Chapter 7

Summary, Conclusion and Implications

This final chapter is divided into four sections. Section 7.1 reviews major findings of the study. Section 7.2 discusses the theoretical and managerial implications of the findings. Section 7.3 discusses the limitations of the study. And finally in the last section 7.4 recommendations for future research are provided.

7.1 Summary and Conclusion

The purpose of this study is to identify key antecedents of customer loyalty in the context of mobile telecom companies. Specifically, the objectives of the present study are:

1. To examine the effect of Customer Relationship Management (satisfaction and trust) on customer loyalty.
2. To examine the structure of loyalty in terms of attitudinal and behavioral loyalty.
3. To study the relationship between attitudinal loyalty and behavioral loyalty.
4. To examine the mediating effects of commitment (affective and calculative), switching costs and corporate image on the relationship between customer satisfaction, trust and attitudinal loyalty.

This study is based on primary data. The primary data was collected through surveys in two stages. A pilot study was conducted for development and refinement of measures. The aim of the pilot study was to examine the reliability and validity of the measures. The items were developed after an extensive literature search. A number of items adapted from existing literature were modified and new items were generated from qualitative information collected from interviews with selected customers. Fifty items were developed to measure the various constructs with 6-8 items for each construct. A questionnaire was developed in which each item was measured on a 7-point Likert scale.
ranging from “very strongly agree” to “very strongly disagree”. Data was obtained through self-administered questionnaires from 250 postgraduate business students of a major university in India.

In the second stage of study data was collected to test the proposed model. Data was collected from 1,000 mobile phone users responded to another questionnaire in the National Capital Region (Delhi, Gurgaon, Noida and Ghaziabad) and major cities of Punjab (Chandigarh, Ludhiana, Jalandhar and Amritsar). Of this random sample, 855 usable questionnaires were obtained. Structural equation modeling was used to test the hypotheses.

Prior to item analysis, a panel of three marketing academics was used as judges to evaluate the content validity of the items. These judges were asked to evaluate how relevant they thought that the scale items measured the underlying constructs. Following their suggestions, redundant, double-barreled and ambiguous statements were either deleted or rephrased. This process resulted in elimination of 8 items, leaving a pool of 42 items for further analysis. The initial scale was thus developed with 42 items under 8 different constructs.

The measures for various constructs were developed and refined in four stages. Cronbach alpha values were checked at each stage of item analysis to examine whether the reliability of the scale has improved after item deletion. At the first stage of item analysis, each item in the construct was correlated with total score for each construct and items with low correlations with the total score were eliminated from the scale. This stage resulted in deletion of seven items and the scale was left with 35 items. The analysis of cronbach alpha values revealed that the reliability for the three constructs improved considerably.

In the second stage, items in each construct were correlated with total score of other constructs. Items that did not have statistically higher correlations with the dimension to which they were hypothesized to belong in comparison with item correlations with
remaining dimensions total scores were deleted. This step resulted in deletion of six more items. The scale was now left with 29 items. The Cronbach Alpha values were checked again to see the effect of item deletion on the reliability of the scale. It was found that the cronbach alpha values for three constructs had increased considerably.

In the third stage, items with corrected item-to-total correlations more than or equal to 0.40 were retained and the rest deleted. This stage of item analysis resulted in deletion of four items. The scale was now left with 25 items. Cronbach alpha values were checked again. It was seen that reliability for two constructs has increased.

The last stage of item analysis involved using means and variances for item deletion. This was done to minimize skewness and maximize variance. So, items with both larger means and larger variances were retained and the rest deleted. After the fourth stage of item analysis, three more items were deleted. The scale was now left with 22 items. The Cronbach alpha values were checked again to see the effect of mean and variances deletion on the reliability of the scale. The analysis revealed that the alpha values for the two constructs had increased.

To finalize the scale, exploratory factor analysis (EFA) was used. EFA was used subscale wise to provide an assessment of unidimensionality. Principal component analysis was used to examine whether items in each measure load on one factor or not. The results revealed that items in each subscale load on one factor, with eigen values exceeding the criterion of 1.0 for each construct.

