Factors Affecting Customer Retention in Internet Banking among Hong Kong Professionals and Business Practitioners

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I hereby certify that the work embodied in this thesis is the result of original research and has not been submitted for a university degree or other similar qualification to any other University or Institution.

_________________________________________
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# TABLE OF CONTENTS

**ACKNOWLEDGEMENTS**

**LIST OF TABLES**

**LIST OF FIGURES**

**ABSTRACT**

## CHAPTER 1  INTRODUCTION

1.1  Introduction  
1.2  The Background of Internet Banking  
1.2.1  Opportunities and Threats of Internet Banking  
1.2.2  Customer Retention in the Context of Internet Banking  
1.2.3  Profitable Bank Customers  
1.3  Factors Affecting Internet Banking Customer Retention  
1.3.1  Customer Satisfaction  
1.3.2  Customer Commitment  
1.3.3  Trust  
1.4  Research Gap, Objective and Significance  
1.4.1  Research Gap  
1.4.2  Research Objective  
1.4.3  Research Significance  
1.5  Research Model  
1.6  Research Methodologies and Ethical Issues  
1.6.1  Quantitative Survey Questionnaire  
1.6.2  Sample and Sampling Design  
1.6.3  Data Collection  
1.6.4  Data Analysis  
1.6.5  Ethical Issues  
1.7  Structure of the Thesis
CHAPTER 2  LITERATURE REVIEW

2.1 Introduction 13

2.2 Internet Banking 13
   2.2.1 A Brief History of Banking 13
   2.2.2 Forces Driving Changes in Banking 14
   2.2.3 Distribution Channels for Banking 16
   2.2.4 Evolution of Internet Banking 18
   2.2.5 Adoption of Internet Banking 21
   2.2.6 Opportunities and Threats of Internet Banking 25

2.3 Customer Retention 29
   2.3.1 Concepts of Customer Retention 29
   2.3.2 Impacts of Customer Retention on Profitability 29
   2.3.3 Relationship between Customer Retention and Profitability in Banks 31
   2.3.4 Profile of Profitable Bank Customers 33

2.4 Factors Affecting Customer Retention 36
   2.4.1 Customer Satisfaction 37
      2.4.1.1 Concepts of Customer Satisfaction 37
      2.4.1.2 Relationship between Customer Satisfaction and Customer Retention 39
   2.4.2 Customer Commitment 42
      2.4.2.1 Concepts of Customer Commitment 43
      2.4.2.2 Relationship between Customer Commitment and Customer Retention 45
   2.4.3 Trust 48
      2.4.3.1 Concepts of Trust 49
      2.4.3.2 Relationship between Trust and Customer Retention 51
   2.4.4 Mediating Factors in the Relationship for Customer Retention 53

2.5 Research Problems 54

2.6 Research Questions 55

2.7 Hypotheses 57

2.8 Research Model 65

2.9 Conclusion 66
CHAPTER 3 RESEARCH METHODOLOGIES

3.1 Introduction 67
3.2 Research Philosophies and Paradigms 67
  3.2.1 Positivist Research 68
  3.2.2 Interpretive Research 68
  3.2.3 Critical Research 69
3.3 Research Methodologies and Designs 69
  3.3.1 Research Types 70
  3.3.2 Research Setting 72
  3.3.3 Research Timing 72
3.4 Measure Designs and Key Variables 73
  3.4.1 Measures 73
  3.4.2 Key Variables 74
3.5 Validity and Reliability Assessments 75
  3.5.1 Validity Testing 76
  3.5.2 Reliability Testing 80
  3.5.3 Significance and Limitations of Validity and Reliability 83
3.6 Sample and Sampling Designs 85
  3.6.1 Population 85
  3.6.2 Sample 85
  3.6.3 Sample Size 86
  3.6.4 Sampling Designs 86
    3.6.4.1 Probability Sampling Methods 87
    3.6.4.2 Non-Probability Sampling Methods 88
3.7 Data Collection and Administration Methods 90
  3.7.1 Structure of the Questionnaire 91
  3.7.2 Translation of the Language of the Questionnaire 92
  3.7.3 Survey Questionnaire Pilot Test 92
  3.7.4 Data Collection Methods 93
    3.7.4.1 Interview 93
    3.7.4.2 Observation 94
    3.7.4.3 Questionnaires 94
  3.7.5 Getting Respondents 96
3.8 Ethical Issues 98
3.9 Data Analyses 100
3.10 Limitations 102
3.11 Conclusion 104
CHAPTER 4  DATA ANALYSIS AND RESULTS

4.1  Introduction 105

4.2  Analysis on Demographic Characteristics 105
  4.2.1  Respondent Profile 106
    4.2.1.1  Gender 107
    4.2.1.2  Marital Status 108
    4.2.1.3  Age Group 109
    4.2.1.4  Education 110
    4.2.1.5  Income 111
    4.2.1.6  Working Experience 112
    4.2.1.7  Occupation 112

4.3  Measurement Model 114

4.4  Hypotheses Testing and Results Reporting 118
  4.4.1  Analysis on Independent Variable on the Dependent Variable 120
  4.4.2  Analysis on the Mediating Effects of Independent Variables on the Dependent Variable 131

4.5  Summary of Hypotheses Testing 142
  4.5.1  The Final Model of This Research with PLS Results 145
  4.5.2  Data Analysis Reporting 146

4.6  Conclusion 148

CHAPTER 5  CONCLUSIONS

5.1  Introduction 149

5.2  Discussion and Interpretation of the Findings 149
  5.2.1  Demographics of the Sample 149
  5.2.2  Structural Model 150
    5.2.2.1  Customer Retention and Its Antecedents 150
    5.2.2.2  Effect on Customer Retention 151
    5.2.2.3  Interaction Terms on Customer Retention 152

