These findings imply that the illiterate consumers' cognitive efforts in evaluating the price and service value can no longer help them to remain price-insensitive.

The total effect of financial illiteracy on price insensitivity has, however, found to be significantly positive (0.178***). This means that financial illiteracy has a strong impact on consumers' insensitivity when it comes to price. This is consistent with the findings of Barrutia and Espinosa (2014) and Lusardi and Mitchell (2014); and it demonstrates that consumers' financial illiteracy causes their price related expertise levels to be inadequate.

6.4.2.1.4 Effects of switching experience

It can be concluded that the relationship between switching experience and price insensitivity is fully mediated, as no evidence of direct impact was found from the findings. Four indirect paths were found significant between the constructs (see Appendix E, Table E1-4). None of these effects, however, were strong. The only single mediation has been found through banking expertise (0.036*). The rest of the mediations are simultaneous mediations. These are: i. banking expertise and relationship quality (-0.005*), ii. banking expertise, price fairness and relationship quality (0.006*), and iii. banking expertise, price fairness, perceived value and relationship quality (0.003*). It has been established that switching experience impacts significantly on banking expertise. The effects of the mediations indicate that the expertise in turn impacts positively on

fairness and value perception through efficient financial decision of experienced consumers. Hence, the relationship quality and price insensitivity develop a better shape.

6.4.2.2 Effects on calculative commitment

Only two indirect effects were found to have a significant effect on calculative commitment. These are the indirect effects of familiarity with reforms, and purchase involvement. The rest of the two independent variables, i.e. financial illiteracy and switching experience did not have any significant mediation effect.

6.4.2.2.1 Effects of familiarity with reforms

As discussed earlier, familiarity with reforms shows a direct positive effect (0.121*) on calculative commitment. The indirect effect of the construct (-0.054**), however, is also found significant on calculative commitment, though negative. This implies the existence of partial mediation between the constructs.

The indirect effect of familiarity through switching cost has been found to have a significantly negative (-0.053**) effect on calculative commitment. This is the only significant effect out of four mediations identified between the constructs (see Appendix E, Table E2-1). Yanamandram and White (2010) establish that high calculative commitment results from high perception of switching costs and the finding of the present research also indicates the same. This explains a two-step phenomenon. First, the familiarity with reforms contributes to minimise consumers' perception of switching cost, since the results indicate very strong negative and direct effect of familiarity on switching cost (-0.149**). As a result, the reduced risk perception negatively influences consumers' calculative commitment. This is one of the most important findings of this study that indicates the way how switching reforms impact.

6.4.2.2.2 Effects of purchase involvement

Purchase involvement is found to have a significant negative indirect effect on calculative commitment through the mediation of switching cost (-0.046*). Since there is no direct effect (Appendix E, Table E2-2), it implies that the path is fully mediated. This finding

implies that high-involved consumers perceive lower switching cost (supported by the earlier results of hypotheses tests), which in turn reduces their locked-in commitment behaviour due to better information efficiency. This is consistent with Howcroft, Hamilton and Hewer's (2007, p. 487) findings on a small consumer group, whom they refer to as 'rational-active customers.' Regarding the cluster of high-involved financial consumers, these researchers conclude that consumers show high intention to switch, financial products are not shrouded for them to understand and their purchase behaviour seems to be informed choices rather than fuzzy calculation of guesses. They also commented:

In this respect, these customers appear to be reinforcing Foxhall and Pallister's (1998) finding that rational involvement is prevalent in financial services (Howcroft, Hamilton & Hewer 2007, p. 487-88).

This indicates the important role of purchase involvement on mortgage consumers' commitment towards their main bank.

6.4.2.2.3 Effects of financial illiteracy

Financial illiteracy has been shown to have a significant positive direct effect (0.295^{***}) on calculative commitment, which has been discussed already. The relationship between the constructs can be concluded as partially mediated, since there were some indirect effects (0.036^{ns}), though non-significant (Appendix E, Table E2-3). The findings are consistent with previous research (Barrutia & Espinosa 2014). This result implies that financially illiterate consumers lack expertise to process complex financial information and hence, prefer to stay committed in fear of high (perceived) switching cost. Though they make their own cost benefit analysis for the locked-in behavioural commitment, financial illiteracy leads to market inefficiency due to fuzzy calculations out of ignorance and lack of awareness (Gabaix & Laibson 2006).

6.4.2.2.4 Effects of switching experience

Burnham, Frels and Mahajan (2003) have established a strong negative relationship between switching experience and perceptions of switching cost in long-distance

telecommunication and credit card services. More recently, Matzler et al. (2015) have established a strong negative relationship between switching experience and satisfaction-loyalty dimension in ICT services. Theoretically, then, switching experience should have a strong negative impact on calculative commitment. In the proposed model, three indirect paths were identified from switching experience to calculative commitment (see Appendix E, Table E2-4). No significant mediation effects were, however, found, and not was a direct effect found, either. This means respondents' switching experience does not play any mentionable role towards calculative commitment. The findings seem reasonable in context of the present research on home-mortgage industry. Home-mortgage consumers have long-term contractual obligations unlike the ICT, credit card or telecommunication consumers. Hence, the switching experience appears to play a trivial role in a consumer's calculative commitment. This is also plausible from another finding of this study on respondents' banking profile. The findings on 'length of time with main bank' indicated that 77% of the respondents did not switch from their main banks for more than four years.

6.4.2.3 Effects on propensity to switch

6.4.2.3.1 Effects of familiarity with reforms

The construct 'familiarity with reforms' does not seem to have any direct impact on consumers' switching propensity. From the construct, seven indirect paths were identified to have a significant impact on propensity to switch (see Appendix E, Table E3-1). This means that the relationship is fully mediated.

The individual indirect effects, however, show two single-factor mediations: i. banking expertise (0.119***), and ii. relationship quality (-0.038*). Also, there were five multiple-factor mediations: i. banking expertise and relationship quality (0.023***); ii. perceived value; and relationship quality (-0.026*); iii. banking expertise, price fairness and relationship quality (-0.025***); iv. banking expertise, perceived value and relationship quality (-0.008*); and v. banking expertise, price fairness, perceived value, and relationship quality (-0.013***). These findings indicate that a combination of two constructs are playing a strong mediating role between reforms' familiarity and switching propensity. These constructs are banking expertise and price fairness.

The significant positive contribution of familiarity with reforms on consumers' banking expertise (0.313***) has been discussed earlier. From the mediation relationships described above, it can be concluded that consumers' familiarity with reforms may have a low propensity to switch when mediated by expertise, price fairness, value and relationship quality. These mediation effects can be explained by the reforms in enabling the price comparison of loan products. If familiar consumers make informed decision after prudent comparisons of loan price and value, they will be highly satisfied with their choice of provider. The switching propensity should be lower in such cases. This is similar to Bell and Eisingerich's (2007) study, which found a positive correlation between expertise and loyalty. In context of this thesis, it might be concluded that the mediations indicate the dimensionalities and strengths of the expertise variable in stabilising the provider-consumer relationship.

6.4.2.3.2 Effects of purchase involvement

The purchase involvement was found to have no direct impact on consumers' propensity to switch. The indirect effect of purchase involvement was, however, found significant and positive (0.103***). This implies a fully mediated relationship between purchase involvement and consumers' propensity to switch.

Five indirect paths were found to have significant effects (see Appendix E, Table E3-2): i. banking expertise (0.109***); ii. banking expertise and relationship quality (0.021***); iii. banking expertise; price fairness and relationship quality (-0.023***); iv. banking expertise, perceived value and relationship quality (-0.007*); and v. banking expertise, price fairness, perceived value and relationship quality (-0.012***).

Overall, the mediation effects indicate that higher levels of purchase involvement contribute to higher levels of expertise, and this may in turn affect the relationship quality. Expert consumers' cognitive evaluation of value and price fairness, however, contributes to their satisfactory choice making (Bell & Eisingerich 2007). When consumers make rational optimal decisions through evaluating the price and value of the services, they may exhibit minimum switching intention (or high loyalty), as they select the provider

with high-involvement and high-confidence (Chang & Wang 2011; Dominique-Ferreira, Vasconcelos & Proen  a 2016; Shehryar & Hunt 2005).

6.4.2.3.3 Effects of financial illiteracy

Financial illiteracy was found to have a significant positive direct effect (0.202***) on consumers' propensity to switch, which is (as discussed earlier) consistent with the findings of recent behavioural finance literature (Brunetti, Ciciretti & Djordjevic 2016). Illiteracy, however, was also found to have a significant negative indirect effect (-0.144***) on bank switching propensity, which (though ambiguous), implies that the mediation is partial. Empirical support of the mediations between financial illiteracy and propensity to switch is difficult to trace, since the scale is new, and no study has been found to investigate the impact of illiteracy on bank consumers' switching.

This thesis has found five indirect effects of financial illiteracy on switching propensity (see Appendix E, Table E3-3). These effects were mediated by: i. banking expertise (-0.164***); ii. banking expertise and relationship quality (-0.031***); i. banking expertise, price fairness and relationship quality (0.034***); ii. banking expertise, perceived value and relationship quality (0.011*); and iii. banking expertise, price fairness, perceived value and relationship quality (0.018***). These findings imply that illiterate consumers lack expertise and hence, they have lower motivation to encounter the risks of switching mortgages. Additionally, the affective factors have been found to strongly influence consumers to be averse to switching.

The findings also imply, however, that financially illiterate consumers' price fairness and value perception play a positive role in shaping their bank switching intentions. Chen et al. (2012) conclude that fairness perceptions play stronger role (than service quality) on financial consumers' satisfaction. Worthington and Devlin (2013, p. 297) have empirically established that Australian bank consumers put considerable importance on fairness aspects of financial services, especially on the fairness of service outcomes in exchange of price.

6.4.2.3.4 Effects of switching experience

The results of this thesis indicate that switching experience does not have any direct effect on mortgage consumers' propensity to switch. The variable, however, has significant indirect effects through four mediations (see Appendix E, Table E3-4): i. banking expertise (0.044^{**}); ii. banking expertise and relationship quality (0.008^*); iii. banking expertise, price fairness and relationship quality (-0.009^{**}); and iv. banking expertise, price fairness, perceived value and relationship quality (-0.005^{**}).

The mediation effect of expertise (and relationship quality) indicates that experienced consumers' familiarity with the switching process generally increases their bank switching propensity. Expert consumers' price fairness and value perception might, however, have negative influence on their switching intention, as the findings indicate. This may sound paradoxical, but it is consistent with the findings of Bell and Eisingerich's (2007) study, which evidences that expert consumers behave more loyal to their providers.

However, it can be argued that the propensity to switch only measures consumers' possible behaviour in foreseeable future. This intention is not the measure of actual behaviour (as the price insensitivity or calculative commitment is). The actual switching behaviour might be quite different when the time comes for mortgage consumers to act. For empirical evidence (as discussed in Chapter 2), Colgate's (1999) study found an actual bank switching rate of 4 per cent against the consumers' expressed switching intention of 15 per cent in New Zealand. Similarly, Danenberg and Sharp (1996) found that there was an actual switching rate of 2.6 per cent, as compared to the expressed switching intention of 9.6 per cent for South Australians. Nevertheless, the present finding is a positive indication of Australian mortgage industry competitiveness.

6.5 Implications for financial services marketing theory and practice

Concepts such as risk aversion, knowledge of inflation, time value of money that surround consumer awareness in behavioural finance are typically theory-driven. The

sophistication of marketing literature's tools and techniques in examining behavioural dimensions indicate that parameters related to financial illiteracy and familiarity/awareness of reforms can best be investigated using the lenses of services marketing. In this connection, the study objectives were:

- i. To investigate the legislative efficacy on bank consumers' switching intention and behavioural outcomes;
- ii. To examine the relationships between the antecedents and consequences of the service switching factors;
- iii. To develop a comprehensive model of service provider switching intention and other behavioural outcomes for Australian home-mortgage consumers (post-legislation).

In attaining the above objectives, the current study aims to make a strong contribution to academic research on the banking industry, as well as on banking industry practitioners. The study combines some important cross-disciplinary views of behavioural finance/economics and financial services marketing. The study of Australian home-mortgage industry is of particular importance considering the recent escalation of housing prices, and reduced affordability of consumers. However, despite the huge scope of research in the area and possibility of effective resolutions from marketing points of view, few attempts have been made by marketing researchers to contribute to the field, specially relating to financial reforms and their efficacy.

Thus, this thesis not only bridges the gap in the financial services literature, but will also enrich the views and thoughts of services marketing practitioners and policymakers, and have important strategic indications. This research also aims to benefit Australian bank consumers. The next discussion elaborates on the specific contributions of the thesis.

6.5.1 Theoretical implications

The appealing feature of this research is its holistic approach in analysing service consumers' switching behaviour. Considering the segment-specific characteristics of long-term home loan consumers, all possible relevant factors have been integrated into

the model. These factors are: i. familiarity with reforms; ii. purchase involvement; iii. financial illiteracy; iv. switching experience; v. banking expertise; vi. price fairness; vii. perceived value; viii. switching cost; ix. relationship quality; x. price insensitivity; xi. calculative commitment; and xii. propensity to switch. This research has in fact accounted for sixteen behavioural factors/ constructs. However, five first-order affective constructs (trust-in-integrity, trust-in-benevolence, satisfaction, affective commitment and affective conflict) have been grouped into one mega-construct (named ‘relationship quality’). Though this makes the final count of variables as twelve, the simultaneous analysis of such many relevant factors in a single framework is rarely noted in a service switching model. Despite this holistic approach, the model has proven to be parsimonious and a good fit for sample data. This indicates the high precision in depicting the inter-relationships of variables and overall model sophistication.

This thesis is the first marketing study to apply Greene’s Theory of Active Involvement (TAI) in modelling consumers’ service switching. While framing the constructs with the underlying concept in compliance with the TAI framework, it has identified three groups of antecedents active in consumers’ switching behavioural process: i. the primary knowledge factors; ii. other cognitive factors; and iii. affective factors. The model accounts for three possible behavioural outcomes from the said domains. These steps fully comply with the four-stage TAI framework. This model denotes the TAI’s indication of ‘immediate gain in knowledge/ comprehension’ at the beginning of the second phase (Greene 2013), through incorporating the construct named ‘banking expertise’. Combining cognitive and affective factors to predict the behavioural outcome is not new in marketing literature. However, the inclusion of multiple independent knowledge factors for improving consumers’ self-efficacy in modelling switching behaviour features the unique contribution of this research.

Familiarity with reforms is found to have significant positive influence on banking expertise and significant negative influence on consumers’ perception of switching costs, as expected. Purchase involvement is also found to have similar influence on these two variables. On the other hand, financial illiteracy is proved to have significant negative influence on expertise, though not much influence on consumers’ perceptions of switching costs. However, the impact of switching experience has also been found to be

significant in improving consumer expertise. Similar to expertise and switching costs, some other mediating factors are found to be of high importance in bank switching context. These are price fairness, value, and relationship quality. The thesis demonstrates that consumers' familiarity with reforms strongly improves their value and relationship quality, in addition to their expertise.

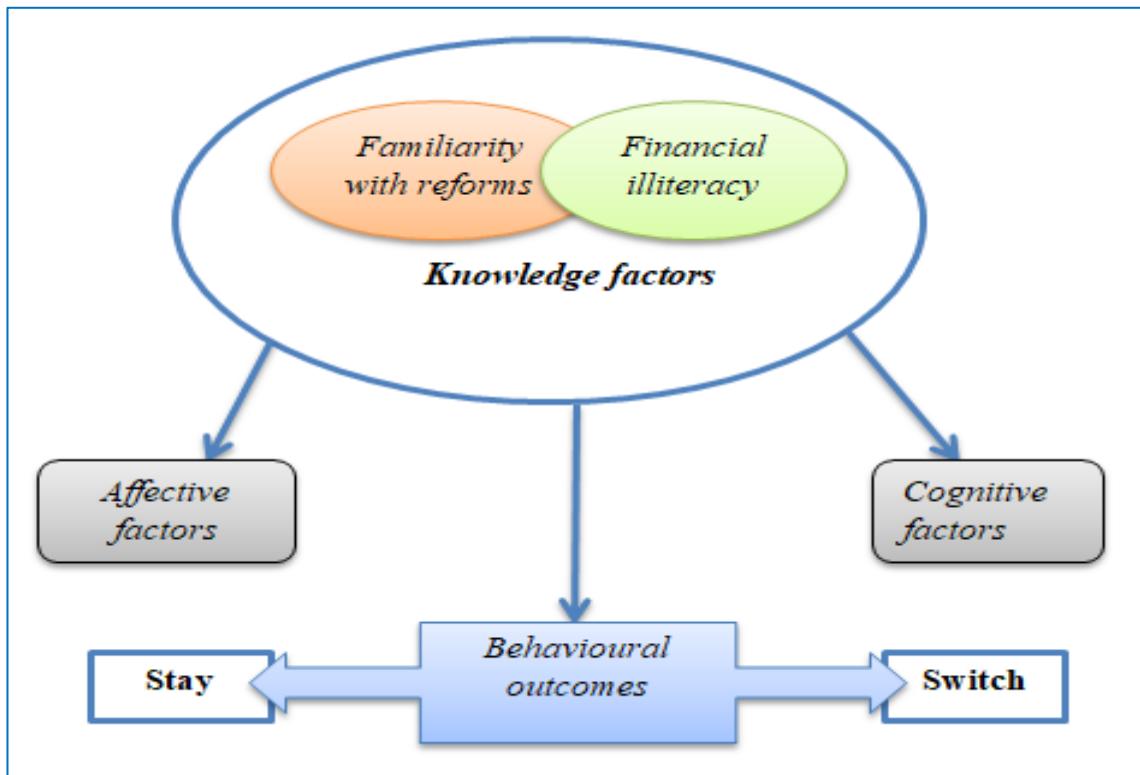
Moreover, consumers' price fairness and relationship quality is found to be strongly influenced by banking expertise. Expertise and relationship quality appear to have a strong influence on the switching behavioural outcomes. Most interestingly, purchase involvement is found to have direct and significant negative impact on price insensitivity. Though these findings are supported by the indications of past research (Bell & Eisingerich 2007, Chen et al. 2012; Dominique-Ferreira, Vasconcelos & Proen  a 2016; Worthington & Devlin 2013), no past research has particularly proved the significance of these relationships on consumers' switching behaviour.

