Table of Contents

Title Page………………………………………………………………………………………………………………………………..ii

Dedication………………………………………………………………………………………………………………………………iii

Acknowledgement………………………………………………………………………………………………………………….iv

Abstract………………………………………………………………………………………………………………………………….v

Table of Contents………………………………………………………………………………………………………………………………1

[Chapter 1 3](#_Toc326699401)

[1.1 Introduction 3](#_Toc326699402)

[1.2 Problem Formulation 5](#_Toc326699403)

[1.3 Objective of the Study 6](#_Toc326699404)

[1.4 Design of the Study 7](#_Toc326699405)

[Chapter 2 8](#_Toc326699406)

[2.1 Methodology 9](#_Toc326699407)

[2.2. Choice of Paradigms 9](#_Toc326699408)

[2.3 Methodological Approaches 10](#_Toc326699409)

[2.4 Methods 16](#_Toc326699410)

[2.4.1 Quantitative Research Approach 16](#_Toc326699411)

[2.4.2 Data Collection Methods 18](#_Toc326699412)

[2.4.3 Instrumentation 19](#_Toc326699413)

[2.4.4 Sample and Data Administration 19](#_Toc326699414)

[Chapter 3 21](#_Toc326699415)

[3.1 Theories and Models of Bank Selection Decisions 21](#_Toc326699416)

[3.2. An Overview of Existing Studies on Bank Selection Decisions 21](#_Toc326699417)

[3.3. Factors Influencing Bank Selection Decisions of European Customers 34](#_Toc326699418)

[3.4. Customer Demography in Bank Selection and loyalty Decisions 36](#_Toc326699419)

[3.5. Student Bank Selection Criteria in Retail Banking 37](#_Toc326699420)

[3.6. Bank Loyalty Dimensions 40](#_Toc326699421)

[3.7. Determinants of Bank Service Quality and Customer Satisfaction 43](#_Toc326699422)

[3.8. An Integrated Model and Hypotheses in the Present Study 48](#_Toc326699423)

[3.8.1 Hypotheses Development 50](#_Toc326699424)

[3.9. Switching Behaviours of Customers 52](#_Toc326699425)

[Chapter 4 58](#_Toc326699426)

[4.1 Empirical Analysis 58](#_Toc326699427)

[4.2 Demographics 58](#_Toc326699428)

[4.3 Bank Selection Criteria 60](#_Toc326699429)

[4.4 Customer Loyalty Factors 64](#_Toc326699430)

[Chapter 5 68](#_Toc326699431)

[Conclusion and Reflections 68](#_Toc326699432)

[References 70](#_Toc326699433)

# Chapter 1

## 1.1 Introduction

With the upsurge in competition in the retail banking sector engineered by new technologies and customer sophistication rendering customer loyalty a fickle thing because of their continuous demand for service quality, it behoves on and challenges retail banks to find new ways of understanding what informed customers decisions when selecting banks. An insight into that will place them at a vantage position to capture their desired customer group- segments in order to meet with their corporate objectives and levels of profitability.

Understanding the requirements of customers and striving to achieve their commitment to your bank is not an end in its self since it is only one side of the coin and working to maintain and retain them is another size. This is reasonable to conclude in the sense that taste and preferences keep on changing with time and what seem palatable and efficacious yesterday may not be applicable in the context of today and to maintain and keep a customer will advocate for some level of dedication and commitment to keep the threshold of their satisfaction level from diminishing. Today’s marketing efforts does not end at keeping your customers satisfied but you need to climb more than their satisfaction level to granting them delight (Kotler and Armstrong, 1997, p.163). This is done by unabated monitoring the effectiveness of how you meet with or exceed the needs of your customers by considering the customer values and satisfaction in order to deliver quality.

Spar Nord, a small Danish bank located in the Northern Jutland, knowing this approach my university for assistance to investigate bank selection decisions of young adults (i.e. 20-25 years old), both foreign and local. I have been assigned the task as my MSc thesis to carry out studies into this field of studies. The reasoning behind Spar Nord’s management request can be summarised as follows:

The importance of retaining a customer through getting him satisfied cannot be overemphasized. Cohen et al. (2006) cited the canonical postulation of Dust and Zahorik (1993) that the financial implications of attracting new customers may be five times as costly as keeping existing customers. According to Kotler and Armstrong (1999, p. 163) it normally costs more to attract a new customer than to retain current ones and the best way to keep your customers is to satisfy them. The other implication of retaining your customers is that satisfied customers do not only repeat purchases but propagate favourable word of mouth (WOM) to others about the company and product and pay less attention to the competing brands and advertising (Kotler and Armstrong, 1999, p. 163). According to Ghazizadeh et al. (2010, p.275), the economic and rational advantages of customer retention are that the costs of acquiring new customers is borne only at the initial stages of commercial relationship and long-term customers take less transaction time of the company and are the less sensitive to price changes. Having established these and other advantages they emphasized that the opportunity for banks managers to save customers as a competitive advantage revolves on the firm belief that reducing customer defection as little as five percent can double profit. The foregoing draws to focus the importance of loyalty decisions of customer that forms an integral and inseparable part of this study. A bank that attracts young adults as customers will have life-time customers if these customers remain satisfied. In line with this, the study’s focus is limited to the bank selection and loyalty decisions of young adults in Denmark. This crucial and potentially profitable customer segment presents an excellent opportunity for financial institutions in a variety of ways as noted by Almossawi (2011). Firstly, young adults customers mostly in the age bracket of 20-25 constitute a sizeable market segment that can be distinct and accessible and are usually in studies or apprenticeship (student). Secondly, young adults turn to be good savers and are expected to have a progressive careers and so their incomes will generally be progressive as well delivering value that last with the customers life span and focusing on student opens up the banks’ opportunities in maximising the full time value of these customers as against concentrating on matured markets (Colgate et. al, 1996; Narteh and Owusu-Frimpong, 2011). Thirdly, young adults graduating out of school may be considered as being financially sophisticated and, hence, will need and use wider range of financial services as they traverse through their life cycles (Gerrard and Cunninghan (2001, p. 1). They turn to be critical in their selection because of the opportunities that awaits them after graduation especially in a developed economy like Denmark. Not all but also, studies by Ghazizadeh et al. (2010, p. 286) postulates that as the age of a customer increases, the propensity for him or her to stay with their current banks increases too.

Being a Master’s degree student in International Business Economics, my focus in this study is to compare the bank selection criteria of foreign and local students of Aalborg University. This is intended to be the first in a series of studies that should provide insight into the small bank selection decision of young adults in Denmark.

Based on this background my research question can be formulated as below:

## 1.2 Problem Formulation

A leap into the future of retail banking reveals a state of quandary that raises the question as to whether future customers will still need retail banking. The solution to this paradox is embedded in the banks themselves. Technology has ushered in a regime where non-bank businesses are providing new options for safe guarding and managing the finances of customers, so the dependency on banks will only be guaranteed as long as banks can provide services and value that cannot be sourced elsewhere (IBM Corporation, 2005). For instance, the recent developments in the retail banking in the Nordic countries has seen the emergence of new small players and even new banks adopting new strategies that offers competitive full range of bank services relying on the internet as the main distribution, marketing and communication channel instead of an extensive physical branch network (Report from the Nordic Competition Authorities, 2006). Customer awareness and knowledge levels has appreciated dramatically with some of them raising doubts about the ability of banks to look out for their financial wellness. In this regard, banks are rethinking on what, where and how they can serve the increasingly informed and demanding customers. Evaluation of the future about the actors and forces shaping the banking sector points to the fact that the future will demand superior ‘efficiency and operational excellence’ from banks and leadership in the industry will be achieved via harnessing products, services and process innovation to anticipate and meet customer needs (IBM Corporation, 2005).

Banks need strategies to acquire customers and then understand their needs and behaviours before they can meet with their needs in order to retain them. Customer acquisition, as well as, customer retention are noted to be the main issues facing the industry today as a result of restructuring of the retail banking industry which has been characterised by retail internationalisation, new discoveries of technology, fierce and ever increasing competition, economic uncertainties (economic recession) and deregulation and regulations (Blankson et al., 2009). As the battle for new customers has intensified, one resulting trend is the growing need of researching into the factors influencing customer selection and loyalty decisions of banks.

Recent studies have shown importance of bank customers’ loyalty to overall customer value to banks. This has informed the management of Spar Nord Bank’s decision to approach the University for an Investigation into the loyalty and selection decisions of young adults. Their argument for such a study can be summarised as follows. Perusal of academic literature on this subject reveal less significant results if at all in Denmark which probably could be in Danish language. But consultation with Professors well-grounded in this area of research confirmed the non-availability of such studies in Denmark.

It is for this and other possible reasons why this study is committed to identify the determining factors of young adults bank selection and loyalty decisions in Denmark. Firms that understand and adapt to the customer buying behaviours and selection decisions for offerings are more likely to succeed in acquiring the decisions of customers.

The fundamental research question that is driving this study is **what factors are considered the most important in determining young adults’ choice of banks as well as their satisfaction, loyalty, behavioural intentions with regard to their banking needs in Denmark.** In this current dispensation, the prevalence of committed and often inherited relationships that exist between customers and their banks has become increasingly scarce (Afsar et al., 2010). Customer needs identification and retention has become the effective means by which banks can employed to obtain strategic advantage and survive in today’s ever changing and increasing banking competitive environment (Ghazizadeh et al., 2010).

The theoretical platform of the project will be reviewed of existing literature on retail bank marketing with specific focus on youth bank selection and retention strategies. It will use a multiple-item survey instrument, designed in previous studies and test this instrument within the Danish context.

## 1.3 Objective of the Study

The study seeks to gain an insight and understanding into the factors that informed customers selection of banks as well as their loyalty to particular banks. This understanding and insight will further provides the light for senior bank executives at Spar Nord Bank to formulate strategies and decisions that will help the bank recruit customers and groom them to become addicted and loyalist to the bank. It will also be a quota contribution to existing knowledge on this subject by striving to narrow greatly the existing knowledge gap in this sphere of academic endeavours.

It must be pointed out clearly, however, that this would be accomplished by defining the scope of the study to only young adults’ bank selection and loyalty decisions in Denmark. Young adults normally falls within the age bracket of 20-25 and are expected to be mostly students in the advanced part of the world.

In a nutshell, this study is intended to provide benefits in no small measure for both academics and bank executives with banking policies, strategies and practices.

## 1.4 Design of the Study

The study intends to put forward the introduction in which the problem statement will be highlighted, the objective of the study and the research design and other necessary items.

This will be proceeded by the methodology to be adopted in carrying out the study and the literature review which will provide an insight into the issue under study and how similar studies on the subject were executed previously. This would provide a platform for the empirical studies to be carried out and analysed and provide a justification for a conclusion to be drawn, recommendations made and reflections outlined to make the study worthwhile.

**Figure 1-1: Structure of the Studies**

Chapter 1

Introduction

Problem Formulation

Objectives of Study and Design of Study

Chapter 3

General Literature Review

Theoretical Models

Chapter 2

Methodology

Epistemologies

Methods

Chapter 5

Empirical Analysis and Discussion

Chapter 6

Conclusion and Reflections

# Chapter 2

## 2.1 Methodology

To advance with the methodological and theoretical choices of this study, the researcher finds it worthwhile and crucial to initially expatiate more on the underlying assumptions supporting it since its impact on theories and research methods are significantly relevant. It would narrow down to the methods applied to explaining the methods and process employed in conducting the study to arrive at the empirical analysis and demonstrate the fitness of a particular paradigm to this study.

## 2.2. Choice of Paradigms

In defining the modern application or usage of the term ‘paradigm’, Kuada (2009) attributed it to the work of Thomas Kuhn in his presentation of the structure of scientific revolution to describe waves of research in a particular field of study in 1970. He was of the view that every defined research area is uniquely characterised by a “set of common understanding of what phenomenon is being studied, the kinds of questions that are useful to ask about the phenomenon, how researchers should structure their approach to answering questions, and how the results should be interpreted. This common characteristics constitute a paradigm”( Kuada, 2009, p.5). Further, his arguments were that science does not primarily develops only through gradual accumulation of facts, but also through successive and overlapping waves which fundamentally re-frame ideas. Such ideas have the potent of changing the nature of what researchers regards as facts. An understanding based on that thinking culminates in most researchers or scholars of science defining paradigms in terms of four sets of assumptions. These assumptions are ontological, epistemological, methodological assumptions and assumptions about human nature (kuada, 2009 p.5).

