

Customer Loyalty in Competitive Markets: Alternative Attractiveness, Switching Costs and Satisfaction Effects

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ABSTRACT

This study examines market structure variables closely linked with customer loyalty. Two particular aspects of market structure are studied, namely, alternative attractiveness and switching costs. In understanding customer loyalty, previous research has paid particular attention to customer satisfaction. We extend previous research by developing a conceptual framework of how these two market structure factors and customer satisfaction influence customer loyalty. We also identify customer segments and analyze the heterogeneity in the perceptions regarding satisfaction and market variables among the different segments. We test the framework empirically in the context of mobile phone service industry.

Our results indicate that, in addition to customer satisfaction, market factors in the form of alternative attractiveness and switching costs have direct effects on customer loyalty. Alternative attractiveness and switching costs may not be independent, as often is assumed. Specifically, we show that the negative effect of alternative attractiveness on customer loyalty decreases as the level of switching costs increases. Our results also suggest that different customer segments in the market have divergent perceptions regarding satisfaction and market variables. Implications of the results are discussed.

Keywords: customer loyalty, alternative attractiveness, switching costs, service

I. INTRODUCTION

Customer loyalty is increasingly being recognized by businesses as a path to long-term business profitability. Some business analysts have suggested that the cost of recruiting a new customer is five times more than the cost of retaining an existing customer (Reichheld and Sasser, 1990). Researchers have also observed that, with each additional year of a relationship between a company and a consumer, the customer becomes less costly to serve because of learning effect and decreased servicing costs. Over time, loyal customers build businesses by buying more, paying¹ premium prices, and providing new referrals through positive word of mouth (Keaveney, 1995; O'Brien and Jones, 1995). Given this evidence, it is

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obvious to see that companies are rushing to implement retention and loyalty programs.

In understanding customer loyalty, prior research has paid particular attention to service quality (Cronin and Taylor, 1992; Parasuraman et al., 1988, 1991) and customer satisfaction (Anderson and Fornell, 1994; Fornell, 1992). Although satisfaction is a key component in any customer retention program, examining satisfaction only may not give a complete picture of loyalty in a competitive service market. It is believed that observed customer loyalty may be due to satisfaction, or it may be due to dissatisfaction in a market with no alternative providers. Similarly, observed customer disloyalty can be due to dissatisfaction or linked to satisfaction in a market in which low switching costs make it easy to change providers. Consequently, whether customers remain with their service providers depends not only on their satisfaction level, but also on their consideration of market structure factors, such as market regulation, switching costs, or product differentiation at the industry level (e.g. Fornell, 1992; Jones and Sasser, 1995).

In this paper, we identify some potential determinants of customer loyalty to service providers and examine their relative influence. Specifically, we focus on two particular aspects of the market structure that we expect to be closely linked with customer loyalty: alternative attractiveness and switching costs. Although some prior research has explored the role of switching cost in the customer retention progress (Lee et al., 2001; Lee and Cunningham, 2001), little effort has been made to examine the impact of alternative attractiveness on customer loyalty. This is problematic because alternative attractiveness, such as promotion program or superior price offered by competitors, may lure customers given any satisfaction level. A joint test of alternative attractiveness, switching cost, and satisfaction may allow us to test their relative importance in a relationship.

Secondly, an unresolved and perhaps more important question is whether alternative attractiveness and switching cost interact in some way. For instance, the effect of a superior price offered by a competitor may depend on whether the customer's switching cost is high (Wathne et al., 2001). Given the exclusive focus in previous research on satisfaction or switching cost, little is known about their combined influence on customer loyalty.

Finally, an unexplored question is whether consumer segments have different perceptions regarding the importance of market structure and components of satisfaction. From the perspective of a seller, it is critical to identify the different perceptions among consumers. For example, a service provider that does not meet heavy users' specific need may misallocate marketing resources and be vulnerable to competitive moves over time. It is believed that understanding the heterogeneity among consumer segments can extend better understanding of service loyalty.