CFA was conducted to test the measurement model, in order to examine whether the constructs measured the latent variables they are supposed to measure. The values of model fit indices (such as GFI, AGFI, CFI, IFI, and TLI) exceeded the recommended level of 0.90. Thus measurement model yielded good fit with the data. Reliability of constructs was assessed using item reliability, composite reliability and average variance extracted (AVE). Item reliability of individual items was established by squaring their respective standardized factor loadings. All the items had $R^2$ values greater than 0.50,
which shows that all variables are significantly related to their specified construct. Composite reliability for various constructs was above the recommended level of 0.70. All the constructs had average variance extracted above the recommended level of 0.50, which provided further evidence of reliability.

The construct validity was established using convergent and discriminant validity. Convergent validity is evidenced when the factor loadings are significant and average variance extracted is above 0.50. It was found that all the factor loadings for various items were significant and AVE values for various constructs exceeded 0.50. Results supported the convergent validity of the measures.

The data analysis supports that customer loyalty consists of behavioral and attitudinal dimensions. This was empirically examined by testing two competing models. In the first model, customer loyalty was examined using a totally disaggregated first-order model and in the second model, a two dimensional model of customer loyalty consisting of behavioral and attitudinal dimensions was examined. Comparative analysis of both models revealed that the second model fits the data better than the first model. This provides support for the importance of including both behavioral and attitudinal dimensions of loyalty in a model of customer loyalty.

The remaining hypotheses were tested by using SEM. The results revealed that that attitudinal loyalty had a positive impact on behavioral loyalty towards the service provider. It was further found that satisfaction was a positive predictor of attitudinal loyalty. Trust was found to be negatively related to attitudinal loyalty.

Next, affective commitment was found to significantly and positively influence attitudinal loyalty. Calculative commitment was found to negatively affect attitudinal loyalty. Switching costs were found to significantly and positively influence attitudinal loyalty. The results revealed that corporate image is significantly and positively related to attitudinal loyalty.
The mediating role of commitment, corporate image and switching costs in the relationships between customer satisfaction, trust and loyalty was examined using Baron and Kenny’s (1986) procedure. The findings revealed that affective commitment does not mediate the relationship between customer satisfaction and attitudinal loyalty. No support was found for the mediating role of affective commitment in the relationship between trust and attitudinal loyalty. Next, calculative commitment was found to partially mediate the relationship between customer satisfaction and attitudinal loyalty. Calculative commitment was further found to completely mediate the relationship between trust and attitudinal loyalty.

The findings revealed that corporate image does not mediate the relationship between customer satisfaction and attitudinal loyalty. Corporate image was found to completely mediate the relationship between trust and attitudinal loyalty. Finally, switching costs were found to have no mediating role in the relationship between customer satisfaction and attitudinal loyalty. The findings supported that switching costs completely mediate the relationship between trust and attitudinal loyalty.

7.2 Implications

The present study makes both academic and practical contributions in the filed of relationship marketing. The first section discusses the theoretical implications. The next section outlines the managerial implications of the study.

7.2.1 Theoretical Implications

Antecedents of Loyalty

There is no consensus among researchers as to the factors that help a firm maintain and increase customer loyalty. Previous empirical research has focused primarily on satisfaction, trust and commitment as key ingredients for successful long-term
relationships (Fornell 1992; Anderson and Sullivan 1993; Garbarino and Johnson 1999; Pritchard, Havitz, and Howard 1999; Gustafsson, Johnson and Roos 2005). Very little research has been done on corporate image and switching costs as key antecedents of customer loyalty. An investigation of these issues is important because corporate image and switching costs significantly affect customer retention either directly or indirectly through their associations between customer relationship perceptions (like satisfaction, trust, or commitment) and customer loyalty (Nguyen and LeBlanc 1998; Bloemer, Ruyter and Peeters 1998; Burnham, Frels, and Mahajan 2003; Jones, Mothersbaugh and Beatty 2002).

