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*Why customers stick to their bank:
Loyalty or status quo bias?*



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Why customers stick to their bank: Loyalty or status quo bias?

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Abstract

The question concerning *how* individuals make decisions is of crucial interest to researchers. The purpose of this thesis is to detect how loyalty and status quo bias affects customers' intention to stay with their current provider. To be able to reveal the presence of these effects, the theoretical model developed was constructed to capture customers' intention to stay with their current bank. It was desirable to choose a lost-for-good type of service, where commitment is relatively high and service relationships exist. Thereby, bank was chosen, as a combination of a credence- and experience good.

The theory chapter starts with addressing loyalty as a concept, with a historical perspective, definition and an explanation of the different loyalty types, initially presented by Allen and Meyer (1990). It was decided to use the term affective loyalty as the term for truly loyal customers, symbolizing the "deeply held commitment" in Oliver's (1999) loyalty definition. Furthermore, the phenomenon of status quo bias was thoroughly explained as a preference for the current state, where customers usually stay with a provider due to rational decision making, cognitive misperceptions and psychological commitment. The theory further explains how switching costs and lack of viable alternatives, also referred to as continuance loyalty, could explain customers' intention to stay with their provider.

An experimental research design was chosen to detect whether affective loyalty, status quo bias and continuance loyalty has an impact on intention to stay. The effects were tested through a survey, consisting of an experiment to determine status quo bias effects in banking services, and a questionnaire to further map the presence of intention to stay.

The survey was conducted by 178 subjects, mainly drawn from the UiS campus. By SPSS, different analyses were conducted. In addition to validation and reliability tests and a correlation analysis, a regression model was tested. The main findings include status quo bias' presence in banking services, and that both affective loyalty and status quo bias has a strong and significant effect on customers' intention to stay with their current bank.

Keywords: loyalty, status quo bias, intention to stay, banking services, switching costs

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Preface

This thesis is the result from a two-year master's degree (MSc) in Business administration with specialization in Strategy and Management at University of Stavanger UiS Business School.

The process of writing this thesis over the last 5-6 months has been challenging at times, but it has also been an exciting and knowledgeable process. It has been encouraging to see how the thesis has been shaped along the way, from the first initial thoughts and ideas, to choosing relevant theory, conducting a survey, and finally analyzing the reasons for why people choose to stay with their current bank. Ultimately we are left with a finished product we can be truly proud of.

We would like to sincerely thank our supervisor, Håvard Hansen, for incredibly good support through the process. Håvard has given us both ideas and great advice along the way, always ready to find a time slot for us. He made us feel that he was always present to help us, especially when the “writer’s block” announced it’s arrival, and motivation was not at it’s best.

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We wish you a joyful reading!

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1.0 Introduction

1.1 Background

The question concerning *how* individuals make decisions is of crucial interest to researchers. There is a belief that economic agents currently embrace a concept of rational choices as a prescriptive and descriptive paradigm, which means that they choose among alternatives in accordance with well-defined preferences (Samuelson & Zeckhauser, 1988). When making decisions under *certainty*, the alternatives with certain outcomes are known in advance, and one alternative is chosen. A rational decision maker would select the most preferred, and highest ranked, alternative. When making decisions under *uncertainty*, the individual has to assign probabilities to possible outcomes, and adjust utilities to value outcomes. The alternative with the highest expected utility is then selected (Samuelson & Zeckhauser, 1988).

However, in most real-world decisions, there exists an option to do nothing, or maintaining current or previous decisions, the status quo alternative (Samuelson & Zeckhauser, 1988). This could be a customer refraining from switching supplier, despite the presence of alternatives with higher expected utility. According to Oliver (1999) among others, there has been great attention towards why consumers appear to “seek out one - and only one - branded object or brand set to fulfill his or her need”, instead of switching suppliers more frequently to “better” alternatives. This deviation from rational choice model could be explained by customer loyalty or status quo bias (Samuelson & Zeckhauser, 1988). It is important to understand that this does not mean that consumers act irrationally; consumers are intendedly rational through bounded rationality, which means that human cognitive limitations and emotional architecture could lead us to fail in making important decisions (Jones, 1999).

There has been significant research and focus on customer loyalty and repurchase in the consumer behavior field in the past decades (Oliver, 1999; Jacoby & Chestnut, 1978; Dick & Basu, 1994), but the status quo choice, where people “do not bother” to make a decision, has rarely been in the focus. In this thesis, we attempt to distinguish the two phenomena, where loyalty is considered to be an overestimation of current state or provider, while status quo bias is considered to be an underestimation of the potential future gains regardless of providers chosen. In short, the assessment of something or someone is different.

The fact that consumers stays with a supplier, opposed to switching, could be explained by customer loyalty. Several definitions exists on loyalty, this thesis is built on the following:

“A deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, *despite* situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1999, p. 34).

According to Jacoby & Chestnut (1978), consistent purchasing, or repeat purchasing, could not alone be an indicator when explaining loyalty. This due to the fact that repeat purchase could be happenstance buying, a preference for convenience or situational constraints. Dick & Basu (1994) suggested similarly that customer loyalty is a mix of both an individual's relative attitude and repeat patronage. Further, they claimed that complete loyalty calls for both relative attitude and repeat patronage as high, because other combinations would mean spurious-, latent- or no loyalty.

However, the option to do nothing, or maintaining current or previous decisions, could also be explained by status quo bias. According to Kahneman et al. (1991, p. 194), status quo bias is “a preference for the current state that biases the economist against both buying *and* selling”. Decision makers derive utility mostly from its relative change from a reference point (Kahneman & Tversky, 1979). People make decisions based on the potential value of losses and gains rather than the final outcome (Kahneman & Tversky, 1979), as the “disutility of giving up an object is greater than the utility associated with acquiring it” (Kahneman et al., 1991). Since the status quo choice is a reference point for people, they may refrain from making a choice or making a change, as potential losses from switching loom larger than potential gains from other alternatives (Kahneman & Tversky, 1979).

Status quo bias is also argued to be an implication of loss aversion, referring to Kahneman & Tversky's (1979) prospect theory, which claimed that the S- shaped value function is asymmetric as a decision maker who seeks to maximize utility of outcomes will weight negative consequences greater than positive outcomes (Tversky & Kahneman, 1991). These arguments could then indicate that people tend to be loss averse.

Status quo bias could be compared to staying in a poor relationship. Ending a relationship would imply losing someone and something, and since people tend to hold on to what is known and familiar over the unknown, they would rather stay (Szuchman & Anderson, 2012). Loss aversion implies that change has a greater impact when the difference is seen as a loss, such as losing a spouse, time with the children and assets, in contrast to when the difference is considered as a gain, such as possibility for a better future (Kahneman et al., 1991).

Customer loyalty and status quo bias could therefore be reasons for why people refrain or defer from making choices. It could also be a reason for why people don't switch providers for services and products to achieve a higher expected utility. A key reason could also be that when buying services, or experience goods, people's consideration of the gains and losses are harder than from that of standardized- or search goods, where price might be the most important, or the only, determining factor.

Services are often customized or personalized for each individual customer. According to Thibaut & Kelley (1959), customization creates switching costs, which further implies that the attractiveness for the current relationship increases compared to alternatives. Coelho & Henseler (2009) found in their study that higher customization (and personalization), led to higher customer loyalty. Switching costs could also be a reason for why people do not switch service providers. Switching costs is "costs required to terminate the current relationship and secure an alternative" (Sharma & Patterson, 2000). The cost of changing provider comprises both high economic- and psychological costs (Sharma & Patterson, 2000). It takes time, money and energy to develop and nurture a new relationship, this could be perceived as losses, and therefore clients tend to stay.

1.2 Objective and Research question

Objective

Thibaut & Kelley (1959) claimed that when offered, a person would always prefer outcomes better than those he has. If this is true, then why are, for instance, less than ten percent of Norwegians changing banking services (Andreassen, 2013; Fosse, 2015)? Remaining in the current relationship may be perceived as safe, and one could wonder whether the faith in today's known and familiar relationship (status quo), can stand in the way of future potential utility maximizations. Are the choices we make in real life, such as in relationships, and

service- and product-providers influenced by rationality, where we change frequently to gain the best outcome, or could it be due to loyalty or status quo bias? Samuelson & Zeckhauser (1988) found that the status quo bias could be an explanation of brand loyalty. As this article is almost thirty years old, the statement may not remain valid. If it still holds, it could then be interesting to analyze variations between the status quo bias and customer loyalty.

1.2.1 Research question

The aim of this thesis is thus to examine to what degree a consumer's intention to stay with a provider, is caused by status quo bias and/or loyalty.

1.3 Structure of the thesis

The next chapter describes the various theories needed to clarify answers to the research question, where hypotheses are derived from these theories. The third chapter describes the methods, including research design and the forming of variables for the survey used. The fourth chapter presents the results from the analysis done via SPSS, and the fifth chapter provides a discussion on the results and main findings. The sixth chapter provides a conclusion to the research question, and the last chapter aims to identify limitations, and provides suggestions for future research.

2.0 Theory Chapter

In this chapter, relevant theoretical findings are discussed to get a deeper understanding of why some customers choose to stay with a supplier. The chapter aims to establish a greater distinction between the two theoretical concepts, status quo bias and customer loyalty. Additionally, instruments for retaining customers and different types of goods are presented.

2.1 Introduction

Marketing today is not only concerned with attracting new customers, it is also crucial for businesses to retain, as well as strengthen, relationships with the existing customer base. Thus, the marketing approaches suited for these are different (Jackson, 1985). In addition to the intense competition for customers' loyalty, there also appears to be a pressure for a supplier to be creative and dynamic in order to attract new customers, but simultaneously have a consistent, controlled pace to keep existing customers satisfied (Jackson, 1985). A solid understanding of customers and their needs can provide the basis for what is known as relationship marketing, defined as "marketing oriented toward strong, lasting relationships with individual accounts" (Jackson, 1985, p. 2).

In her book, Jackson (1985) introduces two models of behavior; the lost-for-good model, which implies that the customer is either totally committed or totally lost to a vendor; and the always-a-share model, which implies that the customer has a lasting but less intensive tie to a vendor. While the first model assumes that the "customer repeatedly makes purchases from some product category over time" (Jackson, 1985) from the same vendor, the latter assumes that although customers purchases repeatedly from some product category, they share its patronage among multiple vendors. As a result, switching costs are high in the lost-for-good model, and lower in the always-a-share model.

Most companies mainly prefer lost-for-good customers as customers find it traumatic to change vendors, and therefore wish to stay. Their commitments tend to be relatively permanent (Jackson, 1985). Always-a-share customers are less preferred due to being less loyal to a particular vendor. Regarding customers' utility maximization, many customers see clear benefits from purchasing from multiple vendors as it opens an opportunity for price concessions, changes in delivery terms, and them being able to use threats in negotiating with a vendor.

This thesis emphasizes the lost-for-good end of the behavior spectrum rather than the always-a-share end as the aim is to examine why customers stay committed to a supplier over a longer time horizon rather than switching more frequently.

2.2 Customer loyalty

The first behavioral perspectives of loyalty were introduced in the 1970s, where researchers measured loyalty as a pattern of repeat purchasing (Oliver, 1997). Behavioral brand loyalty describes a customer's behavior towards a brand in terms of loyalty as repeat purchasing patterns (Back & Parks, 2003). The perception of loyalty as repeat purchase terminated when multibrand and attitude-based models were proposed (Oliver, 1999). In an effort to explain the random components and mysteries of brand loyalty and switching, researchers began to look at how consumer behavior could explain purchase patterns of a product category (Oliver, 1997).

However, many researchers have suggested that the behavioral approach of loyalty not solely could describe the concept (Back & Parks, 2003). In an effort to distinguish loyalty from the repeat purchase definitions, Jacoby & Chestnut (1978) attempted to explain loyalty in psychological terms (beliefs, feelings, and intentions). According to Jacoby & Chestnut (1978, p. 4), repeat purchasing "does not just happen; rather, it is the direct consequence of something underlying the consumers' behavior", where repeat purchase ultimately is a result of many influences. Jacoby & Kyner (1973, p. 2) defined loyalty as "the nonrandom, behavioral response expressed over time by some decision making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological processes". This definition has contributed a greater scientific basis for the psychological perspective of loyalty. As a conclusion to this research, Jacoby & Chestnut (1978) wrote a book based on the psychological perspectives of loyalty. They concluded that it would be

unwise to use repetitive or consistent purchase patterns as a sole indicator of customer loyalty, because of “happenstance buying or a preference for convenience and that inconsistent purchasing could mask loyalty if consumers were multibrand loyal” (Jacoby & Chestnut, 1978, *cited from Oliver, 1999*). The essential elements of Jacoby & Chestnut’s (1978) have laid a foundation for further research on loyalty. Dick & Basu (1994) have contributed to the research with their *integrated model*, with a discussion of relative attitude as a moderator for a repeat - patronage relationship.

2.2.1 Types of loyalty

Morgan & Hunt (1994) claimed that when brand attitude is included in a repurchase decision, brand loyalty would become more similar to relationship commitment, which is an exchange where the ongoing relationship between partners is so important that it warrants maximum efforts towards maintaining it. Morgan & Hunt (1994) further theorized that relationship commitment and trust is essential in order to achieve successful relationship marketing. Relationship marketing is defined as “all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges” (p. 22). Organizational commitment is the oldest and most studied type of relationship commitment (Morgan & Hunt, 1994). Allen & Meyer (1990) suggested a three- component model of organizational commitment, consisting of *affective*, *continuance* and *normative* commitment.

The most common form of loyalty is where commitment is an *affective* or emotional attachment to an object or organization (Allen & Meyer, 1990). This means that individuals “identifies with, is involved in, and enjoys their membership in the organization” (Allen & Meyer, 1990, p. 2). Further, this component is based on the consumer’s liking and positive feeling for the other part of the relationship (Hansen et al., 2003). Jacoby & Chestnut (1978) suggested that in order to detect true brand loyalty, the consumer has to like the focal offer better than that of an alternative offering, requiring a clear affective preference.

The second component of customer loyalty is referred to as *continuance commitment*, which addresses an individual’s tendency to stay committed due to the costs associates with leaving, or put differently, staying committed because continued participation yields profits and leaving is associated with costs (Allen & Meyer, 1990). According to Hansen et al. (2003, p. 257), the commitment “is derived from switching costs or lack of better alternatives”, requiring a cost/benefit analysis to decide whether to stay or leave the current relationship.

