

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

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

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ABSTRACT

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

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

Customer satisfaction has been empirically validated to have a relationship with customer retention in service sector. Customer commitment, however, in a business relationship goes beyond satisfaction. In a setting of low-customer contact and mass service, trust is an important driver of customer retention. This research postulates on how customer satisfaction, customer commitment and trust impacts on the profitable customer segment of professionals and business practitioners in the context of Internet banking in Hong Kong.

Data from 208 survey questionnaires collected from ten professional/business organisations measuring the relationships between the various constructs have been analysed. The findings revealed that customer satisfaction, a transaction-specific attribute, has a significant positive impact on customer retention in the scope of Internet banking in Hong Kong, which concurs with extensive academic literature. Customer commitment and trust, relational-specific attributes, have negative influence on customer retention in the context. These two factors, as single effort with or mediating for customer satisfaction, do not display an effective role in enhancing the relationship towards customer retention. This finding seems to have refuted traditional marketing phenomenon in the context of non-Internet paradigms.