The study provides a theory-based framework for understanding the direct effects of customer satisfaction, trust and commitment, switching costs and corporate image on attitudinal loyalty. A significant contribution that our model makes is the mediating roles of commitment, corporate image and switching cost in the relationship between customer satisfaction, trust and customer loyalty. The mediating roles of commitment, corporate image and switching costs have implications in development of strategies. Managers when developing strategies to increase customer loyalty must focus on increasing commitment levels, improving image of the company and selectively building switching costs in the relationship.

**Dimensionality of Loyalty**

This study provides support for a two-dimensional view of customer loyalty. By measuring loyalty as a composite measure consisting of both behavioral loyalty and attitudinal loyalty, we provide evidence of the multidimensional nature of loyalty construct. There are several studies that have recommended that, for understanding long-term relationships both behavioral and attitudinal dimensions of loyalty are important (Day 1969; Dick and Basu 1994; Baldinger and Rubinson 1996). Research findings support the two-dimensional measures as better predictors of customer’s loyalty (Chaudhuri and Holbrook 2001; Ganesh, Arnold and Reynolds 2000; Rauyren and Miller 2007; Yi and Jeon 2003). The findings of the present study are similar to results of Jones
and Taylor (2007), who concluded that loyalty captures, in essence, what referred to as “what the person does” (behavioral loyalty) and the psychological meaning of the relationship (attitudinal loyalty).

The present study highlights the potential value of including both behavioral and attitudinal loyalty in customer loyalty model. The results also point out that in a service industry context, attitudinal loyalty positively influences behavioral loyalty, which implies that development of customer loyalty involves decision-making rather than routine behavior.

### 7.2.2 Managerial Implications

Customers demonstrate loyalty in number of ways. Segmenting loyal customers on the basis of behavioral and attitudinal loyalty can assist in understanding the nature of loyalty orientation and help in informed appropriate marketing actions (Rowley 2005). Managers can identify four groups of loyal customers based on behavioral and attitudinal loyalty levels: true loyalty, latent loyalty, spurious loyalty and low loyalty (Dick and Basu 1994). Customers with true loyalty are characterized by high degree of behavioral loyalty and high degree of attitudinal loyalty. Management should attempt to retain customers with true loyalty because they can be depended upon to make repeat purchases and engage in positive word-of-mouth. Customers with latent loyalty have a positive attitude to the service provider but low repeat patronage. In order to sustain loyalty of this group, managers should focus in providing better value products and strong recovery strategies.

Customers with spurious loyalty have high degree of behavioral loyalty but low attitudinal loyalty. Such customers are more likely to switch and also more responsive to promotions from other brands. Strategies that aim to build positive attitude like improving service quality, better customer care service are key to sustaining loyalty of this group. The low loyalty group customers are low on both behavioral and attitudinal loyalty. Such customers are highly unstable and responsive to competitors with alterative
offerings. Such customers require long term efforts and managers should design strategies using both behavioral and attitudinal dimensions to build long-term relations.

The loyalty measures developed in this study provides managers with an easy tool to identify attitudinal and behavioral differences among customers. Marketing managers can draw meaningful distinctions between customers who buy out of habit and those who buy because of emotional attachment to the company. The service providers can use the behavioral and attitudinal measures to segment their customer base according to type of loyalty exhibited by customers and accordingly develop strategies to enhance loyalty and hence profits. The segmentation of customers based on their loyalty may also help managers to direct differentiated communications and marketing messages according to the loyalty exhibited by customers.

The scales of affective and calculative commitment along with behavioral loyalty can be used to understand customer types. Marketing managers can draw meaningful distinctions between customers who buy out of habit and those who are affectively committed to the brand and repeat purchase. Such segmentation can help to identify and track those customer segments who are likely to respond to relationship marketing efforts.

**Model as a Diagnostic Tool**

The proposed model of antecedents of customer loyalty can be used as a diagnostic tool by marketing practitioners to identify differences in antecedents of loyalty among loyalty groups. A thorough understanding of factors that influence customer loyalty is beneficial for customer relationship managers to develop and reinforce marketing strategies to increase retention. Finally, managers can use the scale to identify factors crucial for development of long-term relationships with customers. The model can also be used to compare the performance of the firm against competitors.
Providing Superior Service

The findings reveal that satisfaction is a key construct in the development of loyalty for mobile phone companies. Service companies should maximize customer satisfaction by creating high perceptions of service quality and providing customer support service.

