

# THE INFLUENCE OF THE CUSTOMER SATISFACTION, SWITCHING COSTS AND TRUST ON CUSTOMER RELATIONSHIP COMMITMENT

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## ABSTRACT

*In recent years, many enterprises establish and maintain long-term relationship with customer and retain valuable customers, which are considered as a strategic weapon. They would like to take to drive customer acquisition and non-buying behavior to realize the goal of maximizing the customer equity. Based on these, the article study the customer satisfaction, switching costs and trust on the impact of customer relationship commitment from the point of establishing and maintaining customer relationships, and build a theoretical model of this study. In order to verify the model, undergraduate students act as the survey questionnaires to collect data in this paper. The paper use correlation analysis and multiple regressions analysis to analysis the data and revealed that: customer satisfaction, switching costs and trust are positive impact on customer relationship commitment.*

**Keywords:** customer relationship; commitment; customer satisfaction; switching costs; trust

## I. INTRODUCTION

Relationship commitment is an important criterion for measuring whether long-term relationship is maintained between consumers and businesses as well as a key factor for consumer loyalty. Relationship commitment shows the general attitude of the consumers that they guarantee to maintain a long-term relationship. With relationship commitment in place between consumers and businesses or enterprises, the current relationship will be more stable and lead to a series of behaviours', such as repeat purchases and positive word of mouth publicity, which is the very goal for enterprise CRM. Therefore, indentifying how the key factors for customer relationship commitment customer satisfaction, switching costs and trust - act simultaneously on relationship commitment in local context and their specific impact is of great significance for the substantial and lasting development of businesses and enterprises.

Customer loyalty is one of the most important constructs in marketing and much of management's effort is directed at fostering this among customers. The importance of loyalty stems from its positive consequences in terms of customer retention, repurchase, long-term customer relationships and profitability. It is important to distinguish between customer retention which is a strategy the firm implements and customer loyalty as a psychological states the customer has or has not. Customer loyalty is able to generate positive word-of-mouth with its great advantage over other types of promotion in terms of credibility. It is known to foster resistance to counter-persuasion, retention and therefore lower churn rates.

Ultimately these activities mean stronger market share and committed customers with a direct positive effect on the bottom line. The concept of customer switching costs has long been recognised and researched by several academic disciplines, primarily in marketing, economics and strategy. They are recognised as key elements in achieving competitive advantage, and research indicates that they are becoming even more strategic in the increasingly networked competitive environment. Switching costs are generally defined as costs that deter customers from switching to a competitor's product or service. They are known to be one of the key sets of antecedents to customer loyalty and their importance is highlighted in the literature.

Various classifications of defectors have been put forward. For example, Keaveney, who studied switching resulting from critical incidents in service firms, identifies eight general categories of

reason for customers switching: core service failure (26 percent); failed service encounters (21 percent); price (17 per cent); response to failed service (11 per cent); inconvenience (10 per cent); competition (4 per cent); ethical problems (4 percent); and involuntary switching (2 percent). Rather than just provide a typology of churn, a more interesting perspective is to understand the role of different switching costs in the process leading to the outcome.

It is important both from a theoretical and a managerial perspective to clarify the concepts of switching costs and customer loyalty and to identify their dimensions and empirically seek to determine their inter-effect. The study develops and investigates hypotheses, while data are collected from a sample of corporate customers of a mobile phone company. Canonical correlation analysis is undertaken to determine the effect of the various switching costs on customer loyalty as well as the effect of items in each switching cost dimension with the dimensions of customer loyalty. Managerial implications are indicated, limitations are noted and future research directions are indicated.

## **II. LITERATURE REVIEW**

### **A. Customer Loyalty:**

While there are various definitions of loyalty, the most common definition of loyalty is given by Oliver. According to this author loyalty is 'a deeply held commitment to rebuy a preferred product or service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing, despite situational factors that may cause switching behaviour'. Consistent with the aim of developing long-term relationships with the service provider, this study based the definition of customer loyalty as that put forward by Oliver. Various authors have found that increase in customer loyalty will increase profits, reduced costs to acquire new customers, and decrease costs to serve current customers. The increasing competition, particularly in the service industry, has caused firms to become very concerned in attracting potential customers and trying to maintaining long-term relationships with their current customers.

