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***The Influence of Switching Barriers on Service  
Recovery Evaluation in  
the Retail Banking Industry in Chile:  
Construct Development and Testing***

By

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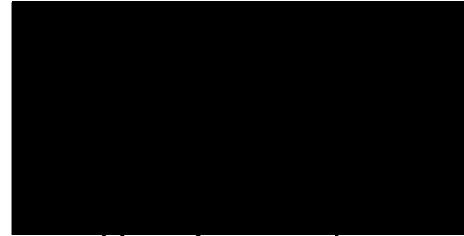
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A thesis submitted for the degree of  
Doctor of Philosophy of the University of New England  
New England Business School  
August, 2007

## **CERTIFICATION**

I certify that the substance of this thesis has not already been submitted for any degree and is not being currently submitted for any other degree.

I certify that to the best of my knowledge any help received in preparing this thesis, and all sources used, have been acknowledged in this thesis.



**FREDY VALENZUELA**

## **ABSTRACT**

Current research related to service recovery and switching barriers for the retail banking industry is both contradictory and culturally specific to the Western industrialized social context. Consequently, retail banking organizations in Chile cannot develop strategies that effectively respond to customer needs based on such research. The main aim of the thesis was to evaluate service recovery in Chile in order to explore ways in which banks within that cultural context can improve their recovery performance. A secondary aim, was to determine the influence of positive and negative switching barriers on service recovery evaluation so that marketing managers can design strategies to retain and develop valuable relationships with their customers.

Two research methods were implemented for the research, qualitative focused interviews and surveys. The qualitative focused interviews set out to identify the variables that were meaningful and important to Chilean retail banking customers when evaluating service recovery efforts. The survey instruments were developed from the themes that arose out of the interviews and literature review and then used to purify the scales that measure both service recovery and switching barriers in order to answer the research questions.

The results confirmed the existence of a six factor structure to measure service recovery: reversing bank mistakes, customer compensation, customer time and effort, treatment of customers, complaint handling time and the power of bank employees to make decisions. The results also confirmed the existence of a five factor structure to measure switching barriers: organizational credibility, value congruency, relational value, difficulties of switching banks and lack of attractive banking alternatives for the customer. With regard to the relationship between service recovery and switching barriers, the study showed that the dimensions of organizational credibility, value congruency and relational value are positively related to service recovery evaluation, while the dimension related to difficulties of switching banks is negatively related to service recovery evaluation. Lack of attractive banking alternatives, however, did not show a significant relationship to service recovery evaluation. Overall, the results contribute a unique finding to the area of service recovery, and extend existing theory on switching barriers, by showing the complexity and interrelated nature of the dimensions of importance to customers who experience service failure in the banking industry in Chile.

The managerial implications are that customers expect banks to reverse the negative consequences of their service failures by developing continuous improvement models and maintaining a continuous dialogue with them throughout a service failure. In terms of switching barriers, banks can use either positive or negative barriers to retain customers. However, there is a relationship between service recovery and switching barriers, and managers who create long-lasting positive bonds and relationships with customers, not only increase the probability of retaining them, but customers evaluate the bank's service recovery efforts more highly. On the other hand, if banks increase the level of difficulties for exiting the bank, customers decrease their evaluation of the banks service recovery efforts. Future research should explore the generalizability of the findings to other contexts (e.g. other industries, other countries, etc.).

## ACKNOWLEDGEMENTS

I wish to dedicate this PhD thesis to all those people who supported me.

To my family, for encouraging me to pursue my dreams even though this meant living in a country very far from my homeland. Especially, I wish to dedicate this thesis to my mother who has been the illumination of my life and to whom I owe all who I am.

To the University of New England and Universidad de Talca, for the opportunity to pursue a Doctoral program.

To my principal supervisor, Dr Jenny Rindfleish, and co-supervisors, Dr David Pearson, Dr Roger Epworth and Professor Ray Cooksey. Their guidance, support and feedback was the key to the successful design and implementation of my PhD thesis.

To former teachers and lecturers who have given me the support and motivation to continue pursuing further studies.

To all those special friends who have given me their unconditional friendship and have made my life a beautiful journey.

To God, for letting me be.

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