Familiarity with reforms is found to have a direct impact on calculative commitment, although it appears to have no direct influence is found on price insensitivity and propensity to switch. It is worth noting, however, that financial illiteracy and high perception of switching cost strongly (and positively) contributes to consumers' price insensitivity, as identified by the study. Moreover, illiteracy is found to impact strongly on all three components of the behavioural outcomes studied in this research. The overall findings indicate that banking expertise has a strong negative influence on mortgage consumers' relationship quality and subsequent switching/ staying decision (such as, price insensitivity and propensity to switch). This indicates the importance of the key knowledge constructs developed by this research, both of which shape bank consumers' expertise.

This research has proven that reforms help to conceptualise the required knowledge in developing consumer expertise in banking of mortgage products, whereas illiteracy does have the reverse effect. These primary knowledge factors have a considerable impact on financial consumers' informed choice making of banks. This postulation has been proven throughout the findings of this research. Hence, 'familiarity with reforms' and 'financial illiteracy' are the two key areas of contribution to knowledge. In signifying the

importance of these constructs, Figure 6.2 depicts the influence of the key constructs (familiarity with reforms and financial illiteracy) on the other switching factors investigated in this study.

Figure 6.2: Importance of familiarity with reforms and financial illiteracy



In light of the past studies undertaken by Inakura and Shimizutani (2010), and based on the familiarity scales of past marketing research (i.e., Oliver & Bearden 1985; Martin & Stwert 2001; Martin, Stwert & Matta 2005), this study has developed the measurement scale for ‘familiarity with reforms’. Similarly, the scale of ‘financial illiteracy’ has been developed in light of the study of Disney and Gathergood, (2013), and in combination with the knowledge scale of Laroche et al. (2005). The uni-dimensionality, internal consistency, reliability and validity of these scales have been ensured and proved throughout the scale purification procedures. With regards to services marketing, these scales are a major contribution made by this research.

It can be concluded that this research has effectively modelled the mortgage consumers’ propensity to switch and other behavioural outcomes; the inter-relationships of associated variables are depicted in the model with precision, where two new constructs demonstrate

their key roles in predicting the behavioural intention and outcomes. All the four independent knowledge factors (familiarity, involvement, illiteracy and switching experience) seem to have strong indirect and total impact on price insensitivity (i.e., the extreme-end loyal behaviour), which is an under-researched area in services marketing. Financial illiteracy and familiarity with reforms is proven to have an extremely strong impact (direct and indirect- respectively) on consumers' calculative commitment. In addition, purchase involvement seems to have similar strong impact on price insensitivity (direct, indirect and total impact) and propensity to switch (indirect and total impact). Though familiarity with reforms does not show any notable (direct or indirect) impact on consumers' switching propensity, it contributes to the behavioural outcomes through the important switching mediators, such as expertise, switching cost, value, and relationship quality. Finally, financial illiteracy has been showed to have a strong direct (positive) as well as indirect (negative) impact on consumers' price insensitivity and propensity to switch, in addition to having a strong positive impact on calculative commitment. These relationships are the key theoretical contributions of this research.

The research findings might be generalisable to other consumer services industry which have similar distinctive characteristics (such as, long term contractual obligations and high financial exposures) similar to that in the home-mortgage industry. Examples of such are service offerings of the telecommunications industry, investment banking services, insurance services and financial planning services.

6.5.2 Practical implications

The findings with respect to theoretical relationships of various switching factors stated in the earlier section relate to the Australian home-mortgage industry, which comprises a significant segment, i.e., 89.4% (see MarketLine 2015, p. 7) of the overall market value of the retail lending industry. These findings indicate the extent of efficacy of the industry reforms on pertinent beneficiaries. Hence, the implications of the study findings relate to the policymakers, bank management and financial consumers of Australia. These implications are discussed next.

6.5.2.1 Implications for policy makers

Initially, the familiarity (with reforms) construct was operationalised using seven items, all of which could not be retained. Four items proved to be irrelevant, while the analysis proceeded through EFA and CFA. Surprisingly, the retained items were only those that relate to the ‘home-loan key fact sheet’ containing comparable information on rates and fees for informed decision on re/purchase versus switch. The requirement of this ‘key fact sheet’ is mandated by the 2010 reforms with which financial institutions need to comply. This provides important insight regarding the construct in context of bank consumers. Elimination of the four items through factor analysis reveals that consumers cannot be expected to become familiar with the reforms through the media information or website (www.bankingreforms.gov.au), as and when the reforms are legislated. Rather, it is the set mechanisms in the banking system (such as the mandatory ‘loan key fact sheet’), that works towards making them familiar with the changes brought by the reforms. Hence, the fact sheets are proved to be the key to consumers’ home-loan switching and acting as the means to real efficacy of the reforms. It can be concluded that further enrichment of the fact sheets or similar reformative mandates in the loan purchase process may improve the competitive condition in the consumer lending industry.

This research perceives the cost categories (Mathews, Moore & Wright 2008) influenced by the switching reforms are: i. learning costs (cost involved with being familiar with the new bank, its products and systems); ii. search costs (cost involved with finding out the best suitable alternative); iii. monetary loss (fees or penalties for discontinuation of a service and charges for availing a new service); iv. hassle (inconvenience of making a change); and v. service disruption (possibilities of a payment or receipt to be missed or delayed in switching phase).

Banning the exit fee prevents the monetary loss of mortgage switching. The reforms also ensure prevention of re-badging of such fees under alternative cost heads aiming to recover the customers’ defection costs. In this purpose, ASIC (Australian Securities and Investment Commission) has been empowered for pursuing any bank, whenever it finds a fee that is ‘*unconscionable*’ under the definition of ‘*Government’s new national Credit Code*’ (Treasury 2010, p. 7). A central repository has been introduced which empowers

all mortgage holders to prevent loss during refinancing in the form of mortgage discharge and re-establishment costs. All of these measures are aimed to prevent monetary loss, inconvenience and service disruption in certain ways. Most importantly, the reforms reduce the learning cost and search costs for consumers' switch by mandating the requirement of 'home-loan key fact sheets'. Additionally, a one-page fact sheet on Lenders' Mortgage Insurance/ LMI (mandated in June 2012 as part of the reforms) also helps consumers understand the costs and benefits of mortgage insurance. The targeted benefits of the fact sheets are explained in the reforms package as:

When considering a home loan offering, or comparing home loans, consumers are currently faced with a large amount of information that they often find difficult to understand. This initiative will enhance consumer empowerment by improving transparency and standardising terminology between products, to assist consumers to better understand and compare information, and make more informed choices and appropriate product selections (Treasury 2010, p. 10).

The findings related to familiarity with reforms' positive influence on banking expertise, and negative influence on switching cost support that the policy aims have attained efficacy in facilitating consumers' informed decision making, through building financial expertise and reducing switching costs. Hence, it is apparent that reforms have influence on improving consumers' empowerment for informed decision making and reducing consumers' cost/ risk perceptions for increased switching intention. The findings are also indicative of Australian banking industry's efficiency and competitiveness to some extent.

6.5.2.2 Implications for bank management

Levy and Hino (2016) emphasise the importance of developing brand based emotional attachment for strengthening relationship bonds in modern bank consumers, who lack adequate financial knowledge and trust on their providers and hence exhibit increased switching intention. Though the majority findings of this research support that reforms have contributed in minimising switching costs, however some dimensions of switching cost are beyond the scope of the (2010) reforms. The sunk cost of mortgages (which is the loss of the idiosyncratic investment value) might have some impact on consumers'

risk perception and calculative commitment. This is probably reflected in the strong positive relationship of switching costs with calculative commitment.

In addition to sunk costs, there are other forms of perceived switching costs which might play important roles on consumer switching, such as cost of perceived ‘benefit loss’ (loss of reward points or loyalty discounts) and ‘relationship loss’ (such as personal relation or brand relation) with a particular bank. These costs are above the reforms’ influence and hence, have implications for bank management. The banks can initiate strategic measures to mitigate such switching costs by strengthening loyalty programs, and developing branding and relationship marketing strategies in order to retain their consumers in the long run.

The simultaneous positive influence of financial illiteracy on calculative commitment and propensity to switch indicates Australian consumers’ lack of relationship stability with banks. It reveals that the mortgage consumers are spuriously loyal and they intend to switch on the next best suitable occasion, due to their ‘hard locked-in’ obligations of long-term contracts. Moreover, the Australian Government emphasises that the transaction account portability is complementary to the consumer empowerment for mortgage switching. In support of this claim, Treasury explains:

Many bank customers hold their savings in a deposit account with the same bank as they have their home loan, so the inconvenience of moving their deposit account also acts as a significant barrier to moving their mortgage (2010, p. 8).

Thus, though transaction account portability has the potential to simultaneously reduce the service disruption and inconvenience of mortgage switching, Australian consumers are yet to receive the full benefits. Hence, illiterate consumers’ high calculative commitment coupled with their high intention to switch banks in the foreseeable future is a sign of ‘grudge holding’ behaviour (Bunker & Ball 2008; Malhotra & Malhotra 2013) due to negative switching barriers that are still existing in the financial industry. Australian consumers still need to pay their old bank a fee known as ‘solicitor’s fee’ for mortgage refinancing settlement. Moreover, early repayment adjustment cost (for the remaining term/s of a fixed interest rate loan) is still applicable to the borrowers of the

fixed rate home loans. Such forms of negative switching costs induce consumers' future intention for retaliation (Bunker & Ball 2008; Malhotra & Malhotra 2013) who find themselves as 'victims' of punitive contracts. In this regard, Malhotra and Malhotra write:

A company may keep the customer the first time around with an unreasonable contract length, but when the initial contract expires, the (...) service provider will see a backlash from imposing an unreasonable initial contractual length and/or adding punitive monetary penalties for breaking the contract (2013, p. 21).

Hence, for long term retention of financial consumers, bank management should take initiatives in removing unreasonable terms/ conditions from the mortgage contracts. In addition, transparency and clarity in communicating financial information can improve consumers' understanding of the terms and conditions prior to binding themselves into long term loan contracts. Banks' initiatives in improving their consumers' financial literacy can ensure added advantage of relationship stability.

The significant positive link found between relationship quality and price insensitivity has the potential to bring increased profitability, as the banks can still retain their loyal consumers while increasing the price. The strong role of price fairness and value in mortgage consumers' decision-making process is also important. As long as the consumers perceive their providers as fair in pricing, the increase in service prices would not affect the value and relationship quality, as ascertained further by the present findings.

Moreover, bank management can focus more to capitalise on the price bundling strategy as discussed earlier. Such strategies facilitate cross-selling of other retail banking products to mortgage consumers while ensuring consistent price perceptions, value, and long-term relationships. Positive effect of expertise on mortgage consumers' value and price fairness perceptions reveal positive implications for promoting consumer education in personal finance. However, the strong negative influence of expertise on relationship quality implies that the bank management should aim to maintain optimum level of relationship quality with its expert and sophisticated (financially educated) consumers.

6.5.2.3 Implications for consumers

From the perspective of consumers, the findings of this study demonstrate that financial consumers need to increase their level of involvement in the purchase process by searching for relevant information and making comparison of rates and fees of different banks, while dealing with the home loans. Information explored throughout the purchase process can provide them with confidence in decision making process and reduce their risk perception for better choice making. Consumer involvement during the purchase process has proven to be critical to industry competitiveness and consumer empowerment, as involvement can reduce information asymmetry.

The most important area for Australian individuals as well as for the policymakers and institutions is, however, financial illiteracy. This variable seems to have a strong impact on important behavioural mediators and outcomes. As proven by the present findings, expertise being an important switching variable is negatively affected by illiteracy. Due to its enormous impact in the context of the financial industry, individuals must make an effort to improve their literacy status. No policy can have the desired impact on consumer empowerment without individual effort. Financial institutions (as well as the regulators) can also play positive roles in promoting measures to reduce their consumers' financial illiteracy.

6.6 Study limitations and directions for future research

This research on consumer switching is a cross sectional study, motivated by the 2010 reforms on bank switching and resulting industry changes. Such research on policy reforms could bring the best outcome had it been studied longitudinally. Looking at the first objective of this thesis (that is, to examine the legislative influence of the reforms), it seems that the study or comparison of the pre-reform switching perceptions and post-reform switching outcomes could help to ascertain the changes in the industry scenario in more real terms. Switching is a behavioural process, and in the consumer financial services context it is further complicated and is apparently benign until it is detected. As loyalty takes time to develop, similar is dis-loyalty and switching, industry regulations

cannot provoke switching overnight where sound relationship contexts exist. The components of loyalty or switching also vary over the time (Johnson, Herrmann & Huber 2006). In such a state, longitudinal study would have been a more dynamic mechanism in identifying the constructs that affect much the financial consumers' switching process. A longitudinal study is able to take account of length, breadth and depth of relationship in measuring the effects (Bolton, Lemon & Verhoef 2004). Hence, future research in this area may take a longitudinal approach to study switching variables at different points of time and more clearly ascertain the efficacy of banking reforms.

The second limitation is the non-generalisability of the findings. This study focuses specifically on Australian home-mortgage consumers; the reforms are typical to the country's financial industry. Hence, these findings are not generalisable to the context of similar other developed economies, let alone to the developing economic scenarios. Though countries such as UK and USA have also taken measures to facilitate consumer switching (Pick 2014), they are more matured economies and affected more by the major impacts of global financial crisis (Worthington & Devlin 2013). Worthington and Devlin (2013) establish that the score of UK consumers' fairness index of their banks is poorer than the same index score of the Australian consumers. Similarly, the typical mortgage consumers of USA might be expected to exhibit lower level of trust and higher level of switch-prone behaviour, as compared to the behavioural tendencies of typical Australian consumers, due to their experience of sub-prime mortgage industry failure in the crisis times. Worthington and Devlin provide further clarification to this point:

Australia has a much healthier economic outlook and this no doubt influences customers' perceptions of their financial service providers. Nonetheless, notwithstanding the fact that international comparisons should be drawn with a degree of caution, it appears that Australian customers in general perceive that they are getting a far fairer deal from their FSIs than their UK counterparts (2013, p. 299).

This indicates that there is scope for country specific research on switching reforms' impact on behaviour, and then comparing the results across the industries. Research providing comparative scenarios may depict the differences in motivations of consumer switching in different economies. This may further enhance the scope for improving

Australian banking industry-competitiveness by providing indications for key changes. Additionally, this research has considered the characteristics of mortgage consumers in modelling the behaviour and explaining the related findings. This is a typical segment of financial consumers which differ from other consumer banking segments (Beckett, Hewer & Howcroft 2000), such as credit cards and current accounts. Therefore, an alternative research model can be developed with the variables that relate more with the characteristics of the other consumer segments.

Another important limitation of this research is the use of several knowledge variables, which opens the possibility of overlapping of constructs. Maximum caution, however, has been taken to clearly define each construct and in ensuring the unique features of each. Through the application of EFA and CFA, it has been ensured that none of the items are cross-loaded in the model. Despite the fact, future research may consider only the key knowledge variables to capture the effects of regulations on behavioural outcomes. Most importantly, the unidirectional modelling of the relationship variables does not depict the realistic picture of the constructs, when these are expected to have two way effects on provider-consumer relational exchanges (Czepiel 1990; Levin 2011). Such limitations might also be avoided in future research.

The methodological limitations also cannot be overlooked. The research has used an online survey platform that has limited the participation to only those Australians who have access to knowledge about computers, as well as access to the internet. The overall Australian population are not 100 per cent adaptable to information technology. Moreover, the demographic analysis of the sample respondents indicates that the age, income and state location profiles of the respondents were not representative of the Australian population in every aspect. For example, the respondents' location data for New South Wales and Victoria deviated from the Australian population data (see Chapter 5). These, however, went beyond the researcher's control in the present context, since the survey was controlled by a third party (research firm). Future studies of a similar kind might consider how to address these limitations.

Finally, the present research has tried to be holistic in its approach. As a result, the model presented has become very complex in depicting the relationships of relevant variables.

It has taken a great deal of time and effort to analyse a model with such complexity—having twenty-nine direct relationships and eighty-three indirect relationships, though all of these did not appear to be significant.

In future research, a greater exploration of the mediating variables (such as expertise, value, price fairness) and/ or the affective variables (such as satisfaction, trust, commitment and conflict) can be accomplished. Further to this, importance of the switching cost dimensions cannot be ignored. For each dimensionality of switching costs, the findings of this research might have distinct implications. Hence, future research could ascertain the components of switching costs that are much impacted by the sectoral reforms, and indicate the cost components that deserve further attention of policy makers. Future researchers could also consider Australian consumers' brand involvement and inertia against switching banks in context of the industry reforms, which is probably where the bank managements can capitalise on.

6.7 Conclusion

This thesis has provided a detailed picture of the Australian mortgage consumers' bank switching intention and relevant behaviour in a comprehensive approach. It has provided a critical review of relevant literature throughout the chapters and has contributed to fill out some interesting research gaps identified in light of a contemporary issue (i.e., 2010 banking reforms) in the Australian financial industry.

The research gaps were identified in terms of two areas: i. familiarity with (switching) reforms as a contributory factor of bank switching intention/ behaviour, and ii. influence of financial illiteracy on consumers' banking expertise and switching intention/ behaviour. The overarching research question involved exploring these knowledge factors (such as, familiarity with reforms, financial illiteracy) leading to consumers' banking expertise with the aim of modelling consumers' mortgage switching intention/ behaviour in Australia.

Though, several models and theories have contributed to the development of the proposed model, however, the Theory of Active Involvement (TAI, Greene 2013) has been conceptualised as the underpinning theory. Progressing further beyond the areas of Theory of Reasoned Action (TRA, Fishbein & Ajzen 1975), Theory of Planned Behaviour (TPB, Ajzen 1985, 1991), and RM (relationship marketing) concepts, this research takes the support of TAI in framing out the switching reforms' influence to improve consumers' self-efficacy in making informed financial decisions. Thus, the research has contributed to services marketing knowledge by creating an example of incorporating this theory (TAI) in modelling switching intention/ behaviour, in addition to its contribution in developing two new constructs in services marketing literature, namely: familiarity with reforms and financial illiteracy.

The research hypotheses were drawn from the arguments that had appeared in relevant literature, which were then embedded in the proposed model. Out of 19 hypotheses proposed, 14 were found significant which sustained through rigorous analytical procedure of Structural Equation Modelling (SEM). Further to this, ten more direct relationships were explored in the saturated model. All the indirect relationships were taken into analytical consideration, and established forty-four significant indirect relationships. Considering the complexity of the analysis inherent in the holistic approach, the findings are overwhelming in the context of a single research.

