

A study on impact of customer trust, customer satisfaction and switching cost on customer loyalty in mobile telephony with reference to Indore division

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Abstract: Customer loyalty is one of the integral parts in mobile telephony and it defines future of any Telecom Industry. It depends on customer trust and customer satisfaction and both these factors have a big impact on customer loyalty. Switching cost is also one of the most discussed issues when we talk about customer loyalty. From a very comfortable and peaceful environment, now the Indian Mobile Industry is characterized by stiff competition for the customer's satisfaction between different categories of Brands. The purpose of this study is to analyze the impact of customer trust and satisfaction as a relationship quality towards customer loyalty. This study also focuses on exploring the impact of switching cost on customer loyalty. In this research convenient sampling technique is used and sample size of 120 management students who have Reliance, Bharti Airtel and Idea Cellular mobile services in Indore region is taken. For the purpose of this study, Regression analysis is used and according to the responses obtained, necessary steps for improvement will be suggested.

Key Words: Customer trust, Customer Satisfaction, Switching Cost, Customer Loyalty, Convenient Sampling

1. INTRODUCTION:

The growth and development in mobile devices have made the Indian mobile phone service markets more and more competitive. The mobile phones are becoming cheaper and affordable for people in the country with the increase in disposable income that improves the quality of life in India. People are showing interest in new technologies like the option to access internet using a mobile phone. Besides, mobile service providers are also adding new schemes, offers and technology advancement in their services. This has resulted in more and more customers are buying mobile phones and switching between different service providers.

1.1. Relationship quality:

It is usually used to assess the effectiveness of relationship marketing tactics. It is also considered to be antecedent of achieving customer loyalty. Customer satisfaction and trust are two basic components for measuring relationship quality. Higher level of relationship quality is reflected by higher level of customer satisfaction and trust.

1.2. Customer Satisfaction:

According to Chang (2006) customer satisfaction as a post consumption evaluation of a product or a service and defines it as the ability of an organization 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. Customer satisfaction occurs when their expectation matches with the service offered to them. If they get the services best services in exchange of what they paid, they return satisfied and if not they turn dissatisfied. Therefore, customer satisfaction is the foremost criteria which every service provider considers for their customers.

1.3. Customer Trust:

Customer trust is a confidence that customers have on the ability and competence of service providers. It develops because of the positive experiences' customers had with the product or services offered by service providers. This indicates that service providers need to satisfy customers in order to ensure commitment by customers.

4. Switching Cost:

According to Porter (1998) switching cost is the cost involved in changing from one service provider to

another. In addition to measurable monetary costs, switching costs also include time and psychological effort involves in facing the uncertainty of dealing with a new service provider (Dick, Basu, 1994; Guitinan, 1989; Kim, Kiliger, fvale, 2003). Switching behavior is a consumer behavior and it depends on the satisfactory level of the consumers with the service providers. It is a process of being loyal to one service and switching to another service, due to dissatisfaction or any other problems. Even if a consumer is loyal to a particular brand, if the brand does not satisfy his/her needs, the consumers switch to other brand. Losing a customer is very serious for the firm in terms of its present and future earnings. Also the firm needs to invest resources in attracting new consumers to replace the ones it has lost. Therefore retaining the current consumer base is much more attractive and viable than searching for new consumers.

1.5. Customer Loyalty:

Now a day's Customer loyalty is of paramount importance for any type of industry. It is a tendency to favor one brand over all others, whether due to satisfaction with the product or service, its convenience or performance, or familiarity and comfort with the brand. According to Reichheld (1996), Lee and Cunningham (2001), perception of a customer affects his judgment and it turns his loyalty towards the product or services. Customer loyalty encourages customers to shop more consistently and feel positive about a shopping experience. Customer loyalty depends upon customer satisfaction and trust. Both satisfaction and trust are very important factors that any service provider should focus upon as these are interrelated and decide the purchase behavior of customers. If customers are not satisfied or if they do not have any trust with the brand, they would like to switch to other brand. Therefore, the objective of this study is to examine the relationship of customer trust, satisfaction and switching costs with customers' loyalty. We are also concerned with the effect of customer trust, satisfaction and switching costs on customers' loyalty.