### **B. Relationship Quality:**

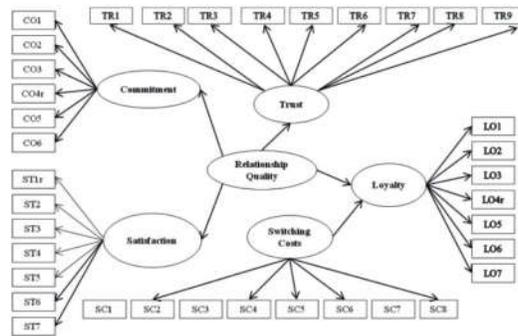
Relationship quality was found to be an important factor in maintaining and developing successful business-to business relationships. Although there is, as yet, no clear consensus in the literature on the sets of dimensions that comprise the construct of relationship quality extant literature has found that trust, commitment, and satisfaction are the core dimensions of relationship quality. This study views relationship quality as a higher order construct that consists of three dimensions: trust, commitment, and satisfaction.

According to Crosby et al. customers that trust the service providers are more likely to repurchase and stay with the same service provider. Good relationship quality means that the travel retailers are satisfied with their relationships with the wholesalers and this would lead to long-term relationships and higher purchase volume. A positive significant effect of relationship quality was found on e-loyalty in search, experience, and credence goods/services and commercial ISP customers. Therefore, based on the above arguments and empirical evidence, it is posited that: H1: There is a positive significant relationship between relationship quality and loyalty.

### **C. Switching Costs:**

Gremler and Brown defined switching costs as the investment of money, time, and effort that increase the difficulty of switching from one partner to another and may be an effective tool in retaining customers. Fornell claimed that switching costs affected repurchase intentions, whereby the customer placed higher value on existing relationships when switching costs are higher. Lam et al. provide empirical evidence on the significant positive effect of switching costs on customer loyalty in the context of B2B relationships. Based on the above arguments and empirical evidence, the following hypothesis is posited:

H2: There is a positive significant relationship between switching costs and loyalty. Figure 1 shows the research model for examining the relationship between relationship quality, switching costs and loyalty.



**Figure1. Research model**

### III. HYPOTHESES

Neeru Sharma et al based their research in the context of personal financing planning services and revealed a positive influence of satisfaction with services have on relationship commitment. While the study against the backdrop of service industry conducted by Bansal et al drew a conclusion through empirical studies of customers' commitment to service providers that the hypothesis of positive relationship between satisfactions with services and relationship commitment is supported. Liang Wei derived from empirical studies of coffee shops that satisfaction with service quality has a significant direct impact on continuance commitment. Wang Congsheng (2009) based his study around online gaming industry, and drew a conclusion through empirical study that satisfaction of players with the quality of online games services has positive effect on both trust and commitment of players.

Hence the above mentioned literatures lead us to propose Hypothesis 1.

H1: Customer satisfaction has positive impact on their relationship commitment.

The empirical study conducted by Morgan and Hunt proved the positive correlation between relationship termination costs and relationship commitment. Relationship termination costs refer to the expected costs associated with termination of relationship, including potential loss of partners, expenses for break of ties and switch costs. These termination costs will lead to enhancement of the importance of existing relationship. Apart from monetary costs, switching costs also includes the costs for time, attention and energy. High switching costs will enable consumers to maintain existing relationship commitment, making existing relationship stronger and more stable. High switching costs also result in insufficiency to compensate customer with the added value brought to customers, so that customers give up the purchase of products and services from other enterprises. Hence we would like to put forward Hypothesis 2.

H2: Switching costs has positive impact on customer relationship commitment.

