The linkage between customer satisfaction and switching intention marketing essay...

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Chapter 1 had discussed about research backgroud and stated a clear problem statement following by research objective. For Chapter 2, we will analyze and interpret the information that we had collected from secondary data which are related to our topic. This chapter consists of five parts, which are review of literiture, review of relevant theoretical models, proposed theoretical framework, hypotheses development and conclusion as well.

Ping (1994) defined that switching intention is the propensity to terminate the primary supplier (buyer-seller) relationship.

Besides, Han, Kim and Hyun (2010) also stated that switching intention from the current study illustrate negative consequences for a service firm, referring to exchanging the current service provider to another with certain likelihood. However, switching intention was derived from the behavioral intention (Keaveney, 1995) while switching and switching intention indicate the unfavorable outcomes for the service provider (Bansal and Taylor, 1999; Han et al., 2009).

In the traditional area, Zhang (2007) defined that switching intention is consumers stop purchasing the brand being used instead to buy other brands. This is due to the pass shopping experiences are the base of switching intention and have the influences impact to the consumer satisfaction.

According to Keaveney (1995), switching intention is important to understand the behaviors of customers. This mental inclination indicates that customers are switching to another and terminate the purchasing from the present brand. The customer loyalty will become lower or the appetence will decrease with current provider if there is a high or strengthen switching intention (Zhou & Wang, 2010). Based on Jones, Michael, David and Sharon (2000) stated, switching intention typically is arise from the dissatisfaction with the current provider's performance of products or services.

Moreover, Fu, Feng and Yu (2004) described that failure in providing core service, service encounter and competitors attractiveness are the main reasons which makes customer switch to other service providers. From the Weiss and Anderson (1992) aspect, switching barriers is the consumers consideration when they want to switch the service providers. Therefore, consumer actual switching intention tend to be reduce due to the exist of barriers.

2. 1. 2 Customer Satisfaction

Cardozo (1965) is the first scholar who came out with the concept of customer satisfaction. He indicated that customer satisfaction will link to increasing of repurchase behavior. Customer satisfaction is can be considered as the important determinant of customer loyalty, customer repurchase behavior, and word-of-mouth (Bearden, 1983), which can avoid the customers' betrayal behavior (switching to the competitors) as to improve the firm's profitability (Reichheld, 1993).

Customer satisfaction is a vital marketing concept to satisfy customers' needs and wants and it is important to a firm's success (Han and Ryu, 2006; Spreng et al., 1996). When explaining about the overall customer satisfaction, researchers usually focus on the customers' overall judgment as affected by service features or attributes, sales personnel performances, or other situational factors (Back and Parks, 2003; Han and Ryu, 2006).

According to Oliver (1980), customer satisfaction exists when individuals experienced a service and compare the encounter one with their expectations. If the performance meets or exceeds the expectations, customers are generally satisfied. However, if the performance does not meet expectations, they are usually displeased or disappointed with that service.

Undoubtedly, customer satisfaction is the prior antecedent of the customer loyalty. Numerous of previous research proved that customer satisfaction is the most important factor that improve the customer loyalty level (Oliver, 1981; 1999¼›Fornell et al. 1996). However, there is an argument about the actual definition of customer satisfaction in service area.

Cronin and Taylor (1992) defined customer satisfaction as a judgment made on the moment a specific service is encountered. However, satisfaction is considered as an emotional reaction which influences attitude and required consumption experience by Oliver (1981). From this perspective, Cronin and Taylor (1994) later conceded that the domain of customer satisfaction should be restricted to transaction-specific judgments and service quality to long-term attitudes.

Therefore, the cumulative effect of satisfactions should lead to the evaluation of service quality over time (Parasuraman et al., 1994). In the context of mobile telecommunication, the users judge the service quality based on the overall previous service. So, in this paper, we consider the satisfaction as a global evaluation of service quality over time.

