

THEORETICAL FRAMEWORK OF CUSTOMER LOYALTY TOWARDS MOBILE PHONE SERVICES

K. Lenin John

Research Scholar, BS MED, Bharathiar, University, Coimbatore

Abstract

Over the last few years, the number of mobile phones has increased at an exponential rate globally. This increase is more pronounced in the developed countries. The reasons for this are numerous, low acquisition price and availability of the equipment contributes in no small measure to its widespread usage. Furthermore, the number of mobile phones in the world has already passed the number of fixed land lines and the revenue from mobiles phones will soon exceed that of fixed land lines. In the era of improved mobile communication technology, vast amount of changes are generated in facilitating communication and the transfer of information from business to business, business to customers, employers to employees among others. Consequently, the utilization of mobile phones in communication and information transfer leads to providing more and more added value services (Steenderen, 2002). Despite the various information services provided through mobile phone services nowadays, detail assessments need to be made in order to understand the needs and requirements of the mobile phone users. Service quality and customer satisfaction are inarguably the two core concepts that are at the crux of the marketing theory and practice (Spreng & Mackoy, 1996). In today's world of intense competition, it is generally believed that the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers. The prominence of these two concepts is further manifested by the root of theoretical and empirical studies on the topic that have emanated over the past few years. Therefore, there is no doubt about the importance of service quality and customer satisfaction as the ultimate goals of service providers. To this end therefore, the study seeks to understand the nature of mobile phone use among respondents at a higher learning institution and investigate their perceptions on the mobile phone applications in the context of services quality

Keywords: *mobile phones, service providers, cellular market, telecommunication, customer satisfaction, customer loyalty*

The growth rate of mobile telecommunication service market is remarkable in India for the past few years. India's telecommunication industry particularly for cellular market is growing at above average growth rate as compared to its competitors. There is a tremendous growth for mobile service users with a consistent increase of customers for past few years; moreover, approximate half of the population is using the mobile service in India. Mobile telecommunication service market is becoming more competitive with the increase in the number of mobile phone service customers as well as the number of mobile phone service providers are expected to increase. The exponential growth of mobile telecommunication service market in context of cellular service users has heightened the need for investigation of customer satisfaction, trust, and switching cost to model customer loyalty. Additionally, the competitive mobile telecommunication service market is heading for maturity stage; where a cellular phone service firm not only has to satisfy its customers

better with a competitive advantage as well as it has to retain its customers. So far, however, there has been little discussion about the determination of fact that customer satisfaction and customer trust are predictors of customer loyalty in mobile telecommunication service market of India. This paper seeks to address customer trust as mediator in determining the relationship between customer satisfaction and customer loyalty.

Furthermore, this study gives an account of the moderating role of switching cost on relationship of customer satisfaction with customer loyalty in mobile telecommunication service market of India. Lastly, this study is to present implication of the framework for the industry so that the mobile phone service providing firms can be benefited through understanding the predictors of customer loyalty. In the past two decades a number of researchers have examined the determinants of customer satisfaction for multiple industries . A considerable amount of literature has been published on customer satisfaction . Studies of customer satisfaction show the importance of customer satisfaction for future earnings of the firms. Literature has emerged that offers findings about to attract a new customer is more costly as compared to retain the current customer as well as the customer can be retained through satisfaction. Some studies utilized econometric models to prove that customer satisfaction is also perceived to be associated with profit and productivity levels. Satisfied customers return to buy more, and help the firm to create a positive image of the firm through informing other customers. The significance of customer satisfaction results in development of national consumer satisfaction indexes (CSIs) as Swedish customer satisfaction barometer is operating since 1989, American customer satisfaction index since 1994 , Norwegian customer satisfaction barometer since 1996 , and customer satisfaction index model for Turkish mobile phone sector. Several investigators are still working to develop these indexes for multiple industries of various countries. However, far too little attention has been paid to the mediating role of customer trust in determining the relationship between customer satisfaction and customer loyalty in mobile telecommunication service market of a developing country. Therefore, this study endeavors to compensate this empirical research gap through investigating the mediating role of customer trust in context of telecom industry. In addition, no research has been found that surveyed moderating role of switching cost on the relationship of customer satisfaction with customer loyalty in mobile telecommunication service market of India; therefore, this study examines the moderating role of switching cost in determining customer loyalty in the context of mobile phone service customers in a developing country like India.

