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How do Customer Satisfaction, Confidence and Knowledge in Financial Services Affect their Switching?

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ABSTRACT

Several factors are important in explaining customer retention. This paper aims to explain customer switching in financial services by considering customer satisfaction, confidence and knowledge as important factors which can affect customer switching intention. Data were collected from 224 respondents who are using financial services in Australia. The questionnaire was designed to examine how customer satisfaction, confidence and knowledge affect their switching intention in financial services. By using Motivation-Opportunity-Ability (MOA) framework, results indicate that satisfaction has positive effects on customer switching intention. Knowledge and confidence are important in explaining customer retention. Customer confidence positively moderates the relationship between satisfaction and customer switching intention. Knowledge indirectly affects on switching through its positive effect on customer confidence in decision- making. A number of important findings also have been discussed.

Keywords: Customer switching; customer knowledge; customer confidence; overconfidence; satisfaction.

1. INTRODUCTION

The long history of the relationship between satisfaction and retention also fits the way marketers, scholars want to look at the world. Our world view suggests that if we do well by our customers, they will do well by us. Customer satisfaction is generally regarded as an important determinant of retention (Hennig-Thurau and Klee, 1997, Bansal and Taylor, 2015, Picón et. al., 2014) and there is no doubt that customer satisfaction has long-term benefit. For example, customer satisfaction can help to increase loyalty, reduce costs of future transactions and enhance reputation for the firm (Anderson et. al., 1994, Anderson et. al., 1997, Bearden and Teel, 1983, Bolton and Drew, 1991, Ali, Kim et. al., 2016). Other studies conclude that customer satisfaction results in both repurchase behaviour (Bolton, 1998, LaBarbera and Mazursky, 1983,

Newman and Werbel, 1973, Huang et. al., 2014, Fang et. al., 2011, Liao, Lin et. al., 2017) and repurchase intention (Anderson and Sullivan, 1993, Cronin and Taylor, 1992, Frederick and Sasser, 1990, Voss et. al., 2010, Posselt and Gerstner, 2005).

However, empirical evidence suggests that the link between satisfaction and switching is not straightforward. Some customers still defect when satisfaction is high and others stay with a product, brand or firm when satisfaction is low (Hennig-Thurau and Klee, 1997). In other cases, some satisfied customers may not return because of variety-seeking behaviour (Sánchez-García et. al., 2012). However, some dissatisfied customers may not defect because of switching costs (Jonathan et. al., 2001). To explain the complexity of the link between satisfaction and retention, marketers have examined external factors that affect the relationship, such as intra-psychological, contextual, and situational elements (Hennig-Thurau and Klee, 1997). Research to date has not conclusively established why and how customers decide to stay with their current suppliers.

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

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

Firstly, customer decisions are strongly affected by how much knowledge customers have (Hadar et. al., 2013), and customer knowledge has been demonstrated to be an important determinant of customer's choice in financial services (Hadar et. al., 2013, Hilgert et. al., 2003, Devlin, 2002). In previous studies, customers were asked questions to test their knowledge, followed by questions about their switching behaviour. Unfortunately, these studies ignored the effect of difficult questions, and subject familiarity on customers' confidence, but tended to focus on examining the effect of knowledge on customer behaviour directly (see, for example, Capraro et. al., 2003). In addition, it has been demonstrated that confidence has a strong effect on customers' decision-making (Ratcliff and Starns, 2013), and customer knowledge influences customer confidence (Biswas and Sherrell, 1993, Bone, Lemon et. al., 2017). Thus, this study aims to explain the influence of consumer knowledge on decision-making through the filter of consumer confidence.