Ma Baolong and Li Jinlin concluded in their research on customer reward programs for relationship marketing that the perceived value of reward programs builds customer trust through customer trust and has an important impact on customer relationship commitment. Through both macro and micro analysis, the study of consumers' trust in online businesses in the case of B2C trading in our country was conducted by Wang Shouzhong. He discussed the factors in trust as well as the maintenance and recall of trust, and came to conclude that trust is an important influencing factor for online consumer behavior. Yan Xingquan and Zhou Tingrui pointed out in their investigation into long-term customer

relationship behavior that customers' trust affects long-term customer behavior by improving the flexibility of customers in service relationships as well as customers' formal control mechanisms. The effect is generated by commitment. Therefore, we would like to put forward Hypothesis 3.

H3: Trust has positive impact on customer relationship commitment.

## **IV. DATA ANALYSIS**

### **A. Scale and Questionnaire Design:**

First, on basis of existing theoretical foundation and literature review, the structure and subject of the questionnaire is drafted. Then, seven ordinary consumers are invited to conduct a group interview to discuss and revise the drafted questionnaire. Finally, the questionnaire is finalized through discussion by five teachers from the field of marketing and three corporate marketing staff on each of the dimensions and metrics of scale.

The measurement items for various research variables in the questionnaire were mainly taken from previous related literature, and have been properly adjusted according to the actual situation. With regards to customer satisfaction, measurement scales of customer satisfaction by Lau and Lee as well as Alonso were used as reference. Measurement of switching costs is based on the original scale by Burnham et al and Serken et al, with reference to the scale for measuring switching costs of online consumers by Wang Xuhui. Measurement of trust mainly drew on past studies by McAlsliter, Knawaatnaachai and Yoo. Measurement of customer relationship commitment borrowed from scale designed by Morgan, Hunt and Gwinner, and was adapted with consideration of the characteristics of Chinese consumers and the need for this study.

### **B. Sample and Data Collection:**

This study uses the method of convenience sampling. The sample population is a group of students from a university in Inner Mongolia, while the investigation object is the brands of mobile phones used by this group. 300 copies of the questionnaire were distributed, and 285 copies were returned, among which 279 copies were valid questionnaires. Valid questionnaires account for 93% of all questionnaires.

### **C. Analysis of Reliability and Validity**

#### **1) Analysis of reliability:**

To ensure the soundness and stability of the questionnaire, Cronbach was used to measure the reliability of the questionnaire. Wherein the values of Cronbach for customer satisfaction, switching costs, trust and customer relationship commitment are respectively 0.905, 0.661, 0.896 and 0.915. The Cronbach values for the four variables are greater than 0.65. Therefore, the internal consistency and stability of the study variables are relatively good on the whole, resulting in a high degree of reliability. This indicates a strong correlation between the study variables and corresponding scale, which proves the good reliability of this questionnaire.

#### **2) Analysis of validity:**

Since every variable in this study was measured with reference to the well-proved scale adopted by domestic and foreign scholars, the scale has a high validity. PCA was then employed in combination with Varilnax varimax. The results for KMO measure and Bartlett's Test of Sphericity were displayed at the same time to confirm whether the data is suitable for factor analysis.

According to foreign scholars, if the KMO value is less than 0.5, factor analysis is not a suitable option. The KMO values for the variables of this study customer satisfaction, switching costs, and trust and customer relationship commitment - are respectively 0.874, 0.705, 0.833 and 0.809, all greater than 0.7, indicating that the questionnaire is designed to meet the requirements. Also, the

significance probabilities of Bartlett's Test of Sphericity were all 0.000, which is in line with the requirements (less than 0.001) proposed by the scholars. In studies around social sciences, as long as factor loadings are greater than 0.4, they are considered valid.

Every factor loading in this study is above 0.5, which complies with the standardization of social science research.

Therefore, the scales for variables in this study were basically rational, and the study variables are also valid.