Our results make two main contributions to the literature. First, we examine whether and how customer loyalty is influenced by attractiveness of alternatives, switching costs and customer satisfaction. In addition to examining the main effect of each variable, we assess whether interrelationships exist between different variables. Second, we identify customer segments and examine heterogeneity among different segments. We illustrate our approach by using recent data from the mobile phone market in Taiwan.

The rest of the article is organized in the following way: In the next section, we develop our conceptual framework and present the research hypotheses. This is followed by a discussion of market illustration, the research method and results in section III. We discuss the implications of the study in the final section.

II. THEORY AND HYPHOTHESES

1. Customer Loyalty

Customer loyalty has been operationalized as a behavior (hard-core loyalty, repeat purchase probability, etc.) or as an attitude (brand preference, commitment, intention-to-buy). As a behavior, customer loyalty has been measured as the long-term choice probability for a brand (Jeuland, 1979; Carpenter and Lehmann, 1985). Previous literature (e.g. Day, 1969) has suggested that a behavioral definition is insufficient because it does not distinguish between true loyalty and spurious loyalty that may result, for example, from a lack of available alternatives for the consumer. In response to these criticisms, researchers have proposed measuring loyalty by means of an attitudinal dimension in addition to a behavioral dimension. Attitudinal measures have been focused on a few issues such as brand

recommendations (Boulding et al., 1993), resistance to superior products (Narayandas, 1996), repurchase intention (Cronin and Taylor, 1992; Anderson and Sullivan, 1993), and willingness to pay a price premium (Zeithaml et al., 1996). Oliva et al. (1992) also proposed that attitudinal measures have an advantage over behavioral measures in that they can provide greater understanding of the factors associated with the development and modification of loyalty. Thus, we define customer loyalty as a customer's favorable attitude toward the service provider that results in repeat buying behavior.

2. Customer Satisfaction and Loyalty

Customer satisfaction is thought to be a relative judgement that takes into consideration both the qualities and benefits obtained through a purchase as well as the costs and efforts borne by a customer to obtain that purchase (Ostrom and Iacobucci, 1995). Past researches have suggested several reasons to study satisfaction at an attribute level. Parasuraman et al. (1994) describe customer satisfaction as a concept that encompasses several dimensions including service quality, product quality, and price. Besides, Gardial et al. (1994) argue that customers are more likely to render evaluations of their postpurchase experiences of satisfaction at an attribute level rather than at the product level. Still it is argued that an attribute-based approach enables researchers to conceptualize commonly observed phenomena, such as consumers experiencing mixed feelings toward a product or service (Mittal et al., 1998). Thus, in this paper, we vary three service attributes as quality of the core service, pricing, and service personnel. These attributes have received considerable attention in many studies (Mittal et al., 1998; Zeithaml et al., 1988).

Theoretically, higher levels of satisfaction should reduce the perceived benefits of switching service providers, thus yielding higher customer loyalty (Anderson and Sullivan, 1993). Empirically, while Jones and Sasser (1995) found that 90 per cent of satisfied customers had defected from the firm in a range of service, considerable researches support the linkage between satisfaction and retention (Fornell, 1992; Oliver and Swan, 1989; Jones et al., 2000). We therefore propose that satisfaction on service attributes is an important antecedent of customer loyalty and our first hypothesis is:

H1: Higher levels of customer satisfaction (quality of core service, price, service personnel) are associated with higher customer loyalty.

3. Alternative Attractiveness

Alternative Attractiveness refers to customer perceptions regarding the extent to which viable competing alternatives are available in the marketplace (Jones et al., 2000). Researches on interpersonal relationship and employee turnover (Rusbult, 1980; Farrell and Rusbult, 1981) as well as channels relationships (Ping, 1993) demonstrate that when viable alternative are few, the probability of terminating an existing relationship decreases. When numerous acceptable alternatives are perceived to exist, customers may perceive benefits to switch. Alternatively, when low competition exists (no or few alternatives), or customers are simply unaware of the available alternatives, customers may stay in the relationship because the perceived benefits of defecting are low.

