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Why Customers Stay? Reasons and Consequences of Inertia in Financial Services

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Keywords
Inertia, financial services, business-to-consumer

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Introduction

Customer dissatisfaction diminishes an organisation's customer base, forces the firm to rely on a more volatile customer mix and erodes the firm's reputation (Levesque and McDougall, 1996). This is particularly true in service industries, where customer dissatisfaction is a significant problem (Singh, 1990; Fornell, 1992). Customer responses to dissatisfaction occur along a continuum of severity (Hirschman, 1970; Foxman, Raven and Stem, 1990; Levesque and McDougall, 1996; Ruyter, Wetzels and Bloemer, 1998; Colgate and Norris, 2001). Although some defections are caused by dissatisfaction (Keaveney 1995, Stewart 1998), consumers may simply remain inactive and take no action at all when dissatisfied (Day, 1984; Gronhaug and Gilly, 1991; Hennig-Thurau and Klee, 1997). However, few studies in the marketing literature address why customers stay despite being dissatisfied (e.g. see Levesque and McDougall, 1996; Colgate and Norris, 2001; Ranaweera and Neely, 2003).

The objective of our study is to determine why customers choose to remain with their current service provider, despite being dissatisfied. The focus of this study is particularly on inertia (where is there is a paucity of literature) rather than on other factors such as switching barriers or service recovery, where authors have explored factors that are deterrents of defection (e.g. Jones and Sasser, 1995; Ruyter, Wetzels and Bloemer, 1998; Jones, Mothersbaugh and Beatty, 2000, 2002; Lee, Lee and Feick, 2001; Curasi and Kennedy, 2002; Burnham, Frels and Mahajan, 2003).

Semon (2001) suggests that researchers should remain alert to the reluctance of customers to change routine purchase behaviours despite expressing dissatisfaction. Colgate (1999) identifies three potential contributions from further research in the area of inertia in service industries. He suggests a focus on the 'missing element in consumer research in a services context' for a study into the largely ignored dissatisfied consumer's decision to stay and the cognitive process that precedes this. Secondly, he recommends that research is needed by

those organisations whose customer base includes 'prospective switchers', in order to identify why the customers stay and how to dissuade them from leaving. Thirdly, he comments that research is needed by organisations to help create strategies that overcome the inert behaviour of their competitor's customers, that is: their prospective customers. This paper attempts to at least partially address this gap in the literature.

Literature Review

The aim of the literature review was to understand why customers have stayed with their current service provider despite being in a state of dissatisfaction. We particularly focus on spurious loyalty and inertia.

Spurious Loyalty

Dissatisfaction, according to Hirschman (1970), provokes two negative responses: A consumer may discontinue the relationship (exit) or communicate dissatisfaction (voice). Hirschman contends that some customers react to dissatisfaction passively, preferring to remain with a service provider in the belief that the likelihood of an improvement outweighs the cost of searching for another supplier. So, loyalty (a positive response) is one of the reactions a customer may have to a service failure.

Customer loyalty has been conceptualised as an interaction of attitude and behaviour and is not one-dimensional. Dick and Basu (1994) explored the antecedents of attitude. They argue that loyalty is determined by the strength of the relationship between relative attitude and repeat patronage. On the basis of attitude-behaviour, they propose four forms related to loyalty: pure loyalty, latent loyalty, spurious loyalty and no loyalty (see figure 1). In this context, a customer may stay with a service provider after a service failure, as they are spuriously loyal. That is, they feel trapped, are apathetic or there are no alternatives so they do not leave (Colgate and Norris, 2001).

		Repeat Patronage	
		High	**Low**
Relative Attitude	**High**	Loyalty	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

Source: Dick and Basu (1994)

Figure 1. Loyalty Matrix

The findings from the study conducted by Levesque and McDougall (1993, p.52) suggested that, "even when a problem is not solved, approximately half of the respondents would remain with the firm". Day (1984) suggests that a majority of customers do not undertake any action following a negative service experience. There are numerous possible reasons for such behaviour, including switching costs, lack of perceived differentiation of alternatives, locational constraints on choice, time or money constraints, habit or inertia (Bitner, 1990; Ennew and Binks, 1996, Colgate and Lang, 2001).

Inertia

The concept of inertia has been defined and discussed in varied ways and in various contexts (e.g. both in consumer and business-to-business contexts) in the academic literature. Inertia has been referred to as spurious loyalty in the consumer behaviour literature (see Assael, 1998, p.149). Dick and Basu (1994) explain that 'spurious loyalty' occurs when a customer has a high repeat patronage but a relatively low attitude to the company and 'no loyalty' occurs when a customer has a low repeat patronage and a relatively low attitude to the company. However, Rowley and Dawes (2000) who have based their work on Dick and Basu's (1994) model, describe an inertial category within an attitude/behaviour matrix under 'no loyalty' rather than under 'spurious loyalty' (see figure 2).

		Repeat Patronage	
		Inertial	**Negative**
Relative Attitude	**Inertial**	Disengaged	Disenchanted
	Negative	Disturbed	Disruptive

Source: Rowley and Dawes (2000)

Figure 2. Attitude/Behaviour Matrix For No Loyalty

Similarly, spurious loyalty according to Jacoby and Chestnut (1978) is defined as "the biased (i.e. non-random), behavioural response (i.e., purchase), expressed over time, by some decision making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of inertia". Further, Pitcher (1998) points out that in the past, 'inert' customers have mistakenly been considered as 'loyal', when in fact they do not display loyal tendencies at all.

