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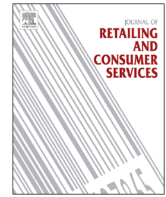

“Switching is easy”—Service firm communications to encourage customer switching

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ABSTRACT

For several service industries, customer acquisition is challenged because of matured markets. Winning new customers typically means encouraging the competitors' customers to switch. This article analyzes “Switching is easy”-messages of retail banks. In their marketing communication, UK banks focus on several aspects to decrease perceived switching costs of their competitor customers. However, many facets stay unmentioned such as stress-related dimensions of switching a relationship. The study therefore contributes to service research by outlining how service firms focus on to decrease perceived switching costs of bank customers to acquire them from competitors.

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1. Introduction

The retail banking industry is highly competitive. Consequently, retail banks continuously seek to increase market share and profits by acquiring new customers. Banks attempt to attain prospects primarily by winning customers away from competitors through increased switching behavior. Retail banks therefore search for factors that motivate customers to change their banking relationship. Hence, our study investigates what banks communicate to inspire customers to switch their current bank accounts. We therefore examine the themes of switching messages at bank web pages by conducting a content analysis of communication from British retail banks about customer switching.

The following research questions lie at the heart of this paper. First, how intensely do retail banks deal with “Switching is easy” messages? Second, what features do banks focus on when communicating about account switching? In particular, what process-related factors do they outline, and to what types of expected switching costs do banks refer? For this investigation, we focus on the British retail banking market because this service sector is one of the key industries in United Kingdom. The following aspects speak for this industry as the most appropriate sampling frame. This industry faces rather low switching rates and might therefore be ineffective in motivating customers to switch. Retail banking in UK is further challenged by increasing requirements of the government to speed up switching processes and to encourage customers to switch. Further, in the past, retail banks from other countries entered this market which highlights the importance to understand marketing means for customer acquisition. Because themes of “Switching is easy” messages have not yet been investigated in service research, we aim to survey the objects of such campaigns by conducting a qualitative content analysis that will underpin forthcoming research on switching communication.

Therefore, our paper will contribute to marketing research by showing the extent to which banks are aware of barriers such as perceived switching costs which prevent customers from switching and how they intend to decrease such switching costs through advertising messages. Thus, our study builds theoretically on findings on perceived switching costs and switching responses. We now enhance the customer perspective on the presence and amount of switching costs by considering communicative responses of firms to influence such perceptions. Our paper therefore aims to provide recommendations for further empirical research on firm advertising in the field of relationship marketing. In markets with high levels of competition like retail banking, “Switching is easy” messages are expected to be very frequent and comprehensive. With this qualitative research approach, we are able to make theoretical conclusions about the significance of perceived customer switching costs to customer management in services, particularly in the stage of customer acquisition. Therefore, our study promises to illuminate the types of switching costs retail banks take to be important and hence focus on marketing communication.

This article is structured as follows. First, we will present the underlying theoretical framework of customer switching in service

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industries, which includes a conceptual framework for switching costs and uses switching messages as an acquisition tool. Second, we outline sampling and data collection and describe the concept of categories for the content analysis procedure. We further present and discuss our findings. Third and finally, we outline the limitations of our study and provide avenues for further research on switching messages of service providers.