Service Quality

Service quality has been a spotlight to be focused on by researchers and practitioners for the past several decades. It has a strong effect on business performance, customer satisfaction, customer loyalty and profitability. Services have unique characteristics; intangibility, heterogeneity, Perishability and simultaneously production

and consumption (Zeithaml et al., 2009). Normally, it can be seen how well the level of the delivered services matches customer's expectations by using service quality as a measurement (Santos, 2003). For example, Gronroos (1984) pinpointed perceived service quality as "the outcome of an evaluation process, where the consumer compares his expectations with the service he perceives he has received". Moreover, Parasuraman et al. (1988) described service quality as "the overall evaluation of a specific service firm that results from comparing that firm's performance with the customers' general expectations of how firms in that industry should perform". To survive and increase market share in fiercely competitive market, service offerings which match with customer preferences are in need (Verma et al., 1999).

Kekre and Srinivasan (1990) saw that variety of service offerings positively impacts the company's share and ROI while Bayus and Putsis (1999) and Gilbert and Matutes (1993) discovered that high-variety strategy not only develop the company's reputation but it can also be an effective approach to expand sales as it can prevent losing a company's customers to competitors. Consumers will have a hard time trying to visualize services because they cannot be seen nor touched (Bateson, 1995). One of the service communication strategies that were suggested by Berry and Clark to overcome service intangibility is documentation strategy (Stafford, 1996). Berry and Clark (1986 cited in Stafford, 1996) clarified that facts or figures can be used to present the value of the service. This strategy purposes to assist consumers' evaluation through providing specific and concrete information or verbal tangible cue (Stafford, 1996). Stafford (1996) stated further that the tangibility of service can be increased by using documentation strategy; as a result, it increases advertising effectiveness by raising purchase intention. E-company that has high market share finds variety of offerings important which implies that it has a diverse customer base i.e. more heterogeneous customer base (Stavins, 1995). Different offerings were described and considered as differences may be price sensitivity, different product requirements, different supports needed or even different occasions (Porter, 1996).

Providing a high level of service quality is critical in today's competitive business environment as it may be used as a differentiation variable, hence a source of competitive advantage (Boshoff & DuPlessis, 2009). Deng, Lu, Wei and Zhang (2010) describe service quality as the degree to which the service provider persistently and excellently provides the overall service. According to Sivados and Prewitt (2000), service quality is the standard of service delivery. Lee (2010) regards service quality as a form of consumer attitude that is formed after comparing the expectations with the actual performance provided by the service provider. Wong and Sohal (2003) identified two categories of quality service - technical and functional. The technical quality of the service refers to what is done to provide the service whereas the functional quality relates to how the service is provided. In the context of mobile phones, the main indicators of service quality are those of navigation and visual designs, management and customer services, system reliability and ease of connection (Kuo, Wu and Deng, 2009). To examine the service quality of Korean mobile

telecommunications, Kim, Park and Jeong (2004) used dimensions, such as reasonability of prices, quality of mobile devices, variety and design of device types, convenience, ease of subscribing, staff friendliness, and speed of complaint processing and ease of reporting complaints. The five dimensions; namely, assurance, empathy, reliability, responsiveness and tangibles, are considered to be crucial in evaluating service provision (Boshoff & Du Plessis, 2009).

Service Expected From Mobile Service Provider Network

The clarity of voice and the area coverage are the items to be considered according to Kim et al. (2004) and Lim et al. (2006). Signal strength and sharpness, network stability, availability of the network in remote areas, and ease and quickness of reaching other destinations (e.g. incoming and outgoing calls) are considered in the term of network.