The third component from Allen & Meyer's model is referred to as *normative commitment*. This form of loyalty is based on a belief of a responsibility to an organization, as well as the consumer feeling obligated to remain in the relationship (Allen & Meyer, 1990). According to Wiener (1982) commitment is the normative pressure to act in a certain way to meet the organizations goals and interests, and additionally suggested that individuals exhibit certain behavior due to feeling morally obligated to stay, and to do what is right.

Allen & Meyer (1990) used employees and their commitment to an organization to illustrate these components. The common denominator among the components is a correlation between commitment and turnover; employees strongly committed to an organization, are those least likely to switch workplace. This means that the likelihood of employee turnover decreases when commitment increases. When explaining the nature of how commitment differs, Allen & Meyer (1990, p. 3) suggested the following; "employees with strong affective commitment remain because they *want* to, those with strong continuance commitment because they *need* to, and those with strong normative commitment because they feel they *ought* to do so". Each of these psychological states can be experienced by employees in varying degrees.

Allen & Meyer (1990) suggested that commitment exists in many different forms with their three- component model of organizational commitment. Despite this, many researchers has found affective commitment to be the major determinant of customer loyalty, while the effect of the other types of commitment (i.e. continuance and normative) to be more unclear (Hansen & Hem, 2004). Morgan & Hunt (1994) *cited* Assael's (1987, p. 665) definition on brand loyalty, claiming it to be "commitment to a certain brand" arising from positive attitudes. Affective commitment is based on emotions and attachment, and is grounded in customers positive feelings and liking of the relationship partner, and implies that this kind of commitment would wind up in a deeply held motivation and wish (positive attitudes) to continue their relationship to the incumbent provider (Hansen & Hem, 2004). In contrast, continuance- and normative commitment would imply a somewhat more negative attitude towards the incumbent provider, due to a feeling of having to stay based a cost-benefit evaluation, and a moral obligation. Based on these grounds, the loyalty term would further in this thesis only involving the affective component, symbolizing the "deeply held commitment" in Oliver's (1999) loyalty definition.

The theory above provides an insight on what affective loyalty comprises. The following hypothesis suggests that affective loyalty alone could explain a customer's intention to stay with a provider:

H1a: *The higher the portion of loyalty in an affective sense, the higher the intention to stay with a provider.*

2.3 Status quo bias

While Oliver (1999) stated that loyal consumers generally are the most satisfied consumers, indicating that customer loyalty means that the customer has a preference for the product itself, Status Quo Bias could be construed a preference for the current state. According to Taylor (2012, p. 28) “the experience of postponing and avoiding certain choices is universal, yet often appears to work against the goals of individuals. None-the-less, individuals persist in seeking default no-action, no-change options (i.e., a *status quo effect*)”.

Two of the pioneers, among the first to elaborate and speculate on the phenomenon of status quo bias, was Samuelson & Zeckhauser (1988) with their article and research on status quo bias in decision making. According to the authors, status quo bias is the option to do nothing, and stay with the current or previous decision or situation, such as purchase the same product brands, follow the customary company policy, or stay in the same job (Samuelson & Zeckhauser, 1988).

While a rational choice indicate that a consumer selects the most preferred and highest ranked alternative with the highest expected utility, a status quo choice means that the consumer stick with the current or previous choice in fear of loosing something by switching. The phenomenon of status quo bias thereby challenges the rational choice model, and thus violates the perfect optimizing models in explaining actual behavior in a complicated imperfect world (Samuelson & Zeckhauser, 1988).

As Samuelson & Zeckhauser (1988, p. 10) put it, “a decision maker in the real world may have a considerable commitment to, or psychological investment in, the status quo option”. It may be the case that the decision maker stays because of convenience, habit, fear, brand allegiance, or simple rationalization, due to acquaintance with the status quo option over time. If habit is the reason for the choice, meaningful exploitation of alternatives is excluded, and

the current plan, or choice, is preferred over even superior alternatives. In addition, if the decision maker does not recognize that there is a decision to be made, the status quo bias is even more likely to prevail (Samuelson & Zeckhauser, 1988).

2.3.1 Categories of status quo bias

Samuelson & Zeckhauser (1988) argued that to explain status quo bias, we divide it into three categories; *rational decision making*; *cognitive misperceptions*; and *psychological commitment*.

The first category explains how status quo bias is consistent with *rational decision making*. For instance in a situation where the decision maker replicates earlier choices when facing a subsequent decision - the decision maker might make the same choice because the settings are independent and identical - if the initial choice proves reliable. Examples of these situations include families traveling to the same vacation spots, and people continually buying the same model of automobile. Transition costs may be the reason for making the same choice over and over, as the switch for the current situation (i.e. status quo) is costly, and “such transition costs introduce a status quo bias whenever the cost of switching exceeds the efficiency gain associated with a superior alternative” (Samuelson & Zeckhauser, 1988, p. 34). Additionally, when the consumer is unaware of all the possible alternatives in a product category, an optimal choice would be a cutoff strategy, where consumers tend to make the same choices in sequences when the utility is sufficiently high. This can be linked to rationality, which often is associated with utility maximization.

The second category comprises *cognitive misperceptions*, such as loss aversion and anchoring. Loss aversion is concerned with the fact that potential losses loom larger than potential gains (Kahneman & Tversky, 1979), which means that consumers tend to favor the status quo. According to Thaler (1980), loss aversion is the positive difference between the selling price and buying price, and reluctance to trade. Anchoring stems from Tversky & Kahneman’s (1974) *anchoring and adjustment heuristic*, where anchoring refers to the tendency to make estimates and initial decisions from a starting point or value (“anchor”), and then adjust sequential decisions and values away from the anchor to yield the final answer (Tversky & Kahneman, 1974; Samuelson & Zeckhauser, 1988; Klotz et al., 2010).

The third category addresses the *psychological commitment*. There are several psychological factors included in this category. The first is sunk costs, which Samuelson & Zeckhauser (1988) claimed is affecting many individual decisions. When sunk costs and resource investments are present and high, the attractiveness of the status quo increases, thus the status quo bias increases. Examples include the motivation for the U.S.'s presence to continue escalating the Vietnam conflict because of the huge investments in resources and lives, and how the longer time spent in a job makes a person less likely to quit. Another psychological factor is regret avoidance, which emphasizes the individuals' fear for bad outcomes as consequences from new actions taken (i.e. leaving the status quo) (Samuelson & Zeckhauser, 1988). According to Taylor (2012), a common finding in regret research is that people regret actions taken more than actions foregone. Drive for consistency is also a factor, and refers to individuals' motivation to attain consistency in their decisions, meaning that current and past decisions are justified and rationalized to extend them to future decisions (Samuelson & Zeckhauser, 1988). Lastly, self-perception theory explains how individuals "defer to past decisions as a guide to present and future choices" (Samuelson & Zeckhauser, 1988, p. 39), and therefore persist with the status quo if the previous decision worked sufficiently.

The theory above provides an insight on what status quo bias comprises. The following hypothesis suggests that status quo bias alone could explain a customer's intention to stay with a provider:

H1b: The higher the presence of status quo bias, the stronger the intention to stay with a provider.

There is, however, reason to believe that *both* loyalty and status quo bias could be explanations for customers' intention to stay with a provider. This because the concepts together consist of various elements that may be present simultaneously, and thereby provide a stronger effect on customers' intention to stay, than if one term is present alone. For example, a customer may have affection towards a provider and simultaneously a fear that a change may lead to weaker outcome. The following hypothesis is thereby proposed:

H1c: There is interaction between loyalty and status quo bias, and together these concepts would provide a stronger effect on the intention to stay with a provider.

2.4 Customization

An instrument for retaining customers is customization of products and services, where customization is “the degree to which the firm’s offering is tailored to meet heterogeneous customers’ needs” (Anderson et al., 1997, p. 129). Even though market segmentation can be useful for suppliers, it is, after all, the individual customer that buys products and services, and therefore suppliers must understand the importance of customization (Jackson, 1985). According to Coelho & Henseler (2009), customization could be used to explain customer satisfaction, commitment to long-term relationships and customer loyalty. In addition, they argued that marketers offering customized products and services will be rewarded with higher customer loyalty, which makes customization an important strategic move towards retaining customers. When the relationship between customer and supplier is extended over some period of time, they will learn a great deal about one another, as the supplier will learn how to serve the customer, and the customer will learn how to obtain value from the supplier’s offerings. This form of learning could, according to Jackson (1985, p. 68), “provide the basis for a continuing relationship that is satisfactory - perhaps increasingly satisfactory - to both parties”. Customers may also experience time and effort devoted from a firm in customizing products and services as a signal that the firm is being benevolent (Coelho & Henseler, 2009). Customization of products and services could therefore lead to customers feeling obligated to stay with a supplier, in accordance with what is previously described as normative loyalty commitment.

In service encounters, most customers would expect, even demand, customization, as customized offers facilitates a real match between customers and product or service. Therefore it tends to be more satisfactorily than a standardized offer (Coelho & Henseler, 2009). Further, Ostrom & Iacobucci (1995) claimed that services characterized by high risk, differentiation and quality would benefit from a customization focus rather than on price. Additionally, customization could serve as an amplifier for customer trust.

Thibaut & Kelley (1959) suggested that customization require mutual investments from customers and suppliers. As customers spend valuable time and effort in expressing their needs and wants to suppliers, and suppliers further spend time and effort in tailoring those needs and wants (customize them) into a product or service, switching costs arises for the customer. On this basis, we can say that switching costs is a result of customization.

2.4.1 Switching costs

As mentioned in the introduction, switching costs is the costs associated with termination of a current relationship by securing an alternative supplier (Sharma & Patterson, 2000), or as Burnham et al. (2003, p. 110) defines it; “the onetime costs that customers associate with the process of switching from one provider to another”. Switching costs are not limited to only comprise the monetary costs of switching supplier. It is a totality of economic costs, search costs, evaluation costs, learning costs, setup costs, loyal customer discounts, customer habit, emotional- and psychological costs, and investment in people, assets and procedures (Burnham et al., 2003; Jackson, 1985). Burnham et al. (2003) has suggested three higher-order types of switching costs; *Procedural switching costs*, involving the expenditure of time and effort; *Financial switching costs*, involving the loss of financial quantifiable resources; and *Relational switching costs*, comprising personal relationship loss and brand relationship loss costs, i.e. the emotional discomfort experienced by switching. The factors that determine switching costs are thus comprised by customers’ behavior, characteristics and usage system together with the product category (Jackson, 1985). The extent of the switching costs determines the position along the behavior spectrum i.e. a lost-for-good- or an always-a-share commitment.

Switching cost is extensively researched phenomenon. Jackson (1985) claimed when costs of switching are substantial, and the processes painful, customers with lower switching need tend to stay despite being dissatisfied with existing suppliers. Coelho & Hensler (2009) supported this finding. When switching costs are high, they may outweigh the potential benefits of switching suppliers. Thibaut & Kelley (1959) also reported these arguments. A customer would stay in a nonvoluntary relationship as long as the attractiveness of alternative suppliers fall behind the attractiveness of the current offer for more than the switching costs induced from switching supplier. Further, Thibaut & Kelley (1959) argued “customization creates switching costs and increases the attractiveness of the current exchange relationship in comparison to alternatives”.

2.4.2 Lack of viable alternatives

Another result of customization could be the lack of alternative suppliers being able to provide the same marketing mix. McCarthy & Perreault's (1960) four "Ps", is a commonly used designation for describing the marketing mix, suggesting that it is simplified to consist of four major parts; Product, Promotion, Place and Price. These are all contributing to a whole, arranged around the targeted customers' needs. While the current provider may gain an advantage from learning about the customers' needs and wants over time, as well as building a relationship between customer and suppliers' sales representative, competing companies may not have the ability of providing comparable products and services with the same marketing mix, and perceived quality, as the current offer. This is supported by Samuelson & Zeckhauser's (1988) notion that all resources going into establishing, monitoring, and enforcing contracts could result in, in some degree, resistance to competition.

According to Thibaut & Kelley (1959), when the supplier and customer experience a growing dependence on each other, they may also experience threats against their own independence. This may indicate that customers may feel that they are so dependent on the current suppliers' offer that they would not be able to succeed without it, and is further uncertain about the viability of other suppliers' products and services.

Customers may be motivated to stay with a provider if they have a lot invested in a relationship. This could create barriers against switching providers, and thus make it more profitable to stay in the current relationship (Lam & Burton, 2006). Further, investment in, and dependence on a provider may exclude competing alternatives. This is also in line with previously described continuance commitment. Switching costs and lack of viable alternatives is thus merged and further referred to as continuance loyalty. It is therefore grounds to assume a positive correlation between continuance loyalty and the intention to stay. The following hypothesis is suggested:

H2: *Continuance loyalty has a positive effect on intention to stay.*

2.5 Type of good

As briefly mentioned previously, the degree of standardization or specialization for the product or service, and type of good, in question could have an influence on time span a customer devotes to a supplier. The trade-offs a consumer is willing to make vary depending on the industry they are evaluating (Ostrom & Iacobucci, 1995), and previous studies have shown how consumer evaluation processes have differed between different service industries, including shipping services and computer purchasers (Jackson, 1985), banking services (Surprenant & Solomon, 1987), and flu vaccinations (Oliver, A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions, 1980).

Assessing the quality of products is easier in some situations than others. Because different type of goods have differing basis of assessment, there is often made a distinction between three types of goods, where goods comprise both products and services; Search, experience, and credence goods. Nelson (1970) and Darby & Karni (1973) use the following explanation of the three. Search good can be ascertained prior to purchase, where the consumer already know where to obtain available options, and where the problem faced is evaluation of the utility of each option. The option is inspected before purchase. Search goods mostly consist of products rather than services driven by price, quality and performance, among others (Girard & Dion, 2008). Examples include commodities, such as paper and gasoline where the product typically is the same from whatever supplier (standardized). For experience goods, evaluation of the product or service in question is only to be executed after purchase and use. Examples of these types of goods are, among others, food and drinks which has to be tasted before evaluation, beauty products and health care. Credence goods are goods that a customer will have difficulties evaluating by normal use. Assessing the value of these goods require additional costly information. Examples include vitamin supplements, or automobile repairs where you might be “fooled” into believing that your car needs more repairs than necessary. Another example could be the claimed advantages of removing an appendix where perceived advantages depend on the organ being diseased or not. In many cases, it could be difficult to distinguish experience- and credence goods, especially in situations where quality is judged after use after a considerable period of time (Darby & Karni, 1973).