Inertia is described as a consistent pattern of buying the same brand almost about every time a consumer shops, where a brand is bought out of habit merely because less effort is required (Solomon, 1994, p.240) and it is not worth the time and trouble to go through a decision process (Assael, 1998, p.103). In this context, the consumer lacks the motivation to consider alternatives (Solomon, Bamossy and Askegaard, 2002). Inertia is the repeat purchase of the same brand passively without much thought. The purchase may even be in spite of the consumer having negative perceptions (Chintagunta and Honore, 1996) and reflects a non-conscious process (Huang and Yu, 1999). This non-conscious form of retention is distinguished from loyalty by the degree of consciousness involved in the decision to continue purchase from the same service provider (Huang and Yu, 1999). Their reasoning was that those who repurchase due to loyalty do so subsequent to a conscious decision strategy and they conceptualised inertia as a single dimensional construct consisting of "passive service patronage without true loyalty" and operationalised the construct as: "…not ready to put forth effort required for switching".

Repeat purchase as a result of inertia is unstable, reflecting little, or no brand commitment (Solomon, Bomossy and Askegaard, 2002) and merely represents acceptance (Assael, 1998). Robertson (1976) points out that under low-involvement conditions "brand loyalty may reflect only the convenience inherent in repetitive behaviour rather than commitment

to the brand purchase" (p.20). If the brand achieves a certain minimum levels of satisfaction, the consumer will repurchase on a routine basis and this process is referred to as spurious loyalty by Assael (1998). Even though brand loyalty and inertia lead to the same behaviour (i.e. repeat purchases), the underlying causes and marketing implications arising from the two are different. The effect of inertia is to make repeat purchasing respond to marketing variables, because the more inert the consumers, the more sensitive they are to marketing variables such as promotional tools and noticeable price reductions (Gupta *et al*. 1996; Huang and Yu, 1999). For this consumer, the reason for buying the same brand again might be the comfort of not being forced to make a new choice, the time saved when buying the same brand again, the feeling of indifference with the choice or the familiarity with the brand (Bloemer and Kasper, 1994).

Ranaweera and Neely (2003) built a hypothesis linking inertia to customer retention, however, found no significant linear relationship and argued that the condition of inertia was bound to be unstable. They suggested that the impact of inertia on retention would be determined by the competitive structure of the industry.

Givon's (1984) model of consumer behaviour assumes that a given consumer is either a variety seeker or a variety-avoider and defines variety avoidance as 'the tendency to choose the brand purchased during the previous purchase occasion simply out of inertia'. Seetharaman and Chintagunta (1998), in their model of inertia and variety seeking with marketing variables use the term inertia to refer to variety-avoidance (p.4). This idea parallels Bozzo's (2002) approach where individual consumers can be involved in an inert buying pattern or who show limited interest towards alternative brands on the market. McMullan and Gilmore (2003, p.235) relate inertia "…to a customer's contentment with a product or service to the degree that his or her information seeking relating to substitutes has diminished".

Inertia in the Banking Industry

Inertia in services has been the topic of different research studies. Colgate (1999) revealed that a predominant feature of the banking industry is that only a relatively small number of customers exit from their main bank annually. This may be as low as 2% per annum but is approximately 4% in most countries (Stewart, 1998). This may vary, however, by segment (Lewis, 1993). Research has shown that the bank customer's loyalty and acquiescence to partake in repeat purchase, is essentially influenced by their satisfaction with the bank (Albro, 1999). Over time, loyal customers build business through an increase in purchases, payment of premium prices and by spreading positive word of mouth (Ganesh, Arnold, and Reynolds, 2000).

Colgate and Lang (2001) investigated the switching barriers that deterred dissatisfied customers from moving to an alternative provider. Using data from 1,346 respondents, the analysis identified four switching barrier factors. The first factor, labelled Relationship Investment, related to loyalty, confidence in the provider, receiving 'the best deal' as well as being known by the bank staff. The second barrier factor, Negativity, captured issues such as being locked in to a firm and the financial costs or uncertainty associated with changing. The Apathy factor related to participants' perception that changing involved too much time and effort and that all banks were the same. The fourth barrier factor was Service Recovery and reflected that a complaint had been satisfactorily resolved.

Both the Relationship Investment and Service Recovery factors suggest that whilst participants had considered switching, a satisfactory aspect of the firm may have been prioritised or provided a source of compensation. For instance, items associated with Relationship Investment reflect psychological and financial benefits that were delivered by the firm, such as recognition and 'the best deal'. With regards to Service Recovery, McGuire (1999) highlights that a firm's resolution of a customer complaint may turn a source of dissatisfaction into a source of satisfaction. In contrast, the switching barriers of Negativity and Apathy do not suggest the existence of a service element that compensated for the source of dissatisfaction. Rather, these barriers appear to relate to the perceived absence of a satisfactory alternative or the failure to seek an alternative.