Secondly, this study argues that customer confidence can reframe the effects of satisfaction. Therefore, in this study, two types of confidence were investigated: confidence in knowledge and confidence in decision-making. The literature on confidence in knowledge tends to focus on the problematic effects, including overconfidence, hard-easy and familiarity effects (Gigerenzer et. al., 1991, Glaser and Weber, 2007, Moore and Healy, 2007). One of the strongest patterns in the confidence literature is that subjects are routinely more confident than they should be given their knowledge (Gigerenzer et. al., 1991). This explains why

many financial consumers may be content despite under-saving for retirement, overpaying on loans and being underinsured. Confidence is also higher on more difficult questions than the easy ones (Gigerenzer et. al., 1991), which again goes a long way towards explaining why uninformed consumers could be more confident in making complex financial decisions than more ordinary choices of fast-moving consumer goods. Finally, less familiar decision and task contexts also lead to overconfidence (Tourani-Rad and Kirkby, 2005). Together, these three confidence patterns, namely overconfidence, hard-easy and familiarity effects put severe limitations on the usefulness of direct training in financial literacy. Although consumer confidence is fairly accurate for most routine fast-moving consumer goods choices, overconfidence issues in choosing financial services may be severe.

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

2. LITERATURE REVIEW

Customer Satisfaction

Satisfaction is a crucial construct in explaining customer behaviour. Customer satisfaction can decide the success or failure of enterprises. To date, there is no consensual definition of satisfaction in the literature (Jayasankaraprasad Kumar 2012). Two main approaches to defining this term, either as an outcome or an evaluation process, are widely accepted in the literature (Howard and Sheth, 1969, Giese and Cote, 2000, Johnson and Fornell, 1991, Oliver, 2010). However, if satisfaction has been defined as a process, this can help to explain how customer satisfaction is formed. Moreover, considering satisfaction in a process provides a wider view than outcome approach because satisfaction has been examined in whole process, not just in an outcome. Most scholars agree that satisfaction increases customer loyalty. For example, Siddiqi (2011) concluded that customer loyalty is strongly and positively influenced by satisfaction. Oliver (1999) in his research concluded that satisfaction must be accumulated over time to become loyalty, in a process that can be affected by other factors and conditions in a variety of contexts. Satisfaction by itself does not ensure loyalty.

Customer Knowledge

Consumers make decisions to purchase using an array of strategies; using knowledge stored in their own memories is one of the most common strategies (Brucks, 1985). Customer knowledge influences all phases of the decision-making process (Raju et. al., 1995). To make a decision to purchase a product, a customer was required to have a certain level of knowledge. For example, customers were required to have high level of knowledge in making the decision to purchase prestige products (Vigneron and Johnson, 1999). Hadar et. al., (2013) showed that increasing customers' knowledge about alternatives in financial services increases the efficiency of their choice. Moreover, when customers are more knowledgeable about products,

they search for information regarding products more effectively and are more confident in making a good choice (Johnson and Russo, 1984, Brucks, 1985, Carlson et. al., 2009).

Three main types of consumer knowledge are identified in the literature: subjective knowledge, objective knowledge and usage experience or familarity. Subjective knowledge is the self-perceived knowledge of customers (i.e., subjective perceptions of people of what or how much they know about a product), while objective knowledge is the knowledge that customer actually possess (i.e., the accurate information about the products that customer stored in their long-term memory); usage experience refers to customers' product experience. The effect of subjective knowledge, objective knowledge and experience on customer decision-making may be different (Raju et. al., 1995), thus, customer knowledge should be separated in three different types when they are examined into the relationship with decision- making.

It is important to note that each type of knowledge may have different effects on customer behaviour. For example, the feeling of knowing (subjective knowledge) plays a significant role in memory and problem solving (Metcalfe, 1986). Rudell (1979) reported that objective knowledge helps customer acquire new information easily, while subjective knowledge increases the reliance on previous information stored in the customer's memory. Brucks (1985) found that objective knowledge was associated with seeking information in a greater number of attributes; meanwhile, subjective knowledge related to seeking less information. Some other authors argue that usage experience is not knowledge, but it is obvious that a certain type of knowledge accrues with continued usage of a product. The effects of usage experience on decision-making may therefore be different from those of objective and subjective knowledge, as different individuals may take benefit from different types and amounts of product knowledge (Brucks, 1985, Alba and Hutchinson, 1987).