2. 1. 3 Switching cost

Portal (1980) was the first person who proposed that switching costs are " one time cost" bear by consumer when they switch from a services provider to another. Switching cost include money, time and psychological cost while switching to a new provider (Dick & Basu, 1994). Customer faces additional cost whenever they decide to shift from the current purchased product with another substitute's product (Chang, 1998).

According to Shapiro and Varian (1999), the total switching costs are the summation of the cost bear by the customer and the cost bear by the company; this implies that both customer and company are equivalent important in determining the cost of switching. Nevertheless, many prior studies have focused on the customer aspect and very few have focused on the switching cost from the company aspect (Farrell & Shapiro, 1998).

Upon switching, the costs are not only evaluated from the economic aspect, nevertheless it also includes the physical and emotional cost. Before taking any switching action, most customers will think twice even though they are not fully satisfy with the current service provider due to they might lose in money, energy, time and relationship. Therefore, switching cost can be defines as a barriers to avoid customers' renunciation on the current services they are using (Anderson, 1998).

Snijder and Heijden (n. d.) also support that, switching cost exist as an obstacle for consumer who wish to change their current providers. It has become a major tool for managers to avoid consumers from switching and build consumer loyalty.

Switching cost aspect that have the same name do not necessarily bring out the similar meaning, however switching cost aspect with the different names might refer to the same content (Anne Hu & Hwang, 2006). The similarity and differences of switching costs aspect are mainly caused by the typology of the product studied or research.

As according to Burnham et al, (2003) there are eight switching cost facets. These facets can be classified into three main aspects which include procedural cost, financial cost and relational cost.

Procedural switching costs primarily linked to effort and time consumer spent. The distinct switching costs facets involve are the economic risk cost, evaluation cost, set up cost and learning cost. On the other hand, financial switching costs are linked with monetary benefits and it consists of benefits loss costs and financial loss costs. Relational switching costs are linked with emotional and psychological factors. The switching costs facets involve are personal relationship loss costs and brand relationship loss costs.

2. 1. 4 Attractiveness of alternatives

Alternative attractiveness is the conceptualization of clients that estimate on the available of likely satisfaction in an alternative relationship (Ping, 1993).

According to Shi, Zhou and Liu (2010), the number of alternatives, brands, quality of product or services are in the consideration of alternatives attractiveness. In addition, Chuang (2011) said that if subscriber compare between the original provider and competing companies, then will arise the attractiveness of alternative.

There is a better situation to defend clients if the markets are lacking of attractive alternatives (Ping, 1993). This was supported by Cheng and Liu (2007) which stated that limit the customers switching behaviour can be due to the lack of attractive alternatives. Clients may decide to cut off the current relationship and go for another provider if the perceives attractiveness of current provider is less than the other service providers (Sharma & Patterson, 2000).

According to Boonlertvanich (2009), an alternative attractiveness is depends on the volume of perceived benefits that will gain by switching to the competing alternatives. Customers may gain benefits by changing providers if comparing on the quantity and quality between the competing alternatives and the current uses (Oliver, 1997). The more benefits can gain from the alternatives, the more likely the customers will switch their services to alternative offerings (Kalyanaram & Little, 1994).

According to Marnix, Abraham and Peter (2010), in the marketing literature, the alternatives attractiveness has been inquired into a variety of names. No matter what it is, the appearance of competitors and the perception among customers occupy an important issue in customer retention. For instance, Bolton, Kannan, and Bramlett (2000) stated that when customers perceived that competitors have a better performance than the current producer, then the customer loyalty will in a negative sense. Undoubtedly, when the current producer performs better than the competitor, then this will not affect the customer loyalty. Generally, customers may switch to a better producer not because of dissatisfied with the current producer but is because of the better perception toward the competitor (Keaveney, 1995).

In addition, alternative attractiveness is the extent to which a viable alternative is available (Cheng and Liu, 2007). Jackson (1985) stated that the relation between buyer and supplier are become less commitment due to the influence of the alternative attractiveness. Besides, Sharma and Patterson (2000) also showed that alternative attractiveness cut down the relationship commitment in personal financial service industry.