Dissatisfied consumers who remain with a firm due to a perceived absence of satisfactory alternatives exhibit spurious loyalty (Zeithaml, Berry & Parasuraman, 1996). The Colgate and Lang (2001) results suggest the presence of spurious loyalty given the high proportion of participants who had actively sought information on competitive banks (over 63%) combined with the reported concerns of negative financial outcomes from switching and/or lack of perceived difference between banks. Those customers who had considered switching yet had not engaged in seeking information about alternative firms could be considered even more inert since for them habitual or repeat purchases are made primarily because it is faster and/or easier than considering the alternatives and switching (Solomon, 1999). In regards to banking, Warner (2001) adds that a poor understanding of financial issues may contribute to the inertia.

Methodology

A pilot study was designed to gain preliminary insights into the decision problem. One-on-one interviews were conducted in privacy to avoid any other distractions or influences and to ensure complete confidentiality. Each interviewer used an interview guide of ten questions, and each interview took approximately twenty minutes to complete. The interview guide was designed to allow the collection of information, not only on the respondent's behaviour patterns, but also on the attitudes and motivations underlying those behaviours as they relate to the decision problem. The interview guide was of an open-ended, semi-structured format. A convenience sample of twenty respondents was used. Each respondent was dissatisfied with their current financial institution (FI) or had been dissatisfied with a previous FI. The respondents were deliberately chosen to represent varying age and nationality categories. The interviewer documented all discussions in written format. The responses from the interviews assisted in constructing and consolidating the framework for the quantitative research. The research concentrated on the reasons for the respondents' dissatisfaction with the current FI, the factors influencing the respondent to change FI or alternatively to remain with their current FI. This information was subsequently used to develop the questionnaire, which following pre-testing, was the basis for the quantitative stage of this research project.

A hand delivered, self-administered survey was chosen because it was considered to result in less interviewer bias and has a lower cost per survey. Using this style of survey ensured the availability of someone to answer the respondent's questions and to encourage the subjects to complete the survey. This style also allowed for the initial screening of the respondents with the qualifier; 'Are you dissatisfied with your current bank/credit union/building society?' The structured design required less effort and time from the

respondent meaning that they were more likely to complete the survey, whilst eliminating any interviewer bias in the interpretation of the responses.

The survey instrument commenced with a 5 point screening question regarding the respondents' level of satisfaction with their current FI. Only those respondents who were 'dissatisfied', 'somewhat dissatisfied' or 'neutral' were asked to complete the remainder of questionnaire. The sample was stratified by account type. Four different versions of the survey were completed with approximately equal groups for savings, cheque, credit card and personal loan accounts. Rejection rates for the quantitative surveys varied according to the specific geographic area of collection. The range was 20% - 50% and the estimated overall rejection rate was 28%. Of the 570 people approached, 410 (72%) completed the questionnaire.

The survey instrument commenced with questions regarding their FI history. Reasons for dissatisfaction and inertia were investigated by asking the respondent to rate the importance of 10 possible reasons for each, which had been generated from the pilot study. Five point scales were used for both, ranging from 'no importance' to 'extreme importance'. Information regarding frequency of complaints and to whom any complaints were directed was ascertained. Respondents were asked whether they were thinking of changing FI within the next twelve months and if so how much consideration had been given to this decision. Finally demographic details were elicited.

Analysis and Discussion of Results

Demographics

52.3% of the respondents were female and 47.7% were male. There was a relatively uniform distribution of individuals between the age categories. Of the 88% of the sample who indicated their age, 15.5% were 18-25 years, 23.3% were 25-35 years, 26% were 35-45 years, 24.9% were 45-55 years, and 10.2% older than 55 years. The majority of the sample group earn between $20 000 and $60 000. 10% earned less than $20 000, 31.5% earned $20 000 to $40 000, 36.8% earned $40 000 to $60-000, 6.8% earned $60 000 to $80 000, 2.2% earned more than $80 000, and 12.7% declined to provide their income. 14% of respondents have held their current account for less than twelve months. Almost half of the respondents (47%) have had their accounts for between one and five years. The remaining 39% were approximately evenly divided between 5-7 years (12%), 7-10 years (13%) and more than 10 years (14%). 58% had been dissatisfied with their current account for between 6 months and 3 years. Another 20% had been dissatisfied for between 3 and 5 years.

Dissatisfaction

An analysis of the reasons for dissatisfaction and the perceived importance of each is included in Table 1.

Reasons for Dissatisfaction	*Average Score*	*% of valid responses for each score*				
		1	**2**	**3**	**4**	**5**
Lack of branch locations	2.45	35.5	17.9	17.6	15.3	13.8
High interest rates on loans etc	3.02	27.3	13.3	15.3	18.1	26.0
Low interest rates on savings	3.14	21.2	16.6	17.9	20.7	23.5

Long waiting periods	3.46	11.1	11.7	24.6	24.9	27.7
Number of account fees	4.01	3.3	8.4	16.3	28.0	44.0
High account fees	4.06	3.8	8.1	14.2	25.6	48.2
Poor counter service	3.53	10.5	13.3	22.3	20.5	33.3
E-banking confusing	2.50	32.2	19.9	24.1	13.1	10.7
Poor telephone banking service	2.55	32.7	18.5	23.2	12.1	13.5
Other reasons for dissatisfaction	3.93	13.0	8.7	8.7	10.9	58.7

Table 1: Reasons for Dissatisfaction
KEY : 1 = No Importance 5 = Extreme Importance

Inertia

An analysis of the reasons for inertia and the perceived importance of each is included in Table 2.

