

# A study of customer choice criteria for multiple bank users

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## Abstract

This paper presents an analysis of customer choice criteria and multiple banking. In particular, the study presents an analysis of the relative importance of various choice criteria for main and secondary banks, highlights differences and considers marketing implications. A quantitative methodology incorporating 495 respondents is employed in the analysis. Findings show significant differences between selecting a first and secondary bank. Recommendations from others are influential and significantly more important in prompting choice of secondary bank. Offering an incentive is also significantly more important in prompting choice of secondary bank, but is less influential in terms of overall ranking of importance. Service expectation and low fees/overdraft charges are less significant in prompting secondary bank choice. Implications for the marketing of main and secondary accounts are explored.

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## 1. Introduction

This study provides an insight into customer choice criteria and multiple banking. In particular, it presents an analysis of the relative importance of choice criteria in prompting choice of main and secondary banks. A relatively large number of studies have analysed the issue of choice in the context of banking services (cf. Anderson et al., 1976; Martenson, 1985; Boyd et al., 1994; Devlin, 2002) including a number in a particular cultural, ethnic or religious context (cf. Erol and El-Bdour, 1989; Erol et al., 1990; Joy et al., 1991; Kaynak et al., 1991; Gerrard and Cunningham, 1997, 2001).

Far less is known about choice criteria in “multiple banking” settings with Kaynak and Kucukemiroglu (1992) and Gerrard and Cunningham (2001) being the only known studies. In common with those studies, in this analysis, multiple banking is defined as occurring where an individual uses the same product at two or

more separate banking institutions. For our study, the common product is a current account, alternatively known as a transactional account. Whilst previous studies will be discussed in the literature review section, both have limitations and have not answered the fundamental question about the extent to which important choice criteria for main and secondary banking institutions differ significantly and the marketing implications which arise from any differences which are found. This study addresses these matters by presenting a detailed comparison of the relative importance of criteria which influence choice of main and secondary banking institutions.

The current study, thus, adds to existing academic understanding of multiple banking, as the question of choice criteria differences in the case of multiple bank users has been largely overlooked in previous studies. As a result, the findings will be of particular interest to academics whose interest lies in the marketing financial services. Practitioners will also be provided with an enhanced understanding of the factors which prompt choice of institution for a secondary account, which will enable them to tailor marketing efforts towards

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attracting such account holders when formulating strategies to achieve such objectives. The findings of this study should be of value to practitioners, especially those who aim to expand their customer base.

The study proceeds as follows. In Section 2, a detailed literature review is presented, whilst, in Section 3, the methodology for the study is detailed. The results and a discussion of them are outlined in Section 4 and, in Section 5, implications are presented. Finally, in Section 6, limitations are acknowledged and conclusions drawn.

## 2. Literature review

The review will deal firstly with the literature pertaining to choice criteria in banking generally, then focus specifically on issues relating to multiple banking. The vast majority of studies, which have sought to establish how consumers choose a particular provider of financial services, have focused on consumers and how they select the bank which will provide them with general banking services. In what may be considered as the seminal study, Anderson et al. (1976) found that, whilst one segment of customers saw meaningful differences between banks, a larger segment of consumers viewed banks as institutions which offer largely undifferentiated services and, consequently, selected a bank based primarily on the locational convenience it offered. Dupuy and Kehoe (1976) questioned the validity of the findings of Anderson et al. (1976) as a result of the sampling method and measurements they used. In a study conducted in Sweden, Martenson (1985) found that location and parental influence were important influences on bank choice and that one-third of the respondents chose their bank at random. Boyd et al. (1994) sought to establish if there were differences in the selection criteria of retail banks between various demographic subgroups. Their more interesting findings were that white collar households placed greater importance on reputation, modern facilities and location; high income households attached greater importance on interest rates, opening hours and the friendliness of staff and low income households were more strongly influenced by favourable publicity and word of mouth. The differences were merely observed rather than arising through the conduct of statistical tests.

Price, speed and access were found to be particularly important by Elliot et al. (1996) in what they termed value driven strategy. Responding to this analysis, Reeves and Bednar (1996) argued that customer service appeared more important than price and that consumers use additional criteria beyond price, speed and access to evaluate and choose between banks. An earlier paper by Khazeh and Decker (1992–1993) also found a bank's

service charge policy to be the most important factor in explaining how consumers choose their bank. More recently, Devlin (2002) studied differences in choice criteria with respect to levels of customer financial knowledge. He found that location and recommendation continued to be important for all knowledge groups, but high knowledge customers were more likely to take account of “intrinsic” service attributes such as service features, rates of return and low fees, when making their choice.

The issue of multiple banking has received far less attention in the literature. Knowledge about multiple banking, either in the form of holding multiple accounts and/or using multiple banks is scarce and few studies have been conducted on this topic. The majority of past studies focus on the use of multiple banks rather than the holding of multiple accounts. Chan (1993), in a Hong Kong setting, merely established what percentage of his respondents were multiple bank users on the basis that they maintained active accounts at more than one bank. The findings showed that the largest percentage of multiple banking respondents maintained active savings accounts at more than one bank. Denton and Chan (1991) also investigated multiple banking in Hong Kong and reported that multiple bank usage was widespread and influenced by factors such as a desire for risk reduction and improved convenience, to benefit from the known relative advantage that one bank had over another and to meet product and prestige needs. Burnett and Chonko (1981) in the USA and Gerrard and Cunningham (1999) in Singapore sought to distinguish multiple bank customers from single bank customers using various demographic and psychographic characteristics. Both studies were able to identify distinguishing demographic characteristics, while only Burnett and Chonko (1981) found differences in psychographics.

Far less is known about choice criteria in multiple banking settings with Kaynak and Kucukemiroglu (1992) and Gerrard and Cunningham (2001) being the only studies of note. The former study was conducted in Hong Kong. Although the study shows that usefulness of a select number of services are perceived by consumers in a similar manner for both domestic and foreign banks, there are also a number of limitations. First, the study focused on a variety of choice issues, such as comparing the choice criteria of frequent versus infrequent bank customers and the role of foreign and domestic banks, rather than being concerned with multiple bank use and account ownership more specifically. Second, the study presumed that the various choice criteria used by respondents had equal importance when multiple bank users selected a main and a secondary bank, which may not necessarily be the case. Indeed, whether various choice criteria are of different importance in the choice of main and secondary banks forms the primary research question for the current

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