Sometimes firms may use marketing tools to attract competitors' customers. Wathne et al. (2001) found that marketing variables are important determinants of switching intentions in the context of business to business services. Kranton (1996) also proposed that a new potential supplier offering economic terms superior to those of the incumbent enables a buyer to realize immediate cost savings. Over time, these savings may become substantial. In summary, it seems that the presence of alternatives, some of which need to be at least good as the current provider, may play a major role in a customer's decision to stay or leave. Thus, our second hypothesis is:

H2: Lower attractiveness of alternatives is associated with higher customer loyalty.

4. Switching Costs

Switching costs have been examined in the context of microeconomics (e.g. Ferrell and Shapiro, 1988; Klemperer, 1987), interfirm relationship (e.g. Porter, 1985), and distribution channel relationships (e.g. Heide and John, 1988; Weiss and Anderson, 1992). Switching costs refer to customers' perceived costs of switching from the existing to a new service provider (Heide and Weiss, 1995),

which involves time, money and effort associated with switching behavior. Once a transaction relationship is established, customers often become more dependent on their current service providers due to high switching costs. Switching costs can also create a dependence of the customer on the provider (Morgan and Hunt, 1994). Since switching costs act as a barrier to customer switching, we argue that switching costs make it costly for customers to change service providers, and therefore increase customer loyalty. Thus:

H3: Higher switching costs are associated with higher customer loyalty.

5. Moderating Effects of Switching Costs

Economic models of consumer behavior generally posit that consumers weigh both the costs and benefits of a particular decision (Hauser and Wernerfelt, 1990; Ratchford, 1982). Naturally, there is a tradeoff between costs and benefits of customer switching. In addition to proposing the independent effect of switching costs, we consider two possible moderating effects in our paper. First, switching costs may moderate the relationship between satisfaction and customer loyalty. Dissatisfied customers with high switching cost may remain because the costs of switching may eventually outweigh perceived benefits of switching. Dwyer et al. (1987) proposed that the buyer's anticipation of switching costs gives rise to the buyer's interest in retention. Similarly, Hauser et al. (1994) have noted that consumers become more sensitive to satisfaction level as switching costs decrease. In other words, dissatisfied customers should be more likely to defect than satisfied customers when switching costs are low. Our fourth hypothesis thus follows:

H4: The positive effect of customer satisfaction on customer loyalty will be negatively moderated by the presence of high switching costs.

Second, we argue switching costs may moderate the relationship between attractiveness of alternatives and customer loyalty. As we proposed earlier, high attractiveness of alternatives may result in low customer loyalty. But according to economic theories, customers' intention of switching to a new service provider is determined by the comparison between costs and benefits associated with switching. For example, Wathne et al. (2001) argue that as switching costs tied to incumbent supplier increase, the effect of a competing supplier's marketing

variables diminishes. Thus, when switching cost increase, the cost of switching should eventually outweigh the perceived switching benefits in terms of finding a superior alternative. Alternatively, when switching costs decrease, the customers may leave for a competitor's lure due to perceptions that switching benefits outweigh switching costs. Thus:

H5: The negative effect of alternative attractiveness on customer loyalty will be negatively moderated by the presence of high switching costs.

6. Difference among Customer Segments

From the perspective of a service provider, knowledge about the different perceptions among customers is of considerable interest. Marketers often refer to the '20-80' thesis which indicates the importance of a relatively small group of consumers to the health of a firm's product or service (Wansink and Park, 2000). Previous researches from product domain provide some evidence about across-segment difference. For example, Goldsmith (2000) notes that the benefits the heavy users in fashionable clothing markets seeking are quite different from the light users. Wansink and Park (2000) derive similar conclusions in packaged-goods markets. In light of the lack of clear conceptual foundations in service domain, we do not offer formal predictions regarding across-segment difference. However, as discussed subsequently, we take a preliminary assessment of across-segment difference regarding the factors studied.