The results of this study suggest that familiarity with reforms and financial illiteracy have played significant roles in predicting mortgage consumers' behavioural intentions and outcomes, either directly or indirectly. Though familiarity with reforms does not show any notable direct impact on the behavioural outcomes (except on calculative commitment), it seems to have impacted strongly on the mediating variables, such as expertise, switching cost, value and relationship quality. The mediation impacts of expertise and price fairness have been found to be crucial for bank consumers' behavioural outcomes.

Overall, it has been observed that though switching cost shapes mortgage consumers' calculative commitments, it has no significant influence in mediating familiar (with reforms) consumers' price insensitivity and future propensity to switch mortgages. This

is a positive sign for the Australian banking industry. The study has therefore revealed the contribution made by switching reforms towards the banking industry; and adds value by adding a variable related to banking regulations. This research also reveals the strong negative impacts of financial illiteracy on banking expertise, which reduces industry competitiveness through increased price insensitivity and calculative commitment. Moreover, consumers' financial illiteracy is found to induce propensity to switch banks, which impedes the financial industry stability. Drawing upon the relationship of familiarity with reforms and financial illiteracy with other crucial variables, this thesis indicates the importance of these variables in consumers' bank switching decision.

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APPENDICES

APPENDIX A: Ethics Clearance

SHR Project 2014/118 - Ethics clearance

Astrid Nordmann

Sent: Monday, 2 June 2014 9:26 AM

To: Antonio Lobo

Cc: RES Ethics; Julian Vieceli; Nusrat Sharmin; Omar Bashar

To: Dr. Antonio Lobo, FBE

**SHR Project 2014/118 Switching behaviour in Australian Banking Industry:
Implications of switching reforms on household switching behaviour**

Dr Antonio Lobo, FBE

Student: Nusrat Sharmin

Dr. Julian Vieceli, Dr. Omar Bashar

Approved duration from 02/06/2014 to 30/06/2016 [adjusted]

I refer to the ethical review of the above project protocol by a Subcommittee (SHESC2) of Swinburne's Human Research Ethics Committee (SUHREC). Your responses to the review, as per the email sent on 02 June 2014, were put to the Subcommittee delegate for consideration.

I am pleased to advise that, as submitted to date, the project may proceed in line with standard on-going ethics clearance conditions here outlined.

- All human research activity undertaken under Swinburne auspices must conform to Swinburne and external regulatory standards, including the current *National Statement on Ethical Conduct in Human Research* and with respect to secure data use, retention and disposal.
- The named Swinburne Chief Investigator/Supervisor remains responsible for any personnel appointed to or associated with the project being made aware of ethics clearance conditions, including research and consent procedures or instruments approved. Any change in chief investigator/supervisor requires timely notification and SUHREC endorsement.
- The above project has been approved as submitted for ethical review by or on behalf of SUHREC. Amendments to approved procedures or instruments ordinarily require prior ethical appraisal/clearance. SUHREC must be notified immediately or as soon as possible thereafter of (a) any serious or unexpected adverse effects on participants any

- redress measures; (b) proposed changes in protocols; and (c) unforeseen events which might affect continued ethical acceptability of the project.
- At a minimum, an annual report on the progress of the project is required as well as at the conclusion (or abandonment) of the project. Information on project monitoring, self-audits and progress reports can be found at:

<http://www.research.swinburne.edu.au/ethics/human/monitoringReportingChanges/>

- A duly authorised external or internal audit of the project may be undertaken at any time.

Please contact the Research Ethics Office if you have any queries about on-going ethics clearance. The SHR project number should be quoted in communication. Researchers should retain a copy of this email as part of project recordkeeping.

Best wishes for the project.

Yours sincerely,
Astrid Nordmann
SHESC2 Secretary

Dr Astrid Nordmann
Research Ethics Executive Officer
Swinburne Research (H68)
Swinburne University of Technology
PO Box 218, Hawthorn, VIC 3122
Tel: +613 9214 3845
Fax: +613 9214 5267
Email: anordmann@swin.edu.au

APPENDIX B: Research Information Statement

SWINBURNE UNIVERSITY OF TECHNOLOGY Faculty of Business and Enterprise

Research Information Statement

Title of study: Switching Behaviour in Australian Banking Industry: Implications of Switching Reforms on Household Switching Behaviour.

Dear Participant,

This survey research is being undertaken by a PhD candidate Nusrat Sharmin, student of the Business School of Swinburne University of Technology, Melbourne, Australia. This study aims to explore the efficacy of bank switching reforms (framed out by Australian Government in December 2010) which enables Australian household bank customers to switch their Home Mortgage and Linked (Credit Card and/ or Transaction) Accounts.

The Australian Government introduced banking reforms in December 2010 to make bank switching easier for you (www.bankingreforms.gov.au). So far as switching is concerned, these reforms relate to Home Mortgage, Credit Cards and Transaction Accounts. From July 1, 2011 onward, 'mortgage exit fees' applied by banks/ financial institutions (FI) have been banned, when you want to switch your home mortgage provided that your contract started on/ after this date.

The mortgage switching reforms also introduced a mandatory 'key fact sheet' to be provided by the banks/ financial institutions upon your request (from January 1, 2012 for home loans, and from July 1, 2012 for credit cards). This fact sheet is a standardised layout of information for a loan (under consideration) and personalised for each customer according to Government-prescribed pro-forma. It helps your switching decision by enabling comparison of the important attributes (apple-to apple) of each home loan/ card loan of different banks/ financial institutions.

Account switching reforms relate to Transaction Accounts, legislated on 1 July 2012. When implemented in real terms, it will allow Australian bank customers easy portability of everyday transaction accounts from one bank/FI to another. You will be able to choose from your regular direct debits and credits to switch to the new bank account, by only signing an authorization form for the new bank/ FI. There will be no hassle for you and everything will be arranged by your chosen new Bank/ FI.

We request you to participate in this survey as it will benefit Australian Household Bank Customers like you who have home mortgages and linked (credit card and/ or transaction) accounts with various Banks/ financial institutions. A large volume of research has been done on switching of financial service providers, but none of these have addressed the issue of how switching related reforms and customers (financial) awareness can interrelate with other factors in contributing towards bank switching or intentions to switch. If you can answer each question which follows with your careful consideration, we envisage that it would take approximately 20 minutes to complete.

The outcome of the study will be published in a PhD Thesis and scholarly papers/ academic journals, and it is expected that the results of this research will be used by relevant authorities to ensure more informed and independent decision making by Australian household bank customers for higher level of satisfaction in banking deals. We appreciate your willingness to complete this questionnaire.

Completion of this survey is taken as your 'Informed Consent' to participate in this research. 'Informed Consent' means that:

- All questions about the research have been answered to your satisfaction.
- Your participation in the research is voluntary and you may withdraw at any time.
- This survey is strictly anonymous and your responses will be kept confidential and only aggregated results (not individual responses) will be mentioned in the research output.

This survey is purely for academic research, and is completely independent of any commercial interests. If you wish to participate in this survey, you will find the link to it at the end of this email.

Data security is ensured. All data collected and analysed will be stored in a password protected computer and USB drive, and also will be locked (the USB) in a filing cabinet, in accordance with Swinburne University's Policy on the Conduct of Research.

If you have any questions, or would like to know about the aggregate findings, please contact:

Principal Investigator: Assoc. Prof. Antonio Lobo, Faculty of Business and Enterprise, Swinburne University of Technology, PO Box 218, Hawthorn, VIC 3122, Australia or email alobo@swin.edu.au.

Or

Co-ordinating Investigator: Dr. Julian Vieceli, Senior Lecturer, Faculty of Business and Enterprise, Swinburne University of Technology, PO Box 218, Hawthorn, VIC 3122, Australia or email jvieceli@swin.edu.au

Or

Student Investigator: Nusrat Sharmin , Faculty of Business and Enterprise, Swinburne University of Technology, PO Box 218, Hawthorn, VIC 3122, Australia or email nsharmin@swin.edu.au.

This project has been approved by or on behalf of Swinburne's Human Research Ethics Committee (SUHREC) in line with the National Statement on Ethical Conduct in Human Research. If you have any concerns or complaints about the conduct of this project, you can contact:

Research Ethics Officer, Office of Swinburne Research (H68), Swinburne University of Technology, PO Box 218, Hawthorn, VIC 3122, Australia.

Tel: (03) 9214 5218 or resethics@swin.edu.au

Assoc Prof Antonio Lobo

Dr Julian Vieceli

Dr Omar Bashar

APPENDIX C: Survey Instrument

A SURVEY OF BANK CONSUMERS' RELATIONSHIP WITH THEIR FINANCIAL INSTITUTION

This research survey seeks to examine your experiences and relationship with a bank or financial institution (FI) in which you have a Home Loan and Offset/ Repayment Account. Please answer the following questions based on your knowledge and experience. There are no right or wrong answers. Your responses will be kept strictly confidential. No individual responses will be included in the research outputs, and only aggregated results will be reported.

There are three (3) sections of this survey. ‘Section A’ comprises of the majority of the items which deal with you and your bank. ‘Section B’ seeks to obtain general details about your exposure with banks. ‘Section C’ seeks to obtain your generic demographic profile.

SECTION A: YOU AND YOUR BANK

Please indicate the extent to which you agree with the statements. Selecting **1** means that you **strongly disagree** with the statement and selecting **7** means that you **strongly agree**. You may select any of the numbers in between to indicate the strength of your agreement. There are no right or wrong answers – all we are interested in is a number that best represents your experiences with your bank/financial institution while using their services in relation to **only** your **Home Loan and Offset/ Repayment Accounts**.

When responding to the statements below, please focus on your experiences related **only** to your **Home Loan and Offset/ Repayment Account** with your **Main Bank**. The term ‘Bank’ includes any financial institution (such as banks, credit unions, finance companies, etc.).

BANK SWITCHING REFORMS AND YOUR FINANCIAL AWARENESS

FAR	FAMILIARITY WITH REFORMS	Strongly Disagree		Neutral			Strongly Agree	
		1	2	3	4	5	6	7
1	I consider myself informed about the 2010 banking reforms related to Home Loans and bank accounts.							
2	I am familiar with the website (www.bankingreforms.gov.au) which explains consumer benefits of the new banking reforms.							
3	I am aware that no ‘Exit Fee’ applies if I switch my mortgage from 1 July 2011.							
4	I am aware that I can easily switch my home mortgage with the linked accounts.							
5	I am aware that I can ask for a ‘Home Loan Key Facts Sheet’ when I consider a new/ prospective loan.							
6	I am familiar with the ‘personalised comparison rate’ which appears on the Loan Facts Sheet to help me compare rates and fees of Home Loans offered by different banks.							
7	I am aware that the Home Loan Facts Sheet provides key information on required repayments which I can compare for similar loans offered by other banks.							

PIN	PURCHASE INVOLVEMENT	Strongly Disagree		Neutral			Strongly Agree	
8	I constantly compare the rates and fees offered by various banks.	1	2	3	4	5	6	7
9	I have considered many banks before I opened my Home Loan and Offset/ Repayment accounts with the current bank.	1	2	3	4	5	6	7
10	I compared the rates and fees of several banks before I selected my current bank.	1	2	3	4	5	6	7
11	Prior to applying for Home Loan (and Offset/ Repayment account) with my current bank, I have discussed my choice with family and friends.	1	2	3	4	5	6	7
12	After deciding on my current bank, I have compared my bank with other banks.	1	2	3	4	5	6	7
13	After deciding on my current bank, I have weighed the pros and cons of my choice.	1	2	3	4	5	6	7
FIL	FINANCIAL ILLITERACY	Strongly Disagree		Neutral			Strongly Agree	
14	In general, my knowledge of finance is not very strong.	1	2	3	4	5	6	7
15	Compared with my friends and acquaintances, my knowledge of finance is weaker.	1	2	3	4	5	6	7
16	Compared with experts in the area, my knowledge of finance is weak.	1	2	3	4	5	6	7
17	I don't have much experience in making financial decisions.	1	2	3	4	5	6	7
18	When I am shown information about a financial product such as a home loan, I am not confident that I understand the total amount I would need to repay.	1	2	3	4	5	6	7
19	Financial services are complicated and confusing to me.	1	2	3	4	5	6	7
20	I don't feel interested in reading the personal finance pages in the press/ browsing news releases on finance & banking.	1	2	3	4	5	6	7
SWE	SWITCHING EXPERIENCE	Strongly Disagree		Neutral			Strongly Agree	
21	I have tried the services offered by other banks.	1	2	3	4	5	6	7
22	I am familiar with the quality of service that other banks offer.	1	2	3	4	5	6	7
23	My experience with other banks is quite a lot.	1	2	3	4	5	6	7
24	I have switched between banks a lot.	1	2	3	4	5	6	7
25	I try other competing banks very often.	1	2	3	4	5	6	7
26	I have tried many competing banks in the last two years.	1	2	3	4	5	6	7
BEX	BANKING EXPERTISE	Strongly Disagree		Neutral			Strongly Agree	
27	I consider myself well informed about banks and their financial products in the category of Home Loans and Offset/ Repayment accounts.	1	2	3	4	5	6	7
28	I consider myself knowledgeable about banks' service related to Home Loans (and Offset/ Repayment accounts).	1	2	3	4	5	6	7
29	I feel very confident in my ability to tell the differences in quality of services (related to Home Loans and Offset/ Repayment accounts) between different banks.	1	2	3	4	5	6	7

BEX	BANKING EXPERTISE (continued from previous page)	Strongly Disagree		Neutral			Strongly Agree	
30	The information search I have performed in making decision on my Home Loan (and Offset/ Repayment account) is very thorough.	1	2	3	4	5	6	7
31	If I had to apply for a Home Loan (and Offset/ Repayment account) today, I would need to gather very little information in order to make a wise decision.	1	2	3	4	5	6	7
32	If my friends asked me about Home Loans (and Offset/ Repayment accounts) of different banks, I could give them advice.	1	2	3	4	5	6	7
33	I can readily identify my preferred bank for Home Loan (and Offset/ Repayment account) from other banks.	1	2	3	4	5	6	7
34	I keep current on the most recent developments in Home Loans (and Offset/ Repayment accounts).	1	2	3	4	5	6	7
35	I use my knowledge and expertise in Home Loans (and Offset/ Repayment accounts) to verify that advertising claims are, in fact, true.	1	2	3	4	5	6	7
36	My knowledge and expertise help me to understand the technical information about Home Loans (and Offset/ Repayment accounts) of various banks.	1	2	3	4	5	6	7
37	I can recall product -specific attributes of Home Loans (and Offset/ Repayment accounts).	1	2	3	4	5	6	7
38	I can recall brand-specific attributes of Home Loans (and Offset/ Repayment accounts) offered by different banks.	1	2	3	4	5	6	7

YOUR PERCEPTIONS AND EVALUATIONS ABOUT THE BANK

PRF	PRICE FAIRNESS	Strongly Disagree		Neutral			Strongly Agree	
39	The rates and fees of this bank are clear and understandable.	1	2	3	4	5	6	7
40	All customers are treated equally by the bank's rates and fees.	1	2	3	4	5	6	7
41	I think the rates and fees of this bank are based on costs.	1	2	3	4	5	6	7
42	The rates and fees of this bank are independent of customers' needs.	1	2	3	4	5	6	7
43	The terms of this bank are fair.	1	2	3	4	5	6	7
44	The repayment procedure of this bank is fair.	1	2	3	4	5	6	7
PVL	PERCEIVED VALUE	Strongly Disagree		Neutral			Strongly Agree	
45	For the time I spent in acquiring my Home Loan (and Offset/ Repayment account), I would say it is highly reasonable.	1	2	3	4	5	6	7
46	For the effort involved in acquiring my Home Loan (and Offset/ Repayment account), I would say it is very worthwhile.	1	2	3	4	5	6	7
47	For the rates and fees I pay for my Home Loan (and Offset/ Repayment account), I would say it is a very good deal.	1	2	3	4	5	6	7
48	I would rate my overall experience with this bank as extremely good value.	1	2	3	4	5	6	7

SWC	SWITCHING COST	Strongly Disagree		Neutral			Strongly Agree	
49	Generally speaking, the costs in time, money and effort to switch to another bank would be high.	1	2	3	4	5	6	7
50	Switching to a new bank will probably involve hidden costs/ charges.	1	2	3	4	5	6	7
51	I cannot afford the time/ effort to get the information to fully evaluate other banks' offer.	1	2	3	4	5	6	7
52	Comparing the benefits of my bank with the benefits of other banks is difficult and takes too much time/ effort, even if I have the information.	1	2	3	4	5	6	7
53	Switching to a new bank will probably result in some unexpected hassle.	1	2	3	4	5	6	7
54	There are a lot of formalities involved in switching to a new bank.	1	2	3	4	5	6	7
55	Switching my Home Loan (and Offset/ Repayment account) to a new bank would involve some up-front costs (set-up fees, deposits, exit fees, penalties for breaking the contract, etc.).	1	2	3	4	5	6	7
56	I will lose the benefits of being a long-term customer if I leave my bank.	1	2	3	4	5	6	7
57	Getting used to how another bank works would not be easy.	1	2	3	4	5	6	7
58	I am more comfortable interacting with the people working for my bank than I would be if I switched banks.	1	2	3	4	5	6	7
59	I like the public image of my bank.	1	2	3	4	5	6	7
60	Overall, I would spend a lot and lose a lot if I switched my bank.	1	2	3	4	5	6	7

YOUR RELATIONSHIP QUALITY WITH YOUR BANK

RQ	RELATIONSHIP QUALITY							
TIN	TRUST IN INTEGRITY	Strongly Disagree		Neutral			Strongly Agree	
61	Most of what my bank says about its financial services is true.	1	2	3	4	5	6	7
62	If my bank makes a claim or promise about its service, it's probably true.	1	2	3	4	5	6	7
63	In my experience, my bank is very reliable.	1	2	3	4	5	6	7
64	I feel I know what to expect from my bank.	1	2	3	4	5	6	7
TIB	TRUST IN BENEVOLENCE	Strongly Disagree		Neutral			Strongly Agree	
65	My bank is interested in more than just selling me its products/ services and making a profit.	1	2	3	4	5	6	7
66	There are no limits to how far my bank will go to resolve a service problem that I may have.	1	2	3	4	5	6	7
67	My bank is genuinely committed to my satisfaction.	1	2	3	4	5	6	7
68	I can count on my bank in considering how its actions affect me.	1	2	3	4	5	6	7

SAT	SATISFACTION	Strongly Disagree		Neutral			Strongly Agree	
69	I am happy with my decision to use the services of this bank.	1	2	3	4	5	6	7
70	My choice of bank was a wise one.	1	2	3	4	5	6	7
71	I feel good about my decision to use the services of this bank.	1	2	3	4	5	6	7
72	Taking everything into consideration, I feel the service I receive from my bank is better than the service of any other bank.	1	2	3	4	5	6	7
ACM	AFFECTIVE COMMITMENT	Strongly Disagree		Neutral			Strongly Agree	
73	I feel "emotionally attached" to my bank.	1	2	3	4	5	6	7
74	I feel like "part of the family" with my bank.	1	2	3	4	5	6	7
75	I feel a strong sense of "belonging" to my bank.	1	2	3	4	5	6	7
76	I take pleasure in being a customer of my bank.	1	2	3	4	5	6	7
ACF	AFFECTIVE CONFLICT	Strongly Disagree		Neutral			Strongly Agree	
77	I feel friction in the relationship with my bank, which is not "just a part of doing business".	1	2	3	4	5	6	7
78	I feel annoyed with my bank.	1	2	3	4	5	6	7
79	I feel frustrated with my bank.	1	2	3	4	5	6	7
80	I am angry with my bank.	1	2	3	4	5	6	7

HOW YOU FEEL ABOUT BANK SWITCHING

PRI	PRICE INSENSITIVITY	Strongly Disagree		Neutral			Strongly Agree	
81	When the services I usually use at my bank 'X' are charged less at another bank 'Y', I do not go to bank 'Y.'	1	2	3	4	5	6	7
82	I am not willing to go to another bank that offers more attractive rates or price discounts.	1	2	3	4	5	6	7
83	I am willing to pay higher rates and fees than other banks charge for the same service/benefits I currently receive from my bank.	1	2	3	4	5	6	7
84	If my current bank were to raise the rates and fees related to my Home Loan and Offset/ Repayment accounts, I would still continue to be a customer of this bank.	1	2	3	4	5	6	7
CCM	CALCULATIVE COMMITMENT	Strongly Disagree		Neutral			Strongly Agree	
85	It would be very difficult for me to leave my bank right now, even if I wanted to.	1	2	3	4	5	6	7
86	I feel that I have too few options to consider leaving my bank.	1	2	3	4	5	6	7
87	It pays off economically to be a customer of this bank.	1	2	3	4	5	6	7
88	I would suffer economically if the relationship was broken with my current bank.	1	2	3	4	5	6	7
89	My bank has locational advantages as compared to other banks.	1	2	3	4	5	6	7

PSW	PROPENSITY TO SWITCH	Strongly Disagree		Neutral			Strongly Agree	
		1	2	3	4	5	6	7
90	What do you think are the chances of switching your Home Loan and Offset/ Repayment accounts within the next six months?							
91	What do you think are the chances of switching your Home Loan and Offset/ Repayment accounts within the next one year?							
92	What do you think are the chances of switching your Home Loan and Offset/ Repayment accounts within the next two years?							