***Ontology*** is a subject of study in philosophy that is concerned with the nature of existence. The term here is used to ‘describe the nature of what the researcher seeks to know something about-i.e. the “knowable” or “reality”’ (Kuada, 2009, p.5). The fundamental question that it raises is whether the social world is real and external to the researcher as such imposes itself on the researcher’s thinking or way of conceptualisation or whether the researcher creates his own social world which becomes the offspring of his own creation. This describes the subjective-objective dichotomy in philosophy of science. Hence, ontology is all about what the researcher regards as “reality” (Kuada, 2009, p.5)

***Epistemology*** is from a Greek word “epistome” which implies knowledge or science. Epistemology is about what is considered as an acceptable knowledge in a discipline (Bryman, 2004, p.11). The issue of whether the studies of the social world should enjoy the general applications of the same principles, procedures and ethics as the natural sciences has attracted divergent views in the discourse of discussions in the social sciences. According to Kuada (2009), it describes the nature of knowledge and the means of knowing– i.e. “how we know what we know” or what the researcher may conceive to be the “truth”. Another important question it raises is whether it is possible for an external observer to “know” the truth regarding a particular social phenomenon to which he is a stranger, or whether the social world can only be comprehended by occupying the frame of reference of the individual actor whom the researcher seeks to study (Kuada, 2009, p.5)

***Human nature*** in this sense connotes the idea of how the relationship between human beings and the social environment are been seen by the researcher. Is the social environment been seen by the researcher as outside of the individual or whether people and the environment co-determine each other? This perception is also significant to the means of seeking knowledge and what constitute “truth” to the researcher (ibid).

***Methodology*** is the strategy or the plan of action guiding the entire research work. It explains and justifies the reason for choice and use of specific methods in the process of the studies. This will be delved into in-depth in the ensuing thematic highlights.

## 2.3 Methodological Approaches

Another important and widely applied typology of paradigms in social sciences is one that was advanced by Abnor and Bjerke (2009). To Abnor and Bjerke, paradigms describe the relationship between fundamental presumption of the researcher and the practical use of the various methodological approaches (Kuada 2010, p. 47) when they drew a distinction between paradigms and methodological approaches. A methodological approach makes clarification on the ultimate presumption with regards to the particular study and then builds a concrete framework for a more formidable approach to the study-operative paradigm.

In the view of Abnor and Bjerke (2009), the operative’s paradigms have two parts to be methodical procedures and methodics. Methodical procedures refers to the way the researcher adapts and applies existing data collection methods and techniques in a particular study forming the justifications and rationale underpinning the methods applied in a study while methodics are the real data collection process.

Their paradigmatic classification just like that of Morgan and Smircich (1980) has six overlapping paradigms:

* Reality as a concrete phenomenon that is conformable to law and independent of the observer
* Reality as a concrete determining process
* Reality as a mutually dependent fields of information
* Reality as a world of symbolic discourse
* Reality as a manifestation of human intentionality

As a foundation, these six overlapping paradigms has help them to further identify three methodological approaches that often guide researchers for creating knowledge. These three methodological approaches are

* Analytical Approach
* Systems Approach
* Actors Approach

***Analytical Approach*** is built on the firm conviction that reality is objective and independent of the researcher or observer thereby not allowing subjective human sentiments. Another cardinal canon of the analytical view is the fact that its approach to the creation of knowledge has a positivistic direction in the theory of science with an assumption that the total is equal to the sum of the parts which can be analysed quantitatively indicative of its preference to quantitative strategies to data collection and analysis. The implication to researchers is that they can dissect and decompose an objective phenomenon that they investigate into its constituent parts and analyse each part separately and can bring them together to build a total picture (Kuada, 2010, p. 48). Concerning epistemology, the definitive presumption underpinning the analytical view is that knowledge is based on facts and should not be unnecessarily manipulative by the researcher. It seeks to drive home the fact that the researcher can adopt a neutral posture in his study and keep him or her away from the respondents. This direction of the creation of knowledge is devoid of any interpolation of the individual’s subjective experience and can be generated by formal logic. According to Kuada(2010), Abnor and Bjerke’s analytical view is similar to the functionalist paradigm which other typologies has identified. The three ontological perspectives that underlie the analytical view is presented in a diagram below.

**Figure 2-1: Ontological Perspectives in the Analytical View (Kuada, 2010, p. 48)**

|  |  |  |  |
| --- | --- | --- | --- |
| Dimensions | Paradigm O1 | Paradigm O2 | Paradigm O3 |
| Ontology | Reality as a concrete and conformable to law from structure independent of the observer | Reality as a concrete determining process | Reality as a mutually dependent fields of information |
| Research Approach  Human Nature  Methodology | Analytical Approach | | |

In line with this thinking, researchers assume that market participant’s exhibits traits that are predictable in an environment that is relatively stable enough to measure. Data about the market can be collected to confirm or ascertain in measurable terms the extent of divergence from anticipated behaviour of the market participants. This is a good example of the case under study which is the factors impinging on young adults bank selection and loyalty. There have been findings in literature about how young adults behave somewhere pertaining to their bank selection and loyalty decisions and this study is to test it in Danish context to measure the degree of divergence. This gives an indication that analytical approach would be a good way to undertaking this study.

Additionally, the study is at the behest of Spar Nord Bank, one of the serious market players in the banking industry in Denmark. The researcher is external to this bank and the adoption of other approaches would not be suitable because it is predicated on the assumption that the investigator need to gain an insight into the arrangements and processes that is accounting for the emergence and dissolutions of specific marketing arrangements (actors approach) as noted by Kuada (2008, p. 53). System approach, on the other hand, tends to perceived businesses as a set of components and relations with effective interactions rather than cause-effect relations. Under the circumstance, analytical approach has an allowance that enables managers to confidently outsource market research activities. This is because the data collection and analytical methods and procedures are more or less standardised (ibid). The commissioning of studies of this nature to a researcher external to the company is also indicative of the managers pragmatic conviction in the power of analytical approach in delivering their goal. In view of these, the analytical philosophy is what is guiding this current study.

**Figure 2-2: Analytical Research Design Adopted from (Kuada, 2010)**

**Concrete Study Area, Task Level of Ambition**

**Scientific Tradition, Research Methodology**

Theories

Models

Previous Results

Data

Techniques

Tools

Methodologies

**World**

**Means**

Problem Formulation

(select theories)

Design Methodology

Data collection

Data Analysis: Statistical Correlations Explanation

(Verification Falsification revised explanation)

Prediction

Recommendation

The value of key factors and variables

Significant correlations Tendencies

The value of factors and variables in future perspective

**Methodical** **Methodical**

Liniar Methodic

Result, Conclusion

Reflections

***Systems Approach*** is the next philosophy advanced by Abner and Bjerke on the assumption that knowledge search is built on the understanding that things influence each other within the whole. The system approach focuses on the relationship between individual parts of the system with the reasoning that these relations can reflect the synergistic properties within an existing system. It consists of people, structures and processes that work with effective combinations to complement each other to generate a healthy outcome. This approach assumes the existence of an “objective” (or at least objectively accessible) reality that researchers consider to be their primary field of interest. It allows the researcher to focus his study on one or a combination of the following issues: static structures of the system and regular and non-regular processes (Kuada, 2010, p.48). Static structures are fixed, stable characteristics in a social system. Processes, conversely, points to the mechanisms that induce changes within the system and the patterns of changes that take place. Regular processes are types of changes that are dynamic in nature but evolutionary, and the non-regular processes represents the radically sharp departures from existing pattern of thinking and behaviour that may bring about total and swift changes within the system. In situations of dramatic radical changes, the validity of knowledge is ephemeral and must be subjected to frequent reviews and revision (Kuada, 2010, p. 48)

In reference to problem solving, it is predicated on the analogy that problems must be treated as a part of an overall system, rather than isolating and responding to specific or individual parts. Therefore, to successfully deal with issues, it must be analysed in the relationship context with other parts instead of dealing with parts in isolation. This has made it possible to describe system approach as being cyclical other than cause and effect syndrome. Thus, parts are understood in relation to whole (holistic view of things). Understanding system approach implies examining the interrelationships, linkages and interactions between parts that contributes to makes a complete whole. In the words of Abnor and Bjerker, this is how the taxonomy that they are trying to build reads:

“*First, all phenomena can be regarded as a web of relationships among its components, that is, as a system. Second, all systems have common patterns, behaviour and properties which can be explained and/or understood to develop greater insight into the behaviour of complex phenomena and move closer toward the unity of science*”. (2009, p.103)

If this is something to go by, the subject of young adult bank selection and loyalty decisions would have been evaluated not in isolation but in relation to its interconnectedness to the roles of the banks and other inherent relationships. This would not be possible for a researcher outside to the problem be able to effectively research into it. More so, system approach overly dwells on the need for holistic way of examining and evaluating issues to the extent that it lacks focus sometimes in dealing with specifics. The study area is a prototype of dealing exhaustively with a selected part of a system and roping other issues in it could make it unwieldy and inexhaustible. Also, unlike the analytical approach that makes an implicit assumption that the environment is relatively stable and highly predictable, the system approach thinks otherwise by pointing to the unpredictability of environment.

***Actors Approach*** is the latest of three approaches and was developed in response to the critique and loopholes that its predecessors suffered with the view to establish the third and formidable pillar. It sees reality as a social construction with individual players or actors with their characteristics which has to be interpreted and meanings read into them. The assumption is that the whole can be understood from properties of the parts. It view the business as a social construction of the world which is being in perpetual flux (Kuada, 2008, p. 53). It differs from the previous approaches and researchers espousing to it view reality as not independent of human beings, but emanating from the interactions between each individual’s own experiences and the experiences of other s within the social community over a span of time (Kuada, 2010, p.49). The emphasis is much on concepts such as individual, interactions and subjectivity. It postulates that as social actors act, their action produce outcomes or results that they must reflect on and which subsequently guides their future action. Actions, counteractions, reflections and thoughts have a combine influence on the ongoing process of their social developments (ibid). Reality is also seen as consisting of “finite provinces of meanings” that are shared by either large or smaller number of people. As people conduct their business transactions, they are perceived to be actors on the stage with their actions producing outcomes which are reflected upon and which are used subsequently to guide future behaviours or actions. The business environments is considered as been temporary (Kuada, 2008, p 53).

One obvious loophole of the actors approach is that it does not open itself to the application by an outsider since it dwells on experiences with other business actors like customers and distributors. This obvious fundamental failure of actors approach to lend itself to the easy applicability of an outsider makes it not permissible for the application of this current study. This is because the researcher here is outside to the phenomenon under study and much more, not counting on his personal and individual experience and behaviours.

## 2.4 Methods

This part of the study seeks to explain the type of data collected for the research, the reasons or justification for resorting to such choices and how it was collected.

### 2.4.1 Quantitative Research Approach

The present study has been carried out using quantitative data collection method. According to Kuada (2010), quantitative research is defined “as studies that address research issues through numerical measurement of specific constituents of a phenomenon. Researchers who take to logical positivism or quantitative studies deploy experimental methods and quantitative measures to test hypothetical generalisation and also emphasize the measurement and analysis of causal relationship (Golafshani, 2003, p.597). Said differently, quantitative method is often related to the natural sciences with emphasis on quantification in the production of empirical data, knowledge and stressing on measurement (Bryman, 2004, p.19). Numerical values are the outcome after data collection and which are usually subjected to statistical computations with the view to testing pre-formulated hypothesis (Kuada, 2010, p.68). The study in question is testing the selection and loyalty behaviour of young adults in banking in the Danish context. This has highlighted the appropriateness of the quantitative strategy owing to the fact that the studies is firmly grounded on the analytical view which is positivistic to knowledge creation and believe that reality is a concrete and conformable to law from structure independent of the researcher. This supports the assertion that quantitative data collection strategies utilizes what many scholars regard as “detached orientation to research” which expects the researcher to assume a neutral posture to the phenomenon under study. With the adoption of such a detached orientation, the observer or researcher is credited for being able to generate data that are impartial and open to public scrutiny and critique (Kuada, 2010, p. 68).