Customer Confidence

Confidence is a cognitive component which refers to the degree of certainty or conviction with which an individual holds an attitude or belief (Bennett and Harrell, 1975, Berger, 1992, Berger and Mitchell, 1989, Brim, 1955, Cantril, 1946, Smith and Swinyard, 1983, Smith and Swinyard, 1988, Rosenberg, 1960). In the past, confidence has been used as a crucial factor in attitude models (see, for example, Fishbein and Ajzen, 1975, Rosenberg, 1960, Cacioppo and Petty, 1984). The results of those studies confirm that the conventional wisdom that beliefs and attitudes based on confidence play an important role when consumers are making their choices from a variety of alternatives.

However, it is important to note that all types of confidence listed above can have significant effects on customer decision-making. The effects of two types of confidence – confidence in decision making and confidence in knowledge – on customer behaviour have been examined widely. Confidence in knowledge is a manifestation of subjective knowledge, whereas confidence in decision-making may be construed as a consequence of subjective knowledge. For instance, a customer who feels subjectively knowledgeable about superannuation may be also confident in knowledge about superannuation. Two aspects of customer confidence are examines in the study including overconfidence and self-confidence.

Overconfidence

Overconfidence effect occurs when the confidence judgements are larger than the relative frequencies of the correct answers (Gigerenzer et. al., 1991). Following Pulford (1996), overconfidence can be simplified

as it equals the difference between the mean proportion correct c (accuracy) and the mean confidence score x. Over/underconfidence = $x - c$

Switching Cost

Switching costs are the difficulties that customers must face when they want to switch providers. Burnham et. al., (2003) defined switching costs as —the onetime costs that customers associate with the process of switching from one provider to another (p. 110). Switching costs might include an array of costs associated with switching or a single overall cost (Weiss and Anderson, 1992), effort involved in changing providers and extra cost (Ping, 1993), an undefined factor of termination (Morgan and Hunt, 1994) and costs that control change (Nielson, 1996). Klemperer (1987) described three types of switching cost: continuity costs, sunk costs, and learning costs.

This brief review shows that the literature has no consensus on categories of switching cost. Klemperer (1987) described three types of switching cost: continuity costs, sunk costs, and learning costs. Jones et. al., (2002) broke continuity costs into two specific costs: uncertainty costs and lost performance costs. Learning costs are divided into setup costs, pre-switching search and evaluation costs, and post-switching behaviour and cognitive costs. Moreover, Burnham et. al., (2003) argued for three types of switching cost – financial switching costs, procedural switching costs and relational switching costs. Financial switching costs involve the loss of financial resources; procedural switching costs involve the loss of effort and time; relational switching costs involve psychological or emotional harm.

However, economic expenditures and intangible costs related to changing an exchange relationship have dominated the way the literature determines switching costs. Switching cost categorisations have developed from general explanations of costs to specific costs to understand this construct in depth.

3. PROPOSAL MODEL AND HYPOTHESES

The conceptual framework in this study is Motivation-Opportunity-Ability (MOA) framework which was developed by MacInnis and Jaworski (1989). MOA framework states that motivation, opportunity and ability are the three factors determining customer behaviour. *Motivation* includes interest, desire, readiness, and willingness to engage in customer decision making (MacInnis et. al., 1991). *Opportunity* refers to the extent to which a situation is advantageous to achieving a desired outcome (Maclnnis and Jaworski, 1989) or the lack of obstacles to achieving a desired result (MacInnis et. al., 1991). *Ability* is defined as the skills or proficiencies of customers (MacInnis et. al., 1991).

In the conceptual framework, based on MOA theory, predicts the relationships between variables in the study. This research proposes specific variables for each element and their relationship of MOA theory as follows.