III. METHODOLOGY AND RESULTS

1. Selection of Service and Market Illustration

We illustrate our ideas using data from the mobile phone market in Taiwan. As of May 2001², the number of cell phone users in Taiwan had reached 22.8 million, or more than 96.6 per cent of population. The market has been growing explosively, recording a 135 per cent component annual growth rate of subscribers for four years. There are six providers of cellular phone service, including

² The information is adapted from The Directorate General of Telecommunications, Ministry of Transportation and Communications.

Chunghwa Telecom Co., Tawan Cellular Corp., Far EasTone Telecommunications Co., KG Telecommunications Co., Mobitai Communications Co., and TransAsia Telecommunications Inc. None of their market share is over 35 per cent; thus, the market can be considered as reasonable competitively.

The reasons we select the mobile phone service in this study are as follows. First, the mobile phone market inherently presents various types of switching costs (Lee et al., 2001). Customers of mobile phone market may have transaction costs (the costs in time and effort of filling out forms, having a phone switched to a different provider, etc.) and searching costs (the costs in time of seeking information on prices, benefits, service, etc. from the various providers). Second, as the mobile phone market in Taiwan is quite competitive and providers usually advertise different mobile plans, customers are regarded to have enough knowledge about the competitor's offer and the level of their attractiveness. Finally, since the service is frequently used, the service attribute would be more salient for the consumers to recall.

2. Sample

Participants in the study include 590 respondents who responded to face to face questions asked by an interviewer. Interviewers with a survey guideline randomly contacted current service subscribers of the mobile phone service from the Taipei metropolitan area. At the beginning of each questionnaire, respondents were asked to consider the service provider that they were using. If they used multiple providers, they were asked to consider the one they used most often. They then filled in measures of satisfaction, switching costs, attractiveness of alternatives, and customer loyalty. Sample characteristics are shown in Table 1.

Table 1. Sample Characteristics

Gender:	Female	54%
	Male	46%
Age:	20-30 years	64%
	31-40 years	22%
	40+ years	14%
Education:	High school or less	27%
	University	72%
	Missing	1%
Occupation:	None	18%
	Part-time	30%
	Full-time	52%

3. Measures

Table 2. Description of Measures and Factor Analysis Results

Scale / item	Coefficient alpha	Variance extracted
Core-service Satisfaction ^a 1.Coverage of the calling area 2.Clarity of sound	0.77	0.81
Pricing Satisfaction ^a 1.Call rates 2.Precision of billing service	0.67	0.70
Personnel Satisfaction ^a 1.Effectiveness 2.Friendliness	0.92	0.92
Switching Costs ^b 1.In general it would be a hassle changing service provider. 2.It would take a lot of time, effort and money changing service provider. 3.For me, the costs in time, money, and effort to switch providers are high.	0.80	0.72
Alternative Attractiveness ^b 1.Another service provider would be less costly than the present provider is. 2.I would benefit from the promotion activities if I change (provider). 3.I would feel more satisfied with the core services of another provider than I am with my current provider. 4.Another provider would provide a full range of services	0.79	0.61
Loyalty ^b 1.Repurchase intention 2.Willingness to recommend to others	0.86	0.88
^a Measured using five-point Likert items anchored by Strongly Dissatisfied / Strongly Satisfied		
^b Measured using five-point Likert items anchored by Strongly Disagree / Strongly Agree		

The measure of customer loyalty was an adaptation of those used by Narayandas (1996) and Lee et al. (2001). Customer loyalty measures the

repurchase intention and willingness to recommend preferred service to friends and associates. These can be viewed as attitudinal measures of loyalty (Uncles and Laurent, 1997). For customer satisfaction scales, in order to make sure the measures are appropriate for mobile phone users, we adapted from Lee et al. (2001) and the performance ratings for cellular phones reported by The Directorate General of Telecommunications. The measures are categorized to three areas of customer satisfaction: quality of the core services, pricing, and personnel.

Finally, the measures of switching costs and alternative attractiveness were developed from the combination and modification of scales of Ping (1993) and Jones et al. (2000). Switching cost items involve economic costs as well as psychological barriers. Alternative attractiveness items address the perception of lower costs, availability of a full range of services, the benefit from promotion activities, and better quality of core service. Table 2 shows the summary of measures used in this study.