Reasons for Inertia	*Average Score*	*% of valid responses for each score*				
		1	**2**	**3**	**4**	**5**
Time required to make the change	3.40	16.4	13.9	14.4	23.4	31.8
Negative prior experience in changing financial institutions	1.04	52.7	22.9	7.8	6.1	5.1
Costly in terms of transfer fees	3.49	13.1	11.6	20.2	23.2	31.8
Some service elements are satisfactory	2.99	20.7	14.5	29.0	16.6	19.2
The switching process is too complex	3.63	9.8	10.3	20.6	25.3	34.0
All FI are similar	3.70	5.1	15.4	19.5	24.6	35.4
Could not be bothered changing	3.24	14.6	21.9	19.3	13.0	31.3
Contractual obligations	2.75	33.5	13.2	15.2	21.3	16.8
Too much risk in changing	3.00	22.2	13.5	25.4	20.0	18.9
Other reasons for inertia	3.64	11.3	9.4	20.8	20.8	37.7

Table 2: Reasons for Inertia
KEY : 1 = No Importance 5 = Extreme Importance

Complaining Behaviour

With respect to complaining behaviour, the survey asked respondents to state to whom complaints were made and how often. Results are provided in Table 3.

Recipient of Complaint	**% of respondents who complained at least once**	**% of complainants who complained more than once**
The FI	70%	47
Banking Ombudsman	23	46
Family	84	54
Friends	78	40
Workmates	50	48
Other	4	60

Table 3: Frequency and Target of Complaints

Future Inertia

As an indicator of future inertia, the respondents were asked whether they would consider changing FIs within the next twelve months. Results are shown in Table 4.

Definitely Not	12%
Probably Not	22
Maybe	31
Probably	20
Definitely	15
	100%

Table 4: Consideration of Change of FI within the next twelve months

Factors affecting complaint behaviour and consideration given to changing FIs.

Cross-tabulations were performed between all pairs of variables in the dataset. The three significant findings concerned factors affecting complaint behaviour, factors affecting the consideration given to changing financial institutions and miscellaneous results involving the demographic variables. Only those tests with a statistically significant result are discussed below.

The length of time that the respondent had been dissatisfied was found to affect the complaint behaviour towards the three entities of financial institution, family and friends. Using chi-square analysis, it was found that the longer the period of dissatisfactions, the more likely it was that the respondent had complained 'many times' to financial institution, family or friends**.**

Four factors were found to influence the consideration a customer has given to changing their financial institution over the last twelve months. They were the length of time with their current account, the number of financial institutions where membership had been held in the past five years, and the age and annual income of the respondent. Each of these factors is discussed below.

A cross tabulation was performed between the length of time with the current account (i.e. <twelve months, 1-3 years, 3-5 years, >5 years), and their consideration to changing financial institution in the next twelve months (i.e. Definitely not, probably not, maybe, probably, definitely). The chi-square X^2 (404) = 22.129, $p<0.05$ = 0.036 was significant. Of those respondents who have been with their current account for more than 3 years, 55.3% will 'maybe' consider changing within the next twelve months. A cross tabulation was performed between the consideration given to changing financial institution (i.e. very little, some, a lot), and the number of accounts held in the last five years (i.e. one, two, three or more). The chi-square X^2 (398) = 24.962, $p<0.05$ = 0.00 was significant. 52.5% of those who have held three or more accounts in the last five years indicated that they would give 'a lot' of consideration to changing their financial institution in the next twelve months. In comparison, 46.1% of those who have held only one account in the last five years indicated that they would give 'some' consideration to changing their financial institution in the next five years. This seems to show that those respondents who have changed their accounts more than three times in the last five years would give more consideration to changing again, than would those who have only held one account in the last five years.

A cross tabulation was performed between the consideration given to changing financial institution (i.e. very little, some, a lot), and the age of the respondents (i.e. 18-25, 25-35, 35-45, > 45 years). The chi-square X^2 (353) = 13.234, p<0.05 = 0.039 was significant. It was found that the older the respondent, the greater the consideration given to changing FI. For example 45.5% of those who gave 'a lot' of consideration were in the > 45 age bracket, while only 9.9% were in the 18-25 age bracket. A cross tabulation was performed between the consideration given to changing financial institution (i.e. very little, some, a lot), and the income of the respondents (i.e. < $20 000, $20 000-$40 000, $40 000-$60 000, > $60 000). The chi-square X^2 (349) = 24.195, p<0.05 = 0.00 was significant. Those with a higher income tend to give more consideration to changing their Financial Institution when dissatisfied, for example 44.4% of those in the income bracket greater than $60 000 gave 'a lot' of consideration into changing Financial Institution, while only 16.7% gave 'very little' consideration. This is the opposite to those in the income bracket less than $20 000, of whom 26.3% gave 'a lot' of consideration, while 52.6% gave 'very little' consideration.

In addition, it was found that older respondents have been dissatisfied for a longer period, with only 2.2% of those customers dissatisfied for more than three years being in the 18-25 age bracket. It is probable that the younger people are less likely to have had accounts for as long as the older age groups. The chi-square X^2 (361) = 21.666, p<0.05 = 0.010 was significant.