Ostrom & Iacobucci (1995) proposed credence goods to be riskier and more critical as consumers may lack abilities to judge the service, this is supported by Girard & Dion’s (2008) study on the SEC-framework. Consumers have troubles judging quality only by looking at

price, and therefore try to reduce the uncertainty by being less price sensitive, i.e. willing to pay more. This is especially true in situations where the encounter is highly important. In evaluating experience goods or less critical goods consumers may, reversely, be more price sensitive and willing to trade off quality for price. Ostrom & Iacobucci (1995) further conclude that if these scenarios are true, then customization would be valued higher for riskier goods, such as credence goods, than for less risky goods because customization would, in some situations, be synonymous for higher quality and more fitted for the customers needs.

In some situations, search good will end up being the most expensive, as the customer will have problems determining the amount of service the product may need in the future, as well as the time stream of services from alternative brands. For instance, one can easily determine the price of a television, but it is challenging to determine the performance characteristics and expected need for repairs (Nelson, 1970).

It could be argued that as search goods tend to be more standardized, which facilitates an easy switch of patronage for customers (Jackson, 1985), the commitment is lower and thus, customers' intention to stay is weakened. As for experience and credence goods, consumers are expected to have a stronger commitment and intention to stay as they have to spend valuable time evaluating the goods (Jackson, 1985), and if satisfied, they may prefer to stay with that supplier to avoid spending time and money going through the process again.

The method chapter will present a type of good that is consistent with the lost-for-good phenomenon, which facilitates a resolution of the hypotheses and ultimately the research question.

2.6 Summary

Affective loyalty, status quo bias and continuance loyalty are concepts explaining why customers choose to stay with a supplier. Loyal customers in an affective sense are those satisfied with the supplier and/or product itself, i.e. *a preference for the supplier/ product* based on their affection towards their supplier. Status quo bias is a cognitive bias that leads people to prefer that things remain the same, i.e. *a preference for a situation* based on both rational and irrational reasons. Losses loom larger than gains, implying that the fear of potential losses weigh higher than the potential gains. Customers influenced by continuance loyalty are not necessarily loyal, but attached to their provider due to the costs of switching and lack of viable alternatives to switch to.

3.0 Method Chapter

This chapter will in detail describe the thesis' research design and test design, the sample selection, and procedure and material, including forming of the variables.

3.1 Research design

Research design is determined by the purpose of the thesis and provides a framework or plan for the study or survey. It is also a guide to analyze and collect data (Iacobucci & Churchill, 2010). Initially, the research design in this thesis would have been a causal design, which is “concerned with determining *cause-and-effect* relationship, and these are studied via experiments” (Iacobucci & Churchill, 2010, p. 59). This because the thesis aims to find the causes and effects of why people intend to stay with their current provider. It is, however, difficult to use this type of research design, as it requires an extensive time period to execute an experiment that could detect these causes and effects. Therefore, a descriptive research design is chosen instead. A descriptive design is “typically concerned with determining the *frequency* with which something occurs or the *relationship* between two variables” (Iacobucci & Churchill, 2010, p. 59). According to Iacobucci & Churchill (2010), a descriptive design is used when the purpose is to describe characteristics of certain groups, estimate the proportion of people who behave in a certain way and make specific predictions. This design is suited for this thesis as it aims to determine the relationship between the variable “intention to stay” and other variables, such as affective loyalty, status quo bias, and continuance loyalty. Descriptive studies also seek to find answers to who, what, when, where, why and how questions (Iacobucci & Churchill, 2010). This thesis is asking *why* customers stay with the current provider, and *what* the reasons for staying are.

3.2 Test Design

3.2.1 Quantitative research

In this thesis, a quantitative method is chosen. This method is a way to collect empirical data, and assumes that the social reality can be measured using methods and instruments that can give us information in terms of numbers (Jacobsen, 2010). Quantitative methods are often referred to as *extensive methods* where one deals with a large number of units. The method is also relatively closed where the information collected is defined and categorized by the

researcher prior to the test (Jacobsen, 2010), meaning that the method sets restrictions for what information to collect.

Jacobsen (2010) claimed that the purpose of a quantitative approach is to get information, which is easy to systemize and could be inserted into a computer in a standardized form, so that one can analyze a large number of units in total, as this thesis will do via SPSS. Jacobsen (2010) further suggested that the main point of this method is that categorization and definition of key concepts must be done before the empirical study can be conducted. It is therefore essential that operationalization of concepts and categorization done in advance would make it possible to standardize the information into numbers.

According to Jacobsen (2010), an abstract concept cannot be measured directly, and cannot be physically touched or felt. Intention to stay is believed to be an abstract concept, and therefore qualitative. Operationalization is thus important when making the phenomenon measurable. As intention is hard to measure directly, one has to settle for concrete indications of the phenomenon. In other words, intention has to be measured indirectly. This is done by measuring the phenomenon against affective loyalty, status quo bias and continuance loyalty. Intention to stay is further concretized by asking specific questions, as the concept of intention is a complicated composition of several factors (Jacobsen, 2010).

The method aims to determine respondents' opinions regarding their intention to stay in a relationship with their supplier. Jacobsen (2010) claimed that opinions originally are measured through a qualitative method, but that opinions also could be conveyed by numbers through a quantitative method. Again, more time would have enabled a causal research design that could have identified these opinions in a qualitative way. A quantitative method was chosen due to the survey including variables that can be assigned numerical values, where the response alternatives range from "totally agree" to "totally disagree", measured on a one to seven scale. Further, Jacobsen (2010) suggested that closed approaches may make sense when looking at phenomenon that is thoroughly studied, where there is relatively consensus on what the concept includes and how it is measured. Additionally, Jacobsen (2010) claimed that the scope of a phenomenon should be tested by numerical values. Thus, a quantitative method was chosen, with questions based on previous research.

3.2.2 Survey

After choosing a quantitative approach as a basis for the method, a survey consisting of an experiment and a questionnaire was chosen to be able to answer the research question and the following hypotheses. Survey is a scientific method to systematically map attitudes or behavior of a population by use of interviews with a sample group (Berg & Malt, 2015). A survey is suitable when the aim is to collect different types of data, including knowledge, attitudes and behavior as well as classificatory information such as demographic and socioeconomic variables (Selnes, 1999). The common way of conducting a survey is using a questionnaire.

When selecting who- and the number of participants from the population, representativity is an important matter. The main benefit from using a survey is the opportunity to obtain high degree of information from each respondent. Even relative small samples can give a quite accurate picture of a large population, with the assumption that the sample is picked randomly from the population (Selnes, 1999). Those best suited to give the information needed, are the respondents drawn from the population, under the assumption that they are both able and willing give it up (Selnes, 1999). It is thus essential that the questions asked are within the respondents' consciousness and that the respondents do not feel bothered to give away their information.

3.2.3 Interview

The core of a survey is an interview, where selected respondents are asked questions prepared in advance, that aims to give answers to the thesis' research question. The main interview types are personal-, telephone- and postal interview, interview by fax and e-mail, and online surveys (Iacobucci & Churchill, 2010). When choosing the method for administrating the survey, online survey and personal interview were considered. Below a discussion of pros and cons are presented.

Online Interview

The increasing use of computers, Internet and social media has led to a new trend to conduct surveys online, and there are countless sites available online for making these. Iacobucci & Churchill (2010, p. 191) calls this type of interview for email surveys, which works in two ways; "(1) The questions of the market research study are embedded in the text of the e-mail itself or (2) The e-mail directs the recipient to a Web site to take the survey". The latter is

often referred to as Web (or online) survey, and this was considered to be an option for data collection for this thesis. The idea was to create an open event on Facebook, where potential respondents were invited to both join and share the event. On the event site, a link would be found for them to be directed to the actual survey.

There are several advantages by using online surveys. Iacobucci & Churchill (2010) claimed that it is fast to implement, both in programming and in getting quick responses. Online surveys provide the researcher the quickest turnaround, as half of e-mail surveys typically are completed and returned the same day (Iacobucci & Churchill, 2010). Further, it is relative cheap to carry out, compared to other methods, as well as flexible and convenient to conduct as the survey can be done at the respondent's convenience in their own home. Getting responses is also often easier than by using other survey methods. This because those owning a computer is typically better educated and therefore more likely to understand the questions and would not have problems regarding literacy (Iacobucci & Churchill, 2010). Another advantage, suggested by Jacobsen (2010) is that the personal distance increases the feeling of being anonymous, and therefore the respondents answer the questions more truthfully. Lastly, a big advantage from using computer-assisted interviews is its level of information control. The computer would display the questions exactly as intended, where only one, or a few, questions are displayed simultaneously, and only displaying the next question(s) when an answer is entered for the current one. The information during the interview can also be tailored and personalized for each respondent. In addition there is the possibility of making route choices, which directs the respondent to the next question depending on the answers to the previous question(s) (Iacobucci & Churchill, 2010).

Even though there are a lot of advantages using this approach, it was decided to be discarded. This because there are issues related to sample bias and representativity (Iacobucci & Churchill, 2010). The problem was the risk of a biased sample, where the sample was limited to those who own or have access to a computer or a Facebook account, even though the respondent would be picked randomly. By use of Facebook, the sample would mainly consist of friends in the same age group. However, if friends would recommend the survey to friends in other age groups and geographical locations, one could perhaps achieve reduced sampling bias. Another issue by use of computers is that they cannot explain questions that are misunderstood. "Computers are incapable of recognizing fuzzy or superficial answers, and they cannot prod respondents to elaborate on their answers" (Iacobucci & Churchill, 2010)

p.197. Another drawback from using online survey is that the response rate and novelty is starting to decline (Iacobucci & Churchill, 2010), according to Jacobsen (2010) the response rate can sometimes be as low as ten percent.

Personal interview

“A personal interview is a direct, face-to-face conversation between the interviewer and the respondent or interviewee. The interviewer asks the questions and records the respondent’s answers, either while the interview is in progress or immediately afterwards” (Iacobucci & Churchill, 2010, p. 191). Benefits by using personal interviews are lower probability of interruptions, a possibility for clarifying unclear questions, and opportunity to ask open questions. Therefore, more information can be gathered by using this interview type, opposed to other types (Selnes, 1999). In addition, a personal interview opens for a great degree of flexibility, where the respondents can be asked different questions based on their previous answers, as well as observe visual impressions. Another advantage is that the interviewer contacts the subjects directly, which makes it more difficult to refrain from participating. In other words, a personal interview reduces the dropout rate, increase response rates, and thus reduce risk of bias in the selection of respondents (Selnes, 1999). However, Jacobsen (2010) claimed that the response rate has a maximum of 60 - 70 percent, often significantly lower.

Disadvantages using personal interviews include the difficulty of knowing to what extent the respondent is telling the truth, as the respondent may respond dishonest to give the answers the interviewer wants to hear. In other words, the accuracy of the answers may be an issue (Selnes, 1999). Another disadvantage is the low ability to be anonymous which may result in the subject refraining from uncomfortable questions (Jacobsen, 2010). Sensitive issues should therefore not be tested by use of personal interviews (Selnes, 1999). Other disadvantages include the interview type being time consuming, costly, and having reduced opportunity for administrative control (Selnes, 1999). The flexibility may also lead to the interviewer asking questions beyond the topic and pre-determined instructions (Selnes, 1999). The interviewer's tone of voice and body language can also affect the respondent's answers (Jacobsen, 2010). If the interviewer has a positive demeanor and attitude, questions that initially are negatively loaded can be interpreted as positive and therefore risking that the answer will be biased.

It is becoming increasingly difficult and expensive to conduct high quality personal interviews with representative samples (Selnes, 1999). Each of the main methods has its pros and cons, and has resulted in combinations and variations of the methods (Iacobucci & Churchill, 2010). One combination is where the questionnaire is self-administrated, in the interviewer's presence and by that a type of personal interview. The questionnaires are handed out personally where the respondent fills out the answers themselves. The interviewer is present, in case clarifications are needed. This is the method chosen for conducting the survey in this thesis, as it can be relatively cheap and fast to conduct. Simultaneously, the method can increase the response rate as the respondents are anonymous, as well as being asked directly to participate. According to Iacobucci & Churchill (2010), the more personal the appeal, the more difficult it is for the respondents to say no.

3.3 Sample

When researching consumer behavior, it is desirable to choose a sample that can generalize the probable conditions of a chosen population. A sample is chosen because it is difficult, time consuming and expensive to measure attitudes in an entire population. When the wish is to generalize from a sample to a population, it is important to use a representative sample, and try to avoid systematic skewness (Selnes, 1999). The population in this thesis are the citizens of Norway, which is customers in one, or several, banks. Customers under 18 years old are excluded as they probably have not chosen the bank themselves, nor has the authority to switch banks themselves.

Initially, the sample was a simple random sample, where random people at a shopping mall were drawn to participate. "In a simple random sample, each population element has not only a *known* but an *equal* chance of being selected, and every combination of n population elements is a sample possibility (Iacobucci & Churchill, 2010). At the shopping mall, the customers had, thus, all a known and equal chance of being asked to participate, although "a persons chance of being asked to participate depend on the frequency with which he or she shops there and the time spent in the mall" (Iacobucci & Churchill, 2010, pp. 192-3). According to Iacobucci & Churchill (2010), most people shop in a mall, meaning that all types of people can be found there, both women and men, young, middle-aged and elderly people, and people with different marital status and income. Unfortunately, the participation was very low at the shopping mall as almost every person approached declined to participate.

After some time it was therefore concluded that it would be too time consuming to get the desired number of respondents.

The low response-rate at the shopping mall led to an assessment of other places to get respondents. The local railway was considered, but the application for permit was denied from the railway company. The decision finally fell on the university campus at the University of Stavanger as there are many people present on campus, spread over several buildings, at all times. It would be possible to reach respondents with differing demographics, but the majority would naturally be students, probably in the early- and mid-twenties. This sample may cause some skewness, as representativity for the whole population cannot be claimed when mainly testing students. The results in this thesis is, therefore, not representative for the population as a whole, but will show if affective loyalty, status quo bias and continuance loyalty has an effect on intention to stay in *this* sample. If effects are found, they can be analyzed further with a more representative sample in order to detect if the results obtained in this thesis also could be true for the whole population.

