DETERMINANTS OF LOYALTY AND THE EFFECTS OF SWITCHING COST TOWARDS MOBILE TELECOMMUNICATION SERVICE PROVIDERS IN MALAYSIA

By

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ABSTRACT

Customer loyalty has been a highly sought after topic among academicians and industry practitioners to enable growth and competitiveness enhancement. This research investigated the challenges plaguing the mobile telecommunication industry, namely fluctuating revenue despite growth in the number of users, sliding average revenue per user (ARPU) and reduced repeat purchase, in addition to scarcity in analysing switching cost’s mediating effect. These impose serious concerns that link to dwindling customer loyalty. This research also compared the preferences of postpaid and prepaid users pertaining to satisfaction, trust, service quality and switching cost towards customer loyalty. This study utilized a quantitative approach where the stratified systematic random sampling was employed and data was collected in the Klang Valley over a time frame of 105 days. The instrument used was a self-administered questionnaire whereas structural equation modelling (SEM) was exercised for statistical analysis. The findings revealed that service quality and switching costs were the driving forces of loyalty while service quality, too, advocates switching cost. Moreover, service quality and loyalty were found to be the only constructs mediated by switching cost. Satisfaction and trust were however, found not to predict loyalty and switching cost. In fact, there were no mediating effects of switching cost on satisfaction and loyalty relationship, similar to trust and loyalty relationship. Meanwhile, service quality and loyalty relationship were found to be important among postpaid users, contrary to prepaid users. The overall findings affirmed service quality as the key component of customer loyalty and switching cost; likewise they clarified that loyalty does not need to transpire in a continuum manner. These outcomes are immensely valuable to practitioners for strategizing and executing tailor-made plans while enhancing knowledge pertaining to switching cost and customer loyalty.

Keywords: customer loyalty, switching cost, service quality, mobile telecommunication industry

Kata kunci: kesetiaan pelanggan, kos pemindahan, kualiti perkhidmatan, industri telekomunikasi mudah alih
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CHAPTER ONE

INTRODUCTION

1.1 Background

Customer loyalty topic has attracted much interests in the past, prompting multi-definition in the quest to understand the crux of it. Nevertheless, it was Oliver (1999), who gave a more meaningful understanding to loyalty by highlighting the multi-facets of loyalty while defining it as ‘a deeply held commitment to repurchase and repatronize a preferred product or service consistently in future causing repeat purchases,’ despite situational influences and marketing efforts having the potential to influence switching behaviour. Loyalty is obviously of greater interest among academicians and practitioners for, its proximity to profitability (Chadha & Kapoor, 2009; Cheng, Lai & Yeung, 2008) especially in highly competitive markets because acquiring customers alone is viewed as not a guarantee of long-term success (Brunh & Grund, 2000; Cheng et al., 2008), but gaining customers loyalty would surely encourage continued patronage as loyal customers will not hesitate to pay premium prices, eventually promoting the business while fostering a firm’s survival (Aydin & Ozer, 2005; Cheng et al., 2008). In a highly competitive industry such as mobile telecommunication, one of the ways to maintain a profitable business lies in offering products that fit the customers’ tastes and preferences, skewing the offerings to each category of customers such as postpaid and prepaid is deemed more beneficial as each group have shown a tendency to behave differently (Galperin & Marsical, 2007; Shrivastava & Israel, 2010). Furthermore, one must also be sure that these offerings are done and delivered better than competing providers, to ensure that the company
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