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BRAND-SWITCHING IN NIGERIAN BANKS: EVIDENCE FROM CRITICAL INCIDENTS

Maria-Stella Etomchi Njoku, Michael Okpara University of Agriculture, Umudike, Nigeria
Chinedum Nduka, Michael Okpara University of Agriculture, Umudike, Nigeria
Ebere Rejoice Okocha, Evangel University Akaeze, Ebonyi State, Nigeria

ABSTRACT

This paper investigates the critical incidents that characterize interface between banking service providers and their customers. The study also assesses the effects of critical incidents on the brand switching behavior in Nigeria Money Deposit Banks. Data were collected via self-administered questionnaire to customers of the banks under review in Nigeria. Some 150 customers were sampled using a combination of multistage and purposive sampling techniques. Data were analyzed using descriptive statistics and a correlation model. Empirical findings indicate that critical incidents are more significant among other variables that influence brand-switching in Nigeria Banks. Customers in the banking industry accommodate negative critical incidents from service-providers to a level of elasticity before brand-switching takes place. We also found a significant and strong positive relationship between negative critical incident and brand-switching. The study therefore recommends that service providers should consciously create positive critical incidents that would increase customers' expectation/loyalty. The value of the study would proffer solutions to customers switching behavior.

JEL: M3, G2

KEYWORDS: Critical Incident Technique, Switching Behavior, Brand Loyalty, Brand Switching and Customer Satisfaction

INTRODUCTION

In the competitive Global market, consumers and customers are regarded as valuable assets for any vision oriented organization. Research shows that organizations increasingly focus on the retention of their existing customers. Thus gaining knowledge about customers' switching behavior is substantively important for the sustainability of any organization. The success of any organization depends on the satisfaction of its customers, as consumers are the end users of any product or service. It has been shown that although customers may express their satisfaction, they nevertheless frequently switch brands (Liyander et al 1998). There is an increasing need to understand the customers switching path and why they switch to other brands.

According to Van and Verhoef (2008), switching paths consist of a sequence of various combinations of critical encounters or events leading to a switching decision. Thus, the switching process starts with customer awareness of some negative aspects in the decision, although a complete absence of such negative incidence is impossible. These negative perceptions have led to customer cognitive dissonance and service/ product failures. The fundamental problem in predicting customer choices exist in the fact that brand switching decisions of the customers are made on the bases of several different criteria which simultaneously include factors like brand image, brand features, service quality and price etc. Frequent switching behavior of customers compelled the researcher to review factors that affect the service industry.

The problem has been more compounded in the service industry where customers get attracted to competitor offerings especially when their expectations do not meet with their perceptions.

This study analyzed brand-switching in Nigerian banks based on evidence from critical incidents. Specifically, the study examined: 1) relevant demographic characteristics of the respondents. 2) brand-switching variables and extent of their significance to brand switching. 3) brand-switching behavior of the respondents towards critical incidents in Nigerian banks and 4) the relationship between critical incidents and brand-switching.

Critical incidents addresses in empirical terms (from observations and practical experience) how incidences are related to the customers' overall satisfaction or dissatisfaction. However it was found that a negative incident has a negative impact on consumer behaviors. Positive incident has a positive impact on both consumer behavior and their overall customer satisfaction (Gremler 2004). The remainder of this paper contains a review of relevant literature, data and methodology, result, concluding remarks, references and biography of the authors

LITERATURE REVIEW

A critical incident is one particular historic event which from the customer's point of view was satisfying or dissatisfying in the customer's relationship with the supplier (Gremler, 2004). According to Edvardsson, and Strandik (2000), the main (implicit) assumption behind the interest in critical incidence in service research is that they may induce change in the customers-supplier relationship. In more general terms, it seems clear that one single encounter in one's life can indeed have a lasting effect on one & sometimes even branch into new discovery of life (Banduura, 1983).

Roos, (2000), opined that a critical incident is an extraordinary event which are perceived or recalled negatively by customers before, during purchase or after consumption. Flangan, (1954) first used the term critical incidence technique by labeling a set of observational procedures for human behavior as critical incidence. Flangan (1954) defined critical incident as a set of procedures that systematically identifies behaviors that contributes to success or failure of individuals or organizations in specific situations. Bitner, and Tetreauit (1990) described such an incident as critical when contributing either positively or negatively to an activity. Focusing on negative incidence as defined by Roos (2000), a negatively changed buying behavior can be triggered by these incidents. This implies that companies lose operating efficiency and future revenue streams as a result of of customers who reduce spending, reduce purchase frequency or switch to another supplier.