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

Customer knowledge and confidence in decision-making can be understood as *ability constructs* (Ramaswami et. al., 2001). Moreover, following Koellinger et. al., (2007), overconfidence is often defined as

an overestimation of one‘s own ability to make accurate forecasts (p. 501), it is proposed that overconfidence was an ability construct under MOA theory.

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

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

Switching costs were considered as *opportunity constructs*. This study examined switching cost because it can be a barrier to switching. High switching cost deters customers who want to switch, and when switching cost is low, customers will make the decision to switch more readily.

Following the MOA theory, satisfaction is considered the main element, with direct and strong influence on customer behaviour. Meanwhile, ability and opportunity are moderators that have strong influence on the relationship between motivation and customer behaviour. Based on the MOA theory and arguments above, the conceptual framework for this study has been proposed in which satisfaction is in the motivation category; customer knowledge, customer confidence and overconfidence are in the ability category; and switching costs are in the opportunity category (see Figure 1).

From the conceptual framework, the research questions are proposed:

- Can MOA theory explain why some dissatisfied customers defect and why other dissatisfied customers stay loyal?
- How does customer knowledge and confidence relate to customer satisfaction, switching cost and customer switching intention?

Hypotheses

To examine the relationship among above discussed variables the research developed the following hypothesis.

Relationship between Customers' Overconfidence and Difficult Tasks

Confidence has been investigated over several years in the variety of domains, including psychophysics and perception (Baranski and Petrusic, 1994), memory (Busey et. al., 2000, Chandler, 1994, Kelley and Jacoby,

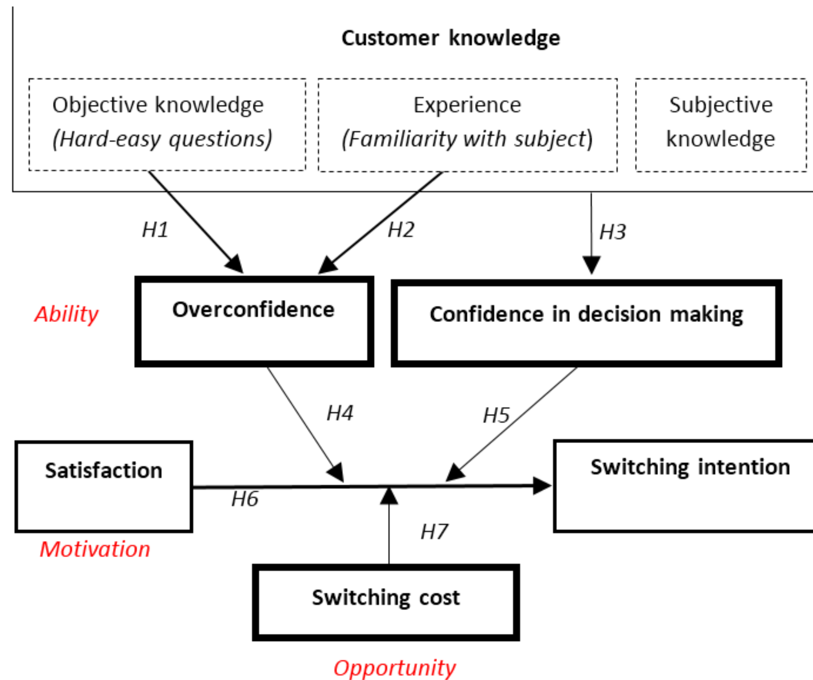

Figure 1: Conceptual framework

1996) decision-making and choice (Klayman et. al., 2006) and eyewitness testimony (Bothwell et. al., 1987, Read et. al., 1998). A consistent and important finding is that people tend to be overconfident in their knowledge (Fischhoff et. al., 1977). In addition, Paese and Feuer (1991) showed that the more confident people are, the more overconfident they are likely to be, and, overall, confidence exceeds accuracy. These findings are in line with those of Kaustia and Perttula (2012); in their study, both bankers and students were overconfident in their knowledge about financial services.