Section B: YOUR FINANCIAL EXPOSURE

93. How many home mortgages do you currently have?

- One More than One

94. Considering your **home mortgage/s**, what is the name of your **Main Bank** at present?

- Commonwealth Bank
 Nab Bank
 ANZ Bank
 Westpac
 Other (please specify): _____

95. How long have you been with your Main Bank?

- Less than 12 months
 More than 1 year but less than 2 years
 More than 2 years but less than 3 years
 More than 3 years but less than 4 years
 4 years or more

96. Please let us know if you have availed of your home loan in the period:

- On/After 1 July 2011
 Before 1 July 2011
 Both of the above periods apply to me

SECTION C: ABOUT YOURSELF

The following questions are for classification purposes only and will be kept strictly confidential. (Please tick ONE box only). Only aggregated results (not individual responses) will be reported in the research outputs.

97. Which gender do you identify with?

MALE FEMALE

98. The age group you belong to is-

- 18-24
- 25-34
- 35-44
- 45-54
- 55-67
- 68+

99. Which of the following is your highest level of education?

- Primary School
- High School
- Trade qualification/Diploma
- Bachelor degree
- Post graduate qualification
- Professional Degree
- Others (please specify): _____

100. The occupation group you belong to is-

- | | |
|---|--|
| <input type="checkbox"/> Professional | <input type="checkbox"/> Office worker |
| <input type="checkbox"/> Tradesman/ Technician | <input type="checkbox"/> Community & personal service |
| <input type="checkbox"/> Self-employed/Business owner | <input type="checkbox"/> Home duties |
| <input type="checkbox"/> Student (full time) | <input type="checkbox"/> Retired/ unemployed |
| <input type="checkbox"/> Government service-holder | <input type="checkbox"/> Other (please specify): _____ |

101. Which of the following group best describes your Annual Household Income level before tax?

- Less than \$18,200
- \$18,201 - \$37,000
- \$37,001 - \$80,000
- \$80,001 - \$130,000
- \$130,001-\$180,000
- \$180,001 and over

102. In which State are you located?

- | | |
|--|--|
| <input type="checkbox"/> ACT | <input type="checkbox"/> South Australia |
| <input type="checkbox"/> New South Wales | <input type="checkbox"/> Tasmania |
| <input type="checkbox"/> NT | <input type="checkbox"/> Victoria |
| <input type="checkbox"/> Queensland | <input type="checkbox"/> Western Australia |

103. You are born in:

- Australia
- Outside Australia

THANK YOU FOR YOUR TIME. IT IS VERY MUCH APPRECIATED.

APPENDIX D: Additional Details of Data Analysis

Figures D: Graphical representation of respondents' profile

This section represents respondents' profiles (elaborated in Chapter 5, Section 5.3) in pie-charts.