Value-Added Services

As value-added services can be seen as intangible objects such as SMS and MMS, WAP, GPRS, music, news, games, ring tones etc. Kim et al. (2004) used the variety of the services, ease of use and how updated and advanced they are to measure how good the services are. In addition to those mentioned services, these days there are 3G, wifi, edge etc. available for consumers.

Mobile Device

It is category can be measured by the quality, the variety and the design of the offered mobile devices, which were adopted from Kim et al. (2004). Availability of newly-launched mobile devices, availability and variety of each mobile device model are included in the aspect of mobile devices.

Customer Service

The success of problem resolution, the courtesy of customer service representatives, the help provided by call-centers and the provision of consistent advice are to be evaluated to judge this factor. All of these were utilized by Lim et al. (2006).

Pricing Structure

Kim et al. (2004) took the reasonability of prices, the variety of pricing schemes and the degree of freedom to choose pricing scheme to consider and measure this factor. Speaking of price, customers can compare this issue among other mobile service providers. This factor can also be measured by customer perception in pricing structure of a mobile service provider compared with others.

Billing System

It is dimension consists of the provision of accurate billing, the ease of understanding and resolving billing issues and the billing problem resolution speed, as advised by Lim et al. (2006). Nowadays, there are online service, counter service assistance, pay-via-ATM service etc. as choices for consumers in paying the service and telephone fees.

Place

Place is where a company tries to make its products/services available and accessible for consumers (Kotler and Keller, 2005). Freire (2009) added that places are given their own meanings by consumers. Easy and convenient access to the branch, decoration and atmosphere, there can be measured concerning quality dimension

Customer Satisfaction

Customer satisfaction is a multidimensional nature and viewed overall satisfaction as a function of satisfaction with multiple experiences with the service provider. Munnukka (2005)[39] discovered that price sensitivity is one of the key factors affecting companies pricing choices. Yet in mobile services sector business, practitioners are facing problems in pricing decisions as they are short of knowledge on their customers' price sensitivity levels and dynamics. Mobile service customers differ significantly in their price sensitivity levels; customers with moderate usage of mobile services are least price sensitive, while intensive and low-end users are most sensitive to price changes. Important was also the notion that customer' price perceptions and innovativeness levels were accurate indicators of their price sensitivity. Customer satisfaction and customer service has been critical factors of the cellular industry (Assaari & Karia, 2000) [40]. Cellular service providers need to ensure about the technology that provides customer service best in the industry. It is stated that investment in people and in technology helps in providing best customer service for today and for the future. One common ground that most carriers and customers agree on is that good customer service can have a key impact on how a customer views firm's services and company. Goodman et al (1995) [41] examined the relationships among levels of involvement between customers and suppliers, customers evaluations of core and peripheral factors in their transactions and customers and overall those less involved. Peripheral aspects, such as supplier responsiveness to customer inquiries, appeared to influence how customers evaluated a core product as well as their overall satisfaction. Pakola et al (2003)[42] surveyed and results indicated that price and properties were the major influential factors affecting the purchase of a new mobile phone, where as audibility, price and friends were regarded as the most important in choice of the mobile phone operators.

Customers have certain amount of self-knowledge i.e. telephone features, connection fee, access cost, mobile-to-mobile phone rates, call rates and free calls which are related to mobile phone purchasing respondents had to important rate while choosing a mobile phone service. Many researchers found that customers with prior experience about a product could be able predict their choices relatively well but tend to overestimate the importance of a monthly access fee, mobileto-mobile g rates and connection fees.