2. LITERATURE REVIEW:

2.1 Switching cost

Switching cost had been investigated extensively in literature. It is argued that switching is related to poor service quality in banks (Benkenstein and Stuhldreier, 2004); reaction to high price (Gerrard and Cunningham, 2004); and customer satisfaction (Bowen and Chen, 2001). In terms of classification, Burnham, Frels and Mahajan (2003), classified switching cost as procedural switching costs, financial switching costs, and relational switching costs. These costs were found to be negatively correlated to consumers' intention to switch service providers. More importantly, time is found to be a critical factor that influence consumers' switching costs and lock-in (Zauberman, 2003). M. Satish, K.J Naveen, V. Jeevananthan, (2011) identified the factors that influence the consumers to switch the service providers. They concluded that there is a relation between switching the service provider and the factors like poor network coverage, frequent network Problem, High call rates, influence from family and friends. Furthermore, a number of factors have been identified in literature as determinants of switching costs some of these are: poor service quality (Yavas, Benkenstein and Stuhldreier, 2004); price (Gerrard and Cunningham, 2004); customer dissatisfaction (Bowen and Chen, 2001). Bitner (1990) proposed that customers change service provider due to time limitation, money constraints, and unavailable access to information, or habit among parties. Selnes (1993) suggested that switching cost includes the technical, financial, and psychological costs that make it difficult or costly for customers to change brands In telecommunication services it is frequently pointed out that once a customer is attached with a particular service provider or operator, then their mutual trust and long term relationships are of great importance to the success of the company in competitive markets than they are in other industry sectors (Gerott et. al. 2001 referred in Ozer et. al. 2005).

2.2 Customer Loyalty:

Loyal customers play important role in building businesses by making different moves like buying more, by paying premium prices and most importantly providing companies different sets of new customers by positive word of mouth (Ganesh et. al. referred in Aydin and Ozer, 2004). Service quality serves as a base for customer satisfaction and this high level of satisfaction leads to customer loyalty and increased customer loyalty is the single most driver of long-term financial health (Johnson & Sirkit, 2002). In telecommunication services, it is said that when customers are connected to a particular service provider or operator then their long term relationship with the operator is of great importance for the success of the company in the competitive market (Gerpott et. al. 2001 referred in Aydin and Ozer 2004). The issue of customer retention in telecommunication industry in Sri Lanka was studied by Silva, K.A (2009). The author found that the most important factor in continuing an existing service provider was the ability of the service provider to give value to the customer. This was followed by assurance and responsiveness. The least important factors were legal undertaking tangibility and payment terms.

2.3 Satisfaction & trust:

Xuan Zhang (2009) investigated the impact of relationship marketing tactics on customer satisfaction and trust, which in turn increase customer loyalty, by focusing on Swedish mobile telecommunication sector. In this industry most of the customers maintain long term relationships with the operators (Ranaweera & Prabhu, 2003). Where factors like trust, image, and satisfaction are not easy to measure. Investing in long-term relationship with customers thus helps to develop customer trusts and improve the effective quality of a relationship in order to obtain mutual interests (Anderson & Weitz, 1989). Customers with trusts in service providers' capability would probably be willing to commit to a service relationship for meeting their expectations (Morgan and Hunt, 1994). Trust is considered so important to long-term relationships and enhancing customer loyalty. Many researchers have suggested that customers' trust is a significant role in building long-term relationship and achieving customer loyalty (Berry, 1995; Bowen and Shoemaker, 2003; Chu, 2009). With trust as a precursor, a customer becomes loyal to a firm and forms a commitment to that firm (Bowen and Shoemaker, 2003) Customer satisfaction also has been measured relying on the phases of customer relationship life cycle, which characterizes different stages of a customer relationship and requires focus on specific target and customer expectation of different stages (Spath and Fähnrich, 2007).

