Push-pull factors in switching mobile service providers

Steven D'Alessandro, David Gray and Leanne Carter, Macquarie University

Abstract

This paper presents empirical evidence of a push-pull model of brand switching in the mobile phone market in Australia. Results based on qualitative and quantitative research of 1600 mobile phone customers showed that push factors such as satisfaction, value influence the propensity to stay but that any link between the propensity to stay and switching intentions is partially moderated by inertia. Situational factors such as experiencing bill shock or having an unresolved service problem may also trigger switching. Implications for research and managers are that the switching process is complex and dynamic and may involve situational factors, best uncovered in qualitative research.

Introduction

Australians love and hate their mobile phones. According to Euromonitor in 2011, there were some 25.54 million mobile phone subscriptions, more than one for each member of the Australian population (Euromonitor, 2011). Complaints, however received by the received by Telecommunications Industry Ombudsman (TIO) in 2011 were a record 197,682 up 18% on the previous year. Consumers though are quite cynical, with 42, 300 in the same year complaining to the TIO that providers did not meet their promises (TIO, 2011).

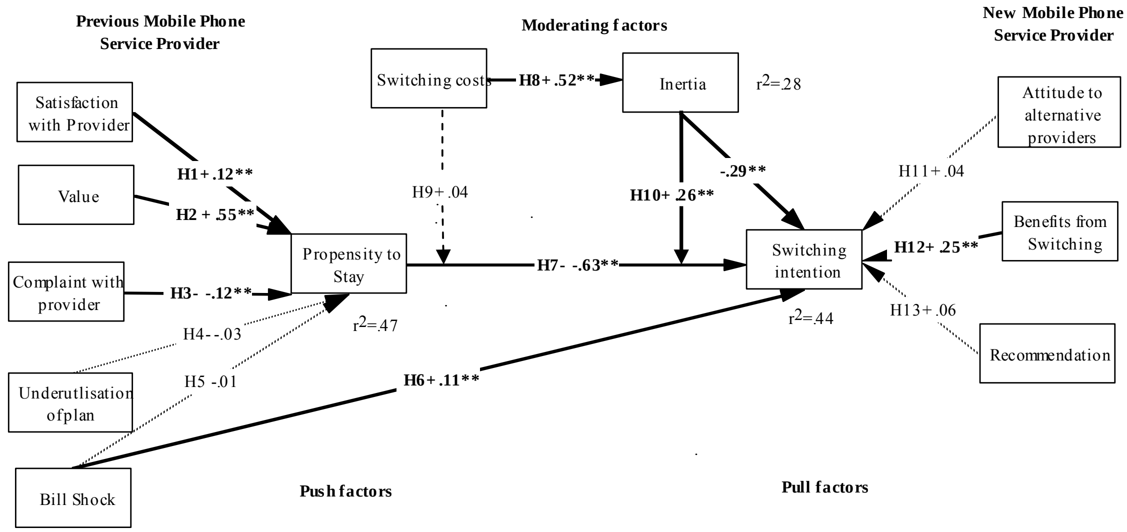
The challenge for mobile service providers then is to encourage switching and gain the trust and acceptance of an ambivalent Australian public. In order to do so they must assess the dynamics of brand/provider switching. Such consumer insights are a key predictor of the likely success of any company's market share and aspirations of its overall strategy. With this in mind research in this paper aimed to achieve the following:

1. What are the effects of push and pull factors that determine provider choice?
2. What factors moderate the choice of a new mobile phone provider?
3. Are there any "one -off" or situational factors that trigger the brand switching process?

Literature review

A number of models have been developed to describe the customer switching process (Bansal & Taylor, 1999; Colgate & Lang, 2001; Keaveney, 1995; Lees, Garland, & Wright, 2007). The most general, the Keaveney model for customer switching identified eight major factors behind service provider customer exit (or push factors) including: pricing, inconvenience, core service failure, service encounter failure, response to service failure, competition, ethical problems and involuntary switching. Keaveney (1995, p79) also briefly investigated the switching-in criteria (or pull factors) for the new service provider. The research provides evidence that attraction to new service providers is rarely based on price competitiveness. Research by (Bansal & Taylor, 1999) examined the switching behaviour of consumers in the mortgage consumers and examined the impact of other factors including switching costs, service quality, subjective norms and perceived relevance. Actual switching behaviour was also examined, though their research did not include the impact of situational events or stochastic reasons for switching service providers. It may also be argued, that their model of switching does not include any reference to the perceived benefits of switching and thus is more an examination of push factors of switching. Figure 1 shows the conceptual model, with linked hypotheses and partial least squared (PLS) results. The following sections briefly outline the justification for the model and the conceptual development of hypotheses.