5.3  Implication for Research 154

5.4  Implication for Practitioners 157

5.5  Limitations 160

5.6  Recommendations for Future Research 162

5.7  Conclusion 163
LIST OF TABLES

Table 2.1: Delivery Platforms for Electronic Banking
(Source: Daniel, 1999)

Table 2.2: Penetration of Internet Banking in 2001 (July-October)
(Source: ACNielsen, 2002)

Table 2.3: Dissatisfied Internet Banking Customers in the Asia Pacific Region
(Source: ACNielsen, 2002)

Table 2.4: Financial Market Non-Banking Competitors
(Source: González and Guerrero, 2004)

Table 2.5: Factors Affecting Customer Retention

Table 3.1: Major Types of Validity Tests and Their Characteristics - Modified
(Source: Litwin, 1995)

Table 3.2: Major Types of Reliability Tests and Their Characteristics
(Source: Litwin, 1995)

Table 4.1: Correlation of the Constructs of This Study

Table 4.2: Summary of Hypotheses Testing

Table 4.3: Measurement Model Statistics
LIST OF FIGURES

Figure 1.1: Threats and Opportunities of Internet Banking

Figure 1.2: Profitable and Non-Profitable Customers of a New Zealand Bank
(Source: Garland, 2002)

Figure 1.3: Conceptual Research Model of This Study

Figure 1.4: Five Stages of This Thesis

Figure 2.1: The Competitive Environments of Banking Industry in Internet Age
(Source: Jayawardhena and Foley, 2000)

Figure 2.2: Evolution of a Bank’s Web Presence
(Source: Tuchila, 2000)

Figure 2.3: Growth in Internet Banking
(Source: International Data Corporation, 2004)

Figure 2.4: Processing Cost per Transaction

Figure 2.5: Lifetime-Profitability Association
(Source: Reinartz and Kumar, 2000)

Figure 2.6: The Effect of a Five-Percent Retention Increase on Customer Value
(Source: Reichheld, 1996)

Figure 2.7: Interest in Internet Banking by Segments
(Source: BAI, 2003)

Figure 2.8: Relationship between Customer Satisfaction and Customer Retention
(Source: Heskett and Schlesinger, 1994)

Figure 2.9: Conceptual Research Model of This Study

Figure 4.1: Gender of the Sample

Figure 4.2: Marital Status of the Sample

Figure 4.3: Age of the Sample
Figure 4.4: Education Levels of the Sample
Figure 4.5: Income of the Sample
Figure 4.6: Occupations of the Sample
Figure 4.7: Measurement Model of This Study
Figure 4.8: Test Results of Constructs of This Study
Figure 4.9: Relationship between Customer Satisfaction and Customer Retention (H1)
Figure 4.10: Relationship between Customer Commitment and Customer Retention (H2)
Figure 4.11: Relationship between Trust and Customer Retention (H3)
Figure 4.12: The Function of Customer Satisfaction and Trust on Customer Retention (H4)
Figure 4.13: The Function of Customer Commitment and Customer Satisfaction on Customer Retention (H5)
Figure 4.14: The Function of Customer Commitment and Trust on Customer Retention (H6)
Figure 4.15: The Function of Trust, Customer Satisfaction and Customer Commitment on Customer Retention (H7)
Figure 4.16: Customer Commitment Depends on Trust to Build Customer Retention (H8)
Figure 4.17: Customer Satisfaction Depends on Trust to Build Customer Retention (H9)
Figure 4.18: Customer Satisfaction Depends on Customer Commitment to Build Customer Retention (H10)
Figure 4.19: Customer Satisfaction and Trust via Customer Commitment on Customer Retention (H11)
Figure 4.20: Final Model with PLS Results
ABSTRACT

Internet banking has revolutionized the E-commerce industry since the nineteenth century. The greatest benefits of this new form of banking for banks are that it has generated enormous cost-saving and efficiency in communication, transaction and delivery. However, it has intensified the competition between banks as well as allowing customers to easily compare offers provided by different banks. This ‘frictionless commerce’ tends to raise customers’ expectations about services and products and makes them more prone to switching to other service providers.

In order to minimize threats and maximize opportunities, banks should actively retain customers in the virtual place. Profitable customers in retail banking take up less than half of any bank’s customer base. In addition, the characteristics of the Internet channel lead to low differentiation, competing on monetary return and product attribute alone may not be sufficient to retain customers. Factors affecting customer retention have not been investigated in detail from an Internet-banking stance.

Customer satisfaction has been empirically validated to have a relationship with customer retention in service sector. Customer commitment, however, in a business relationship goes beyond satisfaction. In a setting of low-customer contact and mass service, trust is an important driver of customer retention. This research postulates on how customer satisfaction, customer commitment and trust impacts on the profitable customer segment of professionals and business practitioners in the context of Internet banking in Hong Kong.
Data from 208 survey questionnaires collected from ten professional/business organisations measuring the relationships between the various constructs have been analysed. The findings revealed that customer satisfaction, a transaction-specific attribute, has a significant positive impact on customer retention in the scope of Internet banking in Hong Kong, which concurs with extensive academic literature. Customer commitment and trust, relational-specific attributes, have negative influence on customer retention in the context. These two factors, as single effort with or mediating for customer satisfaction, do not display an effective role in enhancing the relationship towards customer retention. This finding seems to have refuted traditional marketing phenomenon in the context of non-Internet paradigms.