Future Inertia

Two independent variables were created to represent inertia; both 'Future Inertia' and 'Past Inertia' were considered. 'Future Inertia' measured customers' intentions for the next twelve months and 'Past Inertia' examined the customer's actual behaviour over the past five years. A shorter period of time was chosen for measuring intended behaviour because it was considered that most customers are unlikely to know their intentions more than twelve months in the future. 'Future inertia' was defined as those customers who answered 'definitely not', 'probably not' or 'maybe' to the question regarding whether they were considering changing FI within the next twelve months. The 'Maybe' respondents were included in the 'Won't Change' group because they were considered to have not yet deliberately decided to move away from their current Financial Institution.

Of the 410 questionnaires, 374 replied to the question regarded their intended behaviour over the next 12 months. 240 respondents (64.1%) were therefore labelled 'future inert' in comparison to the 134 (35.9%) 'future active' respondents, that is those planning to move FIs ('definitely' or 'probably' considering changing FI within the next twelve months). Using Chi Square testing, it was found that four factors differentiate between the 'future inert' and 'future active' customers. These are summarised below in Table 5.

Independent Variable	**X^2**	**p**	**Direction***
Cheque Account	10.644	0.014	-
Account Held for > 5 years	10.155	0.017	-
Belong to ≥ 2 FIs	39.278	0.000	-
Income < $60K	8.881	0.031	+
'A lot' or 'Extensive' consideration given to changing FI	44.841	0.000	+

Table 5 Factors differentiating between 'Future Inert' and "Future Active' Customers

* For example, respondents who hold cheque accounts are less likely to be 'future inert' than those who hold other types of accounts.

The reasons given for customer dissatisfaction and for inertia were tested to determine if they were identifiers of 'future inert' or 'future active' behaviour. Using ANOVA testing, it was found that only one reason for dissatisfaction (low interest rates on savings F=4.047 p=0.045) and one reason for inertia (all financial institutions are similar F=6.735 p=0.030) were statistically correlated with inert behaviour. The directions were negative and positive respectively.

Past Inertia

Using the results concerning the number of financial institutions where each respondent has held membership over the last five years and the length of time that they have held their current account, a matrix of four cells was generated (Figure 3).

	More than one Financial Institution in the Past five years	**Only one Financial Institution in the Past five years**
< Five Years With Current Account	**Past Active (group 1) 26.9%** Have changed FI frequently	**New Starters (group 2) 14.4%** Recent customers with plenty of reason to change but haven't.
> Five Years With Current Account	**Dwellers (group 3) 28.8%** Have belonged to multiple F.I.'s in the past, yet still have current account after five years.	**Past Inert (group 4) 29.9%** This group has stayed with the 1 F.I. for more than five years.

Figure 3 Length of Membership/No. of Financial Institutions Matrix for Inert Consumers

The Number of Financial Institutions in the Past five years was divided into Only one Financial Institution and More than one Financial Institution. Customers who have belonged to only one financial institution in the past five years were considered 'inert'. Conversely, people who have had patronage with more than one financial institution in the past five years were considered to have exhibited some form of switching behaviour.

The Length of Time With Current Account was grouped into those who had been with their account for more than five years and customers who had been with their account for less than five years.

Once again, by our definition of "inertia" (those customers who are dissatisfied with their service provider but who do not move on), the group that we are particularly interested in from the matrix is group 4: those who have belonged to only one Financial Institution in the past five years, and who have stayed with that institution for more than five years. This group can be considered 'Past Inert' and represents 112 of the 375 respondents (29.9%). Our comparison group is group 1: those who have belonged to more than one Financial Institution but have only recently opened their current account. This group is called 'Past Active' and represents 101/375 or 26.9%. Of the other two groups, group 3 is also of

interest to the study of inertia. The customers in this group have belonged to more than one Financial Institution yet they have been with their current account for more than five years. This group, which is 28.8% of the 375, is considered 'Dwellers' as they *open new accounts but they do not close their old ones*, even if they are dissatisfied with them. The final group (group 2) of 54 respondents (14.4%), have only belonged to one Financial Institution and haven't yet been with their current account for five years i.e. they are "Recent Customers". Considering the proliferation of banking in Australia, it is highly unlikely that these customers are "New Bankers" which may be one explanation for this group.

In order to identify those factors that correlated with 'past inertia', all factors were tested, however only those found to be statistically significant are reported below (Table 6).

Independent Variable	X^2	**p**	**Direction**
Length of time dissatisfied	79.235	0.000	+
Age	28.362	0.000	-
Income	11.131	0.025	-
Consideration Given to Changing FI	35.038	0.000	-

Table 6 Factors that correlate with 'past inertia'

63.4 % of those customers considered 'Past Inert' had only been dissatisfied for less than twelve months (92% less than 3 years). Similarly, 87% of 'Dwellers' had been dissatisfied for less than 3 years, 57.4% of which had only been dissatisfied for less than twelve months. These results are in contrast to 51.5% of 'Past Active' customers who have been dissatisfied for more than 3 years. 50% of the 'Past Active' customers were in the Over 45 age category. The 'Dwellers' were mostly in the 35 – 45 year group (41%) and the 'Past Inert' tended to be Under 35 (53%). Regarding income, 'Past Active' people tend to earn more on average; 63% earn more than $40 000, the greatest majority (44.7%), in the $40 000 - $60 000 category. By comparison, most 'Past Inert' earn less than $40 000 (55%) and, of the 'Dwellers', 93% earned less than $60 000 (an equal split between the < $40 000 group and $40 000 – $60 000 group). 59% of 'Past Active' customers have given "A lot" or "Extensive" consideration to changing compared to the 'Past Inert' and 'Dwellers' who had mostly only given "Some" consideration (both 51%).

