EXPLORING SERVICE QUALITY, SWITCHING BARRIERS AND CUSTOMER LOYALTY: MEDIATING ROLE OF SWITCHING BARRIERS

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ABSTRACT

Customer loyalty is the outcome of a positive emotional experience which is due to the satisfaction derived from physical features and the value perceived from an experience. Service quality has been considered to be an integral factor affecting customer loyalty. Recent research has focused on service quality dimensions. On the other hand, switching barriers have a long term detrimental impact as they make it difficult for the consumers to change the suppliers. The aim of this empirical paper has been to investigate the relationship between service quality, switching barriers and customer loyalty. Significant relationship was found among the variables and switching barriers was found to mediate the relationship among service quality and customer loyalty. Future research implications have been discussed.

Keywords: attractiveness of alternatives; cost; interpersonal relationship; service quality, switching barriers

Introduction

The study of customer loyalty has redefined in recent times and has been observed as having far reaching strategic implications. Goodman (2009) has defined loyalty as being evaluated by continued buying behavior. Thomas and Tobe (2013) emphasized on the profitable nature of the loyal customers. Repeat purchasing does not always imply loyalty and

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GE-International Journal of Management Research (GE-IJMR) ISSN: (2321-1709)

74 | P a g e

may have some underlying reasons which shall be termed switching barriers in this research. On the other hand customer loyalty reflects a disposition to buy along with the repeat purchases and simultaneously reflects deep faith and belief on the product or service purchased. Furthermore, if the same or similar product or service is required in future, the preferred product or service would be the first choice. As per Deng, the head of the Concierge department, Ritz Carlton Hotel, Guangzhou in Tong (2015), this in turn leads to repeat purchasing.

Companies have today realized the immense significance to identify, deliver and forecast customer needs. Cheng et al. (2011) proposed that it is definitely cost effective to retain existing customers than acquire new ones. Similar research (Boshoff and du Plessis, 2009) have also conveyed the advantages of keeping old customers as they are economic to retain, indulge in positive word-of –mouth promotion, contribute with valuable suggestions and engage in positive word-of –mouth promotion. Research also demonstrates that loyal customers are a vital strategic tool and customer retention can be forged through cooperative partnership between the customer and the marketer. Several authors suggested that loyal customers are a competitive asset and a way of increasing customer retention is through secure and collaborative relationship between customer and service providers (Rajeswari and Pradha, 2011). Brand loyalty takes precedence in the services sector, especially with regards to those providing services with little differentiations and ones competing in aggressive conditions, for example, the telecommunications sectors (Santouridis and Trivellas, 2010). Therefore, it is incumbent on providers to accommodate customer's expectations in this tough competitive environment by developing strategies to strengthen brand loyalty. Thus, with regards to the telecommunication sector, it is significant to ensure a good relationship between customers and mobile service providers. Rahman, et al., (2010) stated that in order to create brand loyalty in customers, companies must help customers acquire new ways of purchasing and reinforce those ways as new habits.

Service Quality

Service quality has been found to have deep influence on customer loyalty and is one of the key elements which can influence customer's behavior. In a way service quality decides whether the customer is loyal or not (Tong, 2015). Hence, improved service quality is a deciding factor that helps in increasing customer loyalty. Service quality can be described as an occurrence encompassing customers' expectations and perceptions about the service

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GE-International Journal of Management Research (GE-IJMR) ISSN: (2321-1709)

75 | P a g e

offered (Yilmaz, 2009). Service quality varies according to the customer's perception (Kucukaltan, 2007). For instance, Su, the manager on duty, the Ritz – Carlton Hotel Company in Tong, W. (2015) mentioned that service quality may influence both customers' satisfaction and loyalty.

So, perceived service quality is a result of the comparison of customer's expectations prior to receiving the service and his/her actual service experience. It is assessed by the direction and magnitude of the difference between customers' expectations and perceived performance (Zeithaml & Bitner, 2000).

The proper measurement of service quality involves the primary phase of service quality enhancement and improvement processes. As the current quality level related information is extracted, significant measures can be taken to rectify shortcomings successfully (Usta & Memis, 2009). For any business that seeks to make better the service quality should initially identify it's present situation and then set the measures to make the quality of the service more sophisticated (Akbaba & Kilinc, 2001). As services are consumed during the period they are produced, the customer is not only interested in the quality of what is produced but also intrigued about the other components which is also involved in the entire manufacturing process. This particular aspect of the service has introduced the concept of service quality dimensions (Sevimli, 2006). Today's business has multiple challenges as it not only has to focus on the needs of the present customers but also the future prospective customers. This customer-orientation is blended with the customers' expectations, tastes and the degree of the quality of the services (Kocbek, 2005). Ozturk & Seyhan (2005) had aptly explained that companies should determine the differences between customers' expectations and their perceptions about the accomplished results simultaneously. This method will enable businesses to understand the service quality variables that lead to satisfaction or dissatisfaction.