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

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

Relationship between Customers' Overconfidence and Familiarity

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

In line with the literature on the familiarity effect, it is argued that customers tend to be overconfident with financial services that they are unfamiliar. In particular, customer confidence will exceed their accuracy when they answer questions about unfamiliar financial services. Thus, the current study proposes that when customers in financial services face objective questions of unfamiliar services, they tend to become more overconfident:

Hypothesis 2: Customers' overconfidence in financial knowledge increases with unfamiliar tasks.

The Relationship between Knowledge and Confidence in Decision Making

Knowledge can be divided into objective knowledge, subjective knowledge and experience (Raju et. al., 1995). The effects of knowledge on confidence in decision-making have been confirmed by several researchers (see, for example, Oh and Abraham 2016, Fabrigar et. al., 2006, Biswas and Sherrell, 1993).

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

Hypothesis 3: Customer knowledge has a positive effect on customer confidence in decision-making.

The Effect of Overconfidence in the Relationship between Satisfaction and Switching Intention

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

Satisfaction is an important construct of motivation (Ramaswami et. al., 2000), and hence affects customer behaviour. However, as mentioned above, while customer satisfaction plays an important role in explaining customer retention, it does not account for it completely. Therefore, understanding of factors affecting the link between satisfaction and customer retention is crucial. Ability typically moderates the influence of motivation on behaviour (MacInnis et. al., 1991, Maclnnis and Jaworski, 1989), and as previously noted, customers' confidence has a strong influence on decision-making (Strader and Hendrickson, 1999, Ramaswami et. al., 1998).

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

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

The Effect of Self-confidence in the Relationship between Satisfaction and Switching Intention

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

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

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

Hypothesis 5: Confidence in decision-making positively moderates the relationship between satisfaction and customer retention.

The Effect of Satisfaction on Switching Intention

Customer satisfaction is a critical issue for managers. There is a widespread agreement that customer satisfaction earns the long-term benefit (Anderson et. al., 1994, Anderson et. al., 1997, Bearden and Teel, 1983, Bolton and Drew, 1991), and the link between customers' satisfaction and loyalty has been acknowledged (Nguyen and LeBlanc, 1998). Although some researchers detected no relationship between

customers' satisfaction and defection – for instance, showing that customers defect even with high satisfaction levels (Hennig-Thurau and Klee, 1997) – several researchers have concluded that satisfaction leads to both repurchase (Anderson and Sullivan, 1993, Cronin and Taylor, 1992, Frederick and Sasser, 1990) and repurchase intention (Bolton, 1998, LaBarbera and Mazursky, 1983, Newman and Werbel, 1973). The view that satisfaction has a strong influence on customer retention (see, for example, Liu and Wu, 2007, Cronin et. al., 2000, Ranaweera and Prabhu, 2003b, Nguyen and LeBlanc, 1998, Shirin and Puth, 2011) is dominant in the literature.

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

Hypothesis 6: Satisfaction has negative influence on customer switching intention.

The Effect of Switching Cost in the Relationship between Satisfaction and Switching Intention

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

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

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

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

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

4. METHODOLOGY AND SAMPLING

Data for this study had been collected in Australia. The study was divided into qualitative (interview) and quantitative (questionaire survey) stages.

To deeply understand and finalise the variables using in the quantitative phase of the current study, interviews were conducted in Australia in the early stage of the study. The semi structured interviews were oriented to customers who had used financial services. They were designed to reveal how customers evaluate financial services in Australia, which factors they consider to most strongly affect customers' retention in financial services, why they defect and why they stay loyal to their current financial services providers. The purposeful and snowball technique has been adapted. 16 participants, eight women and eight men (aged over 18 years, and at least two aged 20-30, 31-40, 41-50, 51-60, 61-70 and 71-80) from different professional backgrounds and socioeconomic status were recruited.