The reasons given for customer dissatisfaction and for inertia were tested to determine if they were identifiers of 'past inert' or 'past active' behaviour. Chi square testing revealed that four of the 10 reasons for dissatisfaction were significant identifiers of past inertia. These included Lack of Branch Locations, Low Interest Rates on Savings, Number of Account Fees, and High Account Fees.

Independent Variable	X^2	**p**	**Direction**
Lack of Branch Locations	24.918	0.000	-
Low Interest Rate on Savings	21.968	0.000	-
No. of Account Fees	5.971	0.050	-
High Account Fees	7.930	0.019	-

Table 7 Identifiers of past inertia

That is, there is a negative correlative between the independent variable, lack of branch locations and the dependent variable inertia. For example, the more important the lack of branch locations is considered to be, the less likely that the respondent is inert. 78% of 'Past Inert' customers do not consider lack of branch locations as important compared to 50% of 'Past Active' people who do. The 'Dwellers' also do not find lack of branch locations an important reason for dissatisfaction, 79% indicating that it is not important. 66% of 'Past Inert' customers do not consider low interest rates on savings as important compared to 63% of 'Past Active' people who do. The 'Dwellers' also do not find low interest rates on savings an important reason for dissatisfaction, 65% indicating that it is not important.

To investigate whether reasons for inertia identified in the survey are useful for distinguishing customers who have demonstrated inertia in the past, the individual reasons for inertia were cross tabulated with Past Inertia (including Dwellers), again Chi square testing was used. All FIs are considered similar ($X^2 = 8.292$, $p=0.016$) was significant at the 5% level. The direction of correlation with the dependent variable, inertia was positive. Number of Account Fees and High Account Fees had a very similar result. Whilst the majority of all groups considered these important reasons for dissatisfaction, the degree of importance placed on these reasons were notably higher for 'Past Active' people compared to the 'Past Inert' customers. The 'Dwellers' also impacted significantly on the result, with nearly one-third of this group not finding low interest rates on savings an important reason for dissatisfaction, the highest result amongst the three groups in terms of lack of importance.

Analysis by Account Type

Of the total number of 410 respondents, 103 (25.1%) respondents completed the questionnaire with respect to their savings account; 102 (24.9%) with respect to their cheque account; 102 (24.9%) with respect to their credit card and 103 (25.1%) with respect to their personal loan.

Using the statistical software SPSS (v8.0), ANOVA's were run for the interval and ordinal data to test for any statistically significant differences between the data collected for the four account types. Cross tabulations were performed for the categorical data. Only those results that were statistically significant are discussed below.

A significance value of $p<0.05= 0.001$ ($F = 5.296$) indicated that there was a statistically significant difference between the incomes of the different account types with a higher mean for credit card accounts. A significance value of $p<0.05 = 0.040$ ($F = 2.790$) indicated that there was a statistically significant difference between the number of financial institutions that respondents had accounts with in the past five years, for the different account types with cheque account holders having more FIs than the others.

Regarding the reasons for not changing financial institutions, there were differences between the holders of the different accounts concerning three factors; 'the switching process is too complex', all FIs are similar and 'contractual obligations'.

Regarding 'the switching process is too complex', a significance value of $p<0.05 = 0.012$ ($F = 3.752$) indicated that there was a statistically significant difference between the different account holders regarding the importance of this factor as a reason for not

changing financial institutions. This indicates that the complexity of the switching process was perceived to vary between different account types.

For the reason 'all FIs are similar', a significance of $p<0.05 = 0.034$ ($F = 2.943$) indicated that there was a statistically significant difference between the different account holders regarding the importance of this factor as a reason for not changing financial institution. Those with savings accounts saw other institutions as being more similar than did the other account types.

A significance of $p<0.05 = 0.010$ ($F = 3.860$) indicated that there was a statistically significant difference between the groups regarding the importance of contractual obligations as a reason for not changing FIs. Those with a personal loan indicated a higher perception of importance of the contractual obligations.

Regarding the reasons for dissatisfaction there were statistically significant differences concerning six of the ten possible reasons investigated. They were lack of branch locations, high interest rates on loans, low interest rates on savings, long waiting periods, number of account fees and poor counter service.

A significance value of $p<0.05 = 0.00$ ($F = 6.896$) indicated that there was a statistically significant difference regarding the importance of the factor 'lack of branch locations' as a reason for dissatisfaction. Those with a personal loan account rated this factor as lower on average than did the holders of other account types A significance value of $p<0.05 = 0.00$ ($F = 19.685$) indicated that there was a statistically significant difference regarding the importance of the factor 'high interest rates on loans' as a reason for dissatisfaction. Those with a personal loan account rated this factor as higher on average than did the holders of the other account types.

