

The MODERATOR EFFECT OF SWITCHING COSTS DIMENSIONS ON THE RELATIONSHIPS BETWEEN CUSTOMER VALUE, TRUST AND LOYALTY

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ABSTRACT

Switching costs have been found to act as a quasi-moderator in loyalty frameworks (Sharma, 2003) and to have a greater effect on customer loyalty than that of satisfaction (Burnham, Frels, & Mahajan, 2003). However, a review of recent literature on the moderator effect of switching costs reveals three main gaps. First, most previous research tends to focus on examining the moderator effect of switching costs as a uni-dimensional rather than as a multi-dimensional construct. A disadvantage of a uni-dimensional approach is that it may overlook or obscure important theoretical and practical distinctions across dimensions (Jones, Mothersbaugh & Beatty, 2002). For example, some researchers (e.g. Burnham Frels, & Mahajan, 2003) assert that financial switching costs have the weakest impact on loyalty, while other researchers (e.g. Jones, Mothersbaugh, & Beatty, 2002; Wang, 2101) argue that financial and procedural switching costs or financial and relational switching costs (Patterson & Smith 2003) have the strongest impact on loyalty. Second, no empirical study to date has examined the moderator effect of switching costs dimensions on the relationships between customer-perceived value, trust (as key antecedents), and loyalty in a single framework. Third, previous research provides mixed results regarding the moderator effect of switching costs. Switching costs either play a significant negative moderator effect, a significant positive moderator effect or no moderator effect. This lack of consistency in previous research findings can limit our understanding of the moderator effect of switching costs on loyalty development (Woisetschlager, Lentz and Evanschitzky, 2011). This paper aims to propose and empirically test a conceptual framework that considers trust and customer-perceived value as antecedents of customer loyalty, and switching costs dimensions as moderators. It also assesses whether the moderator effect of switching costs on the relationships between customer loyalty and its antecedents is contingent on service type. Three hundred and sixty usable questionnaires were collected from hairdresser and fast-food restaurant customers and the data were analyzed using multi-group structural equation modeling. The results demonstrate that relational, procedural and financial switching costs moderate, in different ways, the relationships between customer loyalty, trust and perceived value. Moreover, the strength of the moderator effect vary according to service type.

References available upon request.