In the survey phase, community groups such as churches, schools and sport clubs had been contacted to ask for their help for the survey. Based on their agreement, online questionnaires were sent to their members. Finally 224 useable questionnaires were collected. Each questionnaire consisted of 66 questions covering customer knowledge, customer confidence in decision-making, customer satisfaction, switching costs, customer retention, and demographics.

Measures

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

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

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

Switching cost: For this study, four types of switching costs were chosen: sunk costs, uncertainty costs and post-switching behaviour, lost performance costs, and cognitive costs. Sixteen items of switching cost were used in the current research. For each item, participants were asked to indicate their agreement on a five-point Likert scale ranging from —strongly disagree (1) to —strongly agree (5).

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

Subjective knowledge: Subjective knowledge was measured in the current research by asking respondents how they perceived their financial knowledge on five-point Likert scales from *—strongly disagree (1) to —strongly agree (5)* for the following items:

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

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

Familiarity: Familiarity was measured on a five-point scale with *—very unfamiliar = 1 to —very familiar = 5.* Participants were asked —How familiar are you with each of these services (whether you use them or not)?

5. RESULTS

Results from interviews revealed that participants in the study have used a wide range of financial products. All participants had bank accounts, credit and debit cards. Participants used services supplied by the big four Australian banks and by a diversity of other financial service providers. During the interviews, participants were asked questions regarding the variables used in the current study. Most participants confirmed that satisfaction, service quality, customer services, variety seeking behaviour, customer knowledge, confidence in decision making, switching intention were important in the research.

Results from Survey

Hard and Easy Effects

Overconfidence was regressed against correctness. Correctness was measured by the percentage of correct answers when participants answer objective knowledge questions. The result shows that correctness is

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

Table 1
Hard and easy effects

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

Model fit: R Square = 0.354; $p < 0.05$
Dependent variable: Over/underconfidence in decision making

Familiarity Effects

Overconfidence was regressed against familiarity. The results in Table 2 show that familiarity has a significant association with overconfidence. Moreover, this relationship is positive. This means that when familiarity increases, overconfidence increases. Therefore, when participants are more familiar with financial services, they tend to become more overconfident. This contradicts the literature about familiarity effect, in which researchers concluded that people tend to be more overconfident with unfamiliar objects (Tourani-Rad and Kirkby, 2005).

Table 2
Familiarity effects

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

Model fit: R Square = 0.02; $p = 0.034$
Dependent variable: Over/underconfidence in decision making

Relationship between Knowledge and Self-confidence

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

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

Table 3
Relationship between knowledge and confidence in decision-making

	b	*p*	*Mean*	*SD*
Subjective knowledge	.121	.103	.00	1.000
Objective knowledge	.065	.315	.79	.189
Familiarity	.282	.000	3.68	.872
Subjective knowledge × Objective knowledge	.138	.062		
Objective knowledge × Familiarity	-.085	.778		
Familiarity × Subjective knowledge	-.069	.311		

Model fit: R Square = .096; $p < 0.05$
Dependent variable: Confidence in decision making

Relationship between Satisfaction and Switching

It shows that a negative linear relationship exists between satisfaction and switching intention, in line with previous research (Hennig-Thurau and Klee, 1997). This result implies that switching intention before search depends on the satisfaction level of customers. When more satisfied, they tend to stay with providers; when dissatisfied, they have a higher tendency to switch.