2. Theoretical framework of customer switching

2.1. Customer switching in service industries

In the service literature, customer switching is a popular topic because most service industries face high customer defection rates. Within the past two decades, research has examined the switching rates in several service sectors (e.g., Colgate and Lang, 2001; Lee et al., 2001; Wieringa and Verhoef, 2007) and the antecedents of switching, such as commitment (Verhoef, 2003), satisfaction (Chebat et al., 2011; de Matos et al., 2009; Gustafsson et al., 2005; Ping, 1993; van Birgelen et al., 2006), negative incidents and experiences (Hess et al., 2003; Smith et al., 1999) and the quality of offerings and the relationship (Chou and Lu, 2009; Pick and Eisend, 2014). Further, customer switching leads to decreased sales, decreased market share and rising marketing costs for acquiring new customers (e.g., Rust et al., 1995). In the context of switching, research has concentrated on identifying perceived switching costs, their antecedents and consequences for customers and service firms. Generally, switching costs are understood as an important and firm-initiated mean to prevent customers from switching by generating loyalty (e.g., Burnham et al., 2003; Chebat et al., 2011; Chiu et al., 2005). Many tools are utilized in service marketing to enhance the costs of customer switching, such as contracts, offering special treatment or loyalty bonuses (e.g., Fornell, 1992). The literature has examined increasing switching costs for current customers to create loyalty. A recent meta-analysis on switching costs showed that firms are able to increase perceived switching costs and finally prevent customers from switching by communicating their investments into the customer and the relationship (Pick and Eisend, 2014). However, it is unclear if, how and to what extent service providers seek to influence the perceived switching costs of their competitors' customers by decreasing such costs. Therefore, it is fruitful for a deeper understanding of customer switching processes how service firms may emphasize the ease of switching (Chebat et al., 2011). Hence, this paper is the first to examine service firm activities that seek to lower the perceived switching costs of prospective customers. Building on a theoretical model of eight dimensions of switching costs and the related customer perspective, we investigate messages from service providers that refer to the reduction of switching costs of other suppliers' customers. We therefore omitted any information given by banks to their own customers about the switching process or switching outcome (i.e., intra-bank switching). Furthermore, we identified emotional factors such as stress as an additional dimension of process-related switching costs. Accordingly, this study intends to provide comprehensive insights into retail bank activities that aim to lure customers away from their competitors.

2.2. Definition and types of switching costs

For the purposes of this study, we define perceived switching costs as all supposed and/or experienced costs of switching a relationship from one firm to another (e.g., Jones et al., 2000, 2007). Switching costs can therefore be interpreted as the result of a subjective evaluation of experiences and/or the observation of experiences of other persons, i.e., customers may perceive switching costs without ever switching firms.

Because the context (product vs. services) and relationship degree (contractual vs. non-contractual) may affect the type of switching costs, there are many different potential conceptualizations and typologies. Because customers may be unable to evaluate reliably the monetary costs of switching, it is common to use an overall evaluation of perceived switching costs. Such conceptualizations identify costs in terms of time, money and effort (e.g., Edward et al., 2010; Ferguson et al., 2005). However, these approaches are unable to allow to drawing specific conclusions or offering specific advice to management. Therefore, differentiated measurement approaches are better suited. We consequently use the typology of Burnham et al. (2003) because it can broadly conceptualize the perceived costs of switching and was originally employed in two service industries. Hence, our guideline for the content analysis differentiates switching costs into eight different types along three dimensions (see Table A1).

2.3. Switching in the bank context

Banks are characterized by high levels of intangibility, complexity and dependence characteristics, which may "encourage the consumer to reduce the number of options to choose from, to remain loyal to the same provider and to maintain a relational behavior" (Izquierdo et al., 2006, p. 64). Consequently, bank customers often have multiple relationships. As a consequence of multiple relationships, customer switching can be partial, terminating just one or some accounts, or total, terminating all accounts. Banks mostly define customer switching as closing the main bank account.

Several studies of the banking industry have shown low switching rates in many countries, such as 11.3 percent in the United States (J.D. Powers and Associates, 2012). This indicates that switching bank accounts is more difficult than in industries with annual switching rates of 30 percent, such as telecommunications. Switching a bank relationship may require significant effort and risks for customers. Bank customers must typically discover what other banks charge for different services, complete some paperwork (e.g., applying for a new account) and might be confronted with the hassle of redirecting automatic transfers. Consequently, many customers are doubtful about a smooth transition (Insley, 2010; Peachey, 2008), expecting general costs of switching to be high and involving complicated transactions (Crump, 2011). However, these perceived switching costs may not be mere worries, as customers who have switched have reported problems (Accenture, 2012; Peachey, 2008).

2.4. "Switching is easy" messages

One approach to increasing customer switching is to communicate that switching is easy, quick and beneficial for the prospective customer (e.g., Chebat et al., 2011). Hence, such messages aim to acquire customers from competitors, and we interpret them in terms of influential triggers that motivate customers to switch (Roos and Gustafsson, 2011). In particular, by implementing such switching communication, firms might refer towards latent positive attitudes towards switching. "Switching is easy" messages appear to be powerful. Initial findings indicate that promotional campaigns and cash incentives have a positive impact on bank switching: "19 percent of customers indicate these promotions were the reason they selected their new bank" (J.D. Powers and Associates, 2012). Switching costs may be related to the customer's relationship with the current bank (relationship barriers), the switching process itself (process barriers), the outcomes of the switch or the customer's characteristics (e.g., lack of time, knowledge or confidence in switching). Consequently, banks may address

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