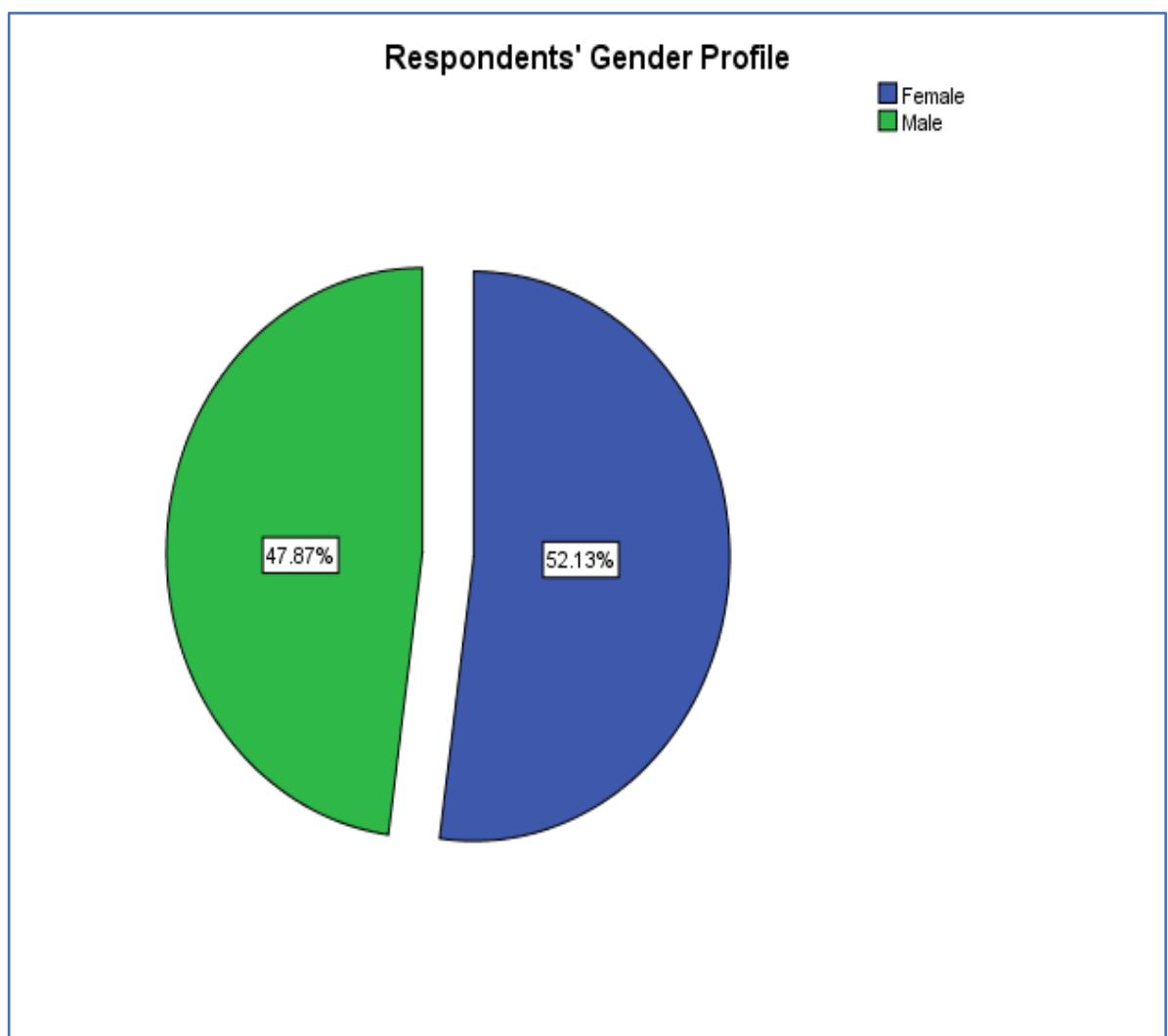


Figure D-1: Respondents' gender profile

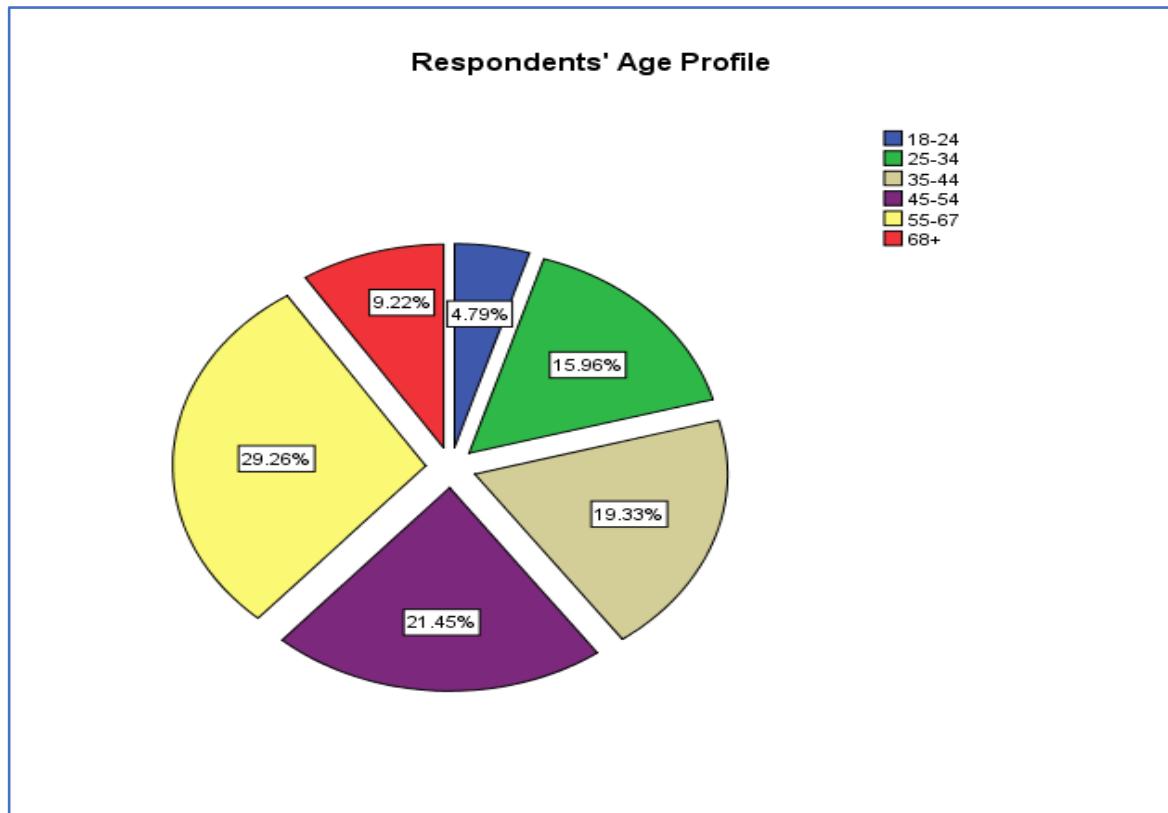


Figure D-2: Respondents' age profile

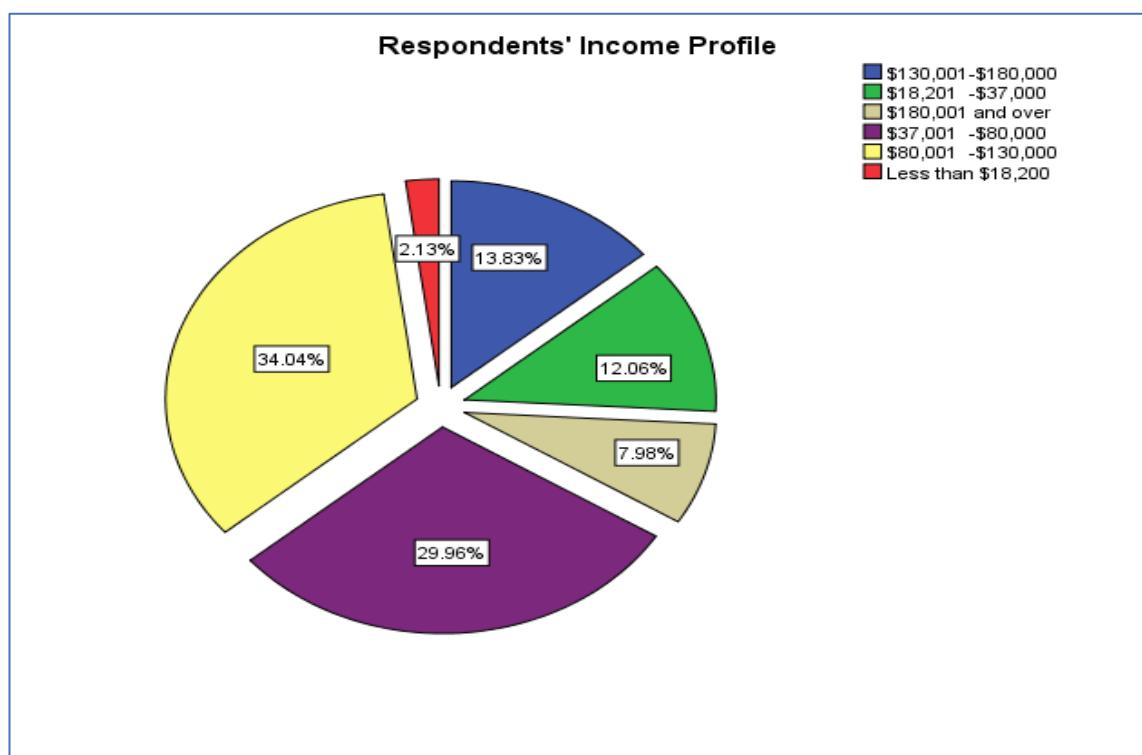


Figure D-3: Respondents' income profile

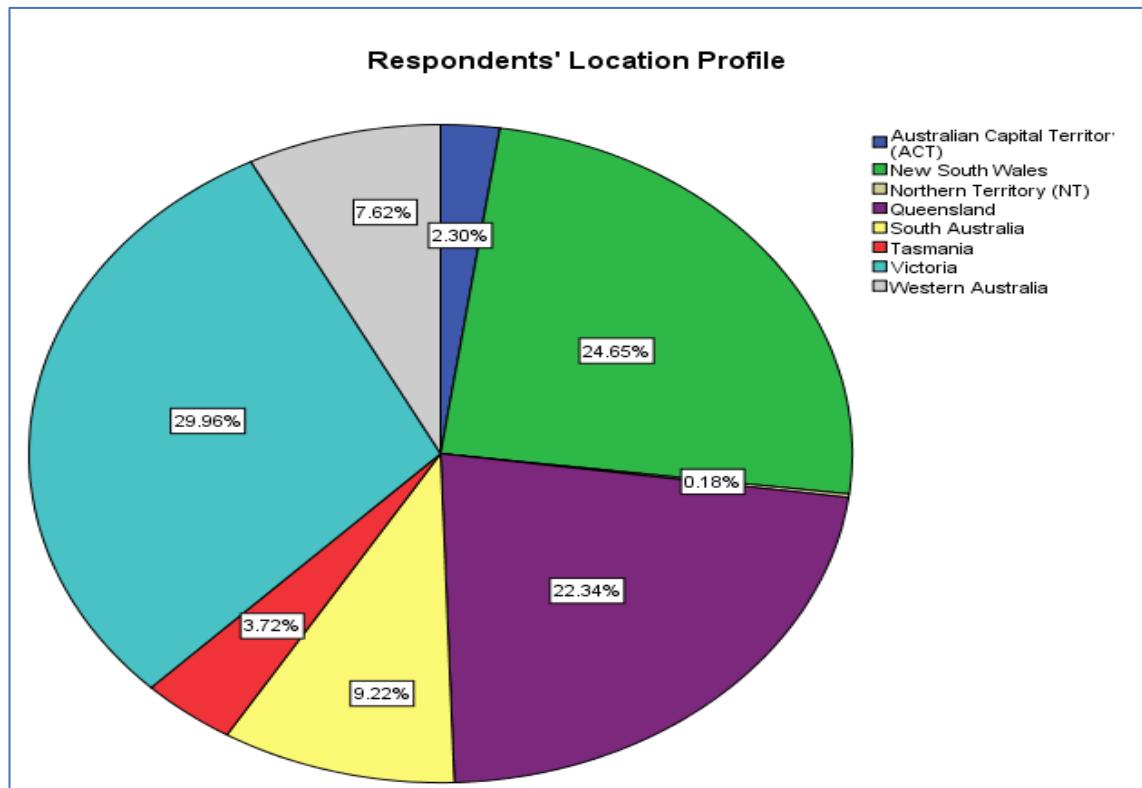


Figure D-4: Respondents' location profile

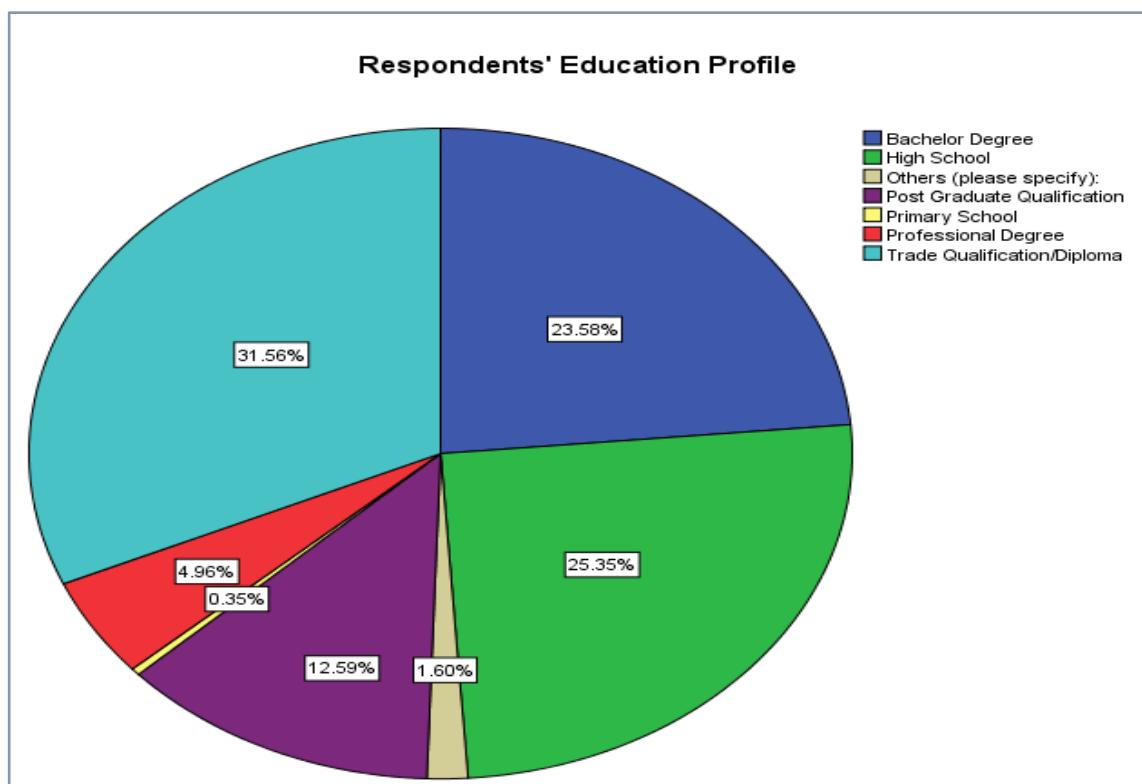


Figure D-5: Respondents' education profile

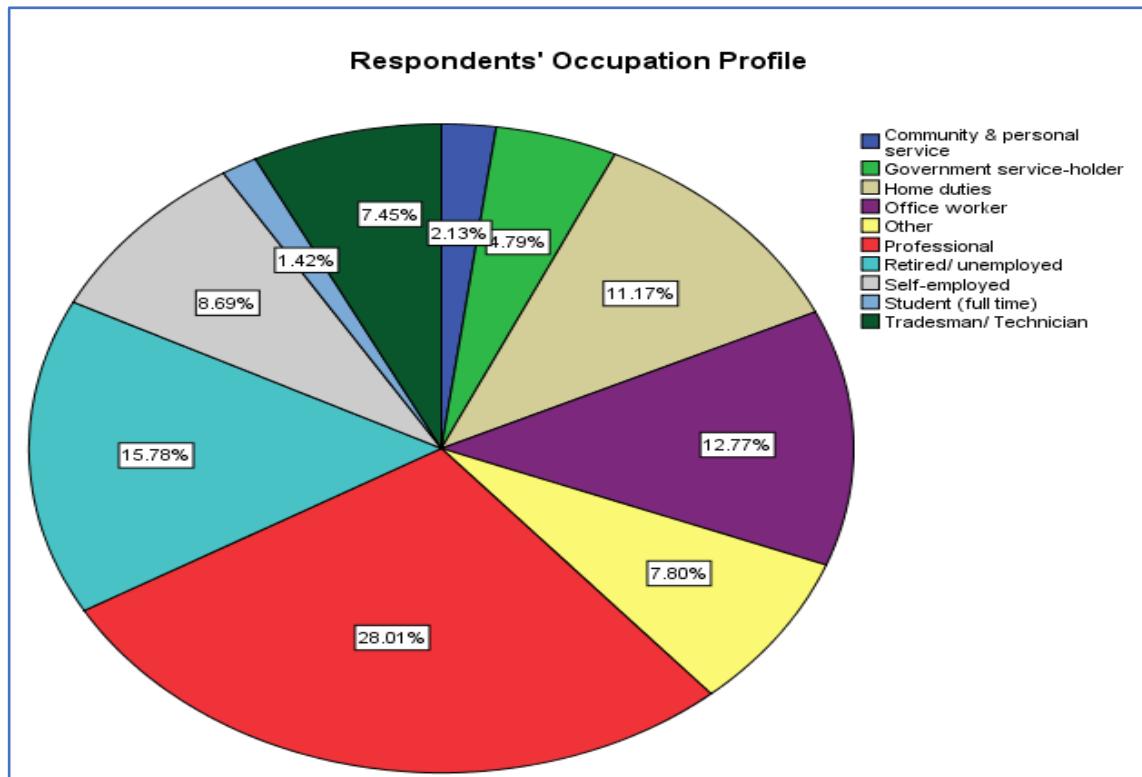


Figure D-6: Respondents' occupation profile

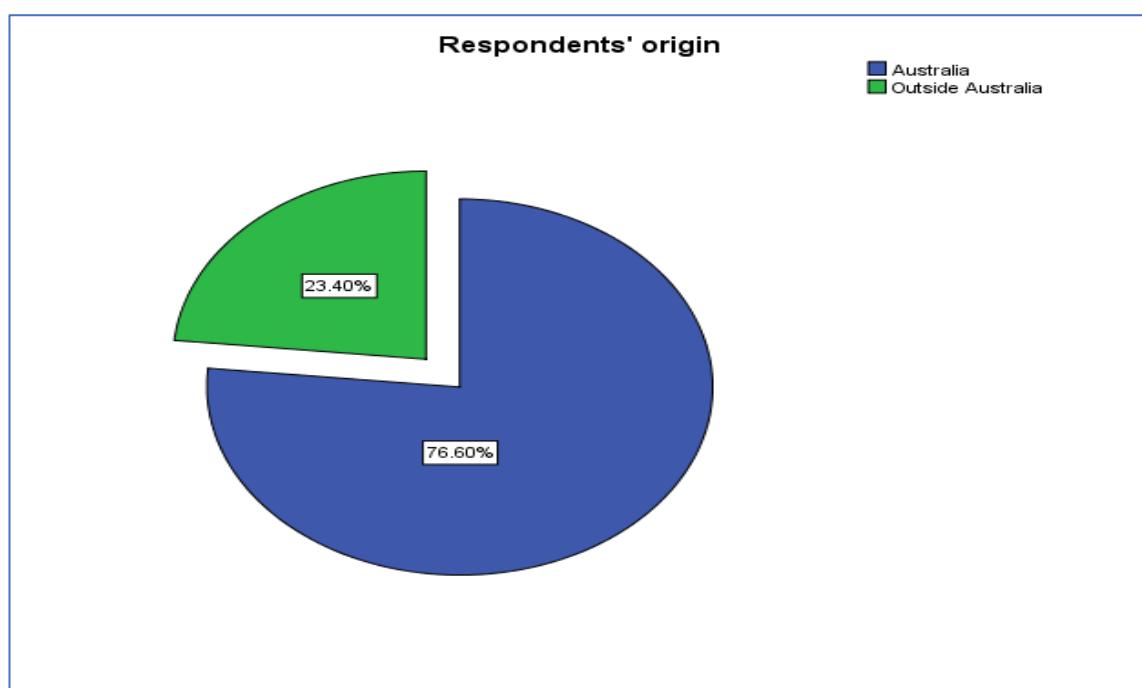


Figure D-7: Respondents' origin/ place of birth

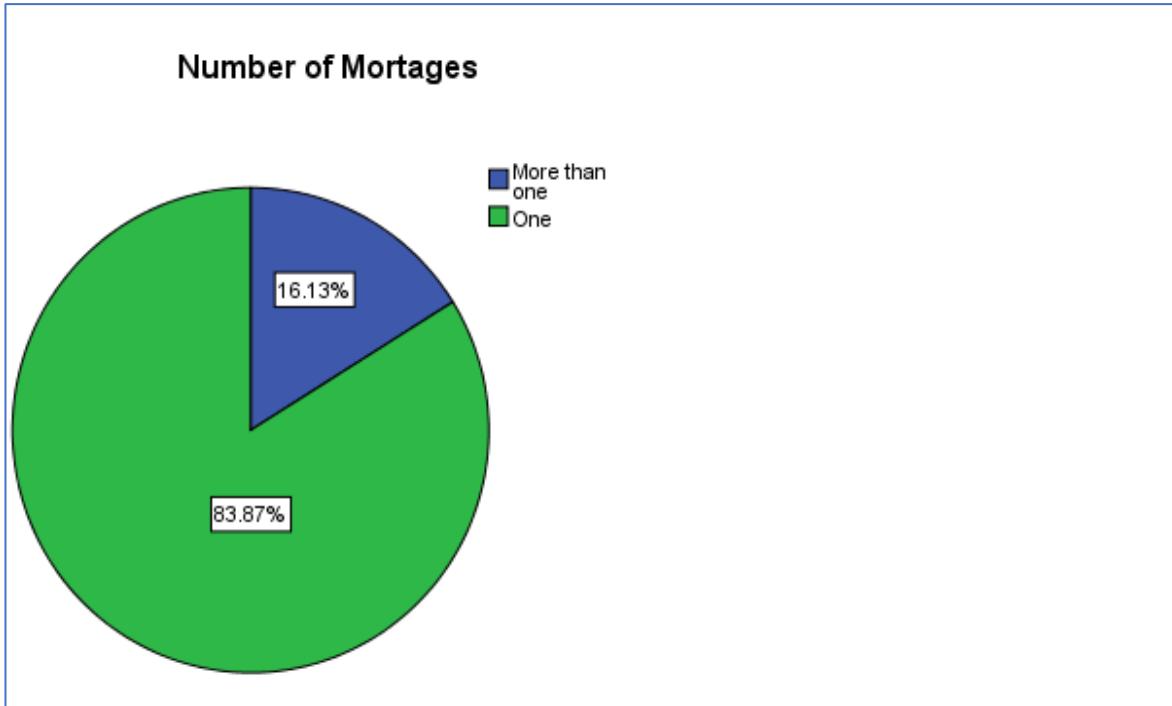


Figure D-8: Respondents' exposure to Mortgages

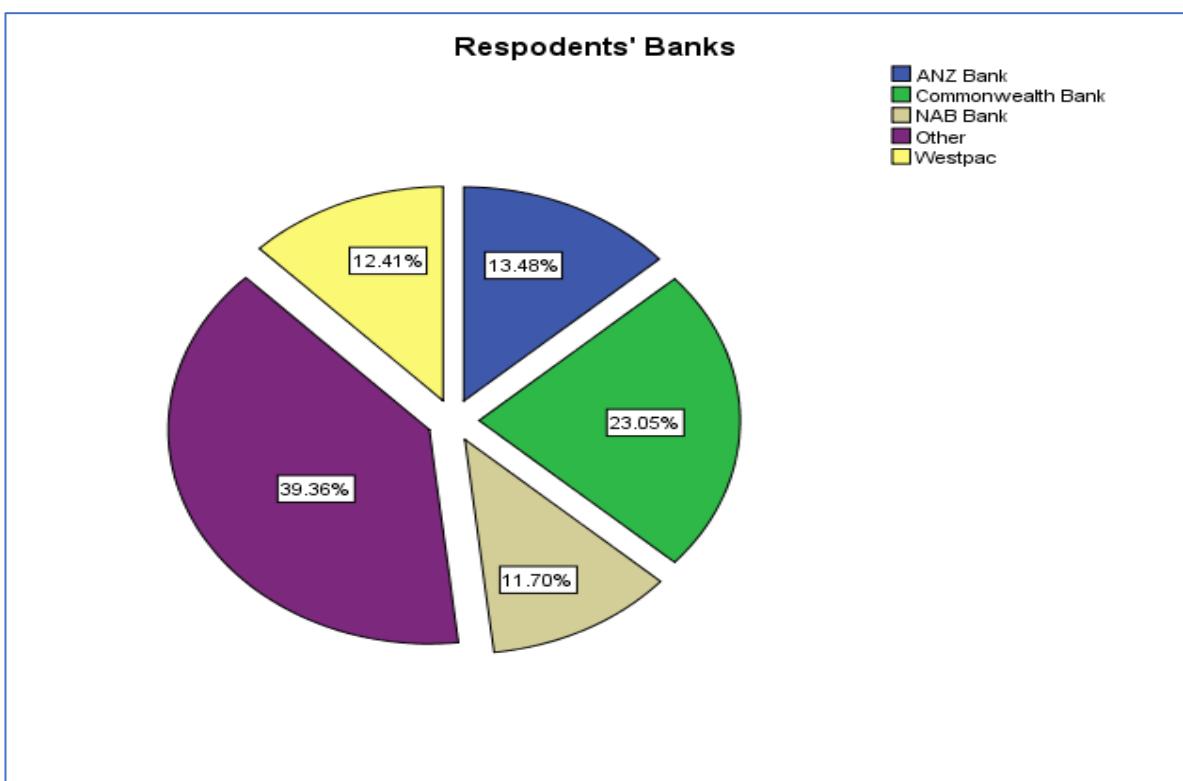


Figure D-9: Respondents' exposure to banks

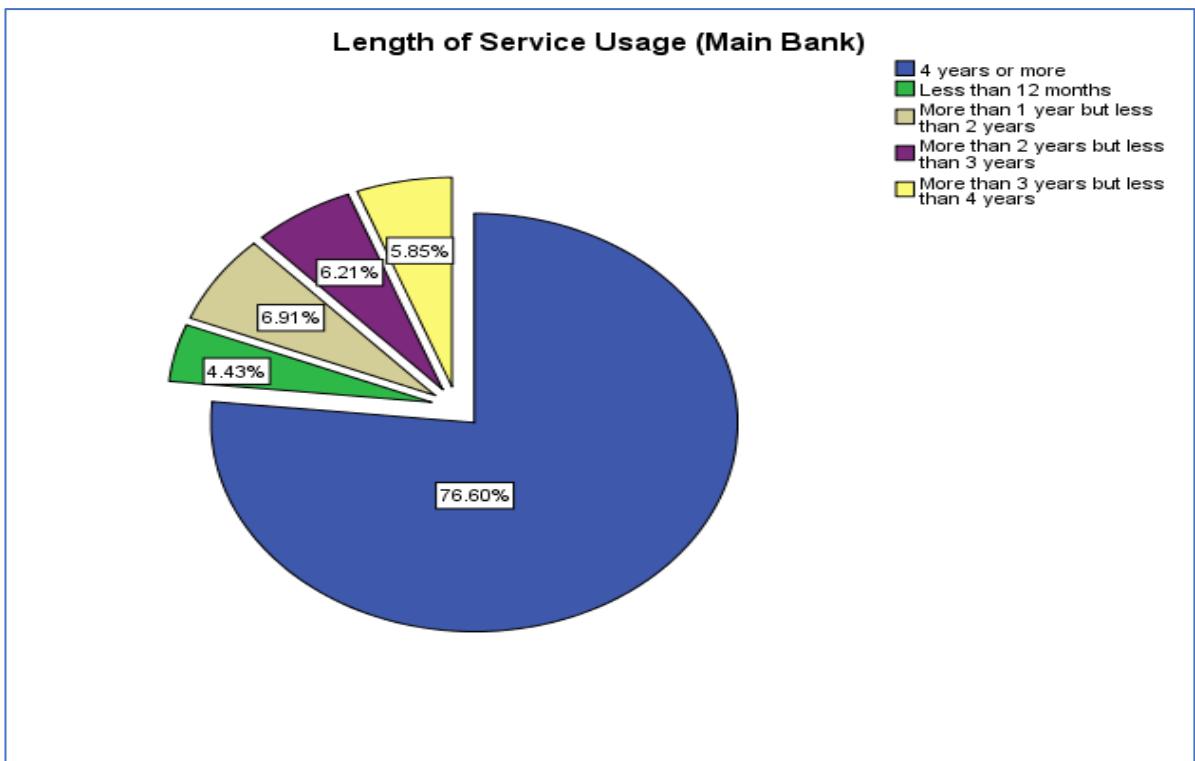


Figure D-10: Length of service usage (main bank)