4. Analysis of Data

The multiple items measuring single constructs were factor-analyzed to determine unidimensionality (Churchill, 1979). As expected, all the measures showed unidimensionality. The items were then submitted to reliability analyses via Cronbach alpha. The reliability coefficients of most constructs were greater than 0.7, the threshold Nunnally (1978) recommended for basic research. The results of factor analysis and their Cronbach alphas are shown in Table 2. The correlation matrix, shown in Table 3, indicates that few of the constructs are correlated at high levels, suggesting some evidence of discriminant validity (Gaski, 1984).

Multiple regression analysis was then performed to determine differential effects of the customer satisfaction, attractiveness of alternatives, and switching cost on customer loyalty. Regression results are reported in Table 4. As can be seen, the overall regression model is highly significant ($F = 21.04, p < 0.001$), with 24 per cent of variance in loyalty explained by those variables.

Table 3. Correlation Matrix of Measures

	1	2	3	4	5	6
1. Customer Loyalty	1.00					
2. Core-service Satisfaction	0.33	1.00				
3. Pricing Satisfaction	0.33	0.35	1.00			
4. Personnel Satisfaction	0.09	0.26	0.37	1.00		
5. Switching Costs	0.20	0.17	0.16	0.12	1.00	
6. Alternative Attractiveness	-0.17	-0.01	0.12	0.24	0.17	1.00

Table 4. Regression Results

Independent variable	Coefficient	t-value	Significance
Satisfaction			
Core services	0.23	5.72	0.00
Price	0.34	8.52	0.00
Personnel	0.09	2.29	0.02
Alternative Attractiveness	-0.12	-2.97	0.00
Switching Costs	0.15	3.57	0.00
Satisfaction × Switching Costs	0.00	0.00	0.99
Alternative Attractiveness × Switching Costs	-0.02	-0.39	0.69
ANOVA	Sum of Squares	F	Significance
Regression	117.14	21.04	0.00
Residual	381.77		
Total	498.91		
R ²	0.235		

As expected, satisfaction with core service, pricing and service personnel have significant and positive effects (coefficient = 0.23, 0.34, and 0.09, respectively) on customer loyalty. This result provides supports for H1, which states the positive relationship between components of satisfaction and loyalty. Our finding also points out that satisfaction with core service and pricing is more important than with service personnel in the context of mobile phone service. One possible reason for this finding would be that mobile phone service is a relatively low-contact and standardized service. Since personnel generally need not to involve in service-provided progress in mobile phone service, customers may not consider friendliness or effectiveness of personnel to be extremely important in determining

customer loyalty. In addition, consumers in this service setting may have difficulty in assessing the difference between core service provided by different providers. Consequently, consumers tend to put more reliance on pricing which they are able to assess.

The effects of both market structure variables on customer loyalty are significant. Alternative attractiveness has a significant and negative effect (coefficient = -0.12) on customer loyalty. This result provides support for H2, which states that lower attractiveness of alternatives leads to higher loyalty. Also, as predicted in H3, which states that higher switching costs result in higher loyalty, we find that switching cost have a significant and positive effect (coefficient = 0.15) on customer loyalty.

The interaction between switching cost and satisfaction is not significant, in contrast with H4. Thus, the switching cost exerts a direct influence on customer loyalty only. One possible reason for this finding would be that when customers are generally satisfied with the current service (mean = 3.39 on a five-point scale in our study), they may have no serious thought about switching, and as a result, do not take switching costs into concern. This result is consistent with the finding of Jones et al. (2000), which demonstrates that only when satisfaction falls below a certain level do consumers begin to consider or to be affected by the existence of switching barriers. Consequently, switching costs affect customer loyalty independently in our study.

The interaction between switching costs and attractiveness of alternatives is not significant, in contrast with H5. It means that the presence of switching costs does not diminish the effect of alternative attractiveness. We discuss this result after the segment-level analysis.