Since customer satisfaction emerged as a silent topic in marketing during the later part of the 1980s, researchers have made many attempts to identify determinants of satisfaction in empirical terms. Several methods have been employed in these efforts. The critical incident technique has become a popular method particularly in the service research industry (Gremler, 2004). The typical application is to: 1.) Ask customers to provide a qualitative account of one particular incidence (i.e. a very satisfying or dissatisfying incident) in relation to a supplier. 2.) The researcher classifies the resulting stories in categories reflecting different causes to dissatisfaction. It is assumed that such incident are critical not only in the sense that they can be recalled by the customers but the main rationale behind the critical incident is that it appears to induce change in the customer - supplier relationship (Edvardsson and Strandik 2000). In more general terms, it seems clear that no single encounter in one's life can indeed have a lasting effect (Bandura, 1982.)

However, it seems clear that most critical incident researchers believed that a negative incident has a negative impact on overall satisfaction and that a positive incident has a positive impact on overall satisfaction. Thus critical incident researchers addressed how such incidents are related to customer overall satisfaction (Edvardsson and Strandik, 2000). Thus customer satisfaction is a key to every company wishing to increase the value of customer assets and create a better business performance. To increase the value of customer asset, customer satisfaction should be measured and managed

DATA AND METHODOLOGY

A multi-stage sampling technique was employed in the selection of location and respondents. In the first stage, three banks in Umuahia were chosen purposively for this study due to its metropolitan nature and the prevalence of branches of the banks in the city. The second stage involved a random selection of 150 respondents from the three banks, 50 respondents from each.

The research employed an exploratory survey method in data collection. Cross sectional data were collected in July 2014 using a structured questionnaire. The sample size was determined using formula of Cochran W.G. (1963). The study population covers an average number of bank customers on daily basis. A sample of 150 respondents was conveniently sampled. A total of 150 questionnaires were distributed and 120 were returned giving a response rate of 80%. Data were collected through a self- administered questionnaire and analyzed using descriptive and inferential statistics. Spearman ranked correlation was used to test the relationship between brand switching and critical incident.

The hypothesis states there is no positive and strong relationship between critical incident and brand switching in consumer banking. The implicit function for the correlation is stated:

$$p = 1 - \frac{6\sum d_i^2}{n(n^2 - 1)} \tag{1}$$

Where

di= difference in paired ranks
n= number of cases

RESULT AND DISCUSSION

First we examined demographic features of the respondents. Because the research is qualitative and nonparametric data were involved, we examined the following variables: sex, education status and occupation of the respondents. The demographic variables have a strong relationship with the customers' judgment of incidents. Table 1 presents demographic characteristics of the respondents. Panel A shows that 51.67% of total respondents are female while 48.33% are male. Panel B indicates that 75% of respondents earned a university education. Panel C reveals that 73.33% of the total respondents are still furthering their educational pursuit while 26.67% are either working for the government or themselves.

Table 1: Demographic Characteristics of Respondents

Variable	Sex	%
Panel A: Gender	Male	48.33
	Female	51.67
Panel B: Education		
	Primary	0.00
	Secondary	25.00
	Tertiary	75.00
Panel C: Occupation		
	Student	73.33
	Civil Servant/ Self Employed	26.67

Source: computed from research survey, 2014. This table shows demographic characteristics of the respondents. 48.33(male) and 51.67(female).Some, 25% of respondents had secondary education, 75% were university graduates. 73.33% of the total respondents were students, while 26.67 were identified as self-employed.

Brand switching is a common phenomenon in the banking industry. The indices of brand switching investigated range from critical incidents, high cost, service (network) failure, and inconvenient location etc. Table 2 analyzed descriptive statistics of these brand switching variables. Column 1, shows the brand switching variables while Column 2, 3, 4 and 5 show the 4 point likert scale ranging from very high extent to very low extent.