Switching barrier

There are different constraints which the organizations face along with the customer satisfaction. There is some empirical research done which highlights how the different types of switching barriers affect satisfaction with the suppliers, repurchase intentions , attitudinal loyalty and also the relationship between these variables (Jones, Mothersbaugh, & Beatty, 2000). Additionally, some researchers (Ping, 1993) have focused that customers stay loyal to a supplier either because they want to or they have to. High switching barriers implies that customers remain associated with the suppliers and satisfaction is not the sole

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GE-International Journal of Management Research (GE-IJMR) ISSN: (2321-1709)

76 | P a g e

reason. This eventually creates lower satisfaction; repurchase motives and attitudinal loyalty as compared to a free situation (Ringold, 1988). Moreover, too many switching barriers may result in negativity and low satisfaction levels of the customers. A body of research examined switching costs and its relationship to repurchase intentions or loyalty (Ping, 1993;Jones *et. al.*, 2000, 2002).

Customer loyalty

Gremler and Brown (1999) had described that customer loyalty demonstrates a customer's positive attitude for the repeat purchasing behavior for some product and services. Customer loyalty consists of the impact of quality, cost, service provided and other related factors. Griffin (2002) believes that customer loyalty means the repeating purchase behavior based on personal preference of certain product or service. The loyal customers are a source of competitive advantage of the organization. Thomas and Tobe (2013) stress that loyalty customers are more profitable for the firm. Additionally, customer loyalty is expressed through both emotional and behavior loyalty. Emotional loyalty refers to the fact that the customer is satisfied to a great extent for the various aspects and behavior loyalty manifests in the recurring purchase behavior. Researchers, academicians and those in the field have been making use of both attitudinal and behavioral dimensions to describe and examine customer loyalty (Zeithaml, 2000). Reza and Rehman (2012) further define attitudinal loyalty as a particular wish to extend the relationship with the supplier and provider. It also implies repeat sales to customers. Moreover, due to excessive competition, the companies are facing tremendous competition and the pressure of retaining customers has become imperative (Boshoff and du Plessis, 2009). Even Cheng et al. (2011) has suggested that it is cost-effective to keep existing ones rather than acquire new ones because the cost of developing a new customer is between five and nine times the cost of retaining old customers.

Method

Procedure

Customers buying consumer durable products from malls, exclusive retail outlets and multi brand outlets were surveyed in this study.250 questionnaires were circulated out of which 173 were returned that made a 69% response rate. 15 questionnaires were rejected due to incomplete information. 158 questionnaires received finally. The average age of the

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GE-International Journal of Management Research (GE-IJMR) ISSN: (2321-1709)

77 | P a g e

customers was 32.11 years with standard deviation of 4.56 years. 42.6% were graduates, 29% were post graduates and 28.4 % customers were undergraduates. The data consists of 68.6% of male respondents and of 31.4% of female respondents.72% of the customers were married whereas 28% of the customers were unmarried. 47% of the customers had purchased consumer durable products within last six months , 22% of the customers had purchased consumer durable products in the last one year , 25% of the customer had made purchase in last 1-2 years and 6% of the customers had purchased around 2 years and more.

Measures

Descriptive analysis was used to examine the demographic profile of the customers. Further, Spearman correlation was performed to analyze the direction and relationship among demographic factors and other key variables. Linear regression was done to check the strength of the relationship among variables and the mediating effect of switching barriers on the relationship of service quality and customer loyalty.

According to Nunally (1978) the internal reliability of the selected scales demonstrates that internal reliabilities are between the acceptable range.

Service Quality

The SERVQUAL model developed by Parasuraman et al., (1988), was administered to examine service quality perception of the customers. It was measured using a 22 question scale which covered the main features of service quality such as tangibility, reliability, responsiveness, assurance and empathy. Tangibility is about physical facilities, equipment, and appearance of personnel. Reliability explains the ability to perform the promised service reliably and accurately whereas responsiveness is about willingness to help customers and provide prompt service. Assurance explains the knowledge and courtesy of employees and their ability to inspire trust and confidence and empathy is about caring individualized attention the firm provides to its customers. The responses were n=measured on 7 point Likert scale. Overall Cronbach reliability of service quality scale was found to be 0.80.