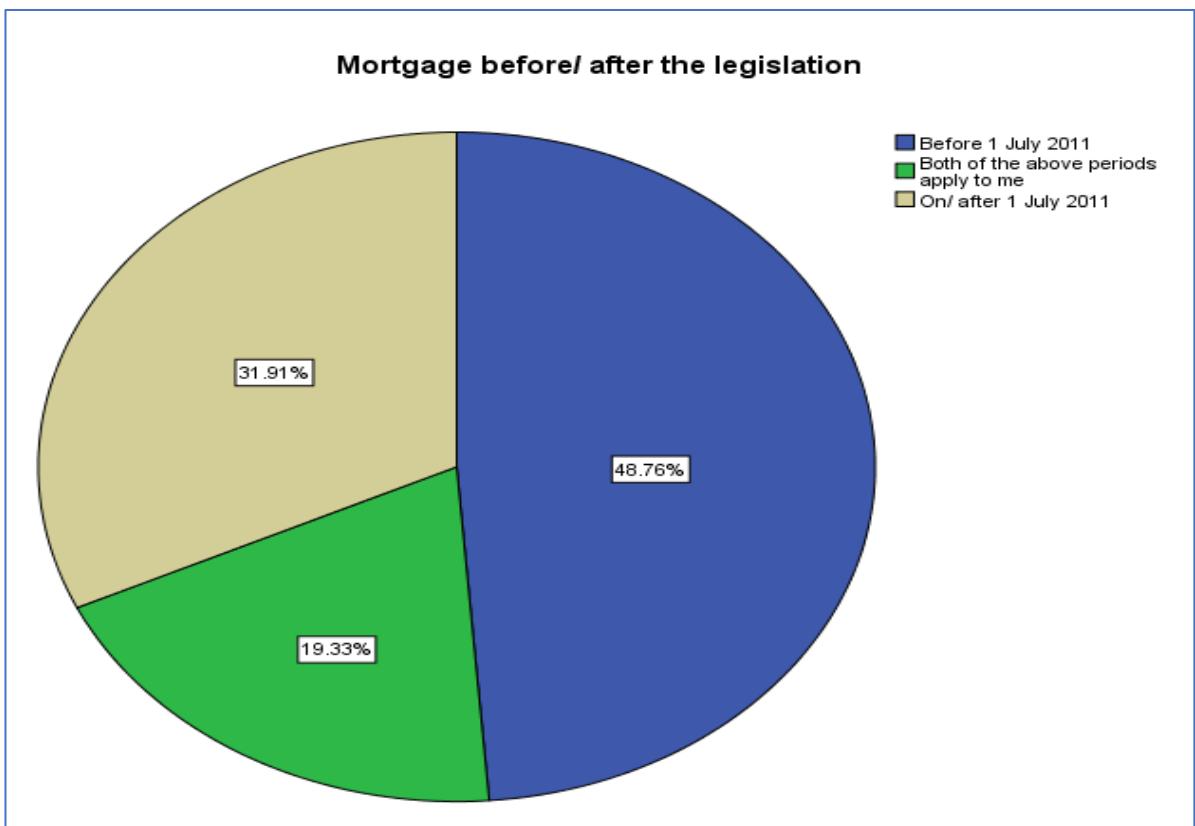


Figure D-11: Mortgage before/ after the legislation

Table D1: Skewness and Kurtosis of the items

Survey Items	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
<i>Familiarity with reforms</i>				
1	.030	.103	-1.069	.205
2	1.009	.103	.085	.205
3	-.140	.103	-1.190	.205
4	.039	.103	-1.192	.205
5	.090	.103	-1.177	.205
6	.071	.103	-1.113	.205
7	.023	.103	-1.107	.205
<i>Purchase involvement</i>				
8	.121	.103	-1.147	.205
9	-.304	.103	-.994	.205
10	-.504	.103	-.812	.205
11	-.137	.103	-1.197	.205
12	-.454	.103	-.764	.205
13	-.487	.103	-.662	.205
<i>Financial illiteracy</i>				
14	-.037	.103	-.935	.205
15	.155	.103	-.521	.205
16	-.537	.103	-.586	.205
17	.331	.103	-.656	.205
18	.226	.103	-1.065	.205
19	.096	.103	-.876	.205
20	-.141	.103	-1.088	.205
<i>Switching experience</i>				
21	-.436	.103	-.860	.205
22	-.654	.103	-.165	.205
23	-.121	.103	-.873	.205
24	.582	.103	-.651	.205
25	.798	.103	-.188	.205
26	1.147	.103	.324	.205
<i>Banking expertise</i>				
27	-.119	.103	-.796	.205
28	-.170	.103	-.730	.205
29	-.292	.103	-.559	.205
30	-.264	.103	-.568	.205
31	-.003	.103	-.925	.205

32	.019	.103	-.895	.205
33	-.292	.103	-.435	.205
34	.095	.103	-.915	.205
35	.096	.103	-.915	.205
36	-.057	.103	-.887	.205
37	.141	.103	-.927	.205
38	.273	.103	-.755	.205
<i>Price fairness</i>				
39	-.586	.103	.143	.205
40	-.423	.103	-.156	.205
41	-.259	.103	-.302	.205
42	-.317	.103	.388	.205
43	-.404	.103	.097	.205
44	-.575	.103	.551	.205
<i>Perceived value</i>				
45	-.545	.103	.424	.205
46	-.518	.103	.159	.205
47	-.494	.103	-.136	.205
48	-.630	.103	.269	.205
<i>Switching cost</i>				
49	-.560	.103	.372	.205
50	-.482	.103	.083	.205
51	-.247	.103	-.337	.205
52	-.296	.103	-.294	.205
53	-.607	.103	.549	.205
54	-.468	.103	.380	.205
55	-.429	.103	.084	.205
56	-.443	.103	-.199	.205
57	-.209	.103	-.208	.205
58	-.215	.103	-.154	.205
59	-.293	.103	.304	.205
60	-.274	.103	-.034	.205
<i>Trust in integrity</i>				
61	-.646	.103	.717	.205
62	-.555	.103	.303	.205
63	-.768	.103	.740	.205
64	-.865	.103	1.215	.205
<i>Trust in benevolence</i>				

65	-.090	.103	-.663	.205
66	-.117	.103	-.195	.205
67	-.356	.103	-.284	.205
68	-.337	.103	-.338	.205
Satisfaction				
69	-.979	.103	.992	.205
70	-.824	.103	.489	.205
71	-.903	.103	.798	.205
72	-.561	.103	.215	.205
Affective commitment				
73	.127	.103	-.946	.205
74	.141	.103	-.953	.205
75	.041	.103	-1.006	.205
76	-.215	.103	-.758	.205
Affective conflict				
77	-.599	.103	-.507	.205
78	-.781	.103	-.335	.205
79	-.779	.103	-.381	.205
80	-1.079	.103	.302	.205
Price insensitivity				
81	-.125	.103	.408	.205
82	.039	.103	-.441	.205
83	.204	.103	-.603	.205
84	-.018	.103	-.371	.205
Calculative commitment				
85	.057	.103	-.803	.205
86	.030	.103	-.573	.205
87	-.199	.103	.108	.205
88	-.138	.103	-.009	.205
89	-.194	.103	-.361	.205
Propensity to switch				
90	1.045	.103	.225	.205
91	.881	.103	-.107	.205
92	.604	.103	-.572	.205

Table D2: Details of the overall measurement model

		Factor	Load-ing	Error	α	CR	AVE
Construct 1: Familiarity with reforms							
far_6	I am aware that I can ask for a ‘Home Loan Key Facts Sheet’ when I consider a new/prospective loan.	0.851	0.275				
far_7	I am familiar with the ‘personalised comparison rate’ which appears on the Loan Facts Sheet to help me compare rates and fees of Home Loans offered by different banks.	0.893	0.202				
far_8	I am aware that the Home Loan Facts Sheet provides key information on required repayments which I can compare for similar loans offered by other banks.	0.976	0.048	.930	0.934	0.825	
Construct 2: Purchase involvement							
pin_2	I have considered many banks before I opened my Home Loan and Offset/ Repayment accounts with the current bank.	0.930	0.136				
pin_3	I compared the rates and fees of several banks before I selected my current bank.	0.921	0.152				
pin_6	After deciding on my current bank, I have weighed the pros and cons of my choice.	0.626	0.608	0.859	0.873	0.702	
Construct 3: Financial illiteracy							
fil_1	In general, my knowledge of finance is not very strong.	0.821	0.326				
fil_2	Compared with my friends and acquaintances, my knowledge of finance is weaker.	0.846	0.284				
fil_3	Compared with experts in the area, my knowledge of finance is weak.	0.660	0.564				
fil_4	I don’t have much experience in making financial decisions.	0.735	0.459				
fil_6	Financial services are complicated and confusing to me.	0.793	0.371	0.877	0.881	0.599	
Construct 4: Switching experience							
swe_1	I have tried the services offered by other banks.	0.824	0.322				
swe_2	I am familiar with the quality of service that other banks offer.	0.872	0.240				
swe_3	My experience with other banks is quite a lot.	0.811	0.342	0.871	0.874	0.699	
Construct 5: Banking expertise							
bex_4	The information search I have performed in making decision on my Home Loan (and Offset/ Repayment account) is very thorough.	0.782	0.389				
bex_6	If my friends asked me about Home Loans (and Offset/ Repayment accounts) of different banks, I could give them advice.	0.827	0.317				

bex_7	I can readily identify my preferred bank for Home Loan (and Offset/ Repayment account) from other banks.	0.719	0.483	
bex_8	I keep current on the most recent developments in Home Loans (and Offset/ Repayment accounts).	0.806	0.350	
bex_10	My knowledge and expertise help me to understand the technical information about Home Loans (and Offset/ Repayment accounts) of various banks.	0.905	0.181	0.904 0.905 0.656

Construct 6: Price fairness

prf_7	The rates and fees of this bank are clear and understandable.	0.528	0.721	
prf_9	The terms of this bank are fair.	0.900	0.190	
prf_10	The repayment procedure of this bank is fair.	0.830	0.311	0.777 0.807 0.593

Construct 7: Perceived value

pvl_1	For the time I spent in acquiring my Home Loan (and Offset/ Repayment account), I would say it is highly reasonable.	0.866	0.249	
pvl_2	For the effort involved in acquiring my Home Loan (and Offset/ Repayment account), I would say it is very worthwhile.	0.903	0.184	
pvl_3	I would rate my overall experience with this bank as extremely good value.	0.794	0.369	0.883 0.891 0.732

Construct 8: Switching cost

swc_2	Switching to a new bank will probably involve hidden costs/ charges.	0.720	0.481	
swc_5	Switching to a new bank will probably result in some unexpected hassle.	0.801	0.358	
swc_6	There are a lot of formalities involved in switching to a new bank.	0.857	0.266	
swc_7	Switching my Home Loan (and Offset/ Repayment account) to a new bank would involve some up-front costs (set-up fees, deposits, exit fees, penalties for breaking the contract, etc.).	0.780	0.392	0.867 0.869 0.626

Construct 9: RQ: Trust-in-integrity

tin_2	Most of what my bank says about its financial services is true.	0.862	0.258	
tin_3	If my bank makes a claim or promise about its service, it's probably true.	0.901	0.189	
tin_4	In my experience, my bank is very reliable.	0.869	0.245	0.908 0.909 0.770

Construct 9: RQ: Trust-in-benevolence

tib_1	There are no limits to how far my bank will go to resolve a service problem that I may have.	0.828	0.314	
tib_2	My bank is genuinely committed to my satisfaction.	0.951	0.095	
tib_3	I can count on my bank in considering how its actions affect me.	0.872	0.239	0.913 0.916 0.783

Construct 9: RQ: Satisfaction

sat_1	I am happy with my decision to use the services of this bank.	0.933	0.129	
sat_2	My choice of bank was a wise one.	0.944	0.108	
sat_3	I feel good about my decision to use the services of this bank.	0.961	0.076	
sat_4	Taking everything into consideration, I feel the service I receive from my bank is better than the service of any other bank.	0.831	0.309	0.954 0.956 0.844

Construct 9: RQ: Affective commitment

acm_1	I feel “emotionally attached” to my bank.	0.929	0.137	
acm_2	I feel like “part of the family” with my bank.	0.959	0.079	
acm_3	I feel a strong sense of “belonging” to my bank.	0.960	0.077	0.965 0.965 0.901

Construct 9: RQ: Affective conflict

acf_2	I feel annoyed with my bank.	0.947	0.137	
acf_3	I feel frustrated with my bank.	0.983	0.079	
acf_4	I am angry with my bank.	0.925	0.077	0.966 0.965 0.906

Construct 9: RQ: Overall/ Global

0.859

Construct 10: Calculative commitment

ccm_1	I would be very difficult for me to leave my bank right now, even if I wanted to.	0.776	0.398	
ccm_2	I feel that I have too few options to consider leaving my bank.	0.776	0.397	
ccm_4	I would suffer economically if the relationship was broken with my current bank.	0.594	0.647	0.754 0.762 0.519

Construct 11 Price insensitivity

pri_2	I am not willing to go to another bank that offers more attractive rates or price discounts.	0.758	0.426	
pri_3	I am willing to pay higher rates and fees than other banks charge for the same service/benefits I currently receive from my bank.	0.726	0.473	
pri_4	If my current bank were to raise the rates and fees related to my Home Loan and Offset/ Repayment accounts, I would still continue to be a customer of this bank.	0.719	0.483	0.778 0.778 0.540

Construct 12 Propensity to switch

psw_1	What do you think are the chances of switching your Home Loan and Offset/ Repayment accounts within the next six months?	0.921	0.152	
psw_3	What do you think are the chances of switching your Home Loan and Offset/ Repayment accounts within the next two years?	0.806	0.35	0.850 0.856 0.749

Note: α = Cronbach's Alpha, CR = Construct Reliability, AVE = Average Variance Extracted

Table D3: Details of the alternate model

Direct Paths	β	p	Result	Comparison with initial model	Conclusion in alternate model
FAR to BEX	0.307	0.000	Significant Direct path	Hypothesised and supported	Direct relationship
PIN to BEX	0.286	0.000	Significant Direct path	Hypothesised and supported	Direct relationship
FIL to BEX	-0.430	0.000	Significant Direct path	Hypothesised and supported	Direct relationship
SWE to BEX	0.118	0.002	Significant Direct path	Hypothesised and supported	Direct relationship
FAR to SWC	-0.114	0.040	Significant Direct path	Hypothesised and supported	Direct relationship
PIN to SWC	-0.087	0.142	Non-significant path	Hypothesised and supported in initial model	Statistically no significant relationship
FIL to SWC	0.041	0.525	Non-significant path	Hypothesised and supported in initial model	Statistically no significant relationship
SWE to SWC	0.053	0.352	Non-significant path	Hypothesised, but not supported	Statistically no significant relationship
PVL to SWC	-0.004	0.957	Non-significant path	Hypothesised, but not supported	Statistically no Significant relationship
PRF to SWC	-0.004	0.947	Non-significant path	Not hypothesised	Indirect path, fully mediated
BEX to SWC	-0.125	0.134	Non-significant path	Not hypothesised	Indirect path, fully mediated
FAR to PVL	0.124	0.006	Significant Direct path	Not hypothesised	Partially mediated
PIN to PVL	0.000	0.994	Non-significant path	Not hypothesised	Indirect path, fully mediated
FIL to PVL	-0.085	0.103	Non-significant path	Not hypothesised	Indirect path, fully mediated
SWE to PVL	0.030	0.518	Non-significant path	Not hypothesised	Indirect path, fully mediated
PRF to PVL	0.570	0.000	Significant direct path	Hypothesised and supported	Direct relationship
BEX to PVL	0.045	0.508	Non-significant path	Hypothesised, but opposite relationship direction	Statistically no Significant relationship
FAR to PRF	0.010	0.859	Non-significant path	Not hypothesised	Indirect path, fully mediated
PIN to PRF	0.016	0.789	Non-significant path	Not hypothesised	Indirect path, fully mediated
FIL to PRF	-0.021	0.743	Non-significant path	Not hypothesised	Indirect path, fully mediated
SWE to PRF	0.016	0.779	Non-significant path	Not hypothesised	Indirect path, fully mediated

BEX to PRF	0.290	0.000	Significant direct path	Hypothesised, but direct opposite relationship supported	Direct opposite relationship
FAR to RQ	0.088	0.011	Significant direct path	Not hypothesised	Partially mediated
PIN to RQ	-0.010	0.784	Non-significant path	Not hypothesised	Indirect path, fully mediated
FIL to RQ	-0.029	0.467	Non-significant path	Not hypothesised	Indirect path, fully mediated
SWE to RQ	-0.006	0.864	Non-significant path	Not hypothesised	Indirect path, fully mediated
PVL to RQ	0.486	0.000	Significant direct path	Hypothesised and supported	Direct relationship
PRF to RQ	0.522	0.000	Significant direct path	Hypothesised and supported	Direct relationship
SWC to RQ	0.031	0.301	Non-significant path	Not hypothesised	Statistically no sig. relationship
BEX to RQ	-0.163	0.002	Significant direct path	Hypothesised and supported	Direct relationship
FAR to PRI	0.104	0.076	Non-significant path	Not hypothesised	Indirect path, fully mediated
PIN to PRI	-0.284	0.000	Significant direct path	Not hypothesised	Partially mediated
FIL to PRI	0.309	0.000	Significant direct path	Not hypothesised	Partially mediated
SWE to PRI	-0.075	0.194	Non-significant path	Not hypothesised	Indirect path, fully mediated
RQ to PRI	0.462	0.000	Significant direct path	Hypothesised and supported	Direct relationship
PVL to PRI	-0.177	0.057	Non-significant path	Not hypothesised	Indirect path, fully mediated
PRF to PRI	-0.057	0.572	Non-significant path	Not hypothesised	Indirect path, fully mediated
SWC to PRI	0.138	0.005	Significant direct path	Not hypothesised	Partially mediated
BEX to PRI	0.316	0.000	Significant direct path	Not hypothesised	Partially mediated
FAR to PSW	0.072	0.177	Non-significant path	Not hypothesised	Indirect path, fully mediated
PIN to PSW	-0.005	0.928	Non-significant path	Not hypothesised	Indirect path, fully mediated
FIL to PSW	0.186	0.002	Significant direct path	Not hypothesised	Partially mediated
SWE to PSW	0.074	0.165	Non-significant path	Not hypothesised	Indirect path, fully mediated
RQ to PSW	-0.608	0.000	Significant direct path	Hypothesized and supported	Direct relationship
PVL to PSW	0.093	0.271	Non-significant path	Not hypothesised	Indirect path, fully mediated
PRF to PSW	0.090	0.314	Non-significant path	Not hypothesised	Indirect path, fully mediated

SWC to PSW	-0.097	0.032	Significant direct path	Hypothesised and supported	Direct relationship
BEX to PSW	0.268	0.001	Significant direct path	Not hypothesised	Partially mediated
FAR to CCM	0.150	0.009	Significant direct path	Not hypothesised	Partially mediated
PIN to CCM	-0.071	0.234	Non-significant path	Not hypothesised	Indirect path, fully mediated
FIL to CCM	0.323	0.000	Significant direct path	Not hypothesised	Partially mediated
SWE to CCM	0.089	0.119	Non-significant path	Not hypothesised	Indirect path, fully mediated
RQ to CCM	-0.067	0.598	Non-significant path	Not hypothesised	Statistically no sig. relationship
PVL to CCM	0.128	0.160	Non-significant path	Not hypothesised	Indirect path, fully mediated
PRF to CCM	-0.065	0.503	Non-significant path	Not hypothesised	Indirect path, fully mediated
SWC to CCM	0.353	0.000	Significant direct path	Hypothesised and supported	Direct relationship
BEX to CCM	-0.012	0.888	Non-significant path	Not hypothesised	Indirect path, fully mediated

APPENDIX E: Calculation of Direct, Indirect and Total Effects

E1: Effects of constructs on PRI

FAR to PRI: A simplified partial model is produced in Figure E1-1 that demonstrates the paths of final model initiated by FAR leading to PRI.