Additionally, quantitative research permits the researcher to familiarize himself or herself with the concept to be studied, and the perhaps generates hypotheses to be tested. In this direction, the emphasis is on facts and cause of behaviours (Golafshani, 2003, p. 597). Like this study, hypotheses testing are significant in concepts that are about behaviours which establish cause and effects scenarios and this has a strong bearing to the analytical view. Aside, quantitative research endeavours to fragment and delimit phenomenon into measurable or common categories that can be applied to all of the subjects or wider and similar situations Golafshani (2003). This studies as indicated already is predicated on the analytical approach which has a positivistic direction in the theory of science with an assumption that the total is equal to the sum of the parts which can be quantitatively analysed.

Above all, reliability and validity are tools of an essential positivist epistemology (Golafshani, 2003 citing Winter, 2000, p.7) with quantitative techniques as the drivers. According Golafshani (2003), Joppe (2000) defines reliability as:

*…The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. (p. 1)* and validity as :

*Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit "the bull’s eye" of your research object? Researchers generally determine validity by asking a series of questions, and will often look for the answers in the research of others. (p. 1)*

These are essential qualities every research seeks to achieve for which it would be accredited with all the relevance trustworthiness or credibility it deserves and for which beneficiaries of such research will feel at home in its applications. The fundamental issues questions raised here are whether result is replicable and whether the means of measurements are accurate, and really measuring what they intended to measure

However, these concepts of reliability and validity as they are presented here are not views the same way by qualitative researchers who hold the strong conviction that the concepts defined quantitatively is inadequate. To them, replicability is less an issue in qualitative research but precision, credibility and transferability grants the lens of evaluating the outcomes of qualitative studies (Golafshani, 2003, p.597). It is also considered to be less value-laden. Imply here is that the researcher or observer lacks the luxury of bringing his or her unique interpretative practices and goals to bear on the subject under investigation. It also believes that some key constructs in management of firms that can hardly be understood using quantitative methodologies.

### 2.4.2 Data Collection Methods

Different kinds of data collection methods exist and each one of them has its unique strengths and weakness and its opportune usage situation and time. Data collection for the purposes of research is dichotomised into two, primary and secondary data. Primary data is often conducted for specific research when the data are insufficient for the analysis. Primary data are conducted through interviews, participant’s observation, focus group discussion etc. Secondary data is the type that has already been collected and published. It usually consists of articles, books, newspaper, internal and external case, company materials and internet materials (Bryman, 2004). Said differently by Kuada (2008, p.103), secondary data are those data already available i.e. collected for other purposes but can be used alone or give insight into the markets situation that the analyst is concerned about. Primary data on the other hand, are those data collected purposely for the task at hand.

This research in particular has adopted both primary and secondary data by reviewing literature on the subject with the view to testing it through questionnaires-secondary data through the review of literature and primary data through the application of questionnaire. Secondary data offers many advantages over primary data. They are readily and easily accessible, relatively inexpensive and provide good basis for quick decision on routine problems. It also offers the researcher the opportunity to clarify the marketing problem and develops a more suitable approach to the primary data collection. Hair et al (2006, p. 83) are of the view that, given this epoch of information abundance, most firms are finding secondary data sources sufficient for solving marketing research problems and projected that by now, almost half of all marketing research objectives are expected to be accomplished using secondary data with emphasis on it gaining an increase. The obvious limitation , however, is that because it is often collected for specific purposes, its suitability and ability to generate the needed solution may be undermined (Kuada, 2008, p. 103) as specific contexts may differ based on time, cultural and economic dimensions.

This has made primary data collection here a good complement and appropriate alternative to apply. The advantage of primary data is its reliability in that it is often generated by a researcher for specific purpose and within a specific context to address a well-defined problem.

### 2.4.3 Instrumentation

To achieve the purpose of the research, the studies formulated structured questionnaires for application in the survey. The questionnaires were formulated out of the concepts that were raised in the review of the literature. The questionnaires were put into three sections. The first section titled “Section A” was about the basic demographics of the respondents where they were presented with five (5) questions to answer. The next section which was “Section B” was on bank selection. Here, respondents were presented with thirteen (13) bank attributes when selecting a bank to patronise. They were measured on a five point Likert-type scale of importance ranging from 1 (least important) to 5 (very important). The list as indicated previously was derived from similar studies including Gerrard and Cunningham (2001), Almossawi (2001), Thwaites and Vere (1995) and a host of others.

The final part which is “Section C” was designed to test the loyalty decisions of young adults. This was concerned with factors that will make them retain or keep with their banks. It was also drawn from similar studies comprising of 13 questions with few seeking to know their banks, motives for selecting those banks and whether they have plans of changing their banks in future and if so the possible reason why. The loyalty dimensions were also measured on five point Likert-type scale of importance just like the one on bank selection criteria.

### 2.4.4 Sample and Data Administration

The sample for this research was chosen from among the students of the University of Aalborg, who were undertaken studies in about 12 different faculties. Considering the nature of the study, the study was planned to employ stratified random sampling where student could be drawn from the 12 departments. By the time the questionnaire were formulated and ready for administration, the students had completed normal lectures and were now concentrated on their groups and individual project work which made it pretty difficult to get student at the departmental levels.

The researcher had to resort to non-probability convenience sampling. Convenience sampling is a non-probability sampling method in which samples are drawn at the convenience of the researcher as similar studies such as Mokhlis et al (2009) employed that. It is established on the assumption that the target population is homogeneous and the individuals selected are similar to the overall target population with regards to the characteristics studied (Hair et al., 2006, p.340). The research questionnaire had a standard set of instructions as part of the cover letter for the respondents, informing them of the purpose of the study and how to respond to the questions and motivating them to participate in the study. They researcher was communing from department to department, library to students group rooms and even students collegiums in order to get student to solicit for their participation with the kind assistance of friends.

All in all, 250 questionnaires were distributed and 188 were answered and retrieved representing 75.2 %. This high response rate was due to the researchers strategy of handing over questionnaires and stays around for them to filled and handed back. Such high rate of response is considered satisfactorily adequate for statistical reliability and generalizability Mokhlis (2009), especially when evaluated vis-a-vis similar works on bank selection decisions by (Khazeh and decker, 1992-93; Huu and Karr, 2000; Gerrard and Cunningham, 2001).

# Chapter 3

## 3.1 Theories and Models of Bank Selection Decisions

This chapter is dedicated to the review of the literature with the aim of gaining an insight into the models and theories behind bank selection and loyalty criteria. It also seeks to draw on the strengths of similar work for a better outcome in this present study.

## 3**.2. An Overview of Existing Studies on Bank Selection Decisions**

A quest to contribute to an existing body of knowledge in this sphere of academic and managerial study will be purposeful if a review of literature is done to accentuate and make more relevant what others have documented about the issue at stake. This is also a platform that will provide readers of this work the background for understanding current and earlier research works on the topic, how it has been researched into, the relationship between ideas and the key issues discovered so far. It is for this and other reasons why this chapter is dedicated to the review of some existing literature on the subject under study.

The genealogy of research on the factors informing the bank selection and loyalty decisions of customers dates back to the 70s. This is evidential in the work of Almossawi (2001) who contended that “how customers select banks” has been popularised and given much considerable attention by researchers such as Anderson et. al (1976), Evan (1979), Kazeh and Decker (1993), Hegazi (1995), Metawa and Almossawi (1998) and similar recent studies. It has become typical to be looked into because the exploration of such works has the greatest potential of assisting banks to identify and implement strategies needed to attract new customers and to maintain and retain existing ones.

Boyd et al., (1994) in their investigation of the importance of bank selection criteria in terms of the age of head of household found out that a bank’s reputation plays a major role in determining bank selection, location, hours of operation, interest on savings accounts and provision of convenient and quick services. However, friendliness of bank employees and modern state of their facilities were seen as least important. Kaufman (1967) studies of the determinants factors applied in bank decisions by consumers and business firms is also noted to have produced the most influential factors to be convenient location to home or place of business, length of bank-customer relationships and quality of services offered by the bank (ibid). Fitts (1975) and Mason & Mayer (1974) research works, according to Almossawi (2011, p. 116), both supported the influence of friends, full service bank, customer orientation, a pleasant banking experience , convenience of time, shopping accessibility and personnel influence as factors influencing banks attractiveness to customers when they factor-analysed their data.

Riggall (1980) conducted a survey sampling 250 “newcomers” to a community to find out when and their reasons for selecting a particular bank. In consonance with other findings, convenience of location to home or work appears to be the most important factor with influence of friends, low service charges, availability of ATMs and employers using the same bank followed in order of importance. Laroche et al., (1986) wanted to establish how customers select their banks in the midst of such a competitive banking environment in a ranking way. It was found out that friendliness of staff plays a major significant role in the bank decision process followed by hours of operations, size of waiting lines, convenience of location and efficiency of personnel in order of magnitude.

In determining the importance of bank selection criteria used in Hong Kong, Kaynak and Kucukemiroglu (1992) research was designed to establish how Hong Kong consumers choose domestic and foreign banks. The major reported factors were convenient location, available parking space nearby, financial counselling, vault location and loans and mortgage. Holstius and Kaynak (1995) surveyed 258 bank customers in Finland to ascertain the importance of selected patronage factors used by Finnish customers. Reception at the bank, fast and efficient service, lower service charges, friendliness of personnel and perceived confidentiality were revealed as the important factors. Yue and Tom conducted a study in California, USA with the view to finding out the major determinant factors used by Chinese-Americans resident in Sacramento. The major determinants factors were reported to be efficiency of services offered, bank’s reputation, bank fees, conventional location and interest rates on saving accounts and loans.

The bank selection criteria requisite of young adults has generated a lot of interest in recent times culminating in a lot of works on student bank selection determinants. Nonetheless, this research in its literature review will embraces not only the bank selection criteria peculiar to young adults but their predecessors as well because it has not yet been demystified whether young adults want to be treated or regarded uniquely. Since a plethora of research is available on the bank selection criteria for young adults the majority of the review shall dwell so much on them to narrow the scope in order to drive home the objective of the study.

Below is a vivid presentation of the literature review in a tabular but summarised form.

**Table 3-1: Summary of Previous Findings**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Author(s) | Year | | Question | Methods | Findings | |
| Nartey et. al | 2011 | | Ascertain the criteria by which two categories of students select banks and determine the most prevalent criteria | Drop and pick convenience sampling method was employed to select four focus groups made up of students each. This focus group discussion helped in designing the main questionnaires. | Image, attitude and behaviour of staff, core service delivery and technology related factors as the major issues that influence customers decision to open, maintain and retain an accounts. Minimum deposit, information technology related products, good branch network, fast service delivery, safety in bank transaction and prestigious image (appealing brand name) as well as socially responsible or community mindedness | |
| Maiyaki Ahmed Audu | 2011 | | Investigate the factors that influence bank selection and the preferences towards particular bank | Multi-stage sampling procedure with a total of 417 retail bank customers were selected and subsequently participated in the descriptive and convenient survey | Size of banks’ total assets and availability of large branch network have a great influence in customers’ choice of banks | |
| Mohhlis et. al | 2011 | | Find out bank selection criteria employed by single and multiple bank users focusing on young adults. | Quantitative methodology using responses given by 482 Malaysian undergraduates. Three part questionnaire was used to collect data from participants on bank selection criteria | The five most important influencial attributes in descending order for bank selection were convenience, ATM locations, confidentiality, 24 hour ATM service and availability of ATM in several locations. On the hand, the least important five attributes determining student bank selection were interior decor of buildings, class of people who patronise the bank, recommendation of friends, reception at the bank and influence of lecturers. | |
| Mahmoud et. al | 2011 | The extent of influence of certain key factors on university students’ bank loyalty | | Purposive sampling size of 600 respondents from the University of Ghana Business School was selected to provide information for the study | Issues of accessibility, proximity, reputation, local and regional network, customer service and courtesy, helpfulness of employees were ranked as high |