Switching Barriers

Switching barriers was measured with the scales developed and proposed by White and Yanamandram (2007) and Jones et al. (2000). There are three factors of switching barriers; interpersonal relationship, switching cost and attractiveness of an alternative. The *interpersonal relationship* is associated with the relationship between customers and

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GE-International Journal of Management Research (GE-IJMR) ISSN: (2321-1709)

78 | P a g e

employers, *switching cost* is used to measure the factors such as uncertainty feeling of the customers, efforts & time required to search and evaluate the products of other brands or stores and unfamiliarity factor about new brand or product. *Attractiveness of an alternative* explains the concerns related to the products, services and brand association provided by the competitors. Responses were taken on 5 point Likert scale. The overall Cronbach reliability of switching barriers was found to be 0.78.

Customer Loyalty

Customer loyalty was measured by using the proposed model from Shoemaker and Lewis (1999). Customer loyalty is formed by two concept of behavioral and attitudinal loyalty with 5 questions and measured at 5 point Likert scale (1 for strongly disagree and 5 for strongly agree). The questions were asked such as "would you like to spend more time to stay in this particular store" and "would you recommend your friends to shop". The overall Cronbach reliability was found to be 0.77.

Results

The standard deviations, means and correlation values for key demographic factors and selected variables are shown in Table 1.

Table 1 : Spearman Correlations among key variables and demographic factors

	Mean	SD	Gender	Age	Switching Barrier	Customer Loyalty	Service Quality
Gender	0.17	0.377	1.000				
Age	32.11	4.56	-.089	1.000			
Switching Barrier	2.53	0.72	-.003	.161*	(0.78)		
Customer Loyalty	2.42	0.944	.010	.131	.753**	(0.77)	
Service Quality	3.22	0.893	.049	-.075	.203*	.230**	(0.80)

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

*. Correlation is significant at the 0.05 level (2-tailed).

Based on the table 1, it can be stated that Gender is not having any significant relationship with any of the variables. Age has been found to possess a significant and positive relationship with switching barriers (0.161, p<0.05) whereas it has no impact on customer loyalty and service quality. Switching barriers has significant and positive relationship with customer loyalty (0.753, p<0.05) and with service quality (0.203, p<0.05). It can be stated that with an increase in switching barriers, there will be subsequently an increase in customer loyalty and service quality. Service quality has significant positive relationship with customer loyalty (0.230, p<0.05).

To check the hypothesis, linear regression was performed. First, service quality and customer loyalty relationship was analyzed .Customer loyalty was then entered as a dependent variable. Result showed that there was a significant relationship between customer loyalty and service quality (b= 0.19, p<0.05). Since the beta value was less, it can be stated that the relationship is weak. The hypothesis that there is significant relationship between customer loyalty and service quality is accepted. The relationship between Service Quality and switching barriers was analyzed. Switching barriers was entered as dependent variable. According to the result, there is a significant positive relationship between service quality and switching barriers (b=0.17, p<0.05). The hypothesis that there is significant positive relationship between service quality and switching barrier is accepted.

Table 2 :Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Significance
		B	Std. Error	Beta		
Step 1	(Constant)	1.781	.278		6.412	.000
	Service Quality	.201	.083	.190	2.415	.017
Step 2	(Constant)	-.345	.224		-1.536	.126
	Service Quality	.058	.053	.055	1.092	.277
	Switching Barrier	1.019	.067	.773	15.283	.000

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GE-International Journal of Management Research (GE-IJMR) ISSN: (2321-1709)

80 | P a g e

a. Dependent Variable: Customer Loyalty

Further, the relationship between customer loyalty and switching barriers was analyzed. Customer loyalty was entered as a dependent variable. There was a significant positive relationship between customer loyalty and switching barriers (b= 0.78, p<0.05). Based on the beta value, it can be stated that relationship of customer loyalty and switching barriers is very strong. The hypothesis that there is a significant positive relationship between customer loyalty and switching barriers was accepted.

To check the mediating effect of switching barriers on the relationship of customer loyalty and service quality, linear multiple regression was performed. In the first step, customer loyalty and service quality was entered as dependent and independent variables respectively. Service quality was significant (b=0.19, p<0.05). In the second step, switching barriers was entered as independent variable which makes service quality insignificant (b=0.277, p>0.05). The hypothesis that switching barriers mediates the relationship of service quality and customer loyalty has been accepted. Based upon table 2, it can further be derived that switching barriers completely mediates the relationship between service quality and customer loyalty.

Discussion, limitations & future research implications:

The hypotheses formulated above have been found to have significantly positive relationship. Furthermore, switching barriers completely mediate the relationship between service quality and customer loyalty. There are some limitations of the study; firstly, the sample size is comparatively small and future studies should ensure survey on a larger sample. Secondly, the data focused on the consumer industry solely. Future studies should research on different industries. Thirdly, in this study service quality had been taken as a whole but future studies can determine relationship between the various variables of service quality and switching barriers and customer loyalty. Finally, the study was cross-sectional in nature; future research would be effective if longitudinal studies are carried out.

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81 | P a g e

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82 | P a g e

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83 | P a g e