3. RESEARCH METHODOLOGY:

3.1 Scope and Design of the Study:

The present investigation is based on exploratory research inquiry and examines the Customer Loyalty in Mobile Telephony. The study is based on primary data that is collected through the use of a questionnaire. In this study convenient sampling technique is used to select a total sample of 120 respondents using prepaid cellular phones in age group of 18-30 Years at Indore (MP) region. Here as this research has a quantitative base so questionnaire used in this research is close ended questionnaire. The research instrument comprises of a number of statements under four variables. The items on trust as a variable are developed and adopted from literatures of Chu (2009); Aydin and Özer, (2005); Tian *et al.*(1998); Morgan and Hunt (1994), items on satisfaction are taken from literature of Mouri (2005); Oliver (1997); Fornel (1992), items on switching cost are taken from literature of N'Goala (2007); Aydin and Özer (2005); Keaveney (1995), and items on customer loyalty are taken from literature of Aydin and Özer, (2005); Wulf et al. (2001); Morgan and Hunt (1994). It includes Customer Loyalty as the dependent variable, and customer trust, satisfaction, switching cost as the independent or explanatory variables. The questionnaire consists of 5 questions on customer trust, 4 questions on satisfaction, 5 questions on switching cost, and 6 questions on customer loyalty making a total of 20 questions based on degree scale. Respondents were asked to indicate their degree of agreement with each of the questions on a five-point Likert scale. In this study the reliability of the scales was first evaluated using Cronbach's alpha, which measures the consistency with which respondents answer questions within a scale. Finally, regression analysis and one-way ANOVA were run to test the research hypotheses. The data were analyzed using window based Statistical package of the Social Science (SPSS).

3.2 Study Sample:

The data was collected from sample of 120 management students of Indore division. 40 respondents were chosen using mobile services of Idea Cellular; Bharti Airtel and Reliance Communication. The respondents were selected through non-probability convenience (judgmental) sampling method.

3.3 Variables:

The present investigation is quantitative research to understand the effect of Customer trust, customer satisfaction and switching cost on customer loyalty. This study is emphasized on factors affecting customer loyalty. The closed ended questionnaire is used to collect primary data and to check the extent to which the customer trust, satisfaction and switching cost affect customer loyalty. The four important aspects of customer loyalty are categorized as one dependent and three independent or explanatory variables.

Dependent Variable: The dependent variable under this study is customer loyalty. The extent of the effect of trust, satisfaction and switching cost on customer loyalty is measured through this variable.

Independent or Explanatory Variables: The explanatory variables include three important aspects of customer loyalty. These variables include customer trust, customer satisfaction and switching cost.

3.4 Conceptual Model

This paper examines the relationship between customer loyalty and three aspects of customer loyalty i.e. customer trust, customer satisfaction and switching cost. By making reference to the model adopted by Al-Tamimi and Al-Mazrooei (2007), the function of customer practices is as follows:

$$CL = f(CT, CS, SC)$$

Where:

CL = customer loyalty;

CT = customer trust;

SC = switching cost;

This model is adopted to test the first hypothesis of the study. The model is checked by Multiple Regression Method. Another tool used to determine whether a linear relationship exists between the variables is Pearson's Correlation, r .

3.5 Item Total Correlation and Reliability of the Measures:

Questionnaire adopted in this study consisted of the questionnaire consists of 5 questions on customer trust, 4 questions on satisfaction, 5 questions on switching cost, and 6 questions on customer loyalty; item total correlation was used in order to check the normality of the sample. As the sample size was 120, item with correlation value less than 0.1948 should be dropped. All the items in the study had correlation values more than 0.1948 thus; no item was dropped from the questionnaire. As shown in table number 1 to 4, Reliability of the measures was assessed with the use of Cronbach's alpha on all the 20 items. Cronbach's alpha allows us to measure the reliability of different variables. It consists of estimates of how much variation in scores of different variables is attributable to chance or random errors (Selltiz et al., 1976). As a general rule, a coefficient greater than or equal to 0.7 is considered acceptable and a good indication of construct reliability (Nunnally, 1978). The overall Cronbach's alpha for the four aspects is (0.885). Cronbach's alpha for the individual aspects are; Customer Trust (0.856), Customer Satisfaction (0.760), Switching Cost (0.740). Hence, it was found reliable for further analysis.