With respect to 'low interest rates on savings', a significance of $p<0.05 = 0.00$ ($F = 13.865$) indicated that there was a statistically significant difference in the importance of this factor as a reason for dissatisfaction. Those with a savings account rated this factor as higher on average than did the other account types. A significance of $p<0.05 = 0.00$ ($F = 11.121$) indicated that there was a statistically significant difference in the importance of the factor 'long waiting periods' as a reason for dissatisfaction. Savings account holders rated long waiting periods as more important on average than did those with other account types.

With respect to the factor 'number of account fees', a significance of $p<0.05 = 0.006$ ($F = 4.155$) indicated that there was a statistically significant difference in the importance of this factor as a reason for dissatisfaction. On average, those with savings accounts considered this factor as more important than those with other account types. A significance value of $p<0.05 = 0.005$ ($F = 4.277$) indicated that there was a statistically significant difference between the importance of the factor 'poor counter service' as a reason for dissatisfaction. Savings account customers consider this as a more important dissatisfaction factor than do those with other account types.

Implications and Directions for Future Research

The length of time that a customer has been with their current account, the number of financial institutions in the past five years and the consideration a customer has given to changing their financial institution in the past twelve months were all significant identifiers

of customers who will exhibit future "inertia" over the next twelve months and 'past inertia' over the previous five years. However, it was found that the length of time of dissatisfaction affected "Past Inertia" but not "Future Inertia". In light of these results, further research into the effect that past behaviour has on future intentions of inertia is warranted. Identifying variables of past behaviour that can predict future intentions may go some way to further explain inertia in the financial industry and has particular implications for preventing customer defections. For example, by monitoring a customer's behaviour, a financial institution may be able to predict those customers who are likely to become "Future Active", and make an attempt to stop them before they switch. Alternatively, a competitor could use the same information to lure customers who are inert with respect to their current institution.

Despite the insignificant results obtained for complaining behaviour as an indicator of inertia, there were some interesting results associated with this variable. The complaint behaviour was found to differ according to the three variables of account type, length of time dissatisfied and gender. In terms of the type of account held, the complaint behaviour was found to be different for the three different entities of Financial Institution, Family and Friends. Cheque account holders complained less often to the financial institution and to their family than the other account types did and the complaints made to friends by customers with loans declined after only a few complaints were made. The length of time a customer has been dissatisfied was also found to indicate the complaining behaviour of the customer towards the Financial Institution, Family and Friends. Considering that the general trend seemed to be that complaints increased over time, the authors recommend that trend analysis be performed to confirm any relationship between the length of time a customer has been dissatisfied and the number of complaints they make. The final significant result for complaint behaviour concerned the gender of the respondent, where it was revealed that women make more complaints to their financial institution then men. This result is particularly interesting considering that gender was not found to be a significant indicator of either "Past Inertia" or "Future Inertia". Further research could be conducted into why women are more inclined to complain but do not change FIs more often than men.

However, the question on the survey relating to complaining behaviour could have been worded more effectively. As it exists now, there is no way of distinguishing between those people who did not answer the question and those who made zero complaints to the particular body in question. This is a possible bias that has influenced the (rather unexpected) results of insignificance in complaining behaviour on inertia.

The fact that seven significant results were found regarding the complaining behaviour of the sample leads the authors to suggest that this topic is extensive enough to warrant a separate study. One possible avenue for expanding the knowledge in this area would be to ascertain precisely what customers are complaining about and whether their complaints are heeded (as perceived by both the customer and the body receiving the complaint). It would also be of interest to consider this together with the level of dissatisfaction. For example, perhaps the people who complain more often are more dissatisfied than those who only complain occasionally.

"Lack of Branch Locations" as a reason for dissatisfaction, was found to be a significant identifier of people who have become "Active" in the past five years. That is, people who placed a high importance on a lack of branch locations were more inclined to switch

financial institutions. We suggest that this result may be at least partly influenced by the negative publicity banks are continuing to receive regarding branch closures. It was also found that "All Financial Institutions Are Similar" as a reason for inertia was a significant indicator of both "Past Inertia" and "Future Inertia". It would be interesting to determine whether all financial institutions really are similar in their service offerings or if this is simply a common misconception amongst customers caused by the consistent and generally negative media that banks have recently received, particularly about branch closures and increasing interest rates. The impact of this negative media coverage on the image of the industry may reveal more about inertia in financial services. Further research, particularly longitudinal, may find that "Bank Bashing" causes a significant proportion of inertia in financial services.

One major finding of this research was the discovery of a group which was labelled 'Dwellers' with respect to "Past Inertia". They were found to be customers who exhibit the behaviour of both the 'Past Inert' and 'Past Active' customers because they are a group of people who open new accounts but do not close their old ones. The 'Dwellers' produced interesting results in terms of the reasons for dissatisfaction and the reasons for inertia. In both cases, the underlying suggesting is that this is a group of people who do not have a good relationship with financial institutions in general. They were found to be largely between the ages of 35 and 45 and had incomes of approximately $40,000 to $60,000.

Three of the reasons for dissatisfaction that were found to be a significant indicator of "Past Inertia" were Low Interest Rates on Savings, Number of Account Fees and High Account Fees. Interestingly, the 'Dwellers' group indicated the lowest importance on all three of these reasons. This suggests that they are people who possibly are not concerned with the costs associated with using a financial service.