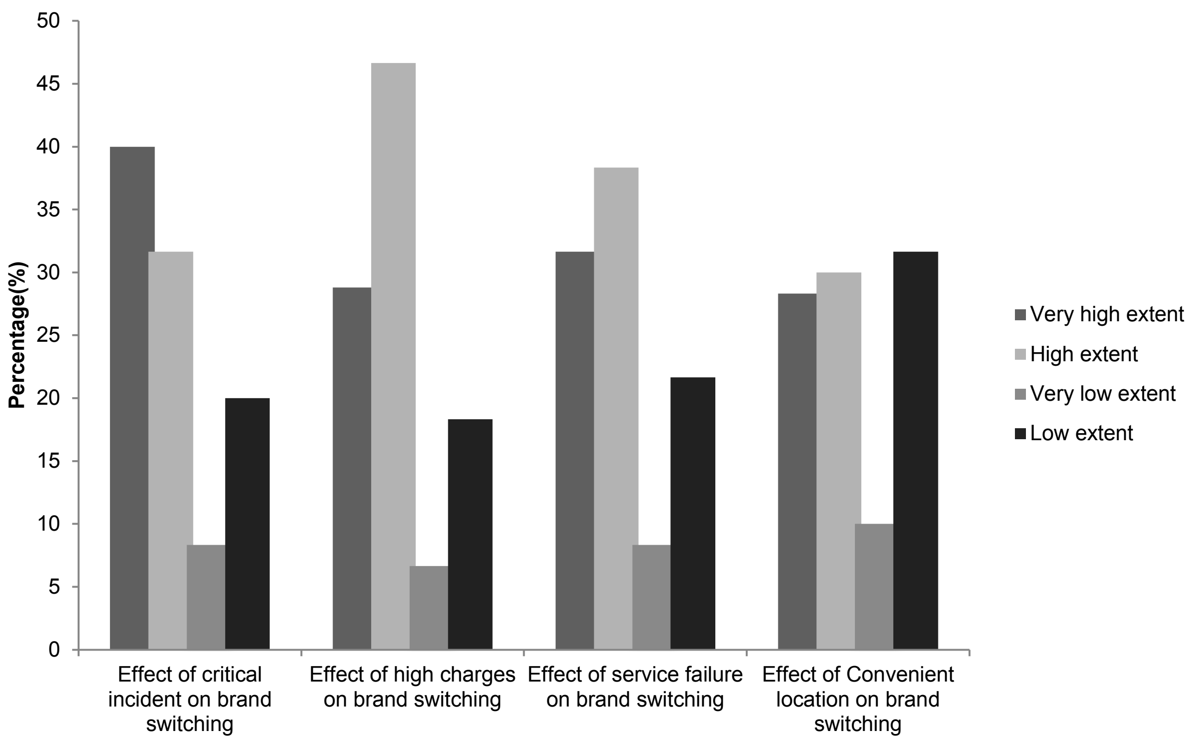
The significance of the 4 point likert scale reposes on a high extent scale. The result shows that brand switching to a large extent is induced (40%) by critical incident, (31.67%) by service failure, (28.33%) and by high cost and inconvenient location respectively. Figure 1 shows that critical incident represented the highest bar on very high extent scale.

Table 2: Descriptive Statistics of Brand Switching Variables

Variables	Very High Extent	High Extent	Low Extent	Very Low Extent
High Cost	34 (28.33)	56 (46.67)	22 (18.33)	8 (6.67)
Service Failure	38 (31.67)	46 (38.33)	26 (21.67)	10 (8.33)
Inconvenient Location	34 (28.33)	36 (30)	38 (31.67)	12 (30)

Source: computed from research survey, 2014.This table shows a descriptive analysis of four brand switching variables that were tested with a four point Likert Scale. The numbers in bracket are percentages. The result is significant at very high extent. Some 40% of total respondents agreed that to a very high extent, critical incident triggers brand switching behavior.

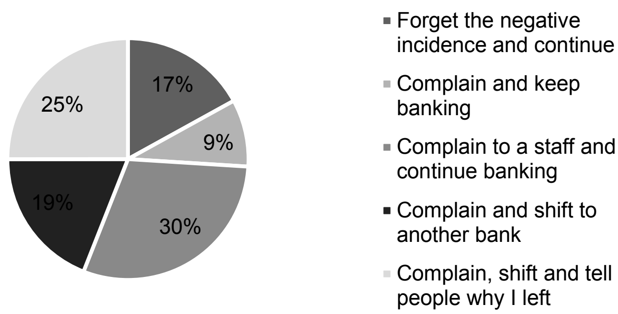
Figure 1: Bar Representation of Brand Switching Variables



The bar-graph shows the extent each of the brand-switching variables were indicated by respondents as causing brand-switching. The vertical axis shows percentages while the horizontal axis shows brand-switching variables. Critical incident among other variables was ranked the most significant under (the very high extent) impact.

We argue that a negative critical incident has negative impact on consumer behavior while a positive critical incident has a positive Impact on both consumer behavior and overall customer satisfaction. The result of critical incident induced consumer behavior is presented in Figure 2. The result indicates that 19% of customers who experienced a negative critical incident brand switched while 25% brand switched with a negative word of mouth. Some 56% of customers who encounter rough interface with service providers only complain and continue banking with the same firm. This indicates that 56% do not judge a critical incident elastic enough to guarantee brand switching.