In mobile communication service, higher quality mobile communication service, a more available setting, more comprehensive service, or lower service price was consider are the attractiveness of alternatives (Zhou & Wang, 2010). A high degree of customers' retention indicates that the competing service products are less attractive to the customers. Furthermore, customer will prefer more on the current provider even the services are under customer expectation. This is because of the lack of attractive alternatives in the market (Ping, 1993).

2. 2 Review of Relevant Theoretical Models

Customer Complement

Customer Satisfaction

Switching Costs

Attractiveness of Alternatives

Switching Intention

Mobile Device

Call Quality

Source: Shi, W. H., Zhou, W. & Liu, J. Y. (2010). Analysis of the influencing factors of users' switching intention in the context of one-way mobile number portability. The Journals of China University of Posts and Telecommunications, 17, 112-117.

Shi, Zhou and Liu (2010) were presented the factors which influence users' switching intention in the context of one-way mobile number portability (MNP). This research model is developed based on users' actual behavior in Tianjin. Customer satisfaction, switching cost and attractiveness of alternatives was played an important role on users' switching intention. Besides, this paper also highlighted the influencing factor of customer satisfaction.

2. 3 Proposed Conceptual Framework

Customer Satisfaction

H1 (-)

Procedural Switching Cost

H2a (-)

H2b (-)

H2 (-)

Switching Intention

Switching Cost

Financial Switching Cost

H2c (-)

Relational Switching Cost

H3 (+)

Attractiveness of Alternative

Adopted from: Shi, W. H., Zhou, W. & Liu, J. Y. (2010). Analysis of the influencing factors of users' switching intention in the context of one-way mobile number portability. The Journals of China University of Posts and Telecommunications, 17, 112-117.

The conceptual framework that proposed as above is modified based on Shi, Zhou and Liu (2010). The independent variables that we focus on are customer satisfaction, switching costs and attractiveness of alternatives. However the dependent variable is telecommunication switching intention. In our study, we have examine the effect of the independent variable towards the dependent variable, meanwhile we have focus more in-depth on the switching costs towards the customer intention to switch.

The findings of this study imply that customer satisfaction and switching cost have negative relationship towards switching intention. On the other hand, the attractiveness of alternatives has positive relationship with switching intention. The relationship between the three independent variables and dependent variable are linked with hypotheses and will explain in the following section.

2. 4 Hypotheses Development

2. 4. 1 The linkage between customer satisfaction and switching intention

The causal relationship between customer satisfaction and switching intention has been well studied in the literature. Even though it is not empirically tested empirically, however, Oliver (1981) and Bearden and Teel (1983) did proposed a casual association between customer satisfaction and switching intention. Recently, a numbers of studies have proposed and empirically validated the relationship between customer satisfaction and behavioral intentions such as customer revisit and switching intentions (Bansal and Taylor, 1999; Cronin et al., 2000; Kotler et al., 2002). Cronin et al. (2000) empirically tested the significant linkage between customer satisfaction and switching intention. Besides that, Bansal and Taylor (1999) also found out that dissatisfaction often leads to a greater likelihood to switch. The relationship of satisfaction and intention provides us the basic marketing and service that customers' needs and desires must be satisfied to prevent switching (Kotler et al., 2002).

Switching intentions can result from customers' post-consumption evaluation of a particular service. Consumers normally evaluate services in two ways.

The first arises from evaluations of satisfaction directly with the product or service. For instance, greater satisfaction will lead to a positive attitude towards the particular provider, thus strengthening intentions of retaining and accepting the services.

The second way uses the comparative evaluations. For instance, when consumers think that their current choices of brands are inferior as compared to alternative brands, then they will experience negative or unpleasant attitudes. This will thus strengthening the switching intentions (Bolton, Kannan, & Bramlett, 2000; Kim et al., 2004; Tsiros & Mittal, 2000).

Mobile phone services are normal services in those subscribers' post-use satisfaction evaluations of service providers contribute a factor that directly influences whether they continue to accept the services. (Kim et al., 2004).

H1: Customer satisfaction is negatively associated with the switching intention.