Customer satisfaction has been proposed as a construct extensively studies in the literature of customer behaviour (Fornell, 1992; Johnson and Fornell, 1991; McDougall and Levesque, 2000). It has been perceived as total evaluation of a product or service over a period as a result of purchase and consumption experience (Anderson et al., 1994; Oliver,

1999). Oliver (1997) called customer satisfaction a consumer's response to fulfilment which is a judgment on a product or service or any of its feature's ability to provide an enjoyable level of fulfilment resulting from consumption. Kotler and Keller (2006) suggested that customer satisfaction stands for emotional states of pleasure or disappointment which a person may feel due to comparison between his perception and expectations of a product's performance. Tarus and Rabach (2013) postulated that a dis-satisfied customer is one whose expectations exceeded the actual outcome of service interaction whereas a satisfied or delighted customer is a case of interaction matching or surpassing expectations. Johnson et al. (2001) reviewed the literature on customer satisfaction and posited two rudimentary conceptualizations of satisfaction i.e., transaction specific and cumulative satisfaction. Fornell (1992) referred to cumulative satisfaction as a customer's consumption experience over a period of time with regard to a particular product or service. Olsen and Johnson's (2003) definition of satisfaction fall under transaction specific approach where they considered satisfaction as customers' evaluation of experience of themselves and their reactions to a service transaction, and episode or encounter.

Given the intense competitive business world and the increase in consumer awareness, customer satisfaction has become a crucial issue among scholars and practitioners. Therefore, in order to remain competitive and sustainable, marketers need to make sure that they satisfy their customers. It has been proven that customer satisfaction positively influences repurchase intention (Huddleston, Whipple, Mattick & Lee, 2009), it is an important predictor of customer loyalty (Cheng, Chiu, Hu & Chang, 2011), and it also positively impacts on customer trust (Dabholkar & Sheng, 2012). Scholars such as Cheng et al. (2011) argue that satisfying a customer is even more important than profit-making. The authors reasoned that satisfying a customer precedes profit-making; hence, as long as customers are satisfied, the business will make a profit. Customer satisfaction has therefore become an important measure of the behaviour of consumers (Cheng et al., 2011) and a key indicator of business performance (Sandada 2013). Chang (2006) views customer satisfaction as a post consumption evaluation of a product or a service and defines it as the ability of an organisation to provide a service performance that exceeds the customer expectations. Deng, Lu, Wei and Zhang (2010) state that customer experiences cumulative satisfaction after having a good experience of using the product or service. The authors also group satisfaction into two types: 1) the transaction specific satisfaction and 2) the general satisfaction. While the former refers to satisfaction after a given service encounter, the latter describes the consumers' overall rating of the service or product based on previous experiences (Deng et al., 2010). For Hwang and Zhao (2010), customer satisfaction occurs when there is confirmation and positive disconfirmation of customer expectations. It implies that customers are satisfied when their expectations are met and when their expectations are not met but they still feel good about the performance. Choi and Sheel's (2012) definition include the output and process aspects of customer satisfaction. The output definition views customer satisfaction as a cognitive or mental state in which

consumers feel that they have been adequately or inadequately compensated. Regarding the process, customer satisfaction occurs when customer experience matches or exceeds the expectations.

Customer Loyalty

Customer loyalty is a multidimensional concept which consists of behavioural and attitudinal rudiments (Oliver, 1999; Zeithaml, 2000; Rauyruen and Miller, 2007). Researchers studied the patterns of buying and took proportion of total purchases into consideration (Cunningham, 1956; Blattberg and Sen, 1974) while others gave importance to sequence of purchasing (McConell, 1968; Kahn et al., 1986). Bandopadhyay and Martell (2007) explored the behavioural perspective and underlined the main assumption of repeat buying has the capacity of incarcerating a consumer's loyalty towards the brand that holds interest. Baldinger and Rubinson (1996) suggested that in order to understand brand loyalty more clearly, the behavioural definition of loyalty needs to be stretched to include attitudes. The attitudinal perspective of customer loyalty has been explained as a willingness to retain a relationship with a service provider (Kim et al., 2004; Oliver, 1999). Tarus and Rabach (2013) pointed that literature has bestowed substantial space to customer loyalty research. Yang and Peterson (2004) found the task of defining customer loyalty particularly difficult. The most well accepted and widely quoted definition of customer loyalty has been given by Oliver (1999) who posited that "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brandset purchasing, despite situational influences and marketing efforts have the potential to cause switching behaviour". More recently, Rai and Srivastava (2013) defined customer loyalty as "a psychological character formed by sustained satisfaction of the customer coupled with emotional attachment formed with the service provider that leads to a state of willingly and consistently being in the relationship with preference, patronage and premium". Firms give highest priority to customer loyalty as repeat buying of their products and services is critical in achieving success and profitability in the business (Hallowell, 1996; Oliver, 1997; Silvestro and Cross, 2000). Onyeaso and Johnson (2006) defined customer loyalty as an incorporeal strategic strength that will augment performance of an organization whereas Cooil et al. (2007) considered it as a tactical objective for managers.