**Table 3-1 Continue**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Author(s) | Year | Question | Methods | Findings |
| Asfar et al. | 2010 | Finding the possibility of specifying a model of customer loyalty and the factors influencing customer loyalty in the banking sector of Pakistan and their relationship. | Self-administered questionnaires method was used in collecting primary data. Finally a questionnaire of 42 questions was designed after replicated the study done in Taiwan by Lin and Wang (2006), in Spain by Beerli et. al (2004) and in Iran by Abdollahi(2007) | It was realised that a little change in satisfaction has a major influence on loyalty of customer towards his or her bank. Highly committed customers are always loyal to the bank. Tangible perceived quality also showed a strong relationship with loyalty as well as quality of service with trust remaining less correlated |
| Ghazizadeh et. al | 2010 | Examine the parameters which affects consumers’ decision to stay with or replace a bank | Questionnaires were used in collecting data. Likert-format items were presented with 5-points scales | The most important findings were customer satisfaction, corporate image and changing barriers also known as switching cost. Others are customers’ perception of value and consumers’ behavioural intentions |
| Osman et. al | 2009 | Investigate customers’ perception towards quality of services of Islamic banks in Malaysia | Self-administered questionnaires based on those six variables adapted from Othman and Owen (2001) | Reliability was perceived to be the most important attributes followed by assurance and tangibles with empathy, responsiveness and compliance as less important. | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Author(s) | Year | Question | Methods | Findings |
| Khan and Ahmed | 2008 | Find out the banking habits and preferences of the Indian customers in the context of India | The main instrument for this research was questionnaire designed by the researcher based on factors selected from various empirical research works covered in the literature in the survey and were finalised after several rounds of discussion with selected panel of bankers, customers and academicians. | The top ten factors of important influencing respondents bank selection were safety of funds, secured ATMS and their availability, reputation of bank, personal attention, pleasing manners of the staff, confidentiality, closeness to work, timely service and friendly staff willing to work. Availability of technology based services is found to be a major reason for clients switching behaviour of bank clients. |
| Blankson et. al | 2007 | Investigate bank choice or selection criteria in a range of cultural and country economic scenarios in industrialised (USA), new-industrialised such as (Taiwan) and liberalised developing such as (Ghana) | The study adopts the classical multi-step scale development process with the employment of exploratory and confirmatory factor analysis to assess the reliability of the results. | The findings include among other things include recommendation by peers, free banking or no charges, competence, convenience. |
|  | | | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Author(s) | Year | Question | Methods | Findings |
| Cohen et. al | 2006 | Examine the impact of several retention-related constructs that influence consumers’ decisions to stay with or leave their banks in New Zealand | Data was obtained through a mailed survey sent to a sample of residents of Christchurch in New Zealand | The most important constructs revealed by the investigation were customer satisfaction, corporate image and switching barriers |
| Baumann | 2004 | To find out other significant predictors of bank loyalty aside satisfaction | Sample survey of 5000 with 1924 retail banking customers responding representing 39%. Multi-variate analysis was used with the scale data been transformed using Box-Cox transformation | The results of this study provided interesting insight into the relationship between satisfaction service quality, customer environment behavioural intentions and actual behaviour of dissatisfied customers |
| Gerrard and Cunningham | 2001 | Seeks to establish the ranking criteria which influences the bank selection of decision of undergraduates and determine how homogeneous undergraduates are | Survey sampling the undergraduates of Singapore Nanyang Technological Univeristy | Feelings of security, availability of electronic services, services provision flavour, convenience, appearance (exterior and interior decor of banks) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Author(s) | Year | Question | Methods | Findings |
| Almossawi Mohammed | 2001 | Focus on examining the bank selection criteria being employed by college students in Bahrain | Sample of 10,000 students from Bahrain University representing young people with 19-24 years. 30 factors were selected from relevant literature , personal experience, interviews with bank officials and students | Reputation, availability of parking space near the bank, friendliness of bank personnel, availability and location of ATMs. It reveal further that it may be necessary to deal with male and female students as distinctive segments with different priorities in their bank selection process. |
| Holstius and Kaynack | 1995 | Determine the importance of selected patronage factors used by Finnish customers in choosing their banks | Surveyed 258 bank customers in Finland | The results indicated that the main determinants factors for Finnish customers to be reception at the bank, fast and efficient services, lower services charges friendliness of personnel and perceived confidentiality. |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Author(s) | Year | Question | Methods | Findings |
| Khazeh and Decker | 1993 | How customers choose banks | A survey that ranked customers’ requirements and the extent to which competing banks differ in satisfying these requirements | Service charges  The reputation of the bank  The interest rates on loans  The time required for loan approval  Having friendly tellers |
|  |  |  |  |  |

**End of** **Table 3-1.**

A similar review of this nature has been conducted by Mokhlis (2011) in his study of students’ selection of retail banks in the Malaysian context in which he has strived to clearly delineate the various countries in which such studies have taken place. With such a focus he was able to draw very useful analogies and the inherent limitations such reviews could demonstrate. This study has found it felicitous and therefore worth repeating it in order to also draw relevant lessons from the advanced review. The table below is the representation of Mokhlis (2011) review table.

**Table 3-2: Overview of previous studies adapted from Mokhlis (2011)**

|  |  |  |
| --- | --- | --- |
| **Researcher(s)** | **Country** | **Primary attributes affecting students’ bank selection** |
| Lewis (1982) | UK | Convenience, location to college, parental advice |
| Thwaites and Vere (1995) | UK | Proximity of an ATM to college, free banking service, overall student offer |
| Tootelian and Gaedeke(1996) | USA | Monthly charges, interest rates on deposits |
| Thwaites, Brooksbank and Hanson(1997) | New Zealand | Fast and efficient service, friendly and helpful staff, reputation of the bank |
| Schram (1991) | USA | Convenience, family tradition |
| Khazeh and Decker (1992-93) | USA | Service charge policy, bank reputation, interest rates charged on loans, loan approval times, friendly tellers |
| Rhee (2009) | Netherland | Internet banking, financial stability, bank reputation, the provision of fast and efficient services, low service charges |
| Huu and Karr (2000) | Singapore | Pricing, product dimensions of bank services |
| Gerrard and Cunningham (2001) | Singapore | Feel secure, electronic services, service provision |
| Almossawi (2001) | Bahrain | Convenient ATM locations, availability of ATMs in several locations, bank reputation, 24 hours availability of ATM services, availability of nearby parking space |
| Tank and Tyler (2005) | UK | Recommendations, reputation or image, level of interest rates, free cash incentives, ease of accounts opening |

**Table 3-2 continue**

|  |  |  |
| --- | --- | --- |
| **Researcher(s)** | **Country** | **Primary attributes affecting students’ bank selection** |
| Ishemoi (2007) | Tanzania | Service quality, financial factors, delivery system |
| Blankson, Cheng and Spears (2007) | USA  Taiwan  Ghana | Convenience, competence, free banking (no bank charges) |
| Blankson, Omar and Cheng (2009) | USA  Ghana | Convenience, competence, recommendation by parents, free banking |
| Rao and Sharma (2010) | India | Reliability, convenience, assurance, value added services, accessibility and responsiveness |
| Chigamba and Fatoki (2011) | South Africa | Service, proximity, attractiveness, recommendation, marketing, price |
| Katircioglu, Fethi, Unlucan and Dalci (2011) | North Cyprus | Availability and convenient location of ATM services, speed and quality service |

This review by Mokhlis (2011) has brought to the fore the differences that exist across various countries and cultures of the factors that impinge on young adults bank selection criteria or decisions. Nonetheless, the contributions of this plethora of studies to providing the needed fountain and grounding of literature in bank selection particularly young adults cannot be under scored. Yet still it remains prudent in the fitness of things to reason out that the findings may not be wholeheartedly applicable to all countries as far as economies and cultures continue to show nuances and sharp departures (Mokhlis, 2011, p.6). This submission is seemed to find consonance in the studies of Blankson et. al (2007) that delved into choice criteria of banks in industrialised, newly industrialised and liberalised developing economies with sharp cultural differences that did not reveal same findings across the three categories of countries involved. Indubitably, new technologies unleashed into today’s retail banking might have succeeded in dwindling the efficacy and relevance of the earlier findings. This is seen in the work of Hollensen (2003, p. 495) that digitalisation pervasiveness coupling with the important role of internet poises information to be the latest medium of exchange and not just money and Abratt and Russell (1999) submission that explains that in days gone by the selection of banks was primarily been impinged on rates, fees and price charged but the competition amongst banks today has shifted the trend towards service excellence, streamlined services and more importantly innovative products. They maintain that the development of electronic marketing that seeks to deliver customer satisfaction and benefits is noted to be growing at a high tempo. For instance, the use of ATMs and ATM cards is gaining universality without any regard to one’s country of bank and branch of bank.

In the wake of this trajectory, this study will focus on Denmark to provide an insight for managerial decisions bordering on marketing and positioning strategies for the subject under study which has been highlighted to be one of the most important marketing strategies needed in this ever increasingly changing banking environment(Laroche et al. 1986; Devlin and Gerrard, 2004; Blankson et al., 2007).

## 3.3. Factors Influencing Bank Selection Decisions of European Customers

This part will focus on the bank selection criteria for European customers to ascertain whether the findings in studies in other jurisdiction are in consonance with that in Europe. It would also enable the studies narrow down its scope to the country where the knowledge gap in this area of studies is found to exist so as to find suitable selection criteria to be applied in this study.

Earliest studies in bank selection criteria were reported in the US and Europe. In Europe, the studies of this nature were conducted by Lewis in 1982. Lewis (1982) studies in the UK discovered that convenience, location of bank to college and the parental recommendation and influence were predominating factors bearing on UK students’ choice of banks. A similar studies executed by Thwaites and Vere (1995) findings were in complete contrast to the earlier work of Lewis (1982) in that their findings after thirteen years showed proximity of ATM machine to college, free banking services and overall student offer were the top three selection criteria employed by college student when it comes to selection of banks to patronise. Subsequent studies later down the years conducted by Tank and Tyler (2005) in the UK also revealed that students placed greater importance on factors such as recommendation, reputation or image of bank, level of interest rates, free cash incentives and ease of accounts opening in selecting a bank. Interestingly, factors such as convenience, larger ATM network, proximity of ATM and bank to college or home were relegated to the low importance ratings zone.

Another literature worthy of review in the European area is one that was conducted by Rita Martenson in 1993. The study consider consumer choice of banks and the evaluative criteria applied in retail banking in Sweden employing a survey of 558 Swedish bank customers and 53 branch managers of Swedish banks. It revealed unique findings that consumers do not select their main bank as consciously as one would expect and hope since random decisions were the case for third of respondents. Nonetheless, other results of the study seem to confirm what has been found in other works. Bank locations, availability of loans and payment of salary through a certain bank are typical reasons for the choice of Swedish bank customers. Additionally, young respondents seem to be quite influenced by their parents in the choice of banks. Also, it was found that choice of bank is most probably a result of a match between bank image and consumer interest.

In Finland, Holtius and Kaynack (1995) in determining the importance of selected patronage factors applicable to Finnish customers in selecting their banks surveyed 258 bank customers. Their findings showed that the main determinants factors influencing Finnish customers were reception at the bank, fast and efficient services, lower services charges, friendliness of personnel and perceived confidentiality.

In order to determine whether bankers need or ought to adopt different strategies in a relatively new free-market economy of Poland, Kennington et al (1996) conducted a study of consumer banking habits in Poland and compare it with similar studies in other countries. They found out that the most important variables influencing customer choice of banks were reputation, price and services offered.

Katircioglu et. al (2011) investigated in a study the selection factors of bank customers in Romania. The number of ATM booths was found out to be the most important selection criteria for the people from Romania. Extensive ATM services, availability of telephone and internet banking, personal attention to customers, reputation and image of banks, confidentiality of the banks for customers records, appearance of staff to be presentable and the number of branch offices around the country are all the most important factors that Romanian people give attention to in their bank selection decisions. Conversely, their findings reveal that Romanian people give little attention to mass media adverse, gifts by banks, fast and efficient services, recommendation by other people in their environment.

An overall cursory appraisal of the various literature bordering on European customers has not departed so much from the other findings from other studies albeit some nuances is inevitable depending on the particular time in history that those studies were made. One of the findings that found congruent with all in the recent studies is reputation and image of banks This in addition to the cultural and economic differences on the continent of Europe provides enough justification for similar studies to be conducted in Denmark to test the numerous factors that is at work in determining customers selection decision.