Table 4
Satisfaction and switching intention

	b	*p*	*Mean*	*SD*
Constant	.750	.000		
Satisfaction	–.115	.000	3.75	1.003

Model fit: R Square = .175; $p < 0.05$
Dependent variable: Switching intention

Effect of Overconfidence on the Relationship between Satisfaction and Switching Intention

Regression was performed to test the effect of overconfidence on relationship between satisfaction and switching intention before information search. The result in Table 5 indicates a positive relationship between overconfidence and switching intention. However, overconfidence did not moderate the relationship between satisfaction and switching intention

Table 5
Effect of overconfidence on the relationship between satisfaction and switching intention

	b	*p*	*Mean*	*SD*
Constant	.786	.000		
Satisfaction	–.124	.000	3.75	1.003
Overconfidence	.586	.038	–.01	.223
Satisfaction × Overconfidence	–.128	.070		

Model fit: R Square = .193; $p < 0.05$
Dependent Variable: Switching before search

Customer Switching Intention

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

Table 6 shows significant effects of satisfaction and confidence before search on switching intention before search. Moreover, the association between switching before search and the interaction between satisfaction and confidence is significant at 0.05 level ($p = 0.036$)

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

Y: Switching intention

X_1: Level of satisfaction

X_2: Switching confidence

Table 6
Effect of self-confidence on the relationship between satisfaction and switching intention before search

Model 1	*b*	*p*	*Mean*	*SD*
Satisfaction	.049	.455	3.75	1.003
Switching confidence	.036	.552	3.83	.904
Level of satisfaction × Switching confidence	–.034	.036		

Model fit: R Square = .258; $p < 0.05$
Dependent variable: Customer switching intention

Based on the result from the regression reported in Table 6, the relationship among satisfaction, confidence and switching intention is described in Figure 2. The main effects are not significant, but that the interaction is significant. If participants were satisfied but not confident, their intention to switch was higher than participants with high confidence. With less satisfied participants, their intention to switch was higher if they were not confident. In other words, low satisfied customers tend to switch more than high satisfied customers. However, this switching intention would be reduced if customers‘ confidence increases.

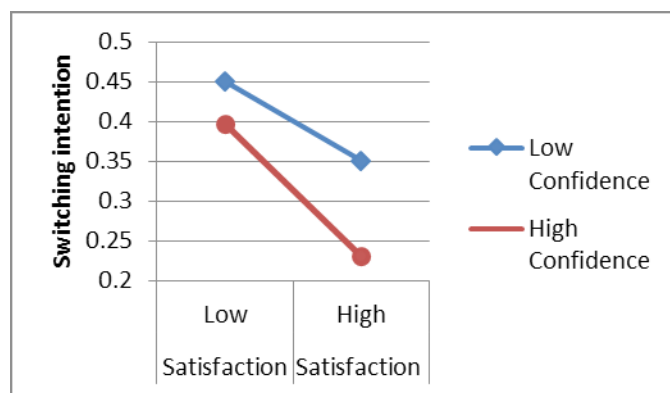

Figure 2: Switching intention

6. HYPOTHESES EVALUATION

A considerable amount of research has focused on understanding the process by which customers make decisions. This study also confirmed that satisfaction, customer confidence are the main drivers of customer switching behaviour.

The following section summarises the results of hypotheses testing.

6.1. Hard-easy Effects

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

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

6.2. Familiarity Effect

Many studies conclude that people will be overconfident when they are unfamiliar with tasks (see, for example, Beach and Mitchell, 1978, O'Connor, 1989, Tourani-Rad and Kirkby, 2005). In this research, familiarity had a significant positive effect on overconfidence. This means that when familiarity increases, overconfidence increases. In other words, when people are more familiar with financial services, they become more overconfident. Meanwhile, hypothesis 2 states that customers' overconfidence in knowledge increases with unfamiliar tasks; therefore it is not supported.

6.3. The Relationship between Knowledge and Self-confidence

Hypothesis 3 predicts that product knowledge has positive significant effects on self-confidence. In the experiment, respondents were asked about their subjective knowledge, objective knowledge and familiarity, then about their confidence. Product knowledge explains very little of the variance in confidence in decision-making, but the relationship is statistically significant. Therefore, hypothesis 3 is supported.