Loyalty of customers is considered to be a function of satisfaction and that loyal customers contribute to company profitability by spending more on company products and services, via repeat purchasing, and by recommending the organization to other consumers (Bowen & Chen, 2001; Fecikova, 2004). To further understand the behavior of loyal customers, recent research has attempted to integrate the concept of customer commitment (Fullerton, 2005; Zins, 2001). For the most part, these recent studies have been built upon customer commitment as a key mediator of the relationship between the customer's evaluations of a firm's performance and the customer's intentions regarding the future relationship with the firm (Fullerton, 2005).

Customer loyalty expresses an intended behavior related to the service or the company. This includes the likelihood of future renewal of service contracts, how likely it is that the customer changes patronage, how likely the customer is to provide positive word-of-mouth, or the likelihood of customers providing voice. If real alternatives exist or switching barriers are low, management discovers the organization's inability to satisfy its customers via two feedback mechanisms: exit and voice (Hirschman, 1970). Exit implies that the customers stop buying the company's services while voice is customer complaints expressing the consumers' dissatisfaction directly to the company. Customers' exit or change of patronage will have an impact on the long-term revenue of the company. Effects caused from changes in the retention rate are exponential (not linear) with regard to effects on the long-term revenue. Even a marginal reduction/increase in retention rate has significant effects on future revenue (Andreassen, 1995; Reichel & Sasser, 1990). Three conceptual perspectives have been suggested to define customer loyalty: the behavioral perspective, the attitudinal perspective and the composite perspective (Bowen & Chen, 2001; Zins, 2001). The behavioral perspective, "purchase loyalty", strictly looks at repeat purchase behavior and is based on the customer's purchase history. The emphasis is on past -rather than on- future actions. Moreover, no other loyal behavioral actions such as price tolerance, word of mouth, or complaint behavior can be interpreted (Zins, 2001). Concentrating on the behavioral aspect of loyalty could overestimate true loyalty (Zins, 2001). The attitudinal perspective, in contrast, allows gain in supplemental understanding of loyal behavior (Zins, 2001). The customer loyalty is approached as an attitudinal construct. An Attitude denotes the degree to which a consumer's disposition towards a service is favorably inclined. This inclination is reflected by activities such as the customers recommending service providers to other consumers or their commitment to repatronize a preferred service provider (Gremler & Brown, 1996). Based on a favorable attitude towards a service provider, customers may develop "preference loyalty" (De Ruyter, Wetzels & Bloemer, 1998). Lastly, the composite perspective combines attitudinal and behavioral definitions of loyalty. The composite perspective might be considered as an alternative to affective loyalty since using both attitude and behavior in a loyalty definition arguably increases the predictive power of loyalty (Pritchard & Howard, 1997).

Service Quality: The Key Influence in Customer Satisfaction

Ching-chow Yang (2003) stated that customer satisfaction measurement highlights the strength and the area of improvement in the quality of product. Continuous improvement is considered one of the important quality activities for a firm to pursue the best quality for its products. Through the continuous improvement actions, the enterprise can increase customer satisfaction and raise profits. Woodside et al (1989) found from the research study that customer judgment of service quality is positively associated with overall satisfaction with the service encounter. The overall satisfaction varies with the service quality and customer satisfaction. Overall customer satisfaction with the service encounter-is associated with behavioural intention to return to the same service provider.