There was no pre-determined number of how many people to ask for participation. There is no guarantee that all the people approached would agree to participate in a survey, and it would therefore have been risky to choose a set number of how many people to ask. It was, however, desirable to get between one hundred and three hundred respondents. This number was chosen based on the time period for the thesis, both for collection and analysis. In addition, it was realistic to gather this number of replies.

3.4 Procedure and Material

According to Jacoby & Chestnut (1978, p. 79), the object of scientific research “is to relate findings from the present investigation to those from other investigations so as to build a body of knowledge that permits generalization across instances”. This is also the aim of this thesis, as it presents and discussed findings from earlier literature and research to give substance to the research question this thesis wishes to verify. Further, Jacoby & Chestnut (1978, p. 79) argues, “without generalization we would have to test each and every case to determine that a finding that held true in all previous cases also held true in this instance”. This thesis aims to generalize the findings on whether loyalty and/or status quo bias is causing people’s intention to stay with a provider, but to be able to do the research and conduct a survey, an example had to be chosen. There were several interesting areas to test the two concepts up against each other, but the choice finally fell on banking services.

Banking services were chosen for several reasons. *First*, since this thesis emphasizes the lost-for-good end of the behavior spectrum, banking services were preferred due to customers being committed to only their bank, and not several, as people usually have one main bank. Type of good was also selected on the basis of its impact on the intention to stay, and a type of good with high commitment to stay was preferred. As the theory chapter describes, commitment is higher for experience and credence goods, and thus, intention to stay is strengthened. Therefore, the choice fell on banking services, which is located somewhere between these two types of goods. *Second*, intention to stay in relation to banking services is a heavily researched field, mainly in terms of loyalty. For instance, Baumann et al. (2007) and Jørgensen (2013) found that intention to stay can be found in the context of loyalty in banking services, and Steffes et al. (2008) stressed the importance of loyalty and long-term relationships in banking. Previous research could thereby be used as a basis for this thesis, especially in designing the method and questionnaire. Samuelson & Zeckhauser (1988) found that status quo bias also could relate to intention to stay. This thesis thereby aims to analyze if status quo bias also could have an effect on a customer’s intention to stay with their current bank. In other words, it is expected to find that status quo bias has an effect on banking services, which is attempted to be proven in the survey experiment and subsequent analyses. *Third*, as mentioned in the introduction, banking is a type of service where people tend to stay with the incumbent provider, i.e. less than ten percent switch banks. Banking would then likely be an adequate example to illustrate why people stay. The aim is to identify why the barriers for switching banks exist. *Fourth*, most people could relate to one (or more) banks

because they need a place to keep money safe, to receive salary and other grants, to get loans and so forth. In addition, most people have a desire to place their money where they can grow in value and thus yield returns. *Lastly*, banking services consist of a customer base with varying needs, depending on age and living situation among others Beldona et al (2010), Jørgensen (2013) and Johnson (2008) stated that significant life events mark the transition from one life stage to the next. This would mean that a student without mortgage, a young couple with kids on the way, and retired couples with no kids living at home all have different grounds for staying with their bank. It is therefore expected that the customer base both consist of customers staying because of loyalty and status quo bias.

Intention is chosen as a parameter, opposed to actual behavior, because the time constraint on this thesis makes it hard to measure if an intention ultimately leads to the respondent staying with the current provider or switching to another bank. More time could have facilitated a test with several observations following a sample of customer to analyze their behavior from intention to actual choice (Coelho & Henseler, 2009). However, it is important to note that intention not necessarily leads to desired actions (Loewenstein, 2005), as the subjects might act differently than initially intended. Intention to stay is chosen, opposed to intention to switch, because there is a positive correlation between intention to stay and loyalty, and because of the fact that most people tend to stay with their bank, even if they are dissatisfied.

There may be several explanations for why customers wish to remain in their bank. Factors such as price, interest rates, switching costs or customer care could have an influence. In addition, it may also be that parents and grandparents create accounts for children at an early age, creating a long-term relationship with the bank, which in turn causes a wish to remain in the relationship when empowered. This could function as an anchor, in addition to priming, which is a “psychological term that essentially explains how an earlier stimulus influences response to a later stimulus” (Scanlon, 2014). According to Olshavsky & Granbois (1979) sensory preferences, likes and dislikes are established in early childhood and could affect consumption patterns later in life. This thesis is restricted to a focus on intention to stay with regards to affective loyalty, status quo bias and continuance loyalty.

3.4.1 Measures

Part one - measuring status quo bias effects

Part one is constructed to be an experiment. Experiments are used when the aim is to test the effect one, or several, independent variables has on a dependent variable. The key element is thus to manipulate an independent variable to see if it has an effect on the dependent variable, while also controlling for other variables. Experiments are normally used when the research question is concerned with cause-and-effect relationships, as this thesis to some extent comprises (Selnes, 1999).

Part one is an experiment based on Samuelson & Zeckhauser's (1988) test design, and intends to identify if the subjects is under the influence of status quo bias in banking services.

Samuelson & Zeckhauser's (1988) experiment has proven that status quo bias is a real phenomenon, present in several different decision-making situations. The questions in this thesis' experiment are, thus, based on that study, but reformulated to suit decision making situations occurring within banking services. Loyalty is, however, a heavily researched field, which is already proven to be present in banking services. Therefore, an experiment based on loyalty within banking is omitted.

In the experiment, the subjects are facing two decision-making situations, where each starts with a description of a situation ending with a question. Each question is followed by a set of alternative actions, where the subjects play the role as the decision maker and is asked to indicate his/her preferred choice among the four alternatives. The decision-making situations contain four alternatives because Samuelson & Zeckhauser (1988) concluded after conducting their experiment that four alternatives showed a stronger status quo bias effect than only two options. This was because two options made it easier for the subjects to compare their options, while four alternatives made the status quo option more attractive.

The part one experiment consists of two parts; one neutral and one manipulated version, and the aim is to detect whether the neutral would result in a different response than the manipulated one. The two versions are very similar, but one is with- and one is without a pre-existing status quo position. In the neutral version, the subject faces a new decision and must choose from four alternatives. Alternative *b* (in both questions) is constructed to be more profitable, and thus more obvious to choose. In the manipulated version, the subjects are

lured into an initial situation, and face a decision in which they have to choose from four alternatives. One alternative describes the choice to remain in the initial situation, which is the status quo alternative. The remaining three describe new alternatives, which means that the subject has to leave the status quo (current bank), and switch to a new bank to receive their offers. The experiment aims to analyze if manipulating a subject into an initial situation makes them prefer this situation, not wanting to leave the status quo. The choice to stay would then mean that the subject chooses to remain in a less profitable situation rather than switching to a bank with a potentially better offer.

After performing experiments, Samuelson & Zeckhauser (1988) asked respondents if they knew that they were subjected to a manipulation. It was concluded that the subjects were not aware of the manipulation, proving this to be a solid experiment when testing for status quo bias effects.

The values and numbers assigned to the alternatives are real and obtained from national banks. Additionally, an authorized bank advisor was asked to read and assess the questions, and reported them to be genuine. As some of the values were set as constant due to a wish for the respondent to answer only to the question asked and not spend time analyzing and calculating, the advisor was asked to approve the information given in the tasks. The introductory text and information provided were approved to be solid, though they probably would have to be more elaborated in a real-world decision opposed to a laboratory experiment like this.

1 : You've decided that you're going to buy your first home and need to take out a mortgage to finance the purchase. You have studied what the interest rate for a particular amount of mortgage and repayment period is in potential banks. You have the following options (please circle your choice):

- a. Bank A will provide you a mortgage with interest rate of 2.90 %
- b. Bank B will provide you a mortgage with interest rate of 2.80 %
- c. Bank C will provide you a mortgage with interest rate of 3.12 %, but this bank can only consult by telephone and internet as they do not have physical offices
- d. Bank D will provide you a mortgage with interest rate of 3.25 %

1' : You've decided that you're going to buy your first home and need to take out a mortgage to finance the purchase. You are currently a customer of Bank A, where you have been a customer since childhood. The bank has given you an offer, where the interest rate is 2.90%. You have studied what the interest rate for a particular amount of mortgage and repayment period is in other potential banks. You thus have more options, but this means you have to switch bank. These options are (please circle your choice):

- a. Remain in Bank A, which will provide you a mortgage with interest rate of 2.90 %
- b. Switch to Bank B, which will provide a mortgage with interest rate of 2.80 %
- c. Switch to Bank B, which will provide a mortgage with interest rate of 3.12 %, but this bank can only consult by telephone and internet as they do not have physical offices
- d. Switch to Bank B, which will provide a mortgage with interest rate of 3.25 %

Figure 1: Illustration of question 1 in part 1, showing the neutral (1) and manipulated (1') version.

Part two - measuring reasons for intention to stay

Part two consists of a questionnaire with purpose of further mapping the presence of intention to stay, and whether this is caused by loyalty, status quo bias, and/or continuance loyalty. In other words, whether these variables affect the respondents' personal relationship with their current bank. The questionnaire is designed to be structured-undisguised, i.e. there is a high degree of standardization, where the questions are presented in the same wording and in the same order. In addition, no questions are left open-ended, instead the consumers have to choose between a scale, or between set alternatives. This ensures that all respondents are replying to the same questions (Iacobucci & Churchill, 2010).

The questionnaire is developed with respect to the theory chapter, and the questions are mainly drawn from previous research. The questions are, however, slightly adjusted allowing for use in the context of banking services. The questionnaire is adjusted and constructed around a seven point Likert - scale where fully agree / disagree serves as anchor points.

Intention to stay

As all hypotheses in this thesis measure different terms against intention to stay, it would be appropriate to have some questions concerning this. The aim is to detect whether the respondents have intentions to stay with a provider or not, and further follow up with questions identifying the bases of the intention they have. The follow-up questions are then linked to issues surrounding loyalty, status quo bias, switching costs and lack of viable alternatives. Intention to stay is measured using three questions, which includes «*I will most likely switch to an alternative bank in the future*». The questions are based on studies of Hansen et al. (2003) and Sand (2005).

Affective loyalty

The questions concerning affective loyalty intend to reveal the respondents' emotional attachment to their bank, and to which degree they like, identifies with and enjoys their banking services. Affective loyalty is measured through eight questions, based on emotions toward their bank, such as «*I want to remain part of the customer base in my bank because I really like and enjoy my relationship with this bank*» and «*Continuing my relationship with my bank, would make me feel very happy*». The questions measuring affective loyalty are based on the studies of Allen & Meyer (1990), Hansen et al. (2003) and Sand (2005).

Status quo bias

The questions measuring the degree of status quo bias is constructed around the respondents' preferences for the current bank with respect to rational decision making, cognitive misperceptions and psychological commitment. Status quo bias is measured using eight questions. Examples include «*I want to switch bank, but it is stressful to search for new alternatives*» and «*I am staying with the current bank because I fear that switching would make me regret my decision*». The questions are based on studies of Jørgensen (2013), Samuelson & Zeckhauser (1988), Sand (2005) and the theory chapter in this thesis.

Continuance loyalty

Switching costs and lack of viable alternatives i.e. continuance loyalty, are instruments that can influence a consumers intention to stay with the incumbent bank due to the costs associates with leaving. Continuance loyalty is measured using nine questions, where the questions aim to detect whether costs associated with leaving and lack of viable alternative providers create barriers against switching bank. Questions include «*I am afraid to loose*

gains I have acquired or invested in the relationship with my current bank», «there are too few potential alternative banks» and «it takes too much time and effort to switch bank». The questions are based on studies of Allen & Meyer (1990), Burnham et al. (2003), Hansen et al. (2003), Jørgensen (2013), Sand (2005) and the theory chapter in this thesis.

Part three - measuring the respondents' demographics

The last part of the survey consists of various demographic variables such as gender, age, marital status, number of children and income. This is included in the questionnaire because categorization of respondents can contribute to examination of the relationship between demographic variables, i.e. living situation, and intention to stay. Questions concerning age, number of children and income was measured on a ratio scale, allowing for further categorization later on.

3.5 Pretest

Pre-testing is vital in order to secure that the questionnaire performs as desired during the real testing (Iacobucci & Churchill, 2010). A pretest aims to eliminate unnecessary questions, remove ambiguity and improve poorly formulated questions (Selnes, 1999). The pretest was conducted on 15 subjects approached at the UiS university campus, seven of these responded to a neutral version, and eight to a manipulated version. The pretest revealed some ambiguity, especially concerning part one question two. There was some variation between the subjects answering the neutral version. Some of the subjects chose alternative *a* and *d*, which are much less profitable than alternative *b* and *c*. This led to some concerns about the formulation of the question, and if the subjects understood the question correctly. Because of this, additional subjects were asked to read and interpret the questions via a personal interview and give feedback on which alternative they would prefer and *why*. The conclusion was thus that alternative *b* and *c* were most attractive. There was, however, a suggestion to use another situation than *house* insurance, as the first question concerns a *house*- loan. The two questions seemed to be dependent on each other. Question two was, therefore, changed to concern a *car*- insurance instead.

According to Selnes (1999), it could be beneficial to ask respondents after completion if they had some reactions to the survey, i.e. if something was hard to understand. Therefore, a question concerning the difficulty of the survey was added at the end of the pretest. This gave the subjects an opportunity to give feedback. This was thus an open-ended question. Overall, the subjects responded that the survey was understandable, with an exception of two subjects with weak arguments, it was thereby decided not to revise any questions. Additionally, one subject discovered an error in the numbering of the questions in part three.

In the next chapter different analyses are conducted through SPSS. Relevant analyses are carried out in order to clarify the research questions, and the results are presented and thoroughly explained.

4.0 Results

The results from the survey have been analyzed by using Statistical Package for the Social Sciences (SPSS), and are presented below. First, the subjects are presented, then status quo bias effects are presented, followed by the analyses. The analyses comprise factor analyses and reliability tests, followed by correlations- and regression analysis.