Figure 1: Conceptual Model and PLS results



Note: * p<.05, **p<.01

Push factors in brand switching.

Satisfaction with provider

Satisfaction with service providers has been shown in past research to important determinant of the brand switching process (Dagger & David, 2012; Dagger & Sweeney, 2007; Hallowell, 1996; White & Yanamandram, 2004). In particular, satisfied customers are likely to stay, although the relationship between loyalty and satisfaction has been shown to be problematic (Dagger & David, 2012), and, past some point of inflection, dissatisfied consumers, are likely to seek alternative service providers (Mittal & Kamakura, 2001; White & Yanamandram, 2004). Therefore the first hypothesis of the study was:
H1: There will be a positive relationship between satisfaction with current provider and propensity to stay.

Value

The greater the amount of perceived value consumers receive from the current provider, the less likely they are to consider changing to alternative (Andrews, Benedicktus, & Brady, 2010; Tseng & Lo, 2011; C.-Y. Wang, 2010). It should also be remembered that consumers who are still value a service, may nevertheless still switch providers because of reasons of dissatisfaction (Ganesh, Arnold, & Reynolds, 2000) or because of changes in preferences due to technological advances (Petruzzellis, 2010) . Thus the next hypothesis of the study was:
H2: There is positive relationship between value and propensity to stay.

Situational factors: Under-utilisation of plan and Bill shock

While it is recognised that satisfaction and value are major drivers of switching behaviour, situational factors may also play a role (Tseng & Lo, 2011; White & Yanamandram, 2004; Zeelenberg & van Putten, 2005). An unresolved consumer complaint or issue for example, may be a trigger to change the service provider (East, Grandcolas, Dall'Olmo-Riley, & Lomax, 2012). Thus the next hypothesis of the study was:
H3: There is a negative relationship between having an unresolved problem or issue and the propensity to stay with the current service provider

Another factor in mobile phone plans is whether consumer uses all the value in their plan such as allowances for voice and data. Research suggests that consumers who do not use all the value of bundle or miss a discount associated with a package may be inclined to switch providers (Rick, Cryder, & Loewenstein, 2008; Zeelenberg & van Putten, 2005). In particular, the use of value cap plans may be systematic of consumers being "spendthrifts", that is consumers are actually paying more for services they don't need (Rick, et al., 2008). This may trigger consumers to seek a more suitable provider, hence:
H4: There is a negative relationship between under-utilisation of mobile plans and propensity to stay with the current provider.

Bill shock, receiving a higher than expected bill, or running out of mobile phone credit faster than expected may also trigger the search for a new mobile phone provider (Bogomolova & Romaniuk, 2009; Grzybowski & Pereira, 2011; Ralston, 2003). Thus the next two hypotheses of the study were:
H5: There is a negative relationship between experiencing bill shock and the propensity to stay.
H6: There is a positive relationship between experiencing bill shock and the intent to switch providers.

We also expect that the propensity to stay will reduce the likelihood of switching (White & Yanamandram, 2004). Hence:
H7: There is a negative relationship between propensity to stay and intent to switch providers.

Moderating factors: Switching costs and Inertia

While dissatisfaction, value and situational factors have been shown to be important drivers for a reason to change providers, they are not sufficient conditions for this process to occur. There is considerable evidence that switching costs and barriers inhibit consumers' desire for change and reduce the impact of any price related reasons to switch (Aydin & Özer, 2005; Dagger & David, 2012; Grzybowski & Pereira, 2011; Jones, Reynolds, Mothersbaugh, & Beatty, 2007; Patterson & Smith, 2003). Switching costs may also encourage consumers to not engage in the changing providers, by encouraging a feeling of "inertia", or that the switching process is just too hard to contemplate (Arnade, Gopinath, & Pick, 2008; Gewei, 2005; Han, Kim, & Kim, 2011; Prince, 2011; Seetharaman & Chintagunta, 1998; White & Yanamandram, 2004). Therefore the next hypotheses of the study were:
H8: Switching costs have a positive effect on inertia.
H9: Switching costs moderately reduce the impact of the propensity to stay on switching intent.