Now, quality is an important factor in determining the customer satisfaction. Service quality and customer satisfaction are important concept as a means of creating competitive advantages and customer loyalty. According to Berry et al (1997), service quality has become a significant differentiator and the most powerful competitive weapon, which all the service organizations want to possess Jain & Hundal (2006)[69] revealed in their study that the choice of service provider was affected by facilitating factor followed by coverage, quality of services, and easy availability of connection and bill payment. It was stated that neighbours choice had affected the respondent's choice to a great extent. Zeithaml, Berry and Parasuraman (1996) study shows that companies offering superior service achieve higher than normal market Share growth. Zeithmal et al (1996) developed a conceptual framework of the behavioural and financial consequences of service quality. Superior (inferior) service quality is related to favourable (unfavourable) behaviour intentions. McCune (1989) suggested that due to increased public desire for improved services with the dramatic growth in the service industry, companies has led to assess quality of service for an increased customer satisfaction. Service quality and customer satisfaction are widely recognized as key influences in the formation of customers purchase intentions in service environment. From the study of Taylor and Baker (1994) [73], it appears that customer decision-making which includes the interaction of satisfaction and service quality provided a better understanding of customer purchase intentions. Rust et al (1999)[74] have developed the concept of the Return on Service Quality model that looks at investments in service as a chain of effects with the following characteristics:

- Improvement in service will produce an increased level of customer satisfaction at the process of an attribute level.
- Increased customer satisfaction at the process or attribute level will lead to increased overall customer satisfaction.
- Higher overall service quality or customer satisfaction will lead to increased behavioural intention, such as greater repurchase intention and intention to increase usage.
- Increased behavioural intention will lead to behavioural impact, including repurchase or customer retention, positive word of mouth and increased usage. Service is characterized and distinguished by intangibility, inseparability of production and consumption, heterogeneity and Perishability (Parasuraman et al, 1985). Harvey (1995) identified quality is behavior an attitude- that says, "you will never settle for anything less that the best in service for your stakeholders, whether they are customers, the community, your stockholders or colleagues with whom you work every day." Zeithaml and Berry (1996) has made attempts to understand the characteristics of services and what providers should possess in order to project a high quality service articulated by their customers. They made a conclusion that customers' provided service quality is a different concept from their satisfaction level and service quality can be known by measuring the gaps between customers' expectations and their performance. Cronin and Taylor (1992),

however, argue that the conceptualization of service quality as a gap between expectations and performance is inadequate. According to them, the concept of satisfaction defined as a gap between expectations and performance of disconfirmation of expectations. Gronroos (1984) created a service quality model to illustrate how customers perceive the quality of a given service. It divides customer's perception of any particular service into two dimensions:

- Technical quality- what the customer receives.
- Functional quality- how the customer receives the technical outcome.

Customer Satisfaction and Customer Loyalty

Several authors have found a positive correlation between customer satisfaction and loyalty (Anderson & Sullivan, 1993; Bearden & Teel, 1980; Bolton & Drew, 1991; Fornell, 1992). Customers may be loyal because of high switching barriers or lack of real alternatives. Customers may also be loyal due to their satisfaction and thus want to continue the relationship. History has proven that most barriers to exit are limited with regard to durability; companies tend to consider customer satisfaction the only viable strategy in order to keep existing customers. Based on Coyne (1989), there are two critical thresholds affecting the link between satisfaction and loyalty. On the high side, when satisfaction reaches a certain level, loyalty increases dramatically; at the same time, when satisfaction declined to a certain point, loyalty dropped equally dramatically (Oliva, Oliver & MacMillan, 1992). Managers of the company should realize that having satisfied customers is not good enough they must have extremely satisfied customers. Moreover, a small increase in customer satisfaction can result in boosted customer loyalty dramatically.