6.4. Effect of Overconfidence in the Relationship between Satisfaction and Switching Intention

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

6.5. Effect of Self-confidence in the Relationship between Satisfaction and Switching Intention

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

confidence in decision-making and the interaction between them are significant in explaining switching intention. Thus, confidence in decision making positively moderates the relationship between satisfaction and switching intention, and hypothesis 5 is supported.

6.6. The Relationship between Satisfaction and Switching Intention

Hypothesis 6 suggests that satisfaction negatively influences customer switching intentions. During data collection, participants were asked about their satisfaction with their financial services, then whether or not they intended to switch. The results presented earlier reveal that satisfaction is significant in explaining switching intention, and therefore hypothesis 6 is supported.

6.7. Effect of Switching Cost in the Relationship between Satisfaction and Switching Intention

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

The experimental phase by online questionnaire produced numerous valuable findings. The overconfidence phenomenon was not detected, although the hard and easy effect was captured. Satisfaction has a significant effect on switching intention. Confidence in decision-making moderates the relationship between satisfaction and switching decision.

7. DISCUSSIONS

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

Consistent with MOA theory (MacInnis et. al., 1991, MacInnis and Jaworski, 1989), customer motivation was the main driver of customer behaviour in this study. Customer opportunity is the moderator of the relationship between customer motivation and customer behaviour.

Results from this study indicated that satisfaction, representing customer motivation, has a negative and significant effect on switching intention (Hypothesis 3 supported), in alignment with MOA (MacInnis et. al., 1991, MacInnis and Jaworski, 1989) theory and other studies (Ramaswami et. al., 1998, Ramaswami et. al., 2000).

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

For the opportunity category, switching cost did not moderate the relationship between satisfaction and switching intention.

Although not all variables in the current research fit with MOA theory, important variables such as self-confidence, which do align with MOA theory, help to explain switching behaviour. Therefore, this study suggests that MOA theory can be used to partially explain customer switching behaviour in a financial services context.

8. CONCLUSION AND FURTHER RESEARCH

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

The study confirmed that MOA can be applied to explain customer switching. In particular, results found from the study indicated that satisfaction, customer self-confidence fit well within MOA theory in explaining switching behaviour. Overconfidence and other switching costs including uncertainty costs, post-switching behaviour, lost performance costs, and cognitive costs did not fit with MOA theory.

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

Implications

To theory: Many scholars have attempted to explain the relationship between satisfaction and switching intention. The most common belief is that satisfied customers will stay loyal (see, for example, Liu and Wu, 2007, Cronin et. al., 2000, Ranaweera and Prabhu, 2003b, Nguyen and LeBlanc, 1998, Shirin and Puth, 2011). However, this relationship is not straightforward in many cases; in particular, satisfied customers still defect (Hennig-Thurau and Klee, 1997). Results from this study indicate that customer confidence moderates this relationship.

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

However, this study found the opposite effect: customers with high confidence are less likely to switch regardless of whether their satisfaction level is high or low. Similarly, customers with low self-confidence will have higher switching intention, no matter whether their satisfaction level is high or low. Moreover,

self-confidence negatively moderates the relationship between satisfaction and switching. In particular, the increase of self-confidence will lead to the decrease of switching intention when satisfaction is low. These interesting findings represent a significant contribution to the literature.

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

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

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

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

Recommendations for Future Research

MOA theory was originally applied to explain the information processing of customers. However, it has been expanded to explain customer behaviour in general. The advantage of MOA is that it covers three important aspects of customer behaviour: motivation, ability and opportunity. This study is one of very

few studies that have applied MOA theory in explaining the relationship between satisfaction and customer switching behaviour in financial services.

This study confirmed that MOA can be applied to explain partially customer switching. In particular, its results indicated that satisfaction, customer self-confidence, fit well within MOA theory in explaining switching behaviour. Overconfidence and other switching costs including uncertainty costs, post-switching behaviour, lost performance costs, and cognitive costs did not fit with MOA theory.

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

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