4.1 Initial evaluation

The survey was conducted on 186 subjects mainly from the University of Stavanger. Around 30 of these responses were drawn from the shopping mall. Eight questionnaires were discarded due to incomplete or inconclusive answers, where some subjects refrained from answering a considerably large amount of questions or gave vague answers. Additionally, one was discarded because the subject was under the age of eighteen. The survey was completed by 178 valid subjects, where 69 percent were females and 31 percent males. The average age for the subjects were 26.57, ranging from 19 to 71 years old. The average was somewhat low as the majority (65 percent) were in the 20-25 age group. Income had a mean of 203 023 NOK. The participants were randomly allocated into one of two versions of the survey. The result was 90 participants answering the neutral version and 88 participants answering the manipulated version.

4.2 Status quo bias effect

As mentioned in the method, it was expected to find that status quo bias had an effect in banking services. This was tested through the experiment in Part 1 in the survey. In order to reveal this effect, descriptive statistics were retrieved for the neutral and manipulated versions separately. This was done to study whether there were differences in the subjects' answers between the two versions. In order to clarify if status quo bias influences intention to stay within banking services, subjects of the manipulated version should be on average more likely to choose alternative *a* (status quo option) in both questions, than subjects in the neutral version.

90 subjects conducted the neutral version, but one subject refrained from answering question one. This version revealed a clear preference for alternative *b*, where 87 percent answered *b* in question one and 77 percent in question two. This was expected as it was constructed to be the most profitable alternative.

88 subjects completed the manipulated version. Question one revealed 51 percent choosing alternative *a*, and 44 percent choosing alternative *b*. Question two proved a more distinct preference for alternative *a* with 64 percent of the subjects choosing this alternative and 26 percent choosing alternative *b*. As expected, alternative *a* (remaining in the current bank) received an overall higher score than alternative *b* in this version.

The results uncovered great differences between the two versions. The most interesting finding was the increase in choosing alternative *a* between the versions. In question one, alternative *a* was chosen by 10 percent in the neutral version and 51 percent in the manipulated one. In question two, alternative *a* was chosen by 9 percent in the neutral version and 64 percent in the manipulated one.

4.3 Validation

The first step in the analyses is to validate the questions, and this is done through a factor analysis. A factor analysis is a tool for testing interdependence between variables. The analysis proposes possible ways to summarize important information in the data by taking advantage of the correlation among p variables and reduce the number into fewer core factors. When the factor analysis is conducted, all of the variables have equal status, and none is singled out as a dependent variable (Iacobucci & Churchill, 2010). Further, the factors have been tested for reliability using Cronbach's Alpha. Reliability is used in explaining the consistency or stability in the survey or measurements, and thus test if the variables are reliable (Svartdal, 2015). Reliability would also provide indications of whether the same results would be obtained if the survey was repeated under identical conditions (Braut & Stoltenberg, 2009). The tests would detect whether factors remain as they are, if they are merged, or rejected. These results are then used in further analysis.

The factor analysis is run through a Maximum Likelihood estimation, and a Direct Oblimin rotation. New index variables are given new names, and the index is constructed by calculating the average score of the questions.

4.3.1 Intention to stay

Intention to stay was measured using three questions, called *Intention 1* to *3*. The first factor analysis revealed that Intention 1 had a negative value, which resulted in a negative alpha score. The question was therefore recoded, and the new analyses showed that the three variables were valid and measure the same. The variables had value between .660 and .999, which is well above the .3 threshold. A high alpha score of .823 indicates high consistency within the three variables, and intention to stay is therefore reduced to one index, named *Intention*.

	Factor
	1
Intention 1 <i>Recoded</i>	.710
Intention 2	.999
Intention 3	.660

Table 1: Factor Matrix for Intention

4.3.2 Affective loyalty

Affective loyalty was measured by eight questions, called *Affective loyalty 1* to *8*. As with intention to stay, the first factor analysis also revealed a negative value on Affective loyalty 2, which made it necessary to recode this question as well. The values on the second analysis ranged from .416 to .905, with a high alpha score of .888. Based on these results, the variables measuring affective loyalty was reduced to one index, by the name *Affective loyalty*.

	Factor
	1
Affective loyalty 1	.691
Affective loyalty 2 <i>Recoded</i>	.416
Affective loyalty 3	.790
Affective loyalty 4	.875
Affective loyalty 5	.905
Affective loyalty 6	.620
Affective loyalty 7	.758
Affective loyalty 8	.595

Table 2: Factor Matrix for Affective loyalty

4.3.3 Status quo bias

Status quo bias was measured through eight questions, called *Status quo bias 1* to *8*. The factor analysis suggested a reduction of the variables into two factors, and revealed Status quo bias 5 and 7 to be weak as they loaded on both factors with values very close to the threshold .3. These variables were therefore rejected from further analysis. The factor matrix suggested splitting the variables into two new factors. Index one, now called *Sqb wish to leave*, consists of Status quo bias 1 and 2, with a correlation value of .621, and an alpha score of .766. This index is measuring a wish to switch bank that has not been implemented.

	Status quo bias 1	Status quo bias 2
Status quo bias 1		
Pearsons Correlation	1	.621
Sig. (2-tailed)		.000
N	178	178
Status quo bias 2		
Pearsons Correlation		1
Sig. (2-tailed)		
N		178

Table 3: Correlation Matrix for *Sqb wish to leave*

Index two, now called *Sqb reasons to stay*, consists of Status quo bias 3, 4, 6 and 8. This index is measuring reasons for staying with the current bank. The values range from .356 to .815, and alpha score was .638, which is under the threshold of .7. This may be due to low number of questions, and poor correlation (Tavakol & Dennick, 2011). The inter-item correlations matrix showed that especially Status quo bias 4 correlates somewhat poorly with the other status quo bias questions, but eliminating this question would weaken the alpha score to .622. All four variables are therefore included in index two and used in further analyses, due to the alpha score being fairly close to the threshold, and the questions are all measuring status quo bias. Nevertheless, if, for instance, the beta coefficient of *Sqb reasons to stay* in the regression analysis consists of ambiguity, either in being insignificant or close to zero, it could stem from the lower alpha score.

	Factor 1
Status quo bias 3	.456
Status quo bias 4	.356
Status quo bias 6	.585
Status quo bias 8	.815

Table 4: Factor Matrix for *Sqb reasons to stay*

4.3.4 Continuance loyalty

Continuance loyalty was measured using nine questions, called *Continuance loyalty 1* to *9*. In the first analysis concerning continuance loyalty, the factor analysis suggested to reduce the variables into three factors, where factor three only consisted of Continuance loyalty 4.

Further, the next step was then to force SPSS to extract only two factors to see how Continuance loyalty 4 would load on factor one or two. The result from this was then rejection of Continuance loyalty 4 and 8 due to values under or close to .3. The remaining questions were further divided into two factors. Index one, now called *Procedural switching costs*, initially comprised Continuance loyalty 1, 5, 6 and 7, but Continuance loyalty 1 turned out with a value of .278, and was therefore also rejected. This index is measuring procedural switching costs, involving the expenditure of time and effort. The questions included in *Procedural switching costs* had values from .569 to .964, with an alpha score of .740.

	Factor
	1
Continuance loyalty 5	.550
Continuance loyalty 6	.999
Continuance loyalty 7	.625

Table 5: Factor Matrix for Procedural switching costs

The second factor suggested pairing Continuance loyalty 2, 3 and 9 with values from .501 to .630 and alpha score of .596. The questions were, however, measuring different aspects of continuance loyalty where Continuance loyalty 2 involves financial switching costs, Continuance loyalty 3 concerns relational switching costs and Continuance loyalty 9 involves lack of viable alternatives. This, together with a low alpha score, led to a decision of measuring the three questions independently, and not as a joint index. To improve structure and the order of the further analyses, the names of Continuance loyalty 2, 3 and 9 is renamed *Financial switching cost*, *Relational switching cost* and *lack of viable alternatives*.

	Factor
	1
Financial switching cost	.501
Relational switching cost	.630
Lack of viable alternatives	.594

Table 6: Factor Matrix for Financial switching costs, Relational switching costs, and Lack of viable alternatives

4.4 Correlation

The next step was to test the correlation between the indexes. A correlation analysis measures the closeness of a relationship or joint variation between two variables at a time (Iacobucci & Churchill, 2010). In other words, it tests how strong the interrelation between two variables are (Selnes, 1999). The correlation coefficient can vary between -1.0 and 1.0. The closer the correlation coefficient is to -1/1, the stronger correlation between the variables is (Selnes, 1999). Below, the most interesting findings from the correlation analysis are presented. The remaining numbers from the analysis are presented in the correlation table in Appendix 2.

4.4.1 *Intention to stay*

The correlation analysis showed a significant positive correlation value of .514 ($p = .000$) between Intention and Affective loyalty. This positive correlation indicates that affective loyalty has a great effect on the subjects' intention to stay with their current bank. In other words, as Affective loyalty increases, the Intention increases.

The correlation between Intention and Sqb wish to leave revealed a negative correlation value of -.487 ($p = .000$), which also is a highly significant finding. This shows that when the subjects have a wish to leave the current bank, but still remains with it, intention to stay will decrease. In other words, as Sqb wish to leave increases, Intention decreases.

Intention and Sqb reasons to stay are positively correlated with a correlation value of .259 ($p = .001$), showing a significant finding. This finding demonstrates that intention to stay increases if the subjects find convenience, fear of regret, consistency, and habit and experience to be strong reasons to stay. This means that as Sqb reasons to stay increases, Intention increases.

Intention and Procedural switching costs are positive correlated with a correlation value of .061 ($p = .430$), which indicates that Intention will have a slight increase when Procedural switching costs increase. This finding is however not significant.

The correlation between Intention and Financial Switching costs revealed a positive correlation value of .342 ($p = .000$), showing a significant finding. As the subject feels money is saved when staying with the incumbent bank, intention to stay increases. The same effect was found regarding Relational switching costs and Intention, with correlation value of .190

($p = .012$). This significant result implies that if the subjects are afraid of losing their relations with the employees in their current bank, intention to stay will increase. At last, the correlation between Lack of viable alternatives and Intention shows a positive correlation value of .209 ($p = .006$). This suggests that when the subject considers other banks as unsuitable, intention to stay with the current bank will increase.

4.4.2 Affective loyalty

There were some interesting correlations drawn from Affective loyalty as well. First, the correlation analysis showed a negative correlation between Affective loyalty and Sqb wish to leave with a value of $-.325$ ($p = .000$). This significant finding indicates that as emotions and positive feelings towards the incumbent bank increases, the subjects' wish to leave would decrease.

The correlation analysis also showed a significant positive correlation between Affective loyalty and Sqb reasons to stay with a correlation value of $.355$ ($p = .000$). This implies that as affective loyalty increases, the reasons for staying with the current bank will have a greater impact.

4.5 Regression

As with correlation analysis, regression is a technique for studying the relationship between two or more variables (Iacobucci & Churchill, 2010). Regression analysis is a statistical technique, used to derive an equation, which relates a dependent variable to one or more independent variables (Iacobucci & Churchill, 2010). When one or more of the independent variables are held fixed, the regression models the dependent variable (Iacobucci & Churchill, 2010). The coefficients of the Beta values can be interpreted as the average change in the dependent variable associated with a unit change in the appropriate independent variable while holding the other independent variables constant (Iacobucci & Churchill, 2010). In this thesis, a multiple regression is conducted due to the analysis consisting of more than two variables (Iacobucci & Churchill, 2010). The aim is to construct an equation to estimate the values of the dependent variable from several independent variables (Iacobucci & Churchill, 2010). To test the hypotheses, a regression analysis with the relevant variables has been conducted and analyzed. The multiple regression equation turned out to be:

$$\text{Intention} = \beta_1 \text{Affective loyalty} + \beta_2 \text{Sq b wish to leave} + \beta_3 \text{Sq b reason to stay} + \beta_4 \text{Procedural switching costs} + \beta_5 \text{Financial switching costs} + \beta_6 \text{Relational switching costs} + \beta_7 \text{Lack of viable alternatives} + \beta_8 \text{Affective loyalty} * \text{Sq b wish to leave} + \beta_9 \text{Affective loyalty} * \text{Sq b reasons to stay} + \mu$$

Figure 2: Regression equation

Model	Standardized Coefficients	t	Sig.
	Beta		
1 (Constant)		4.123	.000
Affective Loyalty	.426	2.255	.026
Sqb wish to leave	-.593	-3.340	.001
Sqb reasons to stay	.421	2.266	.025
Procedural switching costs	-.012	-.167	.867
Financial switching costs	.138	1.992	.048
Relational switching costs	-.067	-.923	.357
Lack of viable alternatives	.070	1.003	.317
Affective loyalty * Sq b wish to leave	.203	1.178	.240
Affective loyalty * Sq b reasons to stay	-.433	-1.543	.125

Table 7: Regression model

4.5.1 Testing for affective loyalty's effect on intention to stay

The following section aims to clarify hypothesis H1a:

«The higher the portion of loyalty in an affective sense, the higher the intention to stay with a provider».

The standardized beta coefficient for Affective loyalty has a value of .426 ($t = 2.255$, $p = .000$). Proving a significant effect that the higher the portion of loyalty in an affective sense, the higher the intention to stay with a provider, i.e. the hypothesis is supported.

4.5.2 Testing for status quo bias effects on intention to stay

The section aims to answer hypothesis H1b;

«The higher the presence of status quo bias, the stronger the intention to stay with a provider would be».

The factor analyses revealed that status quo bias had to be divided into two index variables; Sqb wish to leave and Sqb reasons to stay. Therefore, both variables had to be considered and included in the regression model, to answer the hypothesis. The beta coefficient for Sqb wish to leave was $-.593$ ($t = -3.340$, $p = .001$), indicating that this part of status quo bias decreases the intention to stay, but still has a great impact. However, Sqb reasons to stay has a positive beta value of $.421$ ($t = 2.266$, $p = .025$), proving that this part of status quo bias increases the intention to stay with the current bank. This result is significant on a $.05$ level, which might stem from the alpha score being somewhat low for this index. The two variables express different impact on intention to stay, as one is negative and one is positive. The hypothesis could nevertheless be supported as they both have a significant effect on the intention to stay, with strong beta coefficients.