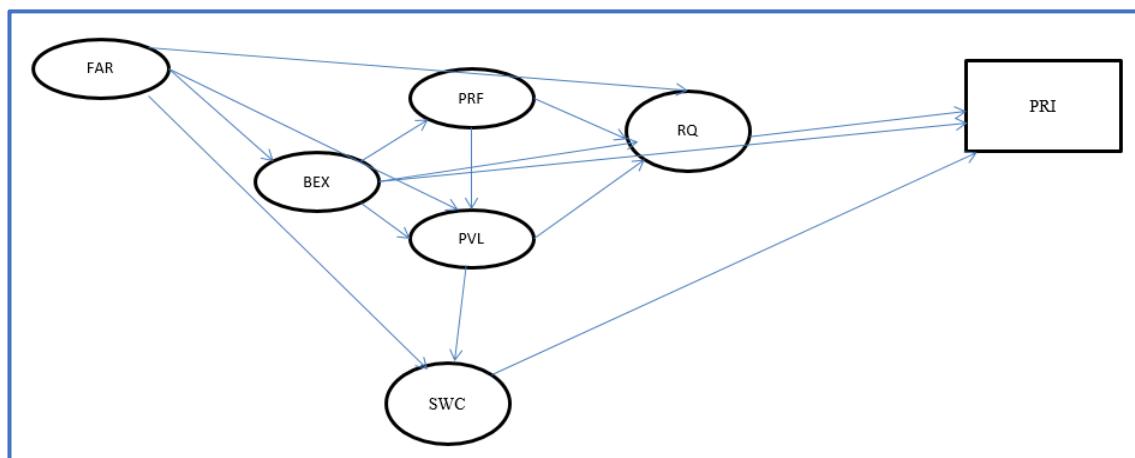


Figure E1-1: Direct and Indirect Paths from FAR to PRI

Total eleven indirect paths are identified with no direct path leading from FAR to PRI. The resulting path coefficients and p values are presented in Table E1-1.

Table E1-1: FAR to PRI

Path no.	Indirect paths	Effects on PRI	P-Value
1.	FAR to BEX to PRI	0.098	0.000
2.	FAR to SWC to PRI	-0.019	0.050
3.	FAR to RQ to PRI	0.024	0.024
4.	FAR to PVL to SWC to PRI	0.000	0.799
5.	FAR to BEX to RQ to PRI	-0.014	0.001
6.	FAR to PVL to RQ to PRI	0.017	0.017
7.	FAR to BEX to PVL to SWC to PRI	0.000	0.800
8.	FAR to BEX to PRF to RQ to PRI	0.015	0.000
9.	FAR to BEX to PVL to RQ to PRI	0.005	0.036
10.	FAR to BEX to PRF to PVL to SWC to PRI	0.000	0.799
11.	FAR to BEX to PRF to PVL to RQ to PRI	0.008	0.000
Total of eleven (11) indirect effects ... (I)		0.133	0.000
Direct effect from FAR to PRI ... (D)		n/a	--
Total effects of FAR on PRI = (I) + (D)		0.133	0.000

The indirect path coefficients summarised in Table E1-1 reveal that seven (out of eleven) mediated paths are statistically significant. These are, FAR to BEX to PRI (0.098^{***}), FAR to RQ to PRI (0.024^*), FAR to BEX to RQ to PRI (-0.014^{**}), FAR to PVL to RQ to PRI (0.017^*), FAR to BEX to PRF to RQ to PRI (0.015^{***}), FAR to BEX to PVL to RQ to PRI (0.005^*) and FAR to BEX to PRF to PVL to RQ to PRI (0.008^{***}). However, the total of eleven indirect effects is 0.133 at significance level of $p < 0.001$. There is no direct effect from FAR to PRI. Hence, the total effect of FAR on PRI is 0.133^{***} .

PIN to PRI: Similar procedure is followed to calculate the total effect of PIN on PRI. Figure E1-2 is produced to depict the direct and indirect paths leading from PIN to PRI.

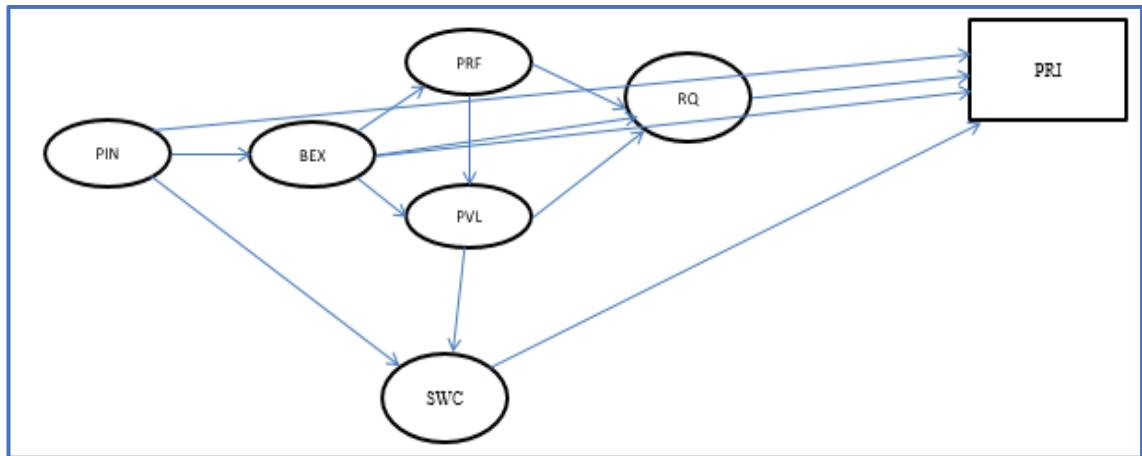


Figure E1-2: Direct and Indirect Paths from PIN to PRI

Total eight indirect paths are identified with a direct path leading from PIN to PRI. The resulting path coefficients and p values are presented in Table E1-2.

Table E1-2: PIN to PRI

Paths no.	Indirect paths	Effects on PRI	P-value
1.	PIN to BEX to PRI	0.090	0.000
2.	PIN to SWC to PRI	-0.016	0.074
3.	PIN to BEX to RQ to PRI	-0.013	0.001
4.	PIN to BEX to PVL to SWC to PRI	0.000	0.800
5.	PIN to BEX to PRF to RQ to PRI	0.014	0.000
6.	PIN to BEX to PVL to RQ to PRI	0.005	0.038
7.	PIN to BEX to PRF to PVL to SWC to PRI	0.000	0.799
8.	PIN to BEX to PRF to PVL to RQ to PRI	0.007	0.000
Total of eight (8) indirect effects ... (I)		0.086	0.001
Direct effect from PIN to PRI ... (D)		-0.303	0.000
Total effects of PIN on PRI = (I) + (D)		-0.217	0.000

As Table E1-2 reveals, five indirect paths from PIN to PRI appear significant. These are, PIN to BEX to PRI (0.090***), PIN to BEX to RQ to PRI (-0.013**), PIN to BEX to PRF to RQ to PRI (0.014***), PIN to BEX to PVL to RQ to PRI (0.005*) and PIN to BEX to PRF to PVL to RQ to PRI (0.007***). The total of eight indirect effects is 0.086 at significance level of $p < 0.01$. Direct effect from PIN to PRI is noted as -0.303***. Hence, the total effect of PIN on PRI is -0.217***.

FIL to PRI: Figure E1-3 depicts the direct and indirect paths from FIL to PRI.

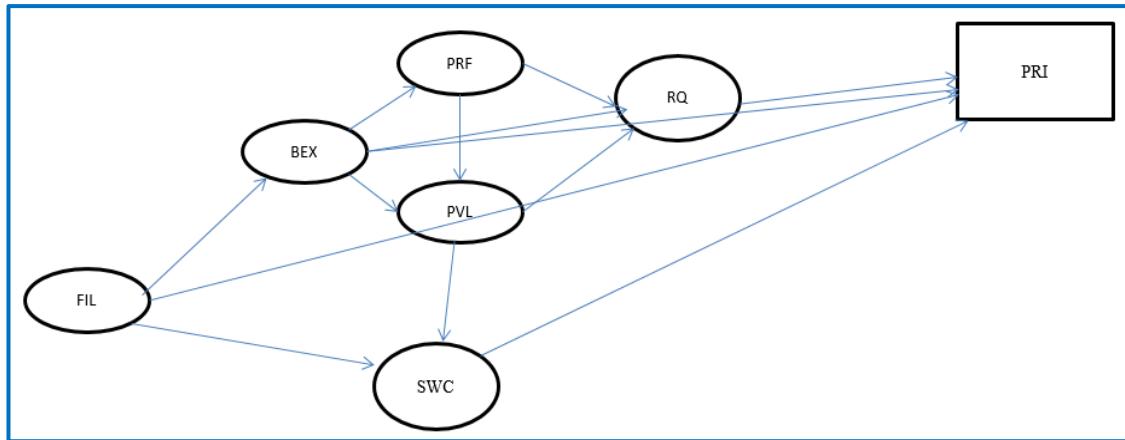


Figure E1-3: Direct and Indirect Paths from FIL to PRI

Total eight indirect paths are identified along with a direct path leading from FIL to PRI. The path coefficients and p values are presented in Table E1-3.

Table E1-3: FIL to PRI

Paths no.	Indirect paths	Effects on PRI	p-value
1.	FIL to BEX to PRI	-0.135	0.000
2.	FIL to SWC to PRI	0.013	0.114
3.	FIL to BEX to RQ to PRI	0.020	0.001
4.	FIL to BEX to PVL to SWC to PRI	0.000	0.800
5.	FIL to BEX to PRF to RQ to PRI	-0.021	0.000
6.	FIL to BEX to PVL to RQ to PRI	-0.007	0.034
7.	FIL to BEX to PRF to PVL to SWC to PRI	0.000	0.799
8.	FIL to BEX to PRF to PVL to RQ to PRI	-0.011	0.000
Total of eight (8) indirect effects ... (I)		-0.141	0.000
Direct effect from FIL to PRI ... (D)		0.319	0.000
Total effects of FIL on PRI = (I) + (D)		0.178	0.000

Five indirect paths are significant from FIL to PRI. These are, FIL to BEX to PRI (-0.135***), FIL to BEX to RQ to PRI (0.020**), FIL to BEX to PRF to RQ to PRI (-0.021***), FIL to BEX to PVL to RQ to PRI (-0.007*) and FIL to BEX to PRF to PVL to RQ to PRI (-0.011***). The total of eight indirect effects is -0.141***. The direct effect from FIL to PRI is 0.319***. Hence, the total effect is 0.178***.

SWE to PRI: The paths leading to SWE to PRI are depicted in Figure E1-4.

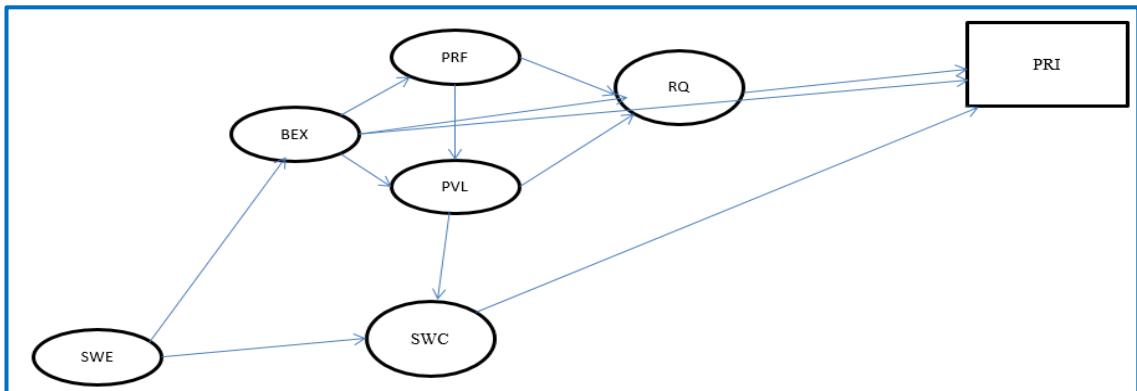


Figure E1-4: Direct and Indirect Paths from SWE to PRI

Total eight indirect paths are identified with no direct path leading from SWE to PRI. The path coefficients and p values are presented in Table E1-4.

Table E1-4: SWE to PRI

Paths no.	Indirect paths	Effects on PRI	P-Value
1.	SWE to BEX to PRI	0.036	0.010
2.	SWE to SWC to PRI	0.006	0.456
3.	SWE to BEX to RQ to PRI	-0.005	0.020
4.	SWE to BEX to PVL to SWC to PRI	0.000	0.800
5.	SWE to BEX to PRF to RQ to PRI	0.006	0.011
6.	SWE to BEX to PVL to RQ to PRI	0.002	0.079
7.	SWE to BEX to PRF to PVL to SWC to PRI	0.000	0.799
8.	SWE to BEX to PRF to PVL to RQ to PRI	0.003	0.012
Total of eight (8) indirect effects ... (I)		0.047	0.006
Direct effects from SWE to PRI ... (D)		n/a	
Total effects of SWE on PRI = (I) + (D)		0.047	0.006

Table E1-4 reveals four indirect paths are significant from SWE to PRI. These are, SWE to BEX to PRI (0.036*), SWE to BEX to RQ to PRI (-0.005*), SWE to BEX to PRF to RQ to PRI (0.006*) and SWE to BEX to PRF to PVL to RQ to PRI (0.003*). Since there

is no direct path from SWE to PRI, the total effect is same as the total indirect effect, which is 0.047**.

E2: Effects of constructs on CCM

FAR to CCM: Figure E2-1 demonstrates the paths initiated by FAR leading to CCM.

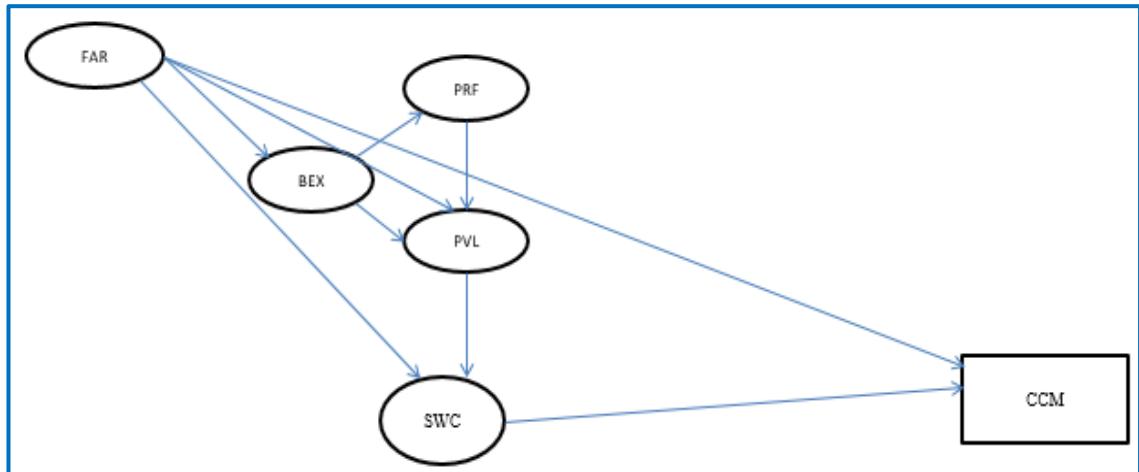


Figure E2-1: Direct and indirect paths from FAR to CCM

Four indirect paths including a direct path are identified from FAR to CCM. The path coefficients and p values are presented in Table E2-1.

Table E2-1: FAR to CCM

Paths no.	Indirect paths	Effects on CCM	P-Value
1.	FAR to SWC to CCM	-0.053	0.006
2.	FAR to PVL to SWC to CCM	-0.001	0.798
3.	FAR to BEX to PVL to SWC to CCM	0.000	0.799
4.	FAR to BEX to PRF to PVL to SWC to CCM	0.000	0.797
Total indirect effects from FAR to CCM ... (I)		-0.054	0.005
Direct effect from FAR to CCM ... (D)		0.121	0.010
Total effects of FAR on CCM = (I) + (D)		0.067	0.168

Table E2-1 reveals that only one of the four mediated paths are statistically significant. This path, FAR to SWC to CCM (-0.053**) demonstrates negative significant effect on

CCM. The direct effect from FAR to CCM is 0.121*. This makes the total effect of FAR on CCM non-significant (0.067^{ns}).

PIN to CCM: Figure E2-2 is produced that depicts the direct and indirect paths leading from PIN to CCM.

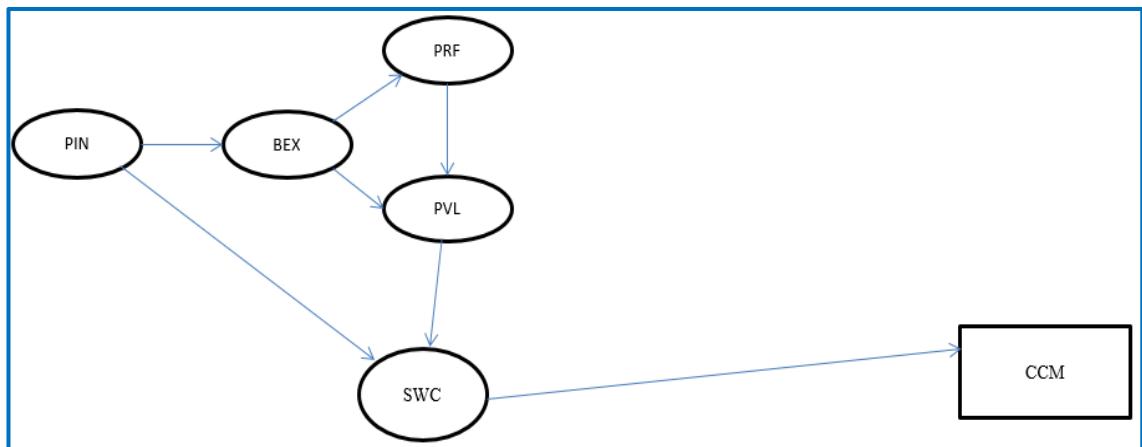


Figure E2-2: Direct and indirect paths from PIN to CCM

Three indirect paths are identified with no direct path leading from PIN to CCM. The resulting path coefficients and p values are presented in Table E2-2.

Table E2-2: PIN to CCM

Paths no.	Indirect paths	Effects on CCM	P-Value
1.	PIN to SWC to CCM	-0.046	0.023
2.	PIN to BEX to PVL to SWC to CCM	0.000	0.799
3.	PIN to BEX to PRF to PVL to SWC to CCM	0.000	0.797
Total indirect effects from PIN to CCM ... (I)		-0.046	0.022
Direct effect from PIN to CCM ... (D)		n/a	
Total effects of PIN on CCM = (I) + (D)		-0.046	0.022

As Table E2-2 reveals, only one (out of three) indirect path, PIN to SWC to CCM (-0.046*) is significant and the mediation has negative effect on CCM. Since there is no direct effect, the total effect is the total of all indirect effects, which is negative and significant (-0.046*).

FIL to CCM: Figure E2-3 depicts the direct and indirect paths from FIL to CCM.