2. 4. 2 The linkage between switching cost and switching intention

As stated by Shi, Zhou and Liu (2010) the switching intentions are affected by the switching costs in telecommunication industry due to the majority of the carriers often provide new and variety of services in order to improve the switching costs and prevents customers from switching.

If customers switch to other services provider they might need to bear costs like setup cost and continuity cost, therefore the user intentions to switch are alleviate by switching cost when they are mutual with the current service provider (Cheng, Yang, & Lim, 2009). Customers switching intention may drop when they take the switching cost into consideration, for instance the money, time and energy used on procedural matter (Chuang, 2011)

Procedural switching cost and switching intention

Consumer spent time and effort in choosing certain product or services (Terence, Richard & Ian, 1992). More effort and time are required in collecting and analyzing information when consumer decided to change their suppliers, meanwhile the evaluation cost increased (Shugan, 1980). Therefore, these additional searching costs will lead customer to remain the transaction relation with the current services provider rather than switching to a new suppliers (Zhou & Wang, 2010).

H2a: Higher procedural switching cost, lower switching intention customer has.

Financial switching cost and switching intention

Customer intention to switch or looking for any other replacement will decrease if they have completed the early investment with the current services provider (Zauberman, 2003), which means that customer are more loyal and stick with the current service provicer due to the financial accumulation.

H2b: Higher financial switching cost, lower switching intention customer has.

Relational switching cost and switching intention

The switching behavior in a particular customer will damage the relationship between the provider and the customers itself (Klemperer, 1995). Identity between customer and brand will disappear when disruption occur in the current relationship (McCracken, 1986). Consumer will face emotional loss when the brand identity corrupted, therefore higher relational switching cost bear, switching will result in more frustration, and thus intention to switch will decrease (Zhou & Wang, 2010).

H2c: Higher relational switching cost, lower switching intention customer has.

2. 4. 3 The linkage between attractiveness of alternatives and switching intention

According to Shi, Zhou and Liu (2010), Customers may think about the impact of other suppliers as the additional consideration when they want to change the services provider. Customers may switch to buy other products or services if there are more attractive alternatives exist in the marketplace. There will be result in a rise in perceived profits in conversion if the satisfaction of customers are decline toward the providers' core service. Therefore, there will be increase in switching intention as well. Moreover, Bansal and Taylor (2004) also showed that if the consumers are less likely to perceive as " locked in" with their present service providers, and the alternative providers are more attractive, then the switching likelihood will be increase.

According to Bansal and Taylor (2004), switching intention have been found to correlate with alternative attractiveness. Alternative attractiveness was consider is one of the predictor for service provider switching. This variable have either been modeled as direct antecedents to switching (or switching intentions) or are mediated by other variables.

Cheng, Yang and John (2009) stated that the attraction of external locations will influence customer's switching intentions. Kim, Shin and Lee (2006) showed that intention to switch of consumers is positively associated with the level of their perception toward the alternatives. This statement also supported by Zhang, Cheung, Lee and Chen (2008).

From the Jacoby (1974) point of view, the low attraction of alternatives, the more satisfactorily customers perceive the offers from their existing providers. In short, the benefits can get from the alternatives decreases; the switching intention by customers will also decrease (Boonlertvanich, 2009).

According to Sharma and Patterson (2000), the relationship between consumers with the present provider might get dissolved due to the appearance of competitors. For instance, if the customer experiences only below than their expected satisfaction, they might try to terminate the current purchase if a more attractive alternative is available. Thus, the switching intention of customers might increase due to the availability of attractive alternatives. Based on the previous discuss, we propose the hypothesis:

H3: Attractiveness of alternative is positively associated with customer's switching intention.

2. 5 Conclusion

This chapter discuss on previous research which had provided a concrete source of secondary data for our study. Those findings about customer switching intention from previous research had significantly contributed to our research. Moreover, the review of the literature led us to a clear direction in constructing the proposed theoretical framework. Next, the research methodology that we had used for our study will be discussed in the following chapter.