4.5.3 Testing for affective loyalty's and status quo bias' interaction effect on intention to stay

The section aims to answer hypothesis H1c;

«There is interaction between loyalty and status quo bias, and together these concepts would provide a stronger effect on the intention to stay with a provider».

As status quo bias was measured by two indexes, two new variables had to be made to find the interaction between affective loyalty and status quo bias. Affective loyalty*Sqb wish to leave had a beta value of $.203$ ($t = 1.178$, $p = .240$). This would indicate that these two variables merged would increase intention to stay with the incumbent bank. However, the beta value is not significant. Affective loyalty*Sqb reasons to stay had a beta value of $-.433$ ($t = -1.543$, $p = .125$), and this would indicate that the two variables together would decrease the intention to stay with the current bank. The finding was, thus, also not significant. The conclusion is therefore that the hypothesis cannot be supported.

4.5.4 Testing for continuance loyalty's effect on intention to stay

The section aims to answer hypothesis H2;

«Continuance loyalty has a positive effect on intention to stay».

As the factor analysis concluded that there had to be four variables to test for continuance loyalty, four variables was taken into consideration when answering hypothesis H2. First, Procedural switching costs had a beta coefficient of -0.012 ($t = -0.167$, $p = .867$), implying that switching costs related to time and effort would lead to a small decrease in intention to stay. This was, however, not a significant finding. Further, Financial switching costs with a beta value of $.138$ ($t = 1.992$, $p = .048$), indicating that financial costs has a positive effect on intention to stay. The more money the subject feels they save by staying with the current bank, the higher intention to stay would be. Additionally, Relational switching costs received a beta value of -0.067 ($t = -0.923$, $p = .357$), indicating that the more the subjects feel afraid of loosing their relations with the employees in their current bank, a slightly decrease in intention to stay would be observed. The finding was, thus, not significant. Lastly, Lack of viable alternatives with beta value $.070$ ($t = 1.003$, $p = .317$), implies that lack of viable alternative banks would result in a small increase in intention to stay with the current bank. This finding was, however, also not significant. The conclusion is that continuance loyalty's effect on intention to stay is too small to support hypothesis H2, as only one of the variables has a significant effect.

4.5.5 Summary of the regression model

Although some of the effects turned out to not be significant, the F test ($F = 12.987$, $p = .000$) reveals that the total model is significant. This indicates that all of the variables together have an effect on intention to stay, which also is reflected in Adjusted R Square being .4, explaining that 40 percent of the change in intention to stay could be explained by the independent variables.

Model	R	Adjusted R Square	Std. Error of the Estimate
1	.658	.400	1.092

Table 8: Regression model summary

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	139.355	9	15.484	12.987	.000
Residual	182.415	153	1.192		
Total	321.771	162			

Table 9: Anova

The next chapter will further discuss these findings in relation to relevant theory.

5.0 Discussion

In this chapter the results will be discussed with respect to the theory and expectations. Further, the hypotheses will be discussed, and the same applies to the definite and significant findings. The major findings in this thesis are (a) status quo bias' presence in banking services, (b) affective loyalty's positive impact on intention to stay, (c) status quo bias' strong effect on intention to stay, (d) the lack of significant interaction-effect between affective loyalty and status quo bias on intention to stay, and (e) continuance loyalty's lack of significant effect on intention to stay.

5.1 The status quo bias effect

As Samuelson & Zeckhauser (1988) proved in their experiments, status quo bias is a real phenomenon that exists in many decision-making situations. Samuelson & Zeckhauser (1988) did not, however, test the phenomena's presence in banking services, as this thesis does with the same type of experiment. The results uncovered that status quo bias is, in fact, present in banking services as well.

The results uncovered great differences between the two versions. As expected, alternative a was chosen more on average in the manipulated version, than in the neutral version. Proving that when the subject was lured into an initial situation (bank), there was a higher tendency to choose to remain in that bank with a somewhat lower profit, than switching to alternative b.

A status quo choice would mean that the subject sticks to the current or previous choice, in contrast to choosing a potentially more profitable or higher ranked choice. One of the reasons for why this occurs in banking services may stem from the costs associated with leaving the current bank in favor of another bank with a potentially better offer. This could be transition costs, which according to Samuelson & Zeckhauser (1988) could be a reason for why the same choices are made over and over, as leaving the current bank and transitioning into a new one may be perceived as too costly. Sunk costs and loss aversion can also be explanations. As mentioned in the theory, Samuelson & Zeckhauser (1988) stated that when sunk costs and resources investments are present and high, the status quo bias increases. The loss aversion aspect implies that the subjects favor the status quo because they are afraid of losing accumulated benefits if switching banks. The loss aversion theory dictated that the subjects

would experience losses from switching to loom larger than the benefits they potentially could achieve over time as a customer in a new bank. In part 1 question two, the subjects were given information that they have been customers in the current bank for three years. The subject may then think that benefits have been accumulated from the investment in the relationship, and these benefits would be lost if switching to an alternative bank. This would be in line with both the sunk cost- and loss aversion theory.

Another cognitive misperception, anchoring, could also be an explanation for why the subjects chose to remain with their bank. Tversky & Kahneman's (1974) anchoring and adjustment heuristic suggests that subjects make estimates and decisions from the starting point they are given in the introductory text, with an initial bank and offer (interest rate and discount amount). The incumbent bank's offer would be the anchor, and the subjects would have to assess whether this adjustment away from the initial offer to get a potentially better offer could be justified when it involves a switch of bank. The results from the experiments uncovered that the subjects probably did not find the adjustment justified, as the majority chose to stay with the current bank and offer.

As expected, the subjects induced with the neutral version of the experiment, on average chose alternative *b*. In this version, the subjects were to choose from a set of independent alternatives, without being customer in a bank beforehand. As Samuelson & Zeckhauser (1988) stated, a rational choice would indicate that a consumer would select the most preferred and highest ranked alternative with the highest expected utility, as alternative *b* was constructed to be. As this version only was included to be able to show the differences between the versions, and prove that subjects put in a status quo bias situation would be more likely to choose alternative *a* more frequently than in a neutral situation, this result is not elaborated any further.

5.2 Intention to stay and affective loyalty

The results obtained on affective loyalty were expected, as affective loyalty against intention and banking services is a heavy researched field. The results are, however, interesting.

Hypothesis H1a states that affective loyalty has a strong and positive impact on intention to stay. Both the correlation analysis and the regression analysis confirm this and thus support the hypothesis.

All of the questions used in the questionnaire to measure the subjects' affective loyalty were proved to be valid and reliable in the validation and reliability analyses, and all the questions were therefore retained and merged into one index. This implies that all aspects on affective loyalty in this case are contributing to explain affective loyalty's influence on the subjects' intention to stay with their bank. This includes emotional attachment, personal meaning, affiliation and enjoyment. It could then be stated that the subjects will identify with, be involved in, and enjoy their relationship with their bank, as suggested by Allen & Meyer (1990). The results also confirms Hansen et al.'s (2003) claim that affective loyalty is based on a consumer's liking and positive feeling for the other part of the relationship.

The regression analysis resulted in a strong and significant standardized regression coefficient of .426, revealing that affective loyalty has a great impact on intention to stay among the other independent variables. This finding is also supported in the correlation matrix. As mentioned, this was greatly expected as it is rational to believe that a person would like to stay with the current bank if they like it, and feels an attachment to it. It could, therefore, be beneficial for banks to take this into consideration as maintaining a close and understanding relationship with the customers would most likely lead to the customers staying with the bank for several years in the future.

Other interesting findings in the correlation analysis are the correlation between affective loyalty and continuance loyalty. First, affective loyalty and relational switching costs had a positive correlation value of .461 ($p = .000$), which indicates that as affective loyalty increases the more the subject would miss the employees of their current bank if they had to switch. This is consistent with the statement in the theory chapter saying that relational switching costs is the emotional discomfort the subject may experience from switching, as affective

loyalty includes the emotional attachment a customer has with the current bank. Additionally, affective loyalty and lack of viable alternatives revealed a positive correlation value of .327 ($p = .000$). Proving that as the consumers liking and positive feelings increase, the other banks will be considered less attractive. As the subjects develop affections towards their current bank, the dependence and emotional attachment will increase. In line with the theory chapter, this may indicate that the subjects may feel that they cannot succeed with another bank, and therefore develop uncertainty about the viability of other bank's offers.

5.3 Intention to stay and status quo bias

As mentioned in the results, the validation and reliability analyses uncovered that the questions Status quo bias 5 and 7 were rejected for further analyses. These questions included comparisons with alternative bank's offerings, and satisfaction with the current bank. There could be many reasons why these were not considered valid, but it would be difficult to give any clear explanation for this. The remaining questions were, however, valid and therefore split into two new indexes as they measured two different aspects of the status quo bias effect.

The first index was called Sqb wish to leave, and comprised the questions Status quo bias 1 and 2; «*I have had plans to switch bank, but have not completed the switch*» and «*I want to switch bank, but it is stressful to search for new alternatives*». The index consisted of a wish to switch bank that has not been implemented. The standardized regression coefficient of $-.593$ revealed that Sqb wish to leave was the independent variable that accounted for most of the 40 percent of the explained variance of intention to stay. The correlation- and regression analysis revealed that the index had a negative impact on intention to stay. This indicates that if the subjects wish to leave, but decides to stay, the intention to stay will decrease. As thoroughly explained previously, status quo bias is the alternative to do nothing, and the results from the regression could imply that even though the subjects may have had a wish to change bank, they have chosen to do nothing or postponing the switch, due to, for instance, the stress involved in searching for potential alternative banks. As mentioned, Taylor (2012) stated that individuals tend to seek a default no-action, no change option instead, which then work against the initial plan they had to switch.

Hypothesis H1b states that status quo bias has a strong positive effect on intention to stay. This finding does not necessarily support the hypothesis literally, as it shows a negative impact on the Intention to stay when Sqb wish to leave increases. Nevertheless, the result is that this variable has a very strong effect on the intention to stay and therefore regarded as a very important and interesting effect.

The second index was called Sqb reasons to stay, and comprised the questions Status quo bias 3, 4, 6, and 8; *«I am staying with the current bank because it is easily accessible»*, *«I am staying with the current bank because I fear that switching would make me regret my decision»*, *«I am staying with the current bank because I do not like changes»* and *«I am staying with the current bank due to habit and experience»*. This index measures reasons for staying with the current bank. The standardized regression coefficient of .421 revealed that Sqb reasons to stay also could account for a great amount of the explained variance of Intention to stay. The correlation- and regression analysis both revealed a positive influence on intention to stay, indicating that the more the subjects agree to these statements being strong reasons for staying with the current bank, the stronger the intention to stay with the respective bank would be, which is exactly what the hypothesis H1b states.

As these questions are based on the subjects' personal relationship with their bank, they might have a considerable commitment to, or psychological investment in the status quo option (current bank). This commitment and psychological investment may stem from a relationship with the bank that has been built up over some time-period.

Samuelson and Zeckhauser (1988) suggested that a decision maker may persist with the status quo option due to convenience. The question Status quo bias 3 involved subjects choosing to stay with the current bank because it was easily available. This question was included in Sqb reasons to stay, and could thus be a reason for why Sqb reason to stay has a great impact on Intention to stay. The descriptive statistics revealed that this question had a mean score of 4.66 on a scale from one to seven, which could support the assumption that convenience could be one of the reasons that have an impact on intention to stay.

Regret is also one of the reasons included in the index, explaining why Sqb reasons to stay have such a great impact on Intention to stay. Samuelson & Zeckhauser (1988) stated that regret avoidance is a psychological factor that affects whether the subjects leave their status quo. In this context, this could mean that if the subjects fear that they might regret their choice to leave the current bank, regret avoidance could be an explanation for why the index has a positive effect on intention to stay. This is in line with Taylor's (2012) statement that people tend to regret actions taken more than actions foregone.

Samuelson & Zeckhauser (1988) also claimed that drive for consistency is a factor that could lead people to remain in the status quo. In the Sqb reasons to stay index, one of the questions included the subjects' wish to stay due to a dislike of changes. This could then mean that if the subjects have a motivation to attain consistency, this could be an explanation for why Sqb reasons to stay have a positive effect on Intention to stay. The subjects might justify and rationalize current or previous decisions to extend them to future decisions.

Samuelson & Zeckhauser (1988) stated that habit could be a reason for staying with the status quo option, where meaningful exploitation of alternatives is excluded, and the status quo option thus is preferred over a potential more profitable alternative. Further, Samuelson & Zeckhauser (1988, p. 39) also suggested that individuals use "past decisions as a guide to present and future choices", and therefore persist with the status quo. The question in the survey concerning habit also included experience to be a reason to stay with the current bank, and thus suggests that the subjects use previous experience with the current bank as a reason for staying with this bank opposed to switching. The results from this thesis can correspond with these two statements, as habit and experience are two of the reasons included in the index variable that has an impact on intention to stay with the current bank. It can be noted that the descriptive statistics revealed a mean score of 4.53 on a scale from one to seven on this question, which is considered high, and therefore an explanation for why subjects wish to stay with their current bank. These results could then indicate that the subjects avoid exploiting other banks' offerings as they might be creatures of habit and sufficiently satisfied with the current banking situation.

The second index, Sqb reasons to stay, revealed a positive relationship with intention to stay, providing a strong support for hypothesis H1b.

To summarize, hypothesis H1b is supported, on the condition that it is not supported literally. The results revealed that status quo bias has a strong impact on intention to stay with the current bank, but includes both a negative and a positive effect on intention to stay. The part of status quo bias including a wish to leave that has not been implemented, has a negative effect on intention to stay. Conversely, if the subjects find the preset reasons (convenience, regret, consistency, and habit and experience) for staying to be strong reasons to stay with their current bank, status quo bias has a positive effect on intention to stay.

5.4 Intention to stay and the interaction between loyalty and status quo bias

With hypothesis H1c, it was expected that both loyalty and status quo bias together could explain intention to stay with the current bank. When merged into one variable, the effect on intention to stay could be stronger, than if one term is present alone.

To test the hypothesis, two new variables were created. This had to be done as the status quo bias term was divided into to index variables. The new variables aimed to test both interaction between Affective loyalty and Sqb wish to leave, and the interaction between Affective loyalty and Sqb reasons to stay. In the regression model these variables was called *Affective loyalty * Sqb wish to leave* and *Affective loyalty * Sqb reasons to stay*.