5. Segment-level Analysis Based on Plan Type

Mobile phone service providers design and offer a variety of calling plans with different rates and calling times. Consumers choose the plan appropriate for their expected usage given available payment plans. They generally pay a fixed fee for a contracted number of minutes corresponding to the plan type and pay for extra minutes beyond the flat fee. In this study, we classify subjects into three levels of plan type according to the monthly fee that the customer chose: light user

(pre-paid card and less than NT\$200), median user (from NT\$200 to NT\$899), and heavy user (more than NT\$899).

Table 5 shows the regression results by plan type segment. First, we find customers react differently to satisfaction components across segments. For light users, satisfaction with core service, pricing and service personnel have significant and positive effects (coefficient = 0.27, 0.37, and 0.10, respectively) on customer loyalty. For median users, satisfaction with pricing is the only component that has a significant and positive effect (coefficient = 0.23) on customer loyalty. For heavy users, satisfaction with core service is the only component that has a significant and positive effect (coefficient = 0.40) on customer loyalty. The results indicate that while light and median users consider pricing more important, heavy users consider core service to be the only satisfaction component that affects their loyalty. One explanation is that because heavy users seem to need the service more than light and median users, they should be expected to express a willingness to pay more, that is, to be less price sensitive.

Table 5. Regression Results: Analysis by Plan Type

Independent Variable	Plan Type					
	Light User		Median User		Heavy User	
	coeff.	t-value	coeff.	t-value	coeff.	t-value
Satisfaction						
Core Services	0.27	5.67***	0.04	0.39	0.40	2.24**
Price	0.37	7.83***	0.23	2.76***	0.29	1.51
Personnel	0.10	2.18**	0.02	0.19	0.06	0.27
Alternative Attractiveness	-0.09	-1.79*	-0.20	-2.30**	0.23	0.38
Switching Costs	0.11	2.16**	0.27	2.91***	0.20	1.07
Satisfaction × Switching costs	0.03	0.63	-0.06	-0.68	0.31	1.30
Alternative Attractiveness × Switching Costs	0.06	1.15	-0.10	-1.15	-0.58	-2.30**
R^2	0.27		0.21		0.33	
Sample Size	395		150		31	

Notes: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Second, the results suggest that customers have very different perceptions to market structure factors across segments. For light and median users, alternative attractiveness has a significant and negative effect (coefficient = -0.09 and -0.20

for light and median users, respectively) on customer loyalty. Switching costs have a significant and positive effect (coefficient = 0.11 and 0.27 for light and median users, respectively) on customer loyalty. The interaction effects are not significant, consistent with the finding derived previously. Our results suggest that these two market structure factors have direct effects on light and median users' loyalty. Besides, median users are more sensitive to market structure variables than light users.

Third, our finding shows that for heavy users, the interaction between switching costs and alternative attractiveness has a significant and negative effect (coefficient = -0.58) on customer loyalty, and the main effects of these two market structure variables are not significant. The negative interaction effect is consistent with H5, which states that the negative effect of alternative attractiveness on loyalty decreases for higher levels of switching costs. The lack of main effect does not reduce the importance of this finding because the interaction of two market structure variables is significant (Baron and Kenny, 1986; Jones et al., 2000). Actually, the interaction effect (and the lack of main effects) indicates that there are effects of switching costs, but the effects only emerges as heavy users perceive alternative attractiveness to be high. The results suggest that failure to incorporate interaction effect is likely to lead to overestimate the role of alternative attractiveness. It may also lead to misleading conclusions if the heterogeneity among different segments were neglected.

IV. SUMMARY AND DISCUSSION

Results of the current study support the notion that customer loyalty is determined not only by satisfaction, but also by customers' consideration of market structure. The implications and limitations of the study are discussed in this section.

1. Research Implications

Customer loyalty is one of the major sources of sustainable competitive advantage for service firms (Bharadwaj et al., 1993). A significant portion of the research has been devoted to highlighting and improving customer satisfaction

program (Anderson and Sullivan, 1993; Anderson et al., 1994; Jones and Sasser, 1995). For customers, however, customer satisfaction represents only one stage in the process of determining purchase or repurchase of the service provider; satisfaction is compared with the benefit and the cost of switching, and on the basis of comparison, customer loyalty is determined. For marketers, it is the outcomes of the comparison process that count, i.e. repurchase intentions. In this sense, this study extends the customer loyalty research and sheds light on the areas that have been relatively neglected. In particular, the study demonstrates that consumers do take switching costs and attractiveness of alternatives into their patronage decisions, and it identifies their interactions. It is believed that the conceptual and methodological framework suggested in the study contributes to understanding service provider/customer relationships.