There is also considerable evidence that inertia moderates (reduces) the relationship between a desire to change providers and the intent and action to do so (Arnade, et al., 2008; Han, et al., 2011; Seetharaman, Ainslie, & Chintagunta, 1999; Verma, Iqbal, & Plaschka, 2004; White & Yanamandram, 2004). Therefore:
H10: Inertia moderately reduces the impact of the propensity to stay on switching intent.

Pull factors in brand switching.

One of the important factors which influences consumer switching intentions is the attitude towards alternative providers (Patterson & Smith, 2003). A consumer may be unlikely to switch if they perceive that the alternatives are not much better than their current provider (Stewart, 1998). Thus:
H11: Attitude towards alternative providers has a positive effect on switching intention.
Consumers may also switch, even if they are satisfied on the basis of a better service or a cheaper price (Agarwal, 2002; Bogomolova & Romaniuk, 2009; Grzybowski & Pereira, 2011; Ralston, 2003). Therefore:
H12: Benefits from switching have a positive effect on switching intention.
It is recognised that consumers in evaluating service providers, value word of mouth and recommendations (Keaveney, 1995; Turnbull, Leek, & Ying, 2000; A. Wang & Acar, 2006). This is often because of the inability to trial or evaluate services prior to purchase. Also some researchers have suggested that the choice of mobile phones is so confusing for many consumers that they resort to personal advice (Turnbull, et al., 2000). Hence:
H13: Use of recommendations will have a positive effect on the intention to switch providers

Method

The research design consisted of two stages. A qualitative design, which included eight focus groups selected from representative sample of mobile phone users. The focus groups were conducted in Sydney and consisted of 8-10 people each and involved extended discussions up to ninety minutes in duration among mobile phone users who have switched suppliers during the last six months. While brevity does not permit a detailed discussion of these findings, results of the focus groups were used to help identify key issues in the study (such as bill shock and inertia) and was used to formulate the questionnaire used in the second stage of research. The second stage of research consisted of an online survey of approximately 1,600 mobile phone consumers was conducted and split into two groups: Group A (800 sample size) consisted of mobile phone users who had not switched mobile phone service provider during the last 12 months. Group B (800 sample size) consisted of mobile phone users who had switched to another mobile phone service provider in the last 12 months. The sample collected matched the representativeness of the Australian population by state, gender and age group.

Measurement

Details of the measures used in this study are available from the authors by request. The three item measure of satisfaction was based on research by (Aydin & Özer, 2005) . The measure of value was derived from a study by (Ruiz, Gremler, Washburn, & Carrión, 2010), although evidence presented in this paper suggests the measurement is reflective rather than formative. The propensity to stay was derived from research by (Patterson & Smith, 2003) on switching attitudes and intention to switch was based on the work of (Bougie, Pieters, & Zeelenberg, 2003). The measure of switching costs came from research by (Aydin & Özer, 2005). The measure of inertia was from a study by (Han, et al., 2011). The measure for attitude towards alternative service providers was based on research by (Patterson & Smith, 2003) and the measure of use of recommendations came was based on research by (Bearden, Netemeyer, & Teel, 1989) and also included, based on focus group research, measures for seeking retail advice. Finally, the measure for benefits was derived from attributes of a desire to upgrade mobile services based on research by (Fang-Mei & Hui-Yi, 2011). The inclusion of the impact of bill shock and under-utilisation of cap plans in the model was included on the basis of focus group responses, as to reasons for switching. Measures for this study were developed by procedures as recommended by (Gefen & Straub, 2005), that is all loadings onto constructs had to be greater than .40 and have significant t-values. All measures met the cut-off of 0.50 on the AVE as recommended by (Fornell & Larcker, 1981). Composite reliabilities measures were above .80 as recommended by (Bollen, 1989). Alpha reliabilities were all above 0.70 and averaged 0.84.