Commitment is also a very important factor in understanding loyalty as it has strong direct and indirect effects on attitudinal loyalty. As for development of commitment, firms should offer superior service quality and effectively bond with customers by investing in customer relationship management programs. To generate affective commitment, the companies should focus on development of long-term relationships with customers and offer value-added benefits.

The findings further support the mediating role of calculative commitment in the relationship between customer satisfaction, trust and attitudinal loyalty. For building calculative commitment, companies should focus on improving the unique aspects of service that are more unique in relation to competitors.

Development of Effective Communication Strategy

Corporate image was found to be the most important driver of attitudinal loyalty. Further, the findings confirm the mediating role of corporate image between customer satisfaction, trust and attitudinal loyalty. In order to build a favorable image, service companies should include in their advertising, the characteristics of service offering, environment of the company, customer care services and expressive value of brand for consumers.

Providing Non-monetary Benefits

Switching costs have strong direct and indirect effects on attitudinal loyalty. For building switching costs, service providers must develop loyalty reward programs that offers price
discounts and rewards points in order to increase the financial cost associated with switching. The service firms should focus on development of interpersonal relationships between company and customers, which leads to development of psychological barriers in leaving the company and add emotional costs of switching.

The non-monetary benefits like building inter-personal relationships and more value-added benefits etc. cannot be easily replicated by other firms. These can be used to differentiate the offering from those of competitors, which will further increase calculative commitment.

**Assessment of Relationship Quality**

Relationship quality can be seen as the degree of appropriateness of a relationship to fulfill the needs of the customer associated with that relationship (Hennig-Thurau and Klee, 1997). The concept of relationship quality is a higher order construct consisting of several distinct but related components or dimensions, which are: trust, commitment and satisfaction (Dwyer, Schurr and Oh, 1987; Rauyren and Miller, 2007). The valid and reliable measures of satisfaction, trust and commitment developed in this study (first-order constructs) can be used to assess relationship quality (second-order construct) and examine its effect on customer loyalty.

### 7.3 Limitations of Study

- The study does not consider other factors influencing loyalty such as network quality, consumer characteristics, length of relationship, type of connection used by customer (prepaid vs. postpaid), and usage patterns.

- The present study relies on cross-sectional data to study customer loyalty. Longitudinal research is required to examine customer’s long-term loyalty towards a company.
This research does not examine the interactions effects between customer satisfaction, trust and commitment. Future researchers can test these interaction effects and study its impact on development of behavioral and attitudinal loyalty.

### 7.4 Future Research Directions

Further research may incorporate effect of variables like service quality, customer value, price perceptions on customer loyalty and examine more influences. This study develops and validates the measures of customer loyalty and its antecedents for cell phone users. Future studies could consider to what extent the measures proposed in this study are valid in different service industries and what modifications need to be made in the scale items across different samples and contexts.

Further, personal characteristics like age, income, education and situational characteristics like price orientation, service recovery, loyalty card membership play an important role in shaping a customer’s purchase intentions. Future research may test the moderating effects of personal and situational characteristics on development of customer loyalty.

The study does not consider other factors influencing loyalty such as network quality, length of relationship, type of connection used by customer (prepaid vs. postpaid), and usage patterns. Future studies could examine the impact of these factors.

Further research may incorporate effect of variables like service quality, customer value, and price perceptions on customer loyalty and examine more influences.

The present research uses self-reported measures of behavioral and attitudinal loyalty. Future research can improve this measurement process by using actual behavior of consumers like average monthly expenditure, duration of contract. The present research
does not study examines how mobile number portability influences loyalty of consumers. New research may examine loyalty issues in a post-mobile number portability.

This research does not examine the interactions effects between customer satisfaction and trust. Future researchers can test these interaction effects and study its impact on development of behavioral and attitudinal loyalty.

This research was carried out only in northern part of India, a vast and heterogeneous country. It would be important to test the measures in other parts of India to improve the reliability and validity of the study.