## 3.4. Customer Demography in Bank Selection and loyalty Decisions

A cursory appraisal of studies shows that many academic endeavours have been vested in the field of segmenting customers using psychographics in the area of general buying behaviour, retail, media behaviour, buying behaviour of financial products and so on (Srivatsa and Srinivasan (2008). Demographic characteristics have also taken centre stage in the literature of bank selection, loyalty and satisfaction criteria. These academic studies strives to link demographic characteristics like age, gender, level of education, income levels, professional experience etc. with bank selection, loyalty and satisfaction criteria. This study has not been an exception as it is predicated on young adults in Denmark and so crisscrossing findings elsewhere will enriches the studies.

In highlighting the critical role of understanding the woman consumer better in the retail banking in India, Srivatsa and Srinivasan (2008) conducted a psychographic study using gender. It was premise on the conviction that women and men do not think alike on many issues and probably banking behaviour could be another. Their findings were that men and women customers exhibit different behaviours in their banking preferences, banking channels and product usage. Whilst men prefer safety and convenience of electronic channels in bank selection, their women counterparts prioritise on channel convenience and savings. Internet banking finds favour and patronage with woman and men turn to be branch loyalist. Women appreciate value from credit card usage and men appreciate the value a loan product has.

In similar studies conducted in Malaysia by Moklis (2009) in the relative importance of choice criteria in respect of selecting a retail bank by male and female customers for patronage. The findings show that there are some differences in choice factors employed by male and female customers in selecting a bank for patronage. Factors of which both male and female had variations are attractiveness, marketing promotion, ATM service, proximity, people influences and financial benefits. It also reveals that both male and female college students place more emphasis on ‘secure feeling’ and ‘ATM service’ suggesting those factors need serious consideration when designing commercial banking decisions and strategies.

In the studies conducted by Nartey et al.(2010) which was done to ascertain bank selection criteria among students in Ghana and to investigate whether there exist significant difference between females and males students. The findings revealed that undergraduates place much premium on the minimum bank deposit required by the banks and the graduates considered fast service delivery. Also, good branch network and fast service delivery were considered important factors by both graduates and undergraduates. On gender, females considered minimum deposits and fast service delivery as the most important while delivery of efficient service and extensive bank branches were considered by males. Female respondents were also identified with two major factors of safety in bank transaction as well as prestigious image.

## 3.5. Student Bank Selection Criteria in Retail Banking

Retail banking has emerged as one of the dominant area where major studies regarding consumer bank choice behaviour in financial services (Mokhlis, 2009) and young adults as a segments often concentrating on college or university students has received a fair share of academic endeavours.

Example of such studies was reported by Lewis (1982) who revealed that 92% of first year’s college students in Manchester in UK believed they would stay with their current bank until the end of their studies while 44% were of the view that they would continue with the same bank. 80 % of final year college students believed that they would continue with the same bank even after completion of their studies. But even before the popularisation of the subject, Mokhlis (2009) indicated that an unpublished dissertation of Gray (1977) described an investigation of student attitude towards banking in the UK. These studies showed convenience and parental influence to be the most important factors influencing British students’ bank choices. In his article concerning American college students, Schram (1991) showed that convenience remain the primary reason why most college students choose their banks followed by family tradition and loyalty to banks. Meanwhile, Khazeh and Decor (1992-1993) identified service charge policy, reputation, interest rate on loan, quick loan approval and friendly tellers.

Also in the British context, the studies of Thwaites and Vere (1995) indicated that proximity of an ATM to college, free banking service and overall student offer featured as the most important top selection criteria applied by college students in selecting which bank to patronise. Among undergraduate students studied in Singapore, Huu and Karr (2000) realised that students place high premium on pricing and product dimensions of bank services, with the third party influence recording the least important criteria. Still in the context of Singapore, Gerrard and Cunningham (2001) studies revealed “feel secure” followed by electronic services and service provision as the most important factors. Like that of Huu and Karr (2000), they also found third party influence taking the least important dimension.

In his examination of Bahrain students, Almossawi (2001) indicated that the key determining college students bank selection were bank reputation, availability of parking space near the bank, friendliness of the bank personnel and availability of ATM. In the studies conducted in Bosnia-Herzegovina by Cicic et al. (2004), reception at the bank, friendliness of bank personnel, low service charges, ease of opening a current account and confidence in bank management were found to be the five factors influencing undergraduates to patronise a particular bank..

From the myriad of studies perused, the important domineering concepts are presented in a diagram below which has formed the basis upon which this current studies finds its inspirations.

**Figure 3-1: Bank Selection Criteria**

Interior and Exterior Decor of bank

Core service delivery

Bank reputation and image

Confidentiality of bank

Electronic banking facilities

Bank employee’s attitude

Convenience

Recommendation of peers and family

Service charges and loan interest rates

## 3.6. Bank Loyalty Dimensions

Earlier studies have belaboured the benefits that accrue to a firm from its retention of existing customers some of which include the more utility that is generated from the longevity of customers which is delivered by less cost in maintaining customers to attracting new ones, increase in both value and the number of purchases, the customer better understanding of the organisation and positive WOM promotion (Cohen et al, 2006, p.2). It must be stated that maintaining high rate of customer satisfaction does not necessary guarantee customer loyalty as banks still lose customers who have moved, retired or no longer need certain services. The consequence of this is the need to prioritize customer retention (Ibid). This has awaken banking executives and other decision makers to identify alternative ways to keeping their existing customers loyal (Cohen et al. 2006, p. 2). Nonetheless, many organisations including banks subscribe to the view point that high customer satisfaction will lead to greater customer loyalty which also leads to future revenue as noted by Manusamy et al. (2010, p. 399). For this reason, many organisations that take to the provision of superior service quality have been found to be market leaders in terms of sales and long-term customer loyalty and retention as indicated by Manusamy et al. (2010).

Undoubtedly, there are enough and compelling reasons for bank management to systematically consider the factors that enhance and increase customer retention rates. However, according to Cohen et al.(2006 ) few research works has investigated the constructs leading to customer retention but empirical work has geared towards identifying constructs that are precursors to customer retention. This has led to many research findings coming out with constructs as competitive advantage, customer satisfaction, switching barriers, corporate image, and bank service characteristics. Other construct is loyalty, trust, commitment, perceived quality, switching cost and customer satisfaction. This present study will consider the former and proceeds to look at the SERVQUA model of service quality.

**Loyalty**

Customer retention and loyalty has emerged as a global issue and one of the most important factors pertaining to bank strategy development in today’s competitive banking industry. Management of banks need to take cognizance of this fact and work to improve the elements that can deliver an effect on customer satisfaction (Ghazizadeh, 2010). Srinvasan (2007) identified two categories of loyal customers to be satisfied and unsatisfied customers. Satisfaction is not an essential requirement for loyalty. Customer loyalty is considered to be a *sine qua non* for the long term survival of a firm which is embedded in the firm’s capability to keep and attract profitable customers (Nartey and Owusu-Frimgpong, 2011, p. 377). Sometimes customers could be unsatisfied but yet remain loyal to the firm due to attachment and commitment to the products and services. Whilst satisfied customers without trust, commitment and attachment to the products and services will always deflect as soon as they discover new competitor with better quality of products and services( Srinvansan, 2007).

**Perceived Quality**

This is a concept that is generally acknowledged to be closely related with satisfaction and quality with lack of clarity in their definitions. In trying to put a difference into this constructs as it appears in the literature, Afsar et al (2010) considered satisfaction to demand previous consumption experience and depends on price whereas quality can be perceived without necessarily demanding a previous consumption experience and does not normally depends on price. Under some circumstances where there is little availability of information and difficulty in evaluating service quality price can be an indicator of quality. The same source has also maintained that the conceptual model of service quality and service satisfaction that seeks to drive home this fact by concluding that these construct are distinct with different determinants and service quality have been found to have a profound input on customer satisfaction and loyalty. The definition is the result of the comparison that customers make between their expectations about service quality and their perception of the service performance (Afsar et al., 2010)

**Customer Satisfaction**

Another important trait is the customer satisfaction which needs to be considered when designing and shaping the overall loyalty decisions of customers. In banking situations, what the customer considers is the importance that is accorded him or her and the extent of services meted out to them and then takes decisions on repurchasing behaviour. The level of satisfaction is in ascendancy when customers realises that the price they pay vis-a-vis the benefits they gain is noted to be optimum (Jamal and Kamal, 2004). If the reverse happens, dissatisfaction sets in then and this is where the customer begins to think that the prices paid are at the higher side as compare to the maximum benefits or services he gets. This can clearly be observed in the areas of interest rates on loans and charges on services such as ATMs which seem to be a major bone of contention between customers and the banks. If this situation is the order of the day, the initial response of the customer is compromising for a while and then takes steps to deflect. Recent developments have it those bank accounts openings have become relatively easier in many banks minimising the cost of switching thereby motivating customer switching. Afsar et al. (2010) maintain that ‘the response of customer plays a pivot role in the overall satisfaction graph of the provider. If the customer is satisfied, the loyalty injects automatically and the customer remains with the current provider for a long and longer period of time’.

**Switching Cost**

Switching cost has also become an important construct pulling a string on customer retention issues. Many scholarly definitions had been made of switching cost with one by Jones et al. (2002) saying it is anything that makes it difficult or costly for customers to change providers and Shergill and Bing (2006) defining it as the technical, financial and psychological factors which makes it difficult or expensive for a customer to change brand ( Afsar et al., 2010). This has prompted some scholars to consider it as cost that deters customers from demanding rival firm’s brand. When the switching costs of a brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behaviour owing to the associated risk or expenses in switching.

**Trust**

With reference to other studies by Afsar et al. (2010) trust is looked at as the willingness to rely on an exchange partner in whom one has confidence or confidence in an exchange partner’s reliability and integrity. In other jurisdictions, Holbrook (2002) defined brand trust as the customer’s willingness to rely on the ability of the brand to perform its stated function. This causes dedication because of reduction in negotiations of agreements and reduces the customer’s fear of opportunistic behaviour of the service provider. In social psychology as noted in the works of Wetzels et al. (1998), trust is considered to comprise of two elements which is trust as the partner’s honesty and trust in the partner’s benevolence. Honesty is the belief that the partner can be taken by his word as he or she would always stand by that with benevolence as the belief that the partner is interested and have the welfare of the customer at the heart or will not take to actions that will endanger the interest of the customer and impacting negatively. It is reported that Morgan and Hunt (1994) postulated that brand trust leads to brand loyalty and commitment because trust creates relationships that are highly valued. Trust in relationships is positioned as a central factor for customer loyalty and a principal factor causing dedication (Afsar et al., 2010, p. 1042)

**Commitment**

Commitment is seen as a desire to maintain a relationship which is considered to be a pledge of continuity and resistance to change. In studies and conceptualisation of employees’ commitment to an organisation, three levels of commitment are found to be affective, continuance and normative. Affective or emotional commitment is a situation where a strongly committed individual identifies with and enjoys an organisation (Afsar et al., 2010, p. 1043).