Results

As shown in figure 1, there was support for H1 and H2 (Satisfaction $\longrightarrow$ Propensity to stay, β=.12, t=2.77, p<.01, Value $\longrightarrow$ Propensity to stay, β=.55, t=13.21, p<.01). The results also supported H3 (Problem $\longrightarrow$ Propensity to stay, β=-.12, t=4.33, p<.01) but failed to provide evidence for H4 and H5 (the effect of under-utilisation and bill shock on propensity to stay). Although experience of bill shock was found to trigger switching intentions (β=.11, t=3.84, p<.01). Support was also found for H7 (Propensity to stay $\longrightarrow$ Switching intentions, β=-.63, t=6.97, p<.01). Switching costs were found to induce feelings of inertia (β=.52, t=15.85, p<.01), but they did not moderate the propensity to stay and switching intention relationship. Inertia, was found to partially moderate the link between propensity to stay and switching intention (β=.26, t=2.10, p<.01), and also had a negative effect on switching intention (β=-.29, t=2.84, p<.01). In terms of pull factors, only the perceived benefits (H12) of switching had a positive effect on switching intentions (β=.25, t=7.99, p<.01), there was thus no support for H11 and H13 (Attitude towards alternative providers and recommendations having a positive effect on switching intentions). Over overall, the model predicts reasonably well the propensity to stay r2=.47, switching intention r2=.44, but not so well the level of inertia, r2=.28.

Discussion and conclusion

The results show that the decision to switch mobile service providers is based on push factors, is partially moderated and negatively affected by inertia and to some extent is influenced by pull factors such as the benefits of switching. Situational factors, such as unresolved service problems and bill shock may also trigger switching intentions. These are important issues for managers and researchers, as customers who value and are satisfied with a provider may still on the basis of critical events decide to switch providers. It is also important to recognise, that significant barriers (inertia) exist which reduce the desire to change providers, even when customers are dissatisfied, find there is little value in the current relationship, and can see benefits of switching. This suggests that the switching process in services is much more dynamic and complex than first thought, and requires an examination of all factors in this model to be properly understood. There is also an important role for qualitative research in identifying situational factors which trigger switching, which may be particular to the particular context or service industry studied.

References

Agarwal, M. K. (2002). Asymmetric price effects in the telecommunications services markets. *Journal of Business Research, 55*(8), 671-677.

Andrews, M. L., Benedicktus, R. L., & Brady, M. K. (2010). The effect of incentives on customer evaluations of service bundles. *Journal of Business Research, 63*(1), 71-76.

Arnade, C., Gopinath, M., & Pick, D. (2008). Brand inertia in U.S. household cheese consumption. *American Journal of Agricultural Economics, 90*(3), 813-826.

Aydin, S., & Özer, G. (2005). The analysis of antecedents of customer loyalty in the Turkish mobile telecommunication market. *European Journal of Marketing, 39*(7/8), 910-925.

Bansal, H. S., & Taylor, S. F. (1999). The service provider switching model (SPSM). *Journal of Service Research, 2*(2), 200-218.

Bearden, W. O., Netemeyer, R. G., & Teel, J. E. (1989). Measurement Of Consumer Susceptibility To Interpersonal Influence. *Journal of Consumer Research, 15*(4), 473-481.

Bogomolova, S., & Romaniuk, J. (2009). Brand defection in a business-to-business financial service. *Journal of Business Research, 62*(3), 291-296.

Bollen, K. A. (1989). *Structural equations with latent variables*. New York: Wiley Series in Probability and Mathematical Statistics.

Bougie, R., Pieters, R., & Zeelenberg, M. (2003). Angry Customers don't come back, they get back: The experience and behavioral implications of anger and dissatisfaction in services. *Journal of the Academy of Marketing Science, 31*(4), 377-393.

Colgate, M., & Lang, B. (2001). Switching barriers in consumer markets: an investigation of the financial services industry. *Journal of Consumer Marketing, 18*(4), 332-347.

Dagger, T. S., & David, M. E. (2012). Uncovering the real effect of switching costs on the satisfaction-loyalty association: The critical role of involvement and relationship benefits. *European Journal of Marketing, 46*(3/4), 447-468.