Fornell (1992) pointed that literature of marketing has been consistent in recognizing customer satisfaction as a vital forebear to loyalty. In the context of service industry also, customer satisfaction has repeatedly and consistently been identified as a significant factor in determination of customer loyalty (Boshoff and Gray, 2004; Lam et al., 2004; Mittal and Lassar, 1998). Studies also pointed that customer satisfaction is the most researched antecedent of customer loyalty (Eshghi et al., 2007; Seiders et al., 2005; Cooil et al., 2007); García and Caro, 2009). Studies found a positive relationship between customer satisfaction and customer loyalty (Anderson and Mittal, 2000; Streukens and Ruyter, 2004) and revealed that customer satisfaction also impacts the main pointers of customer loyalty (Kandampully and Suhartanto, 2003; Lin and Wang, 2006; Mittal and Kamakura, 2001). Lam et al. (2004) opined that satisfaction can affect a customer's attitude to a degree where he/she not only feels motivated to re-buy but also offer recommendations to the service provider. Kandampully and Suhartanto (2000) carried out their study in hotel industry and established significant positive impact of customer satisfaction on customer loyalty. Zins (2001) also supported these findings and confirmed customer satisfaction as a significant antecedent of customer loyalty in commercial airline industry. Yang and Peterson (2004) surveyed online customers and concluded that improving customer satisfaction can actually lead to customer loyalty. Studies in the

context of B2B services, who investigated big organizations offering B2B services in USA and Canada, advocated for the strong positive relationship between customer satisfaction and customer loyalty (Lam et al., 2004; Murali et al., 2007). Alegre and Cladera (2009) found strong empirical evidence supporting customer satisfaction as an antecedent of customer loyalty.

Moderators of Customer Satisfaction - Customer Loyalty Relationship

Tuu et al. (2011) reviewed many studies (Bloemer and de Ruyter, 1998; Mittal and Kamakura, 2001; Szymanski and Henard, 2001) and asserted that the relationship between customer satisfaction and customer loyalty can be categorized as a moderate one with former accounting for only 35.9 percent of variance in latter. It has been argued that inclusion of other variables in addition to customer satisfaction is called for in order to uncover the hurdles and reasons of explaining variance in customer loyalty (Seiders et al., 2005; Cooil et al., 2007; Olsen, 2007). Various studies investigated the possible moderating effects on the relationship between customer satisfaction and customer loyalty (Chiou et al., 2002; Evanschitzky and Wunderlich, 2006; Chandrashekar et al., 2007; Cooil et al., 2007; Tuu and Olsen, 2009). On the basis of these studies, Tuu et al. (2011) examined the collective moderating effects of perceived risk, objective knowledge and certainty on the aforementioned relationship and found that taking these factors along with customer satisfaction into consideration explained around 50 percent of the variance in customer loyalty. Following is an account of some moderating variables which have been tested in varied contexts and were found to be exercising significant moderating influences over the customer satisfaction - customer loyalty relationship

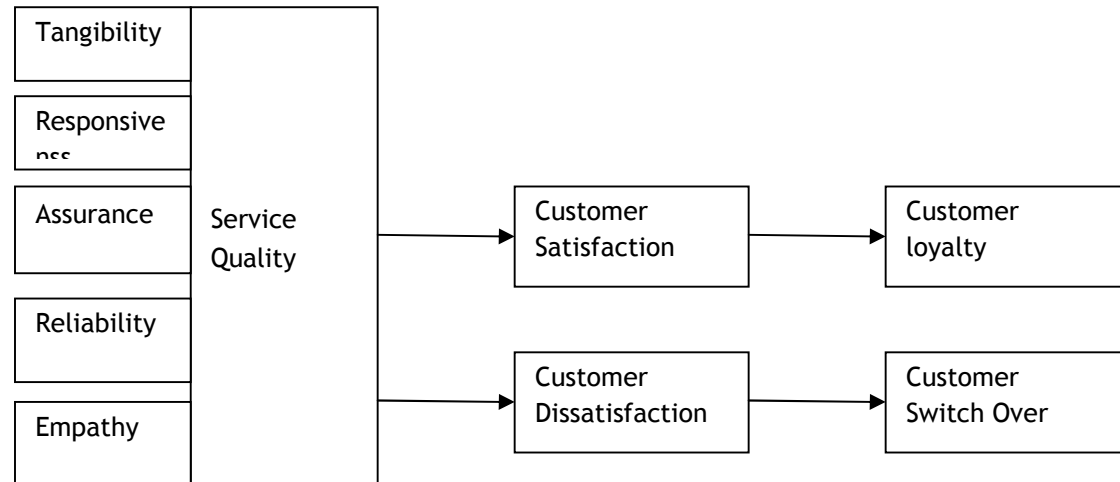
Switching from one Service Provider to Another