In terms of significant reasons for inertia as indicators of "Past Inertia", it was found that 75% of 'Dwellers' feel all financial institutions are similar. The 'Dwellers' were also found to consider Contractual Obligations are unimportant exit barriers. It could be that they do not have any contracts or that they believe they can easily break contracts. Both results point to an apathetic attitude towards the financial industry in general. Further research, particularly attitudinal research, on the 'Dwellers' group is suggested.

The analysis that was undertaken on the effect of the account type on inertia revealed some interesting insights. Results showed that the type of account affects "Future Inertia". It was revealed that savings account respondents felt that Low Interest Rates on Savings, Long Waiting Periods and Poor Counter Service were more important than did respondents with the other account types. They were also the group who felt most strongly that All Financial Institutions Are Similar. Both "Low Interest Rates on Savings" and "All Financial Institutions Are Similar" were found to indicate "Future Inertia". Low interest rates on savings accounts appears to be an important enough reason for a customer to decide to become active and switch their financial institution. It is interesting that this group of consumers perceive all financial institutions to be similar yet would still switch to try and receive a higher interest rate on their savings account. The same result occurs for "Past Inertia".

This suggests that future research should seek to clarify the use of the "Savings" account. For example, it would be interesting to determine whether this result is the same for Term Deposit savings accounts. Perhaps due to the recent high rate of return on shares, people

have a general perception that cash is a "poor" investment. Further research into this area would ideally look at exactly what customers are using their savings accounts for. Possibilities include using it for general use- paying bills, etc, whereby money is consistently flowing in and out versus people who use a savings account as "pure" savings account- one that is considered an asset or investment. Each of these uses may impact upon the expectations a customer has for interest rates on this account, and subsequently why they are or are not inert.

It was shown that cheque account holders have had a higher number of financial institutions in the past five years and believe that the complexity of the switching process as a reason for inertia is unimportant. It was also revealed that customers holding a cheque account are less likely to complain to their financial institution on more than one occasion. It is interesting that these customers switch without having let their financial institution know they were dissatisfied. The type of account was found to be a significant indicator of "Future Inertia", whereby cheque account customers were more likely to be 'Future Active', probably because they perceive the complexity of switching to be less important. However, the type of account did not seem to be an indicator of "Past Inertia" which suggests perhaps that the perception that Cheque accounts are easier to switch out of is only a recent phenomenon. More extensive research into the area of switching behaviour in different types of account holders would help to clarify this result.

Personal Loan holders felt that contractual obligations and low interest rates on loans were important reasons for inertia and dissatisfaction respectively. Both of these are expected results considering the contractual nature of a personal loan. However, one result that was unexpected, was the fact that personal loan respondents did not feel that a lack of branch locations was very important. The authors suggest that a possible explanation could be that the nature of this type of account does not require regular face-to-face banking once the account has been established. This raises implications for the actual execution of the personal loan account. Perhaps these types of accounts could benefit from the use of modern technology and employ the Internet. If customers do not feel the need to visit a branch location to obtain a loan, making use of the technology available as an alternative may save money for financial institutions in terms of office space and number of loan employees.

With respect to age, there were some interesting findings The older sector of our sample is less likely to have changed their account in the last five years. Additionally, the age of the respondent is an indicator of the length of time they have been with their current account, where the older respondents have generally been with their account for longer. However, age produced an insignificant result as a reason for "Future Inertia" but the Length of Time With Current Account was significant. However, in the past five years it has largely been the over-45-year-old group who has been 'Past Active'. Yet this age demographic does not feature as prominently in the Future Inertia group. This apparent disconnect requires further study.

Income was found to be a significant demographic variable in terms of both "Future" and "Past Inertia". However, the authors warn that because Income was found to be significantly different between account types, any results should be treated with caution, as discussed in the Limitations section of this report. It was revealed that people who earn more are more likely to change their financial institution when dissatisfied, i.e. be 'Future Active'. This could be due to occupation and possibly to higher levels of education that

may accompany higher incomes. The significant result for "Past Inertia" for Income is also interesting. Perhaps people who earn less than $40000 were 'Past Inert' because they don't have enough money to consider changing financial institutions important. 'Past Active' people on the other hand may feel that they have more at stake in not changing.

However, income was found to be significantly higher for Credit Card holders. Income restrictions before opening a credit card account could possibly account for this difference. This could potentially impact the results obtained regarding Income, as discussed in the Limitations section of this report. Any further research on income should seek to control for the effect of income.

Limitations

The research is limited to the financial segment of the services industry. While the research provides insight into the attitudes, behaviours and motivations of inert customers in the financial sector, further studies are required in order to generalise this work to other industries. As the study was undertaken was focussed on the Sydney, Western Sydney and Illawarra regions in Australia, the results of the research cannot be applied to other geographic regions around Australia, or indeed internationally. Dividing the survey evenly between the four chosen account types (Savings, Cheque, Credit Card and Personal Loan) created a bias, as there is not likely to be an even distribution of these four account types across financial institutions, also other account types were not included in the study. There was a significant variance for 'income', which indicated that those holding a credit card account had on average a higher income than those with the other account types. As only 25% of our sample was questioned regarding credit card accounts, this indicates a bias toward those with lower incomes.

Conclusion

As one of the first empirical studies in the area of inertia in financial services, this research has established some valuable findings, making significant academic and managerial contributions. The research has raised many points worthy of further investigation in the financial sector and may also act as a basis for research regarding inertia in other industries.

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