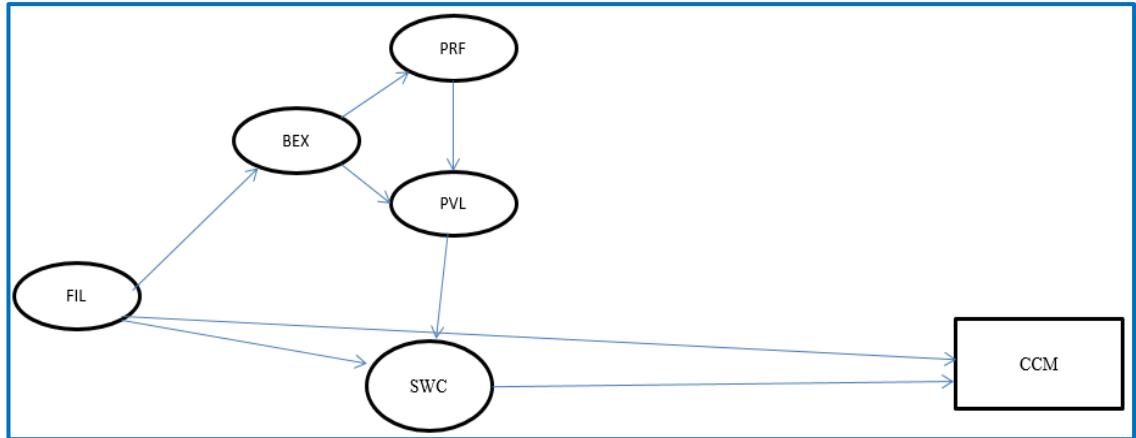


Figure E2-3: Direct and indirect paths from FIL to CCM

Total three indirect paths are identified along with a direct path leading from FIL to CCM. The path coefficients and p values are presented in Table E2-3.

Table E2-3: FIL to CCM

Paths no.	Indirect paths	Effects on CCM	P-Value
1.	FIL to SWC to CCM	0.035	0.058
2.	FIL to BEX to PVL to SWC to CCM	0.000	0.798
3.	FIL to BEX to PRF to PVL to SWC to CCM	0.000	0.797
Total indirect effects from FIL to CCM ... (I)		0.036	0.051
Direct effects from FIL to CCM ... (D)		0.295	0.000
Total effects of Fil on CCM = (I) + (D)		0.331	0.000

Table E2-3 reveals that no indirect path initiated from FIL has significant effect on CCM. However, FIL shows direct, positive significant effect on CCM (0.295^{***}). The total effect of FIL on CCM turns out significant and positive (0.331^{***}).

SWE to CCM: The paths leading to SWE to CCM are depicted in Figure E2-4.

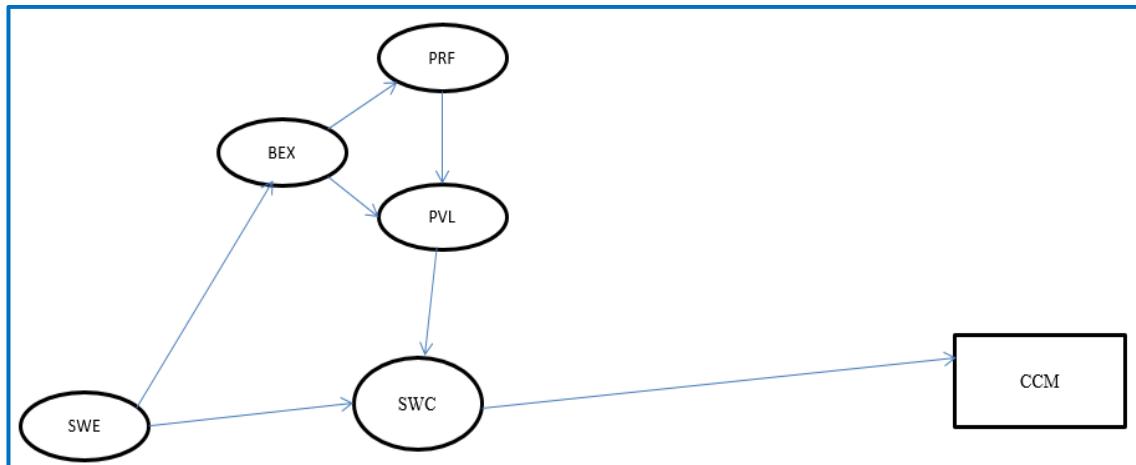


Figure E2-4: Direct and indirect paths from SWE to CCM

Total three indirect paths are identified with no direct path leading from SWE to CCM. The path coefficients and p values are presented in Table E2-4.

Table E2-4: SWE to CCM

Paths no.	Indirect Paths	Effects on CCM	P-Value
1.	SWE to SWC to CCM	0.015	0.443
2.	SWE to BEX to PVL to SWC to CCM	0.000	0.799
3.	SWE to BEX to PRF to PVL to SWC to CCM	0.000	0.798
Total indirect effects ... (I)		0.015	0.448
Direct effect from SWE to CCM ... (D)		n/a	
Total effects of SWE on CCM = (I) + (D)		0.015	0.448

Table E2-4 reveals no significant mediation effects from SWE to CCM. There is no direct effect as well. The total effect (0.015^{ns}) is positive and non-significant.

E3: Effects of constructs on PSW

FAR to PSW: Figure E3-1 demonstrates all the paths initiated by FAR to PSW.

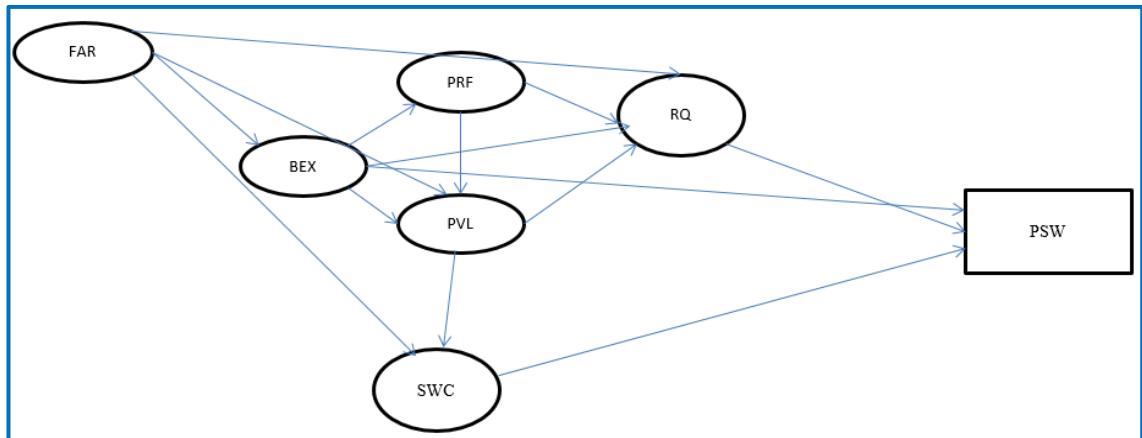


Figure E3-1: Direct and indirect paths from FAR to PSW

Total eleven indirect paths are identified with no direct path leading from FAR to PSW. The resulting path coefficients and p values are presented in Table E3-1.

Table E3-1: FAR to PSW

Paths no.	Indirect Paths	Effects on PSW	P-Value
1.	FAR to BEX to PSW	0.119	0.000
2.	FAR to SWC to PSW	0.017	0.053
3.	FAR to RQ to PSW	-0.038	0.017
4.	FAR to PVL to SWC to PSW	0.000	0.799
5.	FAR to BEX to RQ to PSW	0.023	0.000
6.	FAR to PVL to RQ to PSW	-0.026	0.012
7.	FAR to BEX to PVL to SWC to PSW	0.000	0.800
8.	FAR to BEX to PRF to RQ to PSW	-0.025	0.000
9.	FAR to BEX to PVL to RQ to PSW	-0.008	0.031
10.	FAR to BEX to PRF to PVL to SWC to PSW	0.000	0.798
11.	FAR to BEX to PRF to PVL to RQ to PSW	-0.013	0.000
Total indirect effects from FAR to PSW ... (I)		0.049	0.067
Direct effect from FAR to PSW ... (D)		n/a	
Total effects of FAR on PSW = (I) + (D)		0.049	0.067

Table E3-1 reveal that seven of the eleven mediations are statistically significant. These are, FAR to BEX to PSW (0.119^{***}), FAR to RQ to PSW (-0.038^*), FAR to BEX to RQ to PSW (0.023^{***}), FAR to PVL to RQ to PSW (-0.026^*), FAR to BEX to PRF to RQ to

PSW (-0.025***), FAR to BEX to PVL to RQ to PSW (-0.008*) and FAR to BEX to PRF to PVL to RQ to PSW (-0.013***). However, the total of eleven indirect effects is non-significant (0.049^{ns}). Since there is no direct effect, the total effect of FAR on PSW is same as the total indirect effect (0.049^{ns}).

PIN to PSW: Figure E3-2 depicts the paths leading from PIN to PSW.

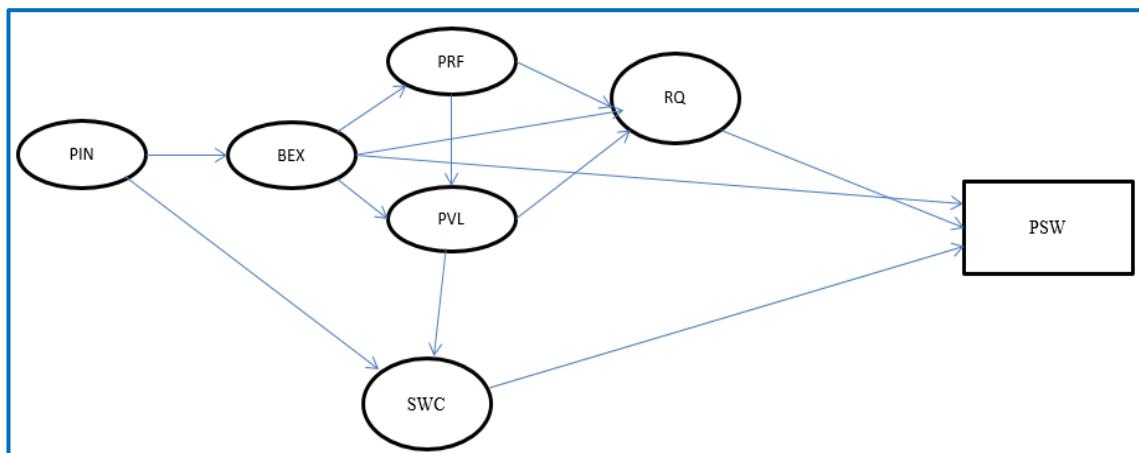


Figure E3-2: Direct and indirect paths from PIN to PSW

Total eight indirect paths are identified with no direct path leading from PIN to PSW. The resulting path coefficients and p values are presented in Table E3-2.

Table E3-2: PIN to PSW

Paths no.	Indirect Paths	Effects on PSW	P-Value
1.	PIN to BEX to PSW	0.109	0.000
2.	PIN to SWC to PSW	0.015	0.081
3.	PIN to BEX to RQ to PSW	0.021	0.000
4.	PIN to BEX to PVL to SWC to PSW	0.000	0.800
5.	PIN to BEX to PRF to RQ to PSW	-0.023	0.000
6.	PIN to BEX to PVL to RQ to PSW	-0.007	0.033
7.	PIN to BEX to PRF to PVL to SWC to PSW	0.000	0.798
8.	PIN to BEX to PRF to PVL to RQ to PSW	-0.012	0.000
Total indirect effects from PIN to PSW ... (I)		0.103	0.000
Direct effect from PIN to PSW ... (D)		n/a	
Total effects of PIN on PSW = (I) + (D)		0.103	0.000

As Table E3-2 reveals, five indirect paths from PIN to PSW appear significant. These are, PIN to BEX to PSW (0.109***), PIN to BEX to RQ to PSW (0.021***), PIN to BEX to PRF to RQ to PSW (-0.023***), PIN to BEX to PVL to RQ to PSW (-0.007*) and PIN to BEX to PRF to PVL to RQ to PSW (-0.012***). The total of eight indirect effects is 0.103 at significance level of $p < 0.001$. There is no direct effect found. Hence, the total effect of PIN on PSW is same as the total indirect effect, which is a positive significant effect.

FIL to PSW: Figure 5.46 depicts the direct and indirect paths from FIL to PSW.

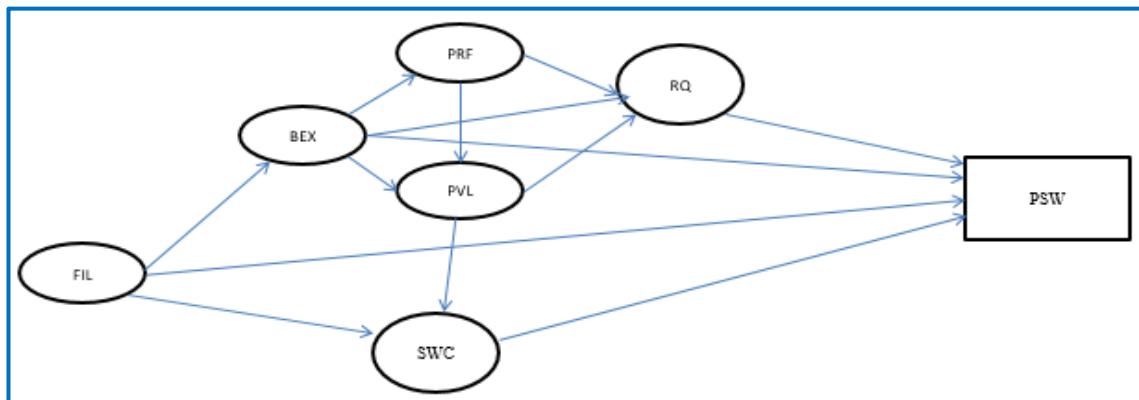


Figure E3-3: Direct and indirect paths from FIL to PSW

Total eight indirect paths are identified along with a direct path leading from FIL to PSW. The path coefficients and p values are presented in Table E3-3.

Table E3-3: FIL to PSW

Paths no.	Indirect Paths	Effects on PSW	P-Value
1.	FIL to BEX to PSW	-0.164	0.000
2.	FIL to SWC to PSW	-0.011	0.127
3.	FIL to BEX to RQ to PSW	-0.031	0.000
4.	FIL to BEX to PVL to SWC to PSW	0.000	0.799
5.	FIL to BEX to PRF to RQ to PSW	0.034	0.000
6.	FIL to BEX to PVL to RQ to PSW	0.011	0.029
7.	FIL to BEX to PRF to PVL to SWC to PSW	0.000	0.798
8.	FIL to BEX to PRF to PVL to RQ to PSW	0.018	0.000
Total of eight (8) indirect effects ... (I)		-0.144	0.000
Direct effect from FIL to PSW ... (D)		0.202	0.000
Total effects of FIL on PSW = (I) + (D)		0.058	0.214

Five indirect paths are significant from FIL to PSW. These are, FIL to BEX to PSW (-0.164***), FIL to BEX to RQ to PSW (-0.031***), FIL to BEX to PRF to RQ to PSW (0.034***), FIL to BEX to PVL to RQ to PSW (0.011*) and FIL to BEX to PRF to PVL to RQ to PSW (0.018***). The total of eight indirect effects is negative and significant (-0.144***). FIL also shows direct positive significant effect on PSW (0.202***). The total effect of FIL on PSW turns out positive, but non-significant (0.058^{ns}).

SWE to PSW: The paths leading to SWE to PSW are depicted in Figure E3-4.

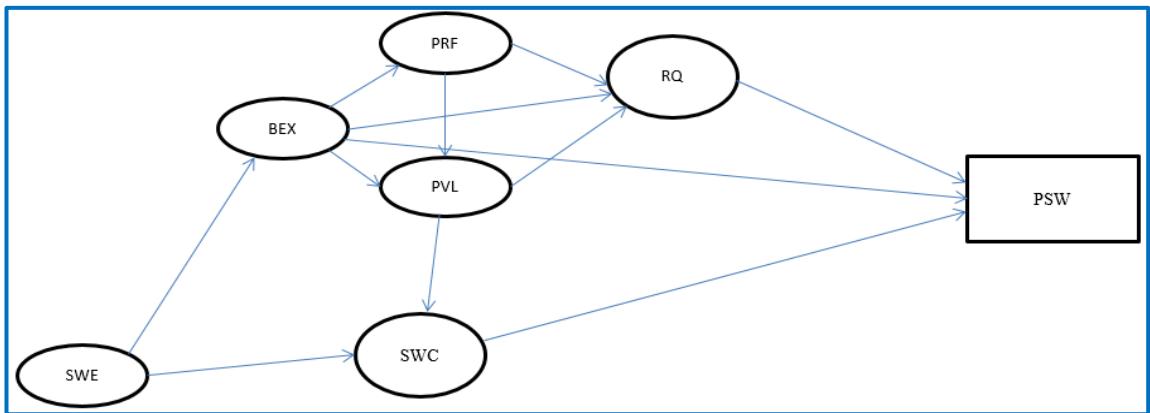


Figure E3-4: Direct and indirect paths from SWE to PSW

Total eight indirect paths are identified with no direct path leading from SWE to PSW. The path coefficients and p values are presented in Table E3-4.

Table E3-4: SWE to PSW

Paths no.	Indirect Paths	Effects on PSW	P-Value
1.	SWE to BEX to PSW	0.044	0.005
2.	SWE to SWC to PSW	-0.005	0.460
3.	SWE to BEX to RQ to PSW	0.008	0.014
4.	SWE to BEX to PVL to SWC to PSW	0.000	0.800
5.	SWE to BEX to PRF to RQ to PSW	-0.009	0.008
6.	SWE to BEX to PVL to RQ to PSW	-0.003	0.073
7.	SWE to BEX to PRF to PVL to SWC to PSW	0.000	0.799
8.	SWE to BEX to PRF to PVL to RQ to PSW	-0.005	0.009
Total indirect effects from SWE to PSW ... (I)		0.031	0.044
Direct effect from SWE to PSW ... (D)		n/a	
Total effects of SWE on PSW= (I) + (D)		0.031	0.044

Table E3-4 reveals four indirect paths are significant from SWE to PSW. These are, SWE to BEX to PSW (0.044 **), SWE to BEX to RQ to PSW (0.008 *), SWE to BEX to PRF to RQ to PSW (-0.009 **) and SWE to BEX to PRF to PVL to RQ to PRI (-0.005 **). Since there is no direct path from SWE to PSW, the total effect is same as the total indirect effect, which is a positive significant effect (0.031 *).