Switching cost is referred as costs that customer relates with the process of switching from one supplier to another. Switching cost according to a definition is the cost involved in switching from one service provider to another service provider. Switching cost is the cost which is born by the customer when switching, it includes time, money, and psychological cost. Jackson and Bund defined switching cost as “the combination of financial, psychological and physical costs”. Switching cost is not only the financial cost but it also comprises the mental effort of the customer when the customer switches from one brand to another. Economical or financial switching cost can be thought of as a “sunk cost”, which happens when customer switches the brand. Psychological cost is thought to be the cost which is linked with the insecurity and risk associated with switching to an unknown brand. Switching cost is one of the factors that directly influence customer’s sensitivity to price level; therefore, it bestows some advantages to the firms, with a direct consequence on customer loyalty. Klemperer (1987) proposed three various types of switching costs: learning costs which is the effort needed by the customer to reach the same level of satisfaction with the new product as compared to previous one, contractual costs are created by planned actions of firms when a firm develops attractive schemes, such as loyalty benefits or withdrawal penalties, to encourage retention of existing

subscribers, transaction costs occur when changing providers i.e. starting a new relationship with a provider and to terminate a relationship. Fornell (1992) posited that the effect of customer satisfaction on customer loyalty differs in different industries and industry specific switching costs can be one of the factors that affect this association. Jones and Sasser (1995) pointed that switching costs may result in inducing fake loyalty instead of commitment based loyalty as customers are more likely to keep relationship with their service provider due to sizeable amount of costs involved in switching. Empirical evidences have been found in support of the moderating role of switching costs in customer satisfaction - customer loyalty relationship (Jones et al., 2000; Lee et al., 2001; Yang and Peterson, 2004; Lam et al., 2004; Aydin et al., 2005). Jones et al. (2000) argued that in case of lower perceived switching costs, an unsatisfied customer is less likely to stay with his service provider than a satisfied customer whereas the possibility of staying with the current service provider increases even in the event of dissatisfaction when switching costs are perceived to be higher.

Lee et al. (2001) studied the effect of switching costs on customer satisfaction - customer loyalty relationship and found that the relationship weakens when switching costs heightens as customers are likely to ignore their level of satisfaction while deciding to continue with their service provider when they estimate the amount of time and efforts in searching for a new service provider to be higher. Lee (2013) noted that the interaction of customer satisfaction and perceived switching cost has a positive and significant effect on customer loyalty which implies that an increase in perceived switching costs leads to stronger relationship between customer satisfaction and customer loyalty. Studies empirically investigating the moderating effects of switching costs on the customer satisfaction - customer loyalty relationship, revealed motley findings (Lee et al., 2001; Yang and Peterson, 2004; Aydin and Ozer, 2005). Nielson (1996) reasoned that the contradictory findings in respect of moderating role of switching costs may be attributed to the contingent influences of various situational elements such as nature of products, forms of businesses, types of consumers, etc. He et al. (2009) pointed that most of the studies conceptualized loyalty as a one-dimensional construct collectively measuring repurchase intention and recommendation leading to possible equivocal fallouts. They employed canonical correlations to examine the moderating role of switching costs between the three antecedents and consumer loyalty via four loyalty dimensions, i.e. repurchase intentions, appreciating behavior, complaining behavior, and price-increase tolerance and found significant evidence for the moderating effects on repurchase preference and partial support on account of other three dimensions.

Conceptual Framework



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