#### D. Hypothesis Testing

##### 1) Correlation analysis:

By measuring Pearson correlation coefficient, this study analyzed the pair wise relationship between variables, in order to identify the degree of correlation. Specific results are shown below:

**TABLE I. CORRELATION BETWEEN VARIABLES (N=279)**

Variable		<i>Customer Satisfaction</i>	<i>Switching Costs</i>	<i>Trust</i>
Customer relationship commitment	Pearson Correlation	0.692**	0.421**	0.837**
	Sig.(2-tailed)	0.000	0.000	0.000

A look at the above table indicates that: the correlation coefficients for customer satisfaction, switching costs and trust with customer relationship commitment are respectively 0.692, 0.421 and 0.837, which means customer satisfaction, switching costs and trust are all positively correlated with customer relationship commitment at the 0.01 level. It follows that H1, H2 and H3 put forward in this study were verified. The hypotheses are true.

##### 2) Multiple regression analysis:

To clarify how customer satisfaction, switching costs and trust affect the customer relationship commitment in general, SPSS17.0 statistical software was adopted for multiple regression analysis, calculation of regression coefficients for each independent variable with the dependent variable, and the establishment of regression equation. Thereby the degree of influence for each variable on customer relationship commitment can be determined on the whole.

**TABLE II. MULTIPLE REGRESSION EQUATION (N=279)**

Variable	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std.Error</i>	<i>Beta</i>		
Constant	-0.491	0.219		-2.239	0.026
Customer Satisfaction	0.062	0.063	0.053	0.982	0.327
Switching Costs	0.125	0.045	0.098	2.746	0.006
Trust	0.850	0.062	0.755	13.803	0.000

##### 3) Establishment of multiple regression equation:

Conduct a multiple linear regression analysis in which customer relationship commitment is the dependent variable, while customer satisfaction, switching costs and trust are independent variables.

#### 4) Test of multiple regression equation:

Validate the regression model established in this study through test of goodness of fit, test of F value and residual test of standardized regression.

**TABLE III. OUTPUT OF MULTIPLELINEAR REGRESSION ANALYSIS FOR CUSTOMER RELATIONSHIP COMMITMENT**

Model	R	R <sup>2</sup>	Adj R <sup>2</sup>	F	Sig
1	0.842	0.710	0.707	224.127	0.000

Test of goodness of fit is designed to determine the level of representation that regression equation has for sample data. According to the table above, R<sup>2</sup> is 0.710, indicating that customer satisfaction, switching costs and trust can interpret 71% of the customer relationship commitment. The greater R<sup>2</sup> is, the higher is the degree of linear correlation between the dependent variable and independent variables, which means the goodness of fit for this model is optimum. The F value is 224.127, while the significance level is 0.000, indicating that the regression equation makes sense. The greater F value is, the changes of independent variables caused by the dependent variable are more significant than the impact that random factors have on dependent variables.

The output of multiple linear regression analysis for customer relationship commitment shows that: in the three dimensions of customer satisfaction, switching costs and trust, regression coefficients for trust and switching costs are significant since the actual significance probability of F value  $p < 0.01$ ; whereas the regression coefficients for customer satisfaction is not significant with the actual significance probability of F value  $p > 0.01$ . The degrees of influence of each variable on customer relationship commitment listed in descending order are trust, switching costs and customer satisfaction. Since the mean of residuals is 0, it can be observed from the trend of regression standardized residuals cumulative probability graph that the standardized residuals of the regression equation in this study basically follow a normal distribution. This indicates that the regression equation is valid.

## V. CONCLUSION

The research findings indicate that relationship quality is a powerful predictor of business customer loyalty in the context of hotel outsourcing, thus supporting past research. However, contradictory with past studies, switching costs does not have any significant impact on loyalty. In terms of practice, the results of this study support the importance of relationship quality in increasing customer loyalty. Overall, to maintain customer loyalty to the service provider, it is recommended that a service provider enhance all three aspects of relationship quality which are trust, commitment, and satisfaction.

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