2. Managerial Implications

Operators in the mobile phone market are observed to lose about 30 per cent or more of their subscribers every year and have large customer acquisition expenditures (Lee et al., 2001). It is important of mobile operators to develop well-designed customer satisfaction programs for increased customer retention. By analyzing customers' evaluation of different satisfaction components, we reveal that customers perceive satisfaction with core service and pricing are important determinants of customer loyalty in the mobile phone service. Specifically, pricing satisfaction dominates all of the factors in the most situations. Therefore, firms providing relatively standardized and low-contacted services such as mobile phone operators, cable and satellite TV operators should achieve customer satisfaction not only by improving quality of the core service, but also by pricing satisfaction.

However, we believe customer satisfaction program should be accompanied by market structure factors management. Our results imply that not all customers are loyal to their service provider simply because they are truly satisfied with the service. They may be loyal simply because they do not want to go through the inconvenience of switching, or they might expect no better from alternative suppliers. Such customers are ready to switch whenever possible. By understanding the role of market structure variables in affecting customer loyalty, firms should pay more attention to market structure factors. For example, to defend competitors'

offer in the mobile phone market, firms might provide their customers with programs such as more attractive weekend pricing, a new handset with discounted price, and free-added services.

From a resource allocation viewpoint, our results suggest the importance of service segmentation. Our result shows that heavy users can be very different from light and median users in their perceptions toward satisfaction components and market structure. Firms should carefully analyze the changes in consumption volume and usage patterns of different segments, so they can provide appropriate incentives at the right time for the right people. For example, firms may not provide discounts to heavy users. To avoid the switching because of competitors' attractive offerings, firms may also increase switching costs of heavy users by inviting them to join the long-term membership.

Although market structure variables have key influences on switching behavior, strategies designed to increase such costs should be taken carefully. A fear of dependence may discourage some customers from establishing a close relationship in the first place (Wathne et al. 2001). Besides, it must be noticed that consumers who switch because of extrinsic factors (e.g. coupons, price) are more likely to exhibit lower satisfaction and repeat purchase intentions with the switch-to brand (Ganesh et al. 2000).

3. Limitations and Future Research

As with any research, care should be taken when generalizing the results of this study. First, our model was tested using a cross sectional design making causal assessments difficult. Customer loyalty is basically a dynamic phenomenon that evolves over time. The methodology used in the study does not fully capture such dynamics. To better assess causality, future studies should be conducted to examine the present issue using different methods such as longitudinal approaches or experimentation.

Generalization of the results to other service categories should be made carefully. The effects of the determinants are service category-specific. In other words, the variables (such as service personnel or moderating role of switching costs) which were found to have only marginal effects in this study may exert significant influences on service loyalty in some other service categories. Therefore,

further research needs to investigate how and why service loyalty determinants and their relative effects might vary across different service categories.

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其他選擇的吸引力、轉換成本和顧客滿意對競爭市場中顧客忠誠之影響

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摘要

本研究探討在競爭的環境下，影響服務業顧客忠誠的因素。除了顧客滿意外，本研究著重探討兩個市場變數：其他選擇的吸引力與轉換成本對顧客忠誠的影響。以台灣電信服務業為實證資料的研究結果發現，這兩個市場變數對顧客忠誠有直接的影響，且其他選擇的吸引力與轉換成本存在互動關係，當轉換成本越高時，其他選擇的吸引力對顧客忠誠的負向影響越低。此外，不同市場區隔的顧客對顧客滿意與市場變數的認知上，有很大的差異。

關鍵詞彙：顧客忠誠，其他選擇的吸引力，轉換成本，服務

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