## 3.7. Determinants of Bank Service Quality and Customer Satisfaction

**The SERVQUAL Construct**

This model was developed in the 1980s at the time when the attainment of quality in products and services has gained currency and pivotal concern owing to the fact that quality could discernibly be described in tangible products but that of services was largely undefined and unresearched. Yet the importance of the determinants of quality remains unequivocal (Parasuraman et al., 1985). Initially, the model measured service quality on ten aspects of service quality determinants which were reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles as represented in a diagram below. Service quality has endeared itself as an important research topic because of its apparent relationship to costs, profitability, customer satisfaction, customer retention and positive word of mouth (Mohammad and Alhamadan, 2011, p. 399)

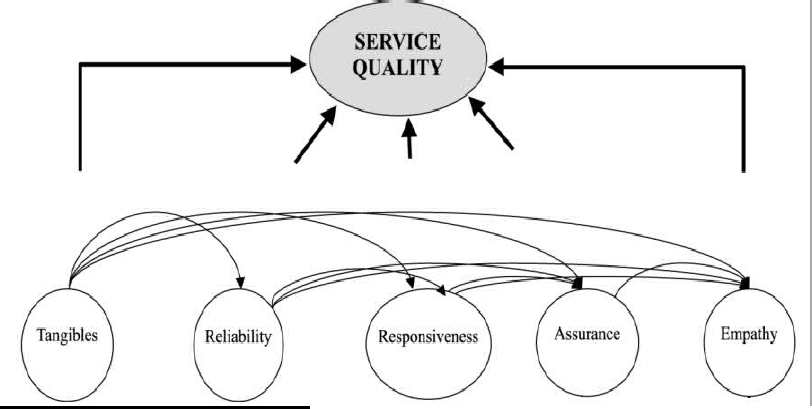
**Figure 3-2: Determinants of Perceived Service Quality**



**Source:** Adopted from Parasuraman et al., (1985)

Subsequently, the determinants of customer service satisfaction comprising of ten determinants were merged into five to give rise to the SERVQUAL model for service measurement on the consensus that these five dimensions remain the appropriate ones which helps in revealing the customers’ expectations and perceptions (Mohammad and Alhamadan, 2011). These five determinants of service quality determinants are: tangibility, reliability, responsiveness, assurance and empathy. These are represented in the diagram below:

**Figure 3-3: SERVQUAL Model**

****

**Source:** http://www.scribd.com/doc/35595260/SERVQUAL-Model-for-Banking-Service

**Tangibility**

This is the description of a firm’s physical structures and facilities that impacts on its capacity to provide services dependably and accurately to its customers. It is also considered to encompass physical aspects connected with service such as instruments and equipment, persons, physical facilities like buildings and nice decoration and other observable service facilities (Mohammad and Alhamadani, 2011, p.61). The atmosphere of tangibility of a company is noted to be playing a significant role in generating enthusiasm and determining customers’ patronage behaviours and intentions as well as given recommendations about other customers to their service providers. In an excellent banking industry, this dimension if well pursued will have the outcome of the bank’s reception desk employees as well as other employees to be neat in appearance with the bank’s physical facilities and ambience visually appealing and interlaced with modern looking equipments (Scribd Inc. 2012).

**Reliability**

This has to do with the provision of services at the right designated time and willingness to help customers. It also embodies a firm resolution to guarantee error-free records and services.

**Responsiveness**

It is all about the willingness of service providers to help customers by informing customers the precise and exact time when service will be performed and ensuring that the services are prompt and staff responses are also prompt.

**Empathy**

Empathy is all about the ability to understand customers feeling and problems thereby been caring and providing them with specialised attention for individuals. This implies that the bank has the best interest of customers at heart by understanding their specific needs and giving them personal attention and suitable working hours.

**Assurance**

This is a situation where the behaviours of employees in the bank seek to instil confidence in customers and ensuring that they feel safe with their transactions. Staffs cultivate the habit of been very friendly and courteous towards the customers and having knowledge to answer or attend to customer’s queries and problems. To sum it all, the employees have to be in the spirit of sympathy and reassuring to the customers.

It must be pointed out clearly that these dimensions supplement each other with effective combinations to provide guidance for banking executives and managers to effectively serve customers as illustrated in the diagram above. All the same, some studies are reported to have classified tangibility, assurance and empathy as functional dimensions of service quality while responsiveness and reliability is considered to be technical dimensions of service quality (Mohammad and Alhamadan, 2011, p.62).

Some studies indicated that the employees of service based companies have the opportunity to directly influence all the five dimensions. This is operative in the sense that the front line staff directly impacts on customer perceptions of responsiveness by exhibiting personal willingness to assist with their prompt service. Reliability also rest within the locus of control of the front line staff where they deliver services within the promised time. When a service failure occurs, employees are called to duty to ensure service recovery and they use their judgement to determine the right steps to be taken. With quality of service, the employee’s crucial role is to communicate their credibility and resonates confidence and trust for the customers for the fulfilment of the assurance dimension. And with empathy, the employees will pay special attention to customers by listening to them and turn to be adaptive and flexible in delivering the needs of the customers.

SERQUAL model has enjoyed wide and pervasive acknowledgement and application to a host of service settings for a variety of sectors including banks, health care settings, business school placement, fast foods, large retail chains to mention but few. In view of this, researcher are not to believe that the SERQUAL measuring tool “remain as the most complete attempt to conceptualise and measure service quality” (Mohammad and Alhamadan, 2010, p. 399).

**Critique of SERVQUAL Model**

To all intents and purposes, however, one must not out rule rightly that the SERVQUAL model has remain flawless and perfect in its applicability to the measurement of service quality for every coin has two sides. Some school of thought championed by Francis Buttle are of the view that the model on paradigmatic level, is a disconfirmation paradigm rather than an attitudinal paradigm and fails to draw on established economic, statistical and psychological theory. It is also believed that there is little evidence that customers evaluate service quality on perception and expectation gaps and focuses on the process of service delivery, not on the outcomes of the service encounter or moments of truth (Daniel and Berinyuy, 2010, p. 43). Additionally, the five dimensions of SERVQUAL model is thought not to be universal and the number of dimensions comprising service quality is contextualised with the items not always loaded on the factors which one would a priori expect. And that there is high degree of inter-correlation between the five dimensions (Ibid).

More so, at the operational level the term expectation is deemed to be polysemous with consumers using standards other than expectation to evaluate service quality and SERQUAL failing to provide absolute measurement of service quality expectations. The composition of the five items will be inadequate to capture and configure the variability with each service quality dimensions.

Despite the criticisms of the SERVQUAL model’s applicability by some scholars such as Buttle (1994) and Cronin and Taylor (1992), these studies still find it very useful and appropriate in the context of banking where it has proved its worth in many studies such as Mohammad and Alhamadan (2010), Manusamy et al. (2010) and host of others. Notwithstanding the fact that it has demonstrated weakness due to the elusiveness and abstract nature of service quality emanating from the tangibility, heterogeneity and inseparability of service at production and consumption.

The model is going to be applied in understanding the service expectations and perceptions of customers in their banking transactions which it is even acknowledge by the critiques to be a solid area that the model is useful. Buttle (1994) and Cronin and Taylor (1992) both agreed that the model is good for retailers to understand the service expectations and perceptions of customers and make improvements owing to its good reliability and validity ( Daniel and Berinyuy, 2010, p. 43).

## 3.8. An Integrated Model and Hypotheses in the Present Study

The knowledge that I have gained in reviewing the literature presented above has led me to create the model and formulate the hypotheses below. This model and hypotheses will guide my investigation of how Aalborg University students make bank selection and loyalty decisions. The results of the investigation may inform the management of Spar Nord and other banks in Northern Jutland in their marketing strategy formulation to attract both local and foreign customers.

**Figure 3-4: Model for the Present Study**

Selection Criteria Loyalty Retention

Interior and exterior decor of bank

Core service delivery

Bank reputation and image

Confidentiality of bank

Electronic banking services and facilities

Bank employees’ attitude

Convenience

Recommendation of peers and family

Services charges and loan interest rates

Satisfaction

Reliability

Assurance

Empathy

Tangible

Responsiveness

Switching cost

H1

Life Time Value

(Loyalty)

H3 H2

H4

H5

Loyal Customers

satisfaction

Superior services

Banks

### 3.8.1 Hypotheses Development

The following are the hypotheses created for this studies and ultimately whether each outlined hypothesis will lead to customers remaining loyal to a bank based on the relationships of the dimensions and satisfaction.

***Customer Satisfaction***

In business satisfaction expresses the assessment of how products and services meet with the expectation of the customer. This is view as the main performance indicator in some cycles by a company. Also it has been seen as a key differentiator in competitive marketplace where firms compete to gain customers and has increasingly become a key element of business strategy (Munusamy etal., 2010, p. 399). Satisfied customers are key to a long-term business success. In view of this, the present study aims at establishing the linkage between customer satisfaction and loyalty as indicated by the hypotheses below.

*H1: customer satisfaction leads to customer loyalty*

***Service Quality***

Without any shadow of doubt, service quality is a very important component for most business activities. This is seen as the difference between customers expectations for the services encountered and the perceptions of the services experienced. Customers judge services as low where performances does not meet with their expectations and the vice versa (Munusamy et al., 2010, p.399). Some of the SERVQUAL model dimensions have been used to formulated hypotheses under service quality as below

***Reliability Relationship to Loyalty***

Reliability is all about the accuracy and timeliness in the service provision. If this is guaranteed in the service provision, would that make customers loyal to a bank. That is the concern of the next hypotheses.

*H2: there is a loyalty if services provided come with reliability*

***Assurance Relationship with Loyalty***

This border on security concerns, safety, confidence and dependability on the services. The issue here is that if banks improve on security and safety issues, would that make customers loyal to banks that is what this hypotheses seeks to evaluate on.

*H3: There is positive association between assurance and customer loyalty*

***Empathy***

Empathy is concern with ability to understand the customers’ specific needs and feelings and providing specialised attention to them. This is where employees try to put themselves in the situation of customers to better understand their needs and find a better way of providing solutions to them. Would that situation lead customers to be loyal?

*H4: Empathy is linked to customer satisfaction*

***Tangibility Relationship and Loyalty***

Many bank customers are noted to be taking clues from the bank tangible cues to form their judgement on the service quality, satisfaction and what can keep them with the banks. Tangibility in the context of retail banking takes reflection in the attractiveness of the physical ambience of the bank, state of the art equipment and technology and the appearance of the employees by way of their dress codes (Jamal and Naser, 2002). It could also embody the prevailing conditions of ventilation, temperature, noise and scent within the physical territories of the bank. This perspective has informed the following hypotheses that seek to see the association between this physical cues and loyalty to banks.

*H5: Tangibility has a positive impact on the customer’s loyalty to banks.*

## 3.9. Switching Behaviours of Customers

In the wake of this increasing intense competition and increasing globalisation in the financial markets, losing customers to another bank tends to be a worrying phenomenon for bank executives. These executives are better placed to plan their customer retention and acquisition strategies well if they are exposed to the understanding of the reasons why customers switch banks. Thus, customer-oriented strategies is the way out because customers are more likely to switch their loyalty to a bank when it is possible for them to procure nearly identical financial services and products from another banks and they will only stay competitive by understanding the factors that determine the switching behaviours of customers.

In trying to look into what is meant by switching behaviour, some studies considered it as a defection or customer exit and or reflection of the decision that a customer makes to stop purchasing a particular service or patronising the service of a firm completely. In the context of banking, customer switching behaviour means a customer shift his loyalty from one bank to another (Garland, 2002, p. 9).

In an attempt to establish the factors underpinning customer switching behaviour, scholars such as Lopez (2006) distinguish three determinants of switching decisions using the Switching Path Analysis Technique (SPAT) to be pushing determinant (the reasons to switch to another supplier), pulling determinants (factors that motivate the customers to come back to the original supplier) and swayers (factors that do not cause switching but only to mitigate or strengthen the switching decision. In a stretch of this area of studies, Keavery (1995) in one of the great pioneering works identifies eight factors explaining switch behaviours in service industries to be core service failures, pricing, employee responses to service failures, attraction by competitors or inconvenience. This was supported by Cunningtham (2004) in similar studies. In another studies, dissatisfaction (Swinyard and Whitlark, 1994), perceived quality (Rust and Zahoric, 1993), awareness of alternatives (Capraro et. al, 2000) and switching cost (Klemperer, 1995) as reported by Lopez et al, 2006).

Clemes eta al (2007, p. 51) have identified six incidents that they considered to be important in gaining an insight into switching banks which were inconvenient service failures, pricing, unacceptable behaviour, attitude or knowledge of staff, involuntary or seldom mentioned incidents and attraction by competitors. In their studies of the relationships that exist between factors and switching behaviour, they put forward this theoretical model as below;

***Price-*** this is considered to be something that must be sacrificed, from the cognitive perspective of customers, in order to obtain something in exchange of certain products or services ( Clemes et al, 2007. p. 53) which in the context of banking they admitted based on other studies to goes with a lot of additional components like bank charges and fees for services and interest on certain types of accounts and has a broader meaning. Pricing has been found to be responsible for more than half of the reasons why people switched banks and considered to have the most impact on customers switching behaviours in New Zealand (ibid).