The regression analysis unfortunately revealed that none of the two variables proved significant results. The hypothesis could therefore not be supported, and further elaboration on what the effect the standardized beta coefficients have on intention to stay is not provided.

It could, however, be noted that the correlation analysis revealed some interesting and significant findings between the variables. First, Affective loyalty and Sqb wish to leave had a negative correlation value of $-.325$ ($p = .000$), which indicates that as affective loyalty increases the subjects' wish to leave their current bank decreases. In other words, the more the subjects generate positive feelings and liking towards their current bank, the less they want to leave. Second, the correlation between Affective loyalty and Sqb reasons to stay revealed a value of $.355$ ($p = .000$), indicating that as the subjects' affective loyalty against the current bank increases, the more the subjects deem the listed status quo reasons as strong grounds for remaining with the current bank.

5.5 Intention to stay and continuance loyalty

Hypothesis H2 expected that continuance loyalty (switching costs and lack of viable alternatives) would have a positive effect on the subjects' intention to stay with their current banks.

As with the status quo bias questions, the validation and reliability analysis uncovered that some of the questions had to be rejected for further analysis. These questions were Continuance loyalty 1, 4 and 8, and included fear of losing relationship-investments with the current bank, an interest to switch bank if financial loss was excluded, and whether the subjects feel tied to their bank of necessity. It would be difficult to draw conclusions for why these questions turned out invalid, but reasons could include the questions being hard to understand, or that the questions did not measure the same as other questions on continuance loyalty. The remaining questions were concluded valid and the factor analysis suggested that these could be divided into two factors that measured two different aspects of continuance loyalty. However, one of these suggested factors received a low alpha score and the questions did not quite measure the same aspects of continuance loyalty. It was therefore decided to measure these questions independently. More elaboration on this is given below.

The first suggested factor was merged into one index, which was called *Procedural switching costs*. The index comprised questions Continuance loyalty 5, 6 and 7; «*If I switch bank I am risking less favorable services in the start*», «*If I switch bank I am risking unexpected struggle*», and «*It takes to much time and effort to switch bank*». This index measures the procedural switching costs, which according to Burnham et al. (2003) comprises the expenditure of time and effort.

The standardized regression coefficient of $-.012$ suggests that procedural switching costs could have a slight negative influence on intention to stay. However, this finding was not significant, and further elaboration on this finding would only be assumptions.

The questions that were measured independently consisted of the continuance loyalty questions Financial switching costs, Relational switching costs and Lack of viable alternatives. The question concerning Financial switching costs was «*By staying with my current bank, money will be saved*». The standardized regression coefficient of $.138$ suggests that as the subjects feel that money will be saved by staying with the incumbent bank, intention to stay will increase. This was a significant finding, supporting hypothesis H2.

Relational switching costs consisted of the question «*If switching banks, I would probably miss the employees of my current bank*». The regression analysis revealed a standardized beta coefficient of $-.067$, suggesting a slightly negative relationship between relational switching costs and intention to stay. The finding was, however, not significant, and further elaboration would also here only be assumptions.

Lack of viable alternatives comprised «*there are too few potential alternative banks*». The standardized regression coefficient of $.070$ suggests that lack of viable alternatives could have a slightly positive influence on intention to stay. Neither this finding was significant, nor further elaboration is not enclosed.

Unfortunately, as only one of the variables on continuance loyalty shows a significant effect on intention to stay, the hypothesis H2 cannot be supported, except for the part that concerns financial switching costs. It would be hard to claim exactly why this is, but the following explanation might be somewhat explanatory.

According to Hansen et al. (2003, p. 365), “many retail bank customers perceive banks to be very similar in terms of their core products and services, and thus they have only limited incentives to change supplier”. If different banks offerings are similar, the costs associated with leaving the bank and the expected benefits associated with switching might be equal or close to zero. Additionally, if the subjects have limited incentive to change and considers different banks’ offers quite similar, these factors could be used to explain why continuance loyalty might not have a major impact on customers’ intention to stay with their current bank. This could then explain why the thesis fails to find any effects of continuance loyalty on intention to stay.

The conclusion on the research question for the thesis is presented in the next chapter.

6.0 Conclusion

The aim of this thesis is to examine in which degree a consumer's intention to stay with a provider, is caused by loyalty and/or status quo bias. In this chapter, a final conclusion of the research question is provided.

Using different theorists, definitions and explanations, the theory chapter of the thesis presents the concepts and components. The theory chapter revealed that it is the affective component of loyalty that measures true loyalty. Furthermore, switching costs and lack of viable alternatives concern continuance loyalty. The method chapter was used to explain the design and procedures for detection of the effects affective loyalty, status quo bias and continuance loyalty had on the intention to stay with a bank, responding to the selected four hypothesis of the thesis. The results revealed that the desired effects were largely present, and those effects were again discussed against the relevant theory in the discussion chapter.

Previous studies have revealed different biases affecting subjects' behavior. One of such biases is status quo bias, which according to Kahneman et al. (1991) implies "a preference for the current state that biases the economist against both buying *and* selling. Additionally, Samuelson & Zeckhauser (1988) revealed that status quo bias is a real phenomenon, which appears in many different decision making situations. This study has proven that status quo bias in fact also appears in decisions situations within banking services.

Further, the study concludes that customers' intention to stay with their current bank is, in a large degree, affected by affective loyalty and status quo bias. The variable having the strongest effect on intention to stay was Sqb wish to leave, stating that intention to stay was significantly less for those bank-customers that had a desire to switch banks, where the switch was not yet completed. The results did also reveal that there is no interaction effect on affective loyalty and status quo bias together on intention to stay, as the results were insignificant. Continuance loyalty did also lack a significant effect on intention to stay, with the exception of the part including financial switching costs.

Retaining and strengthen relationships with the existing customer base is crucial for businesses - including banks. Knowledge about customers' intention to stay with their current

bank is therefore of great importance. Jackson (1985) stated that most businesses mainly prefer lost-for-good customers. These customers are often loyal to their vendor as they find it traumatic to change vendors, and where the commitment is relatively permanent. Affective loyalty has been proven through this study to have a strong positive impact on intention to stay with their current bank. These customers have developed an emotional tie with their bank, and really like and appreciate the services and offers they receive. It would therefore be important to create emotional bonds to gain a competitive advantage that further could cause presence, and amplify already existing, affective loyalty. Knowing that affective loyalty increases the customer's intention to stay, banks should find solutions to how they could meet the customers' needs and expectations to achieve this type of loyalty commitment.

Nevertheless, the study revealed that not all customers stay with their bank due to being loyal. Some rather stay because they have a preference for the current bank, and might perceive the bank's services and offers as "good enough", thus being under the influence of status quo bias. These customers might have a wish to leave their bank, which they have not yet done, or implemented. They might stay due to convenience, regret, consistency or habit and experience, which not necessarily constitute loyalty. However, those customers that has a wish to leave that has not been implemented *might not* find a change of bank just as traumatic, and the commitment might not be that permanent, as it is for those influenced by affective loyalty. The results revealed that if the customer had a Sqb wish to leave, intention to stay would decrease. This variable did, in fact have the strongest impact on intention to stay. It could therefore be suggested that customers with a wish to leave are, to some extent, risky for a bank to have in the customer base. To retain and strengthen the relationships with the current customers, banks should therefore try to motivate customers to stay because of loyalty. This entails that they could try to detect those influenced by status quo bias, especially those with a wish to leave where the switch has not been completed, and find ways to increase their intention to stay and making them more loyal.

7.0 Limitations and Future Research

“All research has limitations that provide an indication of future research needs” (Hansen et al, 2003, p. 365). This chapter will describe the limitations of the study and will present proposals for future research.

7.1 Sample limitations

The thesis aims to determine the relationship intention to stay has with affective loyalty, status quo bias and continuance loyalty. It was therefore essential to choose a sample that could explain and determine this relationship, and additionally generalize the findings. The sample was limited to mostly students at the University of Stavanger and a few subjects from a shopping mall because of the time constraint. Although some benefits can be drawn from the chosen sample, limitations are present. For instance, Mohanty & Suar (2014) stated that findings from student participants could limit generalization.

Additionally, using students as a sample could cause some skewness. As students, in this case, cannot represent the whole population. Beldona et al. (2010) and Jørgensen (2013) suggested that banking services consist of a customer base with varying needs, depending on for instance age and living situations. As students were chosen, only one group of the customer base was tested. These customers might have others intentions for staying than others. Students would probably not have such a close relationship with their bank as those more established, because most students in the age group 20-25 usually don't have housing mortgages and so forth. They may not be as fully involved with their bank as other people in the population might be (i.e. people who are more established).

A sample consisting of students did also affect the average age, which was somewhat low with 26.57 years. The same goes for the average income of 203 023 NOK which is much lower than the national average in Norway of 503 800 NOK (Statistisk sentralbyrå, 2015). The lower average income might be a result of students generally earning less than the rest of the population. Other reasons might be that 13 respondents refrained from specifying their income, some subjects wrote zero, and some only wrote “Lånekassen”, which is the State Educational Loan Fund. Those respondents who answered State Educational Loan Fund were adjusted to 98.000, which is the annual amount provided by State Educational Loan Fund.

The sample thus consists of several limitations. The findings could have revealed different effects if the sample had been more representative for the population. It could also be discussed whether 178 respondents would be enough to claim representativity, regardless of the sample used.

7.1.1 Limitations regarding the survey design

Jacobsen (2010) stated that questions based on intentions could provide answers of unclear quality, because the questions assume that the subjects have a clear perception of what to do in the future. This is rarely the case in reality. Most subjects' answer according to what they feel today and not what they would feel in the future. Jacobsen (2010) further claimed that questions regarding intention invite the subjects to respond strategically. Responding to a question is non-binding, and the subjects can thus "secure themselves" by overestimate their intention, because they do not have to deal with the consequences of their answers. According to Loewenstein (2005) people who are in a «cold» state tend to underestimate the motivational force of their own future «hot» state. Therefore, it may be the case that people claim in advance that they intend to switch bank in the future (cold state) but when they actually are in the situation (hot state) they may choose to stay. These considerations are thus important to account for when analyzing the results.

7.1.2 Limitations regarding the status quo bias experiment

Samuelson & Zeckhauser (1988) stated that a controlled experiment's hypothetical decision tasks would provide fewer reasons for status quo bias than real life decisions. This would imply that as the subjects are facing the questions and alternatives as they are presented in this thesis' experiment, the alternatives would likely be treated more evenhandedly. The opposition to this controlled experiment would be a real setting where the subjects were to make a decision based on their current bank and other real banks' offerings. In a real world situation, the subjects may have been customers in their bank over some significant time period, and thus established a considerable commitment to, and psychological investment in their bank. In addition, the Sqb reasons for staying (i.e. convenience, regret, consistency, and habit and experience) would encourage the subject to stay with the current bank. These considerations would be difficult to capture in a controlled experiment. These considerations would then enhance the status quo bias significantly more than in a controlled setting where the subjects' could have problems relating themselves, and their choice, to the given situation.

Nevertheless, the results revealed that status quo bias is present within banking services, but if the test had been conducted in a real world situation, the effect may have been even more evident.

Another limitation was that some subjects pointed out that they lacked knowledge to answer this part of the survey. This could then mean that the result was somewhat skewed as some subject just chose one alternative without being able to justify the reason for the choice. It could also be discussed whether the alternatives provided were too similar. The small differences may have led to a feeling that the benefits from switching banks was too small to actually consider a switch for those subjects replying to the manipulated version. Nevertheless, the interest rates and discount amounts were real, obtained from different national banks, underpinning the fact that the margins are very low between banks.

7.1.3 Limitations regarding the questionnaire

The questions in the questionnaire were mainly drawn from previous research, with the exception of a few questions drawn from the theory chapter of this thesis. Especially the questions concerning intention to stay, affective loyalty and continuance loyalty have previously showed that they actually measured what they intended to, where the questions were easily understood, and actual effects were obtained. Additionally, this thesis' pretest also revealed that the questions were easily understandable. This would then mean that there are very few, if any, limitations to extract from this part of the survey.

However, the analysis could maybe be improved if questions regarding how long the subjects have been with their current bank, and if they have a house mortgage, as this could have facilitated a better analysis.

7.2 Future research

Further exploration could be conducted on the basis of this thesis and limitations.

As mentioned in the methods, the tests would probably have benefited from using a causal research design, where cause-and-effects were measured over some significant time period. In this way it could have been facilitated to check whether the intention actually led to actual behavior. For instance, if those customers who were influenced by Sqb wish to leave, actually switched bank. Or, conversely, if those who had a wish to leave rather chose to stay, and then uncover the causes for why that decision was made.

Additionally, the sample used might have caused a somewhat skewness of the effects.

However, effects were found, and it would be interesting to conduct a similar study on a more representative sample to detect whether the same effects could be obtained and stated to be true for the whole population. One suggestion could, for instance, be to extract a number of random customers from the large national banks to be invited to participate in the survey, over a longer time period to test for the causes and effects of staying with the current bank opposed to switching.

Further, research on customers' intention to stay is a field that can be extensively investigated. The findings in this thesis can be used as a foundation for further research. The theoretical model used in this study has revealed that affective loyalty and status quo bias have significant effects on the intention to stay, within the banking industry. It could, however, be interesting to replicate this model in other industries where service relationships exist. As mentioned earlier, bank customers may only have limited incentives to switch banks, due to the core products and services being perceived as very similar. This could partly explain why the thesis is failing in finding any effect of continuance loyalty on intention to stay. If the thesis had included other industries where offers are more differentiated, then stronger, or different, effects may have been obtained.

8.0 Literature

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Appendix 1

Spørsmålene i del 1 (experiment)

Nedenfor er to ulike scenarioer presentert. De to situasjonene er uavhengige av hverandre, og beskriver ulike situasjoner. Vennligst les oppgavetekstene nøye og pass på at du får med deg all informasjon før du tar et valg. Vi ønsker at du velger *ett* av alternativene (a, b, c eller d) og setter ring rundt svaret ditt.