4. OBJECTIVES:

1. To study the impact of customer trust on customer loyalty
2. To study the impact of customer satisfaction on customer loyalty
3. To study the impact of switching cost on customer loyalty

Regression Objective

- To study the contribution of customer trust, customer satisfaction and switching cost on customer loyalty

5. REGRESSION HYPOTHESIS:

There is positive relationship between customer trust, customer satisfaction and switching cost on customer loyalty

6. RESULT AND DISCUSSION:

6.1 Multiple-Regression Model:

The regression model is applied to estimate the relationship between Customer Loyalty and the three explanatory variables as follows:

$$CL = f(CT, CS, SC)$$

Pearson correlation is used to analyze correlations among the explanatory variables, namely customer trust (CT), customer satisfaction (CT), and switching cost (SC). Table 5 reveals the correlation coefficients between all the variables. This table of bi-correlations is useful to detect any potential case of multicollinearity. The "rule of thumb" test suggested by Anderson et al. (1990) states that any correlation coefficient exceeding (0.7) indicates a potential problem. An examination of the results of correlations presented in Table 1 suggests that there is no problem of multicollinearity among all explanatory variables. Table 6 depicts the regression results. It can be seen from the results provided in Table 7 that R^2 is 0.575. This indicates that the three explanatory variables explain 57.5 percent of the variations in customer loyalty. Table 3 shows the results of multiple-regression model which depicts that the estimated coefficients of CT and CS are significant ($F= 57.5$, $p < 0.01$) and show a positive impact on customer loyalty and SC are insignificant but still SC show positive impact on customer loyalty. Customer Trust was found to be the most important aspect for Customer Loyalty since the beta value (regression coefficients) was found to be 0.560. Customer Satisfaction is the second most important aspect of Customer loyalty with beta value of 0.165. The strength and direction of the beta coefficients (regression coefficients) suggest that more the customer trust and satisfaction more will be the customer loyalty. Morgan and Hunt (1994) also in their research indicated that trust is a major factor that influence relationship commitment in continuum brand trust leads to brand loyalty.

However, switching cost ($p= 0.48$) has no significant relationship with customer loyalty. This could be due the reason that customers have sufficient income and hence they do not give much importance to switching cost. Rather

customers are turning service quality conscious, so cost is secondary for them. If they are not satisfied with a particular product or service or have no trust with service provider, they will definitely switch to other brand rather than focusing on the same brand.

Customer Trust

Table-1

Reliability Statistics

Cronbach's Alpha	N of Items
.857	5

Customer Satisfaction

Table-2

Reliability Statistics

Cronbach's Alpha	N of Items
.760	4

Switching Cost

Table-3

Reliability Statistics

Cronbach's Alpha	N of Items
.741	5

Customer Loyalty

Table-4

Reliability Statistics

Cronbach's Alpha	N of Items
.886	6

Table-5: Correlation Coefficients between Explanatory Variables

Correlations

		CT	CS	SC	CL
CT	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	120			
CS	Pearson Correlation	.633**	1		
	Sig. (2-tailed)	.000			
	N	120	120		
SC	Pearson Correlation	.501**	.354**	1	
	Sig. (2-tailed)	.000	.000		
	N	120	120	120	

CL	Pearson Correlation	.690**	.593**	.478**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	120	120	120	120

** . Correlation is significant at the 0.01 level (2-tailed).

Table-6: Model Summary for all explanatory variables

Model	R	R ²	Adjusted R ²	F	Sig
1.	0.758 (a)	0.575	0.564	52.263	0.000

Predictors: (Constant), URM, RI, RAA, CRA * Significant at $\alpha = 1\%$

Table-7: OLS Regression Result for all Explanatory Variables Coefficients (a)

	Beta	t	Sig.
Constant	0.150	0.562	
CT	0.560	6.194	0.000*
CS	0.221	2.711	0.008
SC	0.155	2.000	0.48

a. Dependent Variable: CL * Significant at $\alpha = 1\%$ ** Significant at $\alpha = 5\%$

7. CONCLUSION:

It has been identified that Customer Trust, Customer Satisfaction and Switching Cost are the three important aspects that affect Customer Loyalty for any product or service. In order to achieve high customer loyalty, customer trust should be developed by fulfilling and satisfying the need of the customer. Descriptive and analytical results have explained the relationships between relationship quality and customer loyalty. The results indicated that Customer Trust (CT) and Customer Satisfaction (CS) were the most important aspects or the most influencing factors affecting Customer Loyalty in mobile telephony, which mean that mobile phone service providers need to give more attention to these aspects of Customer Loyalty.

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