***Reputation-*** scholars postulate that bank reputation is a function of financial performance, production quality, service quality and management effectiveness or some combination of these variables factors that appeal in one way or another on a bank’s multiple customers. Gerard and Cunningham (2004) considered it as the integrity of bank and its senior executives and the perceived financial stability (Clemes et. al , 2007, p. 53). Bank reputation plays an important role in determining the purchasing and repurchasing behaviours of customers as noted by Clemes et al (2004, p53). It has not been found out only to be one of the most influential factors underpinning customer selection decisions of banks but equally an all important factor in enhancing customer loyalty particularly in retail banking sector where evaluation of quality is preceded by purchase.

***Response to Service Failure Factor-*** Clemes et. al (2007) explains the demonstration of how service failures could provoke two active unfavourable responses to be voice and exit. They described the notion of voice by explaining that voice can be complaining to the service provider, complaining to peers or acquaintances (negative word of mouth) and or complaining formally to third parties in an attempt to find remedies or redress. Exit is noted to be the voluntary termination or abrogation of the exchange relationship or contract between the customer and the bank. Financial transactions often draws providers and customers to direct contact by way of face-to-face, via telephone, online by way of internet banking or manipulation of ATM. There is obvious concurrency in service delivery and service reception with service providers striving against all odds to guarantee error free services. Nonetheless, services failures remain inevitable owing to the fact that the banks are operating with influential forces that are uncontrollable leading to service failures culminating in customer dissatisfaction (Clemes et al, 2007, p.53). They put to perspective the argument that dissatisfaction of customers regarding a particular situation often do not provide sufficient grounds for customers to switch the exit only is likely to be motivated when similar experiences are encountered provoking a recollection of the previous one. This exacerbates the bad feelings of the customer and when not met with swift and convincing recovery efforts can culminate in a likelihood of the customer exiting. Keaveney (1995) is reported to have empirically confirmed that responses to service failure were a contributory factor to switching behaviour of customers.

***Customer Satisfaction Factors-***In banking satisfaction has been conceptualised to be multidimensional in construct and interaction with the service provider and customers (service encounter) is very instrumental in evaluating service performance (Bena, 2010, p. 145). Customer satisfaction is often regarded as the main part of factors influencing and shaping the future purchasing decisions of customers. Customers who achieved satisfaction are inclined to repeat purchases and satisfaction erects a wall of barrier to exiting or switching (Clemes et. al, 2007, p. 53). They however, drew attention to the fact that dissatisfy customers will contributes to an increase in switching rate. Other studies reported by this same source confirmed that the perception of high customer satisfaction are negatively related to switching and that when bank customer develops a perception of inferior satisfaction, they resort to unfavourable behaviour response like switching. In a similar endeavours, Kotler and Armstrong (1997, p 8) revealed that 70 percent of customers who say they are satisfied with a product or service would still be willing and ready to switch a competitor. Conversely, highly satisfied customers are much less ready to switch. Another study indicates that 75 percent of Toyota buyers were highly satisfied, and about 75 percent said they intend to buy purchase Toyota again. They could conclude that customer delight delivers an emotional tie to a product or service, not necessarily rational preference, and this culminates in a high customer loyalty (ibid).

***Service Quality Factors-***Service quality has been identified to be typical issue in the bank selection, loyalty and switching research landscape because of its strength and critical role in enhancing success and survival in the banking industry. This sector is characterised by similar and identical product or service offerings which are susceptible to easy duplication (Clemes et. al, 2007, p.54). They argue that perceived quality of a given service was the outcome of an evaluation process where consumers compared their expectation of the service with the service that they experienced in the service encounter. Good perceived quality is achieved when expected service quality is at least equal to experienced service quality. Service quality is identified to be depending heavily on the quality of personnel and studies indicates that approximately 40% of customers switched banks owing to what they deemed to be poor and low level of quality of service with other studies acknowledging how service quality enhances customer satisfaction and mitigating customer discontent (Ghazizadeh et. al, 2010, p.276). It makes sense to consider the elaborate definition of quality from the view point of the American Society for Quality control that states it as “the totality of features and characteristics of a product or service that bear on its ability to satisfy customer needs. This customer-oriented way of focusing on the implications of quality implies that total quality management should be the way where all company’s people are engaged in constantly improving the quality of products, services and business process (Kotler and Armstrong, 1997, p. 9)

***Service Products Factors-*** Service products include a core service and additional specific features, specification of services and targets. Many other studies agree that the various service products that banks offered to their customer’s forms one of the most important criteria when it comes to bank selection. Others suggest that banking products are central to customer behavioural intentions not ruling out switching (Clemes et. al (2007, p54).

***Customer Commitment Factors-***According to Clemes et al (2007) it is appropriate and necessary to gain an insight into customer switching behaviour from the perspective of relationship marketing. In that context, customer commitment has been seen as an attitude that reflects a dedication to keep value relationship. This has been characterised further to reveal definitions of three commitment constructs to be affective commitment, continuance commitment and normative commitment. In brief, the contention has been established that committed customers, regardless of their level commitment, are less likely to switch banks than those customers who lack any commitment at all.

***Demographic Characteristics Factors-***Customers demographic characteristics have been a tool employed to distinguish one segment of customer from others and to determine and tailor appropriate marketing strategies to meet their unique needs. In the context of banking in assessing customer switching behaviours, demographics such as age, income, education, gender and others have been noted to exerts some influence on customer switching behaviours. Empirically, studies with Australian and New Zealanders banks customers revealed that bank switching was commonly associated with the younger customers, high income customer and customers with high level of education. Similar other research works have lend credence to the contention that demographic characteristics including gender, race and occupation impact in no small measure to customer switching behaviours in banking sector. This interestingly has been researched much into and this studies find it worthwhile to briefly delved into such literature subsequently.

***Effective Advertising and Competitive Factors-*** Advertising according to Kotler and Armstrong (1997, p. 461) is “any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor” and can traced as far back as the beginning of recorded history. It is commonly effected to, as reported by Clemes et. al (2007) “create awareness and stimulates interest in customers in the service offering, to educate, customers about service features and applications to establish or redefine a competitive position, to reduce risk and to help makes service more tangible. Studies proposed that advertising that is effective should add value in the estimation of the customer and should have the potent of delivering greater opportunities at the door steps of the customer to make choice in their banking selection decisions and can, therefore, in turn account for their decisions to switch as well.

***Involuntary Switching Factors-*** Involuntary switching is considered to be unwilling behaviour of customers. This particular sense, it is argued that involuntary switching could be a customer changing residence or a service provider winding up business or closing and or opening facilities. It is indicated empirically that involuntary switching could force customers in switching service provider in the service sector (Clemes et al, 2007, p. 55). In a similar report of the studies of Keaveney (1995), involuntary switching is considered to be mostly external to the manipulation or control of the marketer yet is included in many models like the one below.

**Figure 3-5: Relationship between factors and switching behaviour, theoretical model by Clemes et. al (2007)**

Involuntary Switching (-)

Effective Advertising Competition (-)

Demographic Characteristics (+\-)

Customer Commitment (-)

Customer satisfaction (-)

Service products (-)

Service Quality (-)

Response to Service Failure (-)

Reputation

Prince (-)

Switching Behaviour

**Binary Variable**

**Independent Variables**

# Chapter 4

## 4.1 Empirical Analysis

This part of the study put into perspectives the findings that have been revealed by the data that has accrued from the questionnaires administered. In order to present the readers with a clear picture of this part, it has been put into three outlined themes as presented in the questionnaires. The first part is concern with the demographic profiling of the respondents with the second part predominating on the bank selection criteria of the respondents. Lastly, the third part borders on bank loyalty dimensions.

### 4.2 Demographics

The first part of the questionnaires was about the basic demographics of the respondents. Out of the 250 questionnaires sent out, the study retrieved 188 questionnaires which were well answered and considered valid to form part of the research. Below is the table showing the demographic representation of the respondents.

|  |  |  |
| --- | --- | --- |
| Demographics | Frequency | Percentage |
| **Gender**  Male  Female | 111  77 | **59.0%**  **41.0%** |
| **Age Bracket**  14-20  21-25  26-30 | 0  74  114 | **0%**  **39.4%**  **61.6%** |
| **Level of Studies**  Bachelor  Masters  Others | 2  174  12 | **1.1%**  **92.5%**  **6.4%** |
| **Student Status**  International Student  Home Student | 101  87 | **53.7%**  **46.3%** |
| ***Total*** | 188 | **100%** |

**Table 4-1: Demographics of respondents**

**Figure 4-1: Pie Charts Illustrating the Demographic Percentages of the Respondents**





From the illustration above, it indicates that by gender stratification, females constitutes 41 percent of the respondents while males form the majority with 59 percent. On the age group, majority of the respondents were within the age bracket 26-30 with a percentage of 61 while those within the age group of 21-25 form 39 percent with no respondent belonging to the age group of 14-20. 54 percent of the respondents were international students while 46 percent were home student (native Danes).

## 4.3 Bank Selection Criteria

After considering the demographic profile of the respondents in the sample, the next level of questions were bordering on the evaluation of the importance of bank selection factors of the young adults and for that matter student of Aalborg University that form the sample. The findings are hereby represented in the table below.

**Table 4-2: Ranking importance of bank selection criteria factors of young adults in Aalborg**

|  |  |  |
| --- | --- | --- |
| **Factors** | **Mean** | **Rank** |
| Bank image and reputation | **3.755319** | **8** |
| Bank employees willing and helpful | **4.255319** | **3** |
| Bank understand and provide specific customer needs | **4.138298** | **4** |
| Large and extensive branch network | **3.287234** | **11** |
| Convenient locations to home and school | **3.609626** | **9** |
| Provision of e-banking services. E.g. SMS banking, net banking, email etc | **4.340426** | **1** |
| Good and appealing inner and exterior decor of bank | **3** | **12** |
| Type of customers the bank has | **2.515957** | **13** |
| Recommendation from peers and family relation | **3.590426** | **10** |
| Free or lower service charges | **4.021277** | **6** |
| Fast and efficient bank services | **4.079787** | **5** |
| Good or low bank interest rates on loans | **3.909574** | **7** |
| Trustworthy banking services | **4.335106** | **2** |

From the above representation, the five most important factors that young adults of Aalborg University consider in selecting banks in order of magnitude are:

Provision of e-banking services such as SMS banking, net banking, email services, efficient ATM services and other technology related banking services, trustworthy banking services, bank employees willing and helpful, bank understand and provide specific customer needs and fast and efficient services. This finding is in line with studies conducted by Nartey etal (2011) and partly with Gerrard and Cunningham (2001) and that of Rhee (2009).

Here, the study would be interested in making a comparison between the two main segments involved in the research which is Danish students and their international counterparts. This dichotomy is represented below.

**Table 4-3: Importance of bank selection factors relative to student status**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Factors** | **Danish students**  **Mean Rank** | | **International stud**  **Mean Rank** | |
| Bank image and reputation | **3.035294** | **10** | **4.269231** | **2** |
| Bank employees willing and helpful | **4.294118** | **3** | **4.213592** | **6** |
| Bank understand and provide specific customer needs | **4.223529** | **4** | **4.067961** | **7** |
| Large and extensive branch network | **2.764706** | **11** | **3.718447** | **11** |
| Convenient locations to home and school | **3.070588** | **9** | **4.039216** | **8** |
| Provision of e-banking services. E.g. SMS banking, net banking, email etc | **4.423529** | **2** | **4.291262** | **1** |
| Good and appealing inner and exterior decor of bank | **2.764706** | **11** | **3.203883** | **12** |
| Type of customers the bank has | **1.752941** | **13** | **3.116505** | **13** |
| Recommendation from peers and family relation | **3.176471** | **8** | **3.912621** | **10** |
| Free or lower service charges | **3.764706** | **7** | **4.223301** | **4** |
| Fast and efficient bank services | **3.894118** | **5** | **4.223301** | **4** |
| Good or low bank interest rates on loans | **3.870588** | **6** | **3.951456** | **9** |
| Trustworthy banking services | **4.470588** | **1** | **4.23301** | **3** |

From the above analysis, the five most important factors that influence Danish students’ banks selection are trustworthy banking services, e-banking services, willing and helpful bank employees, core or specific customer needs and fast and efficient services. On the other hand, non-Danish student consider e-banking services, bank image and reputation, trustworthy bank services free or lower service charges and fast and efficient services as the five most important factors determining their bank selection choices.