Figure 2: Critical Incident Behavior



Source: computed from research survey, 2014. The pie chart contains information on critical behavior of respondents. The five different parts indicate responses on how the respondents would behave in the event of negative critical incident. In summary, 44% of the total customers that experienced critical incident will switch to other brands.

The result of the correlation coefficient analysis shown in Table 3 indicate there was a significant positive relationship between brand switching (dependent variable) and critical incident (independent variable). The null hypothesis that there is no strong positive relationship between brand switching and critical incident was rejected (P>0.05=0.063**) which is significant at 0.01%. The first column contains the type of correlation estimated. Column 2 shows the variables with which relationship is being estimated. Column 3 shows the correlation coefficients, the significant level and the sample size entered for estimation. Column 4 shows the outcomes of the analysis in terms of the correlation coefficient level and sample size of the data estimated.

Table 3: Nonparametric Correlations

			Brand Switching	Critical Incident
Spearman's rho	Brand switching	Correlation Coefficient	1.000	0.665
		Sig. (2-tailed)		0.063*
		N	120	120
	Critical incident	Correlation Coefficient	0.063	1.000
		Sig. (2-tailed)	0.665	
		N	120	120

This table shows the result of spearman's rank correlation model. The first column contains the type of correlation estimated, column 2 shows the variables with which relationship is being estimated; column 3 shows the correlation coefficients, the significant level and the sample size entered for estimation. Column 4 shows the outcomes of the analysis in terms of the correlation coefficient level and sample size of the data estimated.

CONCLUDING COMMENTS

The study focused on brand switching in Nigerian banks. The study specifically focuses on evidence from critical incidents. The study examined: 1) relevant demographic characteristics of the respondents, 2) brand switching variables and extent of their significance to brand switching, 3) brand-switching behavior of the respondents towards critical incidents in Nigerian banks, and 4) the relationship between critical incident and brand-switching. The study was carried out in Abia State, Nigeria. Among money deposit banks in Abia State, 3 banks were randomly selected and 150 respondents sampled. About 80% of

structured questionnaires administered were returned. Descriptive statistics such as percentages, bar and pie charts as well as spearman's rank correlation model were used in data analysis.
Results indicated that critical incident is more significant than other variables that cause brand-switching in Nigerian banks. There is also a significant and strong positive relationship between brand-switching and critical incidents. Socio-economic characteristics of respondents do not have any strong relationship with critical incident. Brand-switching is a function of many factors among which critical incident is the most significant at a very high extent scale. Also, a repeated negative incident from customers' viewpoint is judged critical at the level of elasticity. That is, the level where the negative impact of the negative incident is considered higher than the value of the transaction, as judged by the customer. It is at this level that a repeated rough interface (critical incidents) can lead to brand-switching.

There was a knowledge gap between the researcher and most of the respondents. Most respondents did not understand the research instrument. Another important limitation is that most respondents were in a hurry to attend to our team and to fill our questionnaire. The researchers make the following recommendations: 1) employers and staff in the banking sector should consciously create positive incident incidents that will increase customer satisfaction, 2) customers should be educated on how and where to present their complaints and 3) that the employers should embrace customer-relationship management which could dissolve the intentions of brand-switching. We recommend that more empirical research should be done on critical incident behavior.

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AUTHORS' BIOGRAPHY

Dr. Maria-Stella Njoku, B.sc, M.Sc, Ph.D (Nigeria). E-mail mariastellanjoku@yahoo.co.uk. A senior lecturer in the department of Marketing, Michael Okpara University of Agriculture, Umudike. She has been a Head of Department of Marketing (2010-2012). She also served as Dean of College of Management Sciences (2012-2014). A College Research Programme Leader. She has participated in number of research surveys for the international Institute for Tropical Agriculture (IITA) as a Resource Person. She has a number of publications in both local and foreign journals.

Mr. Chinedum Nduka, B.sc, M.Sc(Marketing Nigeria). E-mail unclenedum@gmail.com. A lecturer in department of Marketing, Michael Okpara University of Agriculture, Umudike. He has research interest in Consumer Behaviour. A member of National Institute of Marketing,Nigeria (NIMN). A member of college research team. He has a number of publications in both local and foreign journals.

Mrs. Ebere Rejoice Okocha, B.sc, M.Sc (Marketing Nigeria). E-mail humblerejoice@yahoo.com. She is currently a Ph.D student with University of Nigeria. The Ag. Dean, College of Business Studies, Evangel University Akaeze Ebonyi State, Nigeria. She has a number of publications in both local and foreign journals.