1: Du har bestemt deg for at du skal kjøpe deg din første bolig og må ta opp boliglån for å finansiere kjøpet. Du har undersøkt hva rentesatsen for en lik lånesum og nedbetalingstid er hos potensielle banker. Dine alternativer er (vennligst sett ring rundt ditt valg):

- a. Bank A vil gi deg et lån med rente på 2.90 %
- b. Bank B vil gi deg et lån med rente på 2.80 %
- c. Bank C vil gi deg et lån med rente på 3.12 %, men denne banken har kun rådgivning over telefon og internett da de ikke har kontorer.
- d. Bank D vil gi deg et lån med rente på 3.25 %

1': Du har bestemt deg for at du skal kjøpe deg din første bolig og må ta opp boliglån for å finansiere kjøpet. Du er per dags dato kunde i Bank A, hvor du har vært kunde siden barndommen. Banken har gitt deg et tilbud, hvor renten er 2.90 %. Du har undersøkt hva rentesatsen for en lik lånesum og nedbetalingstid er hos andre potensielle banker. Du har dermed flere alternativer, men dette medfører at du må bytte bank. Dine alternativer er (vennligst sett ring rundt ditt valg):

- a. Bli værende i Bank A, som vil gi deg et lån med rente på 2.90 %.
- b. Bytte til Bank B som vil gi deg et lån med rente på 2.80 %
- c. Bytte til Bank C som vil gi deg et lån med rente på 3.12 %, men denne banken har kun rådgivning over telefon og internett da de ikke har kontorer.
- d. Bytte til Bank D som vil gi deg et lån med rente på 3.25 %

2: *Du har planer om å tegne en bilforsikring. Du trenger kun denne forsikringen, og har ikke behov for andre forsikringer til eksempelvis bolig. Du er for øyeblikket kunde i Bank E, noe du har vært i tre år. Som følge av dette vil du få en god avtale med en lojalitetsbonus på 5% årlig. Du har likevel undersøkt tilbud hos andre potensielle banker, og funnet ut at grunnprisen på forsikringene er tilnærmet identisk, og det kun er rabattordninger som varierer. Du har dermed flere alternativer, men dette medfører at du må bytte bank. Du har følgende alternativer (vennligst sett ring rundt ditt valg):*

- a. Bli værende i Bank E, og få en lojalitetsbonus på 5 %.
- b. Bytte til Bank F som vil gi deg rabatt på 6 % dersom du er kunde i banken.
- c. Bytte til Bank G som ikke vil gi deg rabatt før du har vært kunde i tre år. Etter tre år vil de tilby en lojalitetsbonus på 7 %
- d. Bytte til Bank H som vil gi deg rabatt på 10 %, men krever at du må kjøpe to ekstra forsikringer.

2': *Du har planer om å tegne en bilforsikring. Du trenger kun denne forsikringen, og har ikke behov for andre forsikring til eksempelvis bolig. Du har undersøkt potensielle banker, og funnet ut at grunnprisen på forsikringene er tilnærmet identisk, og det kun er rabattordninger som varierer. Du har følgende alternativer (vennligst sett ring rundt ditt valg):*

- a. Bank E vil gi deg rabatt på 5 % dersom du er kunde i banken.
- b. Bank F vil gi deg rabatt på 6 % dersom du er kunde i banken.
- c. Bank G vil ikke gi deg gi noen rabatt før du har vært kunde i tre år. Etter tre år vil de tilby en lojalitetsbonus på 7 %
- d. Bank H vil gi deg rabatt på 10 %, men krever at du må kjøpe to ekstra forsikringer.

Spørsmålene i del 2 (questionnaire)

* = Disse spørsmålene ble fjernet under validering, og ikke inkludert i videre analyse.

e1 = Spørsmålet har endret navn til *Financial switching cost* i analysen

e2 = Spørsmålet har endret navn til *Relational switching cost* i analysen

e3 = Spørsmålet har endret navn til *Lack of viable alternatives* i analysen

Intention to stay

Intention 1: Jeg vil mest sannsynlig bytte til en alternativ bank i nærmeste fremtid

Intention 2: Jeg har definitivt tenkt å opprettholde forholdet til min nåværende bank

Intention 3: Selv om det hadde vært enkelt å avslutte kundeforholdet med banken, ønsker jeg å opprettholde det

Affective loyalty

Affective loyalty 1: Jeg har en positiv følelsesmessig tilknytning til min nåværende bank

Affective loyalty 2: Jeg tror jeg lett kunne bli like nært knyttet til en annen bank som jeg er til min nåværende bank

Affective loyalty 3: Min nåværende bank har personlig betydning for meg

Affective loyalty 4: Jeg føler tilhørighet til nåværende bank

Affective loyalty 5: Jeg ønsker å forbli kunde i banken min fordi jeg virkelig liker, og har glede av mitt forhold til denne banken

Affective loyalty 6: Det er betryggende å vite at det er *min* bank som har ansvar for min privatøkonomi

Affective loyalty 7: Jeg vil være meget glad for å kunne fortsette mitt kundeforhold med nåværende bank

Affective loyalty 8: Jeg ville blitt veldig skuffet dersom jeg var nødt til å bytte til en annen bank

Status quo bias

Status quo bias 1: Jeg har hatt planer om å bytte bank, men ikke gjennomført byttet

Status quo bias 2: Jeg ønsker å bytte bank, men anser det som stressende å sette meg inn i nye alternativer

Status quo bias 3: Jeg blir værende i nåværende bank fordi den er lett tilgjengelig

Status quo bias 4: Jeg blir i nåværende bank fordi jeg er redd for å angre hvis jeg bytter

Status quo bias 5: Jeg sammenligner ofte alternative banktilbud med det tilbudet jeg benytter meg av i nåværende bank *

Status quo bias 6: Jeg fortsetter å være i nåværende bank fordi jeg ikke liker endringer

Status quo bias 7: Jeg anser nåværende banks tilbud som tilfredsstillende, og unnlater derfor å bytte til en annen bank *

Status quo bias 8: Jeg blir i nåværende bank grunnet vane og erfaring

Continuance loyalty

Continuance loyalty 1: Jeg er redd for å tape alt jeg har jobbet meg opp til eller investert i forholdet til banken *

Continuance loyalty 2: Ved å bli i nåværende bank sparer jeg penger (e1)

Continuance loyalty 3: Dersom jeg bytter bank, vil jeg mest sannsynlig savne de ansatte i nåværende bank (e2)

Continuance loyalty 4: Dersom jeg ikke ville lide noe økonomisk tap, ville jeg være meget interessert i å bytte til en annen bank *

Continuance loyalty 5: Dersom jeg bytter bank, risikerer jeg en dårligere tjeneste i starten

Continuance loyalty 6: Dersom jeg bytter bank, risikerer jeg uventet styr

Continuance loyalty 7: Det koster mye tid og krefter å bytte bank

Continuance loyalty 8: Jeg føler meg bundet til nåværende bank, og blir av nødvendighet *

Continuance loyalty 9: Det finnes få potensielle banker å bytte til (e3)

Appendix 2

This appendix presents the remaining tables retrieved from SPSS.

The subjects' demographics

	N	Minimum	Maximum	Mean	Std. Deviation
Gender *	178	0	1	.31	.446
Age	176	19	71	26.76	9.959
Income	165	0	1 100 000	203 023.40	173 416.085
Kids u/ 18	177	0	2	.16	.478
Valid N	163				

* 0 = women, 1 = men

Age group	Frequency	Valid Percent	Cumulative Percent
< 20	7	4.0	4.0
20 - 25	115	65.3	69.3
26 - 30	27	15.3	84.6
31- 50	18	10.2	94.8
> 50	9	5.1	≈ 100.0
Total	176		
Missing	2		
Total	178		

Measuring Status quo bias effects (experiment)

Descriptive statistics for the neutral version

Question 1

	Frequency	Valid Percent	Cumulative Percent
Valid a	9	10.1	10.1
b	77	86.5	96.6
c	1	1.1	97.8
d	2	2.2	100.0
Total	89	100.0	

Question 2

	Frequency	Valid Percent	Cumulative Percent
Valid a	8	8.9	8.9
b	69	76.7	85.6
c	6	6.7	92.2
d	7	7.8	100.0
Total	89	100.0	

Descriptive statistics for the manipulated version

Question 1

	Frequency	Valid Percent	Cumulative Percent
Valid a	45	51.1	51.1
b	39	44.3	95.5
c	1	1.1	96.6
d	3	3.4	100.0
Total	88	100.0	

Question 2

	Frequency	Valid Percent	Cumulative Percent
Valid a	56	63.6	63.6
b	23	26.1	89.8
c	5	5.7	95.5
d	4	7.8	100.0
Total	88	100.0	

Validation and reliability

Intention

The first factor analysis and reliability statistics, before recoding Intention 1.

Factor Matrix

	Factor
	1
Intention 1	-.708
Intention 2	.998
Intention 3	.661

Reliability Statistics

Cronbach's Alpha	N of Items
-.764	3

Affective Loyalty

The first factor analysis and reliability statistics, before recoding Affective loyalty 2.

Factor Matrix

	Factor
	1
Affective loyalty 1	.687
Affective loyalty 2	-.416
Affective loyalty 3	.780
Affective loyalty 4	.873
Affective loyalty 5	.906
Affective loyalty 6	.624
Affective loyalty 7	.763
Affective loyalty 8	.595

Reliability Statistics

Cronbach's Alpha	N of Items
.809	8

Status Quo Bias

The first factor analysis, before splitting into two new indexes

Factor Matrix

	Factor	
	1	2
Status quo bias 1	.830	-.088
Status quo bias 2	.769	.177
Status quo bias 3	-.012	.516
Status quo bias 4	.122	.441
Status quo bias 5	.302	-.382
Status quo bias 6	.068	.595
Status quo bias 7	-.368	.279
Status quo bias 8	.029	.696

Structure Matrix

	Factor	
	1	2
Status quo bias 1	.833	-.041
Status quo bias 2	.730	.219
Status quo bias 3	-.095	.515
Status quo bias 4	.049	.447
Status quo bias 5	.360	-.365
Status quo bias 6	-.029	.598
Status quo bias 7	-.408	.258
Status quo bias 8	-.084	.697

Structure Matrix

Inter-Item Correlation Matrix

	Status quo bias 3	Status quo bias 4	Status quo bias 6	Status quo bias 8
Status quo bias 3	1.000	.275	.196	.379
Status quo bias 4	.275	1.000	.236	.253
Status quo bias 6	.196	.236	1.000	.489
Status quo bias 8	.379	.253	.489	1.000

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
Status quo bias 3	.597
Status quo bias 4	.622
Status quo bias 6	.567
Status quo bias 8	.477

Continuance loyalty

The first factor analysis, where three factors were extracted

Factor Matrix

	Factor		
	1	2	3
Continuance loyalty 1	.244	.416	.276
Continuance loyalty 2	.203	.468	-.234
Continuance loyalty 3	.208	.524	-.212
Continuance loyalty 4	.178	.005	.543
Continuance loyalty 5	.538	.480	.205
Continuance loyalty 6	.999	-.001	.000
Continuance loyalty 7	.626	-.099	.084
Continuance loyalty 8	.212	.346	.066
Continuance loyalty 9	.225	.538	-.090

Second factor analysis, after forcing SPSS to extract only two factors.

This factor matrix was used to decide how to further split into new indexes.

Factor Matrix

	Factor	
	1	2
Continuance loyalty 1	.389	.275
Continuance loyalty 2	.316	.369
Continuance loyalty 3	.330	.453
Continuance loyalty 4	.185	-.075
Continuance loyalty 5	.671	.282
Continuance loyalty 6	.878	-.181
Continuance loyalty 7	.630	-.349
Continuance loyalty 8	.302	.270
Continuance loyalty 9	.357	.502

Structure Matrix

	Factor	
	1	2
Continuance loyalty 1	.262	.453
Continuance loyalty 2	.152	.485
Continuance loyalty 3	.133	.556
Continuance loyalty 4	.199	.072
Continuance loyalty 5	.513	.665
Continuance loyalty 6	.881	.468
Continuance loyalty 7	.715	.176
Continuance loyalty 8	.176	.403
Continuance loyalty 9	.139	.610

New factor analysis for Procedural switching costs, before discarding Continuance loyalty 1 from the new index

Factor Matrix

	Factor 1
Continuance loyalty 1	-.278
Continuance loyalty 5	.569
Continuance loyalty 6	.964
Continuance loyalty 7	.643

Reliability Statistics

Cronbach's Alpha	N of Items
.720	4

Item-Total Statistics

	Cronbach's Alpha if Item Deleted
contloy_1	.740
contloy_5	.639
contloy_6	.556
contloy_7	.671

Correlations

All correlation coefficients are presented with Pearson Correlation.

	Intention	Affective loyalty	Sqb wish to leave	Sqb reasons to stay	Procedural switching costs	Financial switching costs	Relational switching costs	Lack of viable alternatives
Intention	1	.514	-.487	.259	.061	.342	.190	.209
Sig. (2-tailed)		.000	.000	.001	.430	.000	.012	.006
N	176	174	176	174	171	170	175	175
Affective loyalty		1	-.325	.355	.192	.342	.461	.327
Sig. (2-tailed)			.000	.000	.012	.000	.000	.000
N		176	176	174	171	170	175	175
Sqb wish to leave			1	.103	.236	-.167	-.056	.046
Sig. (2-tailed)				.173	.002	.029	.462	.541
N			178	176	173	172	177	177
Sqb reasons to stay				1	.462	.187	.249	.344
Sig. (2-tailed)					.000	.015	.001	.000
N				176	171	170	175	175
Procedural switching costs					1	.260	.239	.237
Sig. (2-tailed)						.001	.002	.002
N					173	169	173	173
Financial switching costs						1	.315	.298
Sig. (2-tailed)							.000	.000
N						172	172	172
Relational switching costs							1	.362
Sig. (2-tailed)								.000
N							177	177
Lack of viable alternatives								1
Sig. (2-tailed)								
N								177

Descriptive statistics for status quo bias questions

	N	Minimum	Maximum	Mean	Std. Deviation
Status quo bias 1	178	1	7	2.24	1.780
Status quo bias 2	178	1	7	2.80	1.864
Status quo bias 3	176	1	7	4.66	1.884
Status quo bias 4	178	1	7	2.85	1.698
Status quo bias 5	177	1	7	2.89	1.806
Status quo bias 6	178	1	7	3.14	1.927
Status quo bias 7	178	1	7	4.99	1.724
Status quo bias 8	178	1	7	4.53	1.872
Valid N	175				