Further the study proceeded to consider the likely differences that may be inherent in the banking selection decisions between females and male students of Aalborg University. The findings are illustrated below.

**Table 4-4: Importance of bank selection factors relative to Danish students’ gender**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Factors** | **Danish Male**  **Mean Rank** | | **Danish Female**  **Mean Rank** | |
| Bank image and reputation | **2.978** | **9** | **3.242** | **9** |
| Bank employees willing and helpful | **4.311** | **3** | **4.242** | **3** |
| Bank understand and provide specific customer needs | **4.289** | **4** | **4.121** | **4** |
| Large and extensive branch network | **2.844** | **11** | **2.818** | **12** |
| Convenient locations to home and school | **2.867** | **10** | **3.182** | **10** |
| Provision of e-banking services. E.g. SMS banking, net banking, email etc | **4.356** | **2** | **4.455** | **2** |
| Good and appealing inner and exterior decor of bank | **2.489** | **12** | **3.273** | **8** |
| Type of customers the bank has | **1.622** | **13** | **2.091** | **13** |
| Recommendation from peers and family relation | **3.311** | **8** | **3.182** | **10** |
| Free or lower service charges | **3.644** | **7** | **3.879** | **6** |
| Fast and efficient bank services | **4.089** | **5** | **3.818** | **7** |
| Good or low bank interest rates on loans | **3.711** | **6** | **4.061** | **5** |
| Trustworthy banking services | **4.467** | **1** | **4.515** | **1** |

The five most important factors are summarised as follows; the males consider trustworthy banking services, e-banking services, willing and helpful bank employees, core and specific customer needs and fast and efficient services as the topmost. There has not be much difference with that of their female counterparts who consider trustworthy banking services, e-banking services, willing and helpful bank employees, core and specific customer needs and good or low bank interest rates on loans.

The selection criteria pertaining to the gender of international students were also examined giving rise to the illustration below.

**Table 4-5: Importance of bank selection factors relative to international student gender**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Factors** | **Male**  **Mean Rank** | | **Female**  **Mean Rank** | |
| Bank image and reputation | **4.322** | **1** | **4.538** | **1** |
| Bank employees willing and helpful | **4.189** | **4** | **4.256** | **4** |
| Bank understand and provide specific customer needs | **4.056** | **6** | **4.051** | **9** |
| Large and extensive branch network | **3.722** | **10** | **3.692** | **10** |
| Convenient locations to home and school | **4.023** | **7** | **4.216** | **5** |
| Provision of e-banking services. E.g. SMS banking, net banking, email etc | **4.233** | **2** | **4.179** | **6** |
| Good and appealing inner and exterior decor of bank | **3.167** | **11** | **3.282** | **11** |
| Type of customers the bank has | **3.144** | **12** | **3.000** | **12** |
| Recommendation from peers and family relation | **3.889** | **9** | **4.179** | **6** |
| Free or lower service charges | **4.222** | **3** | **4.205** | **8** |
| Fast and efficient bank services | **4.189** | **4** | **4.385** | **2** |
| Good or low bank interest rates on loans | **3.989** | **8** | **4.206** | **7** |
| Trustworthy banking services | **4.167** | **5** | **4.359** | **3** |

Here, international male student have their five topmost factors impinging on their bank selection to be bank image and reputation, provision of e-banking services, free or lower service charges, fast and efficient services and trustworthy banking services whereas their female counterparts consider bank image and reputation, fast and efficient services, trustworthy banking services, willing and helpful bank employees and convenient locations to home and or school.

## 4.4 Customer Loyalty Factors

The next follow up questions were to test the factors that guarantee customer loyalty to their banks of choice. The following is a mean-ranking analysis used to report the outcome of the study.

**Table 4-6: Factors determining young adults’ loyalty to banks**

|  |  |  |
| --- | --- | --- |
| **Factor** | **Mean** | **Rank** |
| Total service provision meets with customer anticipation | **4.228723** | **3** |
| Excellent bank overall service quality | **4.265957** | **2** |
| Switching costs | **3.473404** | **7** |
| Reliable bank service | **4.111702** | **4** |
| Dependable services | **3.957447** | **6** |
| Good perceived service quality | **4.101064** | **5** |
| Helpful employees-empathy | **4.388298** | **1** |
| Smart and attractive bank personnel | **3.12766** | **8** |

By this, helpful employees (empathy) was considered the most important, followed by excellent service quality, provision of services that meet with the customer desires or anticipation, reliable banking services, good perceived quality, dependable services, switching cost and smart and attractive bank personnel in that order.

This has indicated that empathy which is represented in this study by helpful employees it has a significant link with customer satisfaction and possibly customer loyalty if satisfaction is found to have an impact. This implies that notwithstanding the increasing usage of new facilities in the banks, personal contacts and face-to-face meetings is still necessary and has an impact on customer’s satisfaction level. On tangibility which is represented only on by the appearance of personnel has been found to have low impact on customer loyalty. Good appearance of banks’ facilities and staff seem to be permeating through most banks culminating in its becoming ordinary and common phenomenon. Service reliability is been empowered by the growth of internet banking and other technologies. This has become consistent over time and has been found to have insignificant impact on loyalty as in the in the case of assurance which is represented on the study by dependable services. Customer satisfaction is found to be another factor that has a positive impact on loyalty decisions.

Making a comparison between international and home students has the following table as an exhibit.

**Table 4-7: Factors determining loyalty between Danish and non-Danish students**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Factor** | **Danish students**  **Mean Rank** | | **International stud**  **Mean Rank** | |
| Total service provision meets with customer anticipation | **4.294118** | **1** | **4.165049** | **3** |
| Excellent bank overall service quality | **4.211765** | **2** | **4.300971** | **2** |
| Switching costs | **3.282353** | **7** | **3.650485** | **7** |
| Reliable bank service | **4.105882** | **4** | **4.126214** | **4** |
| Dependable services | **3.858824** | **6** | **4.038835** | **6** |
| Good perceived service quality | **4.070588** | **5** | **4.116505** | **5** |
| Helpful employees-empathy | **4.176471** | **3** | **4.116505** | **1** |
| Smart and attractive bank personnel | **2.823529** | **8** | **3.368932** | **8** |

The exhibit above indicates that Danish students consider in a top-down manner total service provision meeting with customer anticipation, excellent overall service quality, helpful employees, reliable bank services, good perceived service quality, dependable services, switching cost and smart and attractive bank personnel as the order of important factor determining their loyalty. On the other hand, non-Danish students consider helpful employee, excellent bank overall service quality, total service provision meets with customer anticipation, reliable services, good perceived service quality, dependable service, switching cost and smart and attractive bank personnel as the important order by which their loyalty decisions are influenced.

The study went further to bring out the possible difference that might be present based on gender difference between Danish males and female students. The finding is represented in a table below.

**Table 4-8: Factors determining Danish young adult’s loyalty to banks relative to gender**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Factor** | **Male**  **Mean Rank** | | **Female**  **Mean Rank** | |
| Total service provision meets with customer anticipation | **4.200** | **3** | **4.333** | **1** |
| Excellent bank overall service quality | **4.267** | **2** | **4.091** | **4** |
| Switching costs | **3.356** | **7** | **3.091** | **7** |
| Reliable bank service | **4.289** | **1** | **3.788** | **5** |
| Dependable services | **3.956** | **6** | **3.727** | **6** |
| Good perceived service quality | **4.089** | **5** | **4.121** | **2** |
| Helpful employees-empathy | **4.133** | **4** | **4.121** | **2** |
| Smart and attractive bank personnel | **2.933** | **8** | **2.788** | **8** |

The illustration above shows that to male Danish students, factors determining their bank loyalty decision in order of importance are reliable bank services, excellent bank overall service quality, total service provision meets with customer anticipation, helpful employees, good perceived service quality, dependable services, switching cost and smart and attractive bank personnel. This goes for the female Danish students loyalty decision factors; total service provision meets with customer anticipation, helpful employees, good perceived service quality, excellent bank overall service quality, reliable bank service, dependable services, switching cost and smart and attractive bank personnel.

Similar analysis has been made of the international students (non-Danish students) in trying to identify if there exist some level of difference between the male and female divide in their loyalty decisions. This is illustrated below.

**Table 4-9: Factors determining International young adults loyalty to banks**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Factor** | **Male**  **Mean Rank** | | **Female**  **Mean Rank** | |
| Total service provision meets with customer anticipation | **4.144** | **3** | **4.179** | **2** |
| Excellent bank overall service quality | **4.311** | **1** | **4.308** | **1** |
| Switching costs | **3.578** | **7** | **3.795** | **7** |
| Reliable bank service | **4.144** | **3** | **4.077** | **5** |
| Dependable services | **4.011** | **6** | **4.128** | **3** |
| Good perceived service quality | **4.089** | **5** | **4.128** | **3** |
| Helpful employees-empathy | **4.178** | **2** | **3.949** | **6** |
| Smart and attractive bank personnel | **3.344** | **8** | **3.359** | **8** |

Excellent bank overall service quality, helpful employees, reliable bank service, total service provision meets with customer anticipation, good perceived service quality, dependable services, switching cost and smart and attractive bank personnel are the order of importance of the factors determining international male students loyalty decisions. Excellent bank overall service quality, total service provision meets with customer anticipation, dependable service, good perceived service quality, reliable bank services, switching costs and smart and attractive bank personnel were how female international students rank the factors telling on their loyalty decisions.

# Chapter 5

## Conclusion and Reflections

In conclusion, it has become evidently clear that the study has endeavoured to fulfil two important dimensions for which most research principally seeks to achieve.

In the first place, it has filled the knowledge gap existing in this part of the world pertaining to the exploration of young adults’ bank selection and loyalty decisions in Denmark. This, it has accomplished, by revealing the topmost important factors that students of Aalborg University give much emphasis and consideration when they are selecting banks. The five most important factors are provision of e-banking services, trustworthy and confidential banking services, bank employees willing and helpful, delivery of core and specific customer needs or products and fast and efficient services. On the issue of loyalty decisions it has found that helpful employees, excellent bank overall service quality, total service provision meeting with customer anticipation, reliable bank services and good perceived service quality will make them remain loyal to banks. Suffice to indicate that if students’ selections of banks are guided by the above factors and banks are able to guarantee them these features young adults will remain loyal to such banks for their life time value to be maximised. It may serve as a reference point for similar studies to be further carried on in this area.

In the second instance which is on the strategic level, there is a practical implication to the finding. i.e. to say the findings from the study could assist Spar Nord and other similar banks in their decision making process with special interest in formulating and devising strategies to identify the main factors driving the decision of young adults bank selection and loyalty decisions. This it has accomplished by providing guidance for bank executives in relation to how they could anchor their campaign towards attracting students. The main focus should be ensuring that e-banking services are well developed couple with making students feel secured in their banking transactions.

It has gone further to uniquely make a comparison between home students and international students. The indication is that young adults present a promising market with profit potential that can inure to the sustainability of bank profit levels. It has also revealed two distinct market segments to be home students and international students. Aalborg as a city has been home to a teaming number of young international students with this trend appreciating day in day out. So a bank that seeks to identify the bank selection criteria impinging on this segments will be strategically placed to win the patronage and loyalty of both Danish and international students..

Although the findings in this present study may possibly be generalised to similar segments in Northern Jutland and other parts of Denmark which may share many common factors, it would be more exciting and heuristic to explore the applicability by replicating similar studies in Denmark. However, its generalisation ought to be done with caution based on the fact that the sample was small and limited to only students of Aalborg University. Probably, focus groups comprising of bank managers and customers could be formed to brainstorm and generate the criteria and dimensions to be applied in a similar study. Qualitative methods such as interviews could be adopted to deeply interpret and conceptualise the impulse behind young adults preference or emphasis of some factors to others. This by so doing would expand the frontiers where new concepts could be unveiled taking inspirations from this present study for it is gainsaying that new insight has been provided which should ginger more interest in this important sphere of bank marketing.

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