Dagger, T. S., & Sweeney, J. C. (2007). Service quality attribute weights: How do novice and longer-term customers construct service quality perceptions? *Journal of Service Research, 10*(1), 22-42.

East, R., Grandcolas, U., Dall'Olmo-Riley, F., & Lomax, W. (2012). Reasons for switching service providers. *Australasian Marketing Journal, 20*(2), 164-170.

Euromonitor, I. (2011). Mobile phone statistics from http://www.portal.euromonitor.com/Portal/Pages/Statistics/Statistics.aspx

Fang-Mei, T., & Hui-Yi, L. (2011). Antecedents of consumers' intentions to upgrade their mobile phones. *Telecommun. Policy, 35*(1), 74-86.

Fornell, C., & Larcker, D. (1981). Evaluating Structural Equation Models with Unobservable Variables and Measurement Error. *Journal of Marketing Research, 18*(1), 39-50.

Ganesh, J., Arnold, M., J., & Reynolds, K., E. (2000). Understanding the customer base of service providers: An examination of the differences between switchers and stayers. *Journal of Marketing, 64*(3), 65-87.

Gefen, D., & Straub, D. (2005). A practical guide to factorial validity using PLSGraph: tutorial and annotated example. *Communications of the AIS, 16*(25), 91-109.

Gewei, Y. (2005). The locus effect on inertia equity. *Journal of Product & Brand Management, 14*(3), 206-210.

Grzybowski, L., & Pereira, P. (2011). Subscription choices and switching costs in mobile telephony. *Review of Industrial Organization, 38*(1), 23-42.

Hallowell, R. (1996). The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study. *International Journal of Service Industry Management 7*(4), 27-42.

Han, H., Kim, Y., & Kim, E.-K. (2011). Cognitive, affective, conative, and action loyalty: Testing the impact of inertia. *International Journal of Hospitality Management, 30*(4), 1008-1019.

Jones, M. A., Reynolds, K., E., Mothersbaugh, D., L., & Beatty, S., E. (2007). The positive and negative effects of switching costs on relational outcomes. *Journal of Service Research, 9*(4), 335-355.

Keaveney, S. M. (1995). Customer switchingbehavior in service industries: An exploratory study. *Journal of Marketing, 59*(2), 71-82.

Lees, G., Garland, R., & Wright, M. (2007). Switching banks: Old bank gone but not forgotten. *Journal Financial Services Marketing, 12*(2), 146-156.

Mittal, V., & Kamakura, W. A. (2001). Satisfaction, repurchase intent, and repurchase behavior: Investigating the moderating effect of customer characteristics. *Journal of Marketing Research, 38*(1), 131-142.

Patterson, P., G., & Smith, T. (2003). A cross-cultural study of switching barriers and propensity to stay with service providers. *Journal of Retailing, 79*(2), 107-120.

Petruzzellis, L. (2010). Mobile phone choice: technology versus marketing. The brand effect in the Italian market. *European Journal of Marketing, 44*(5), 610-634.

Prince, J. T. (2011). Relating inertia and experience in technology markets: an analysis of households' personal computer choices. *Applied Economics, 43*(29), 4501-4514.

Ralston, R. W. (2003). The effects of customer service, branding, and price on the perceived value of local telephone service. *Journal of Business Research, 56*(3), 201-213.

Rick, S., I., Cryder, C., E., & Loewenstein, G. (2008). Tightwads and spendthrifts. *Journal of Consumer Research, 34*(6), 767-782.

Ruiz, D., Martín, Gremler, D., D., Washburn, J. H., & Carrión, G., Cepeda. (2010). Reframing customer value in a service-based paradigm: An evaluation of a formative measure in a multi-industry, cross-cultural context. In V. Esposito Vinzi, W. W. Chin, J. Henseler & H. Wang (Eds.), *Handbook of Partial Least Squares* (pp. 535-566). Berlin: Springer Berlin Heidelberg.

Seetharaman, P. B., Ainslie, A., & Chintagunta, P. K. (1999). Investigating household state dependence effects across categories. *Journal of Marketing Research, 36*(4), 488-500.

Seetharaman, P. B., & Chintagunta, P. (1998). A model of inertia and variety-seeking with marketing variables. *International Journal of Research in Marketing, 15*(1), 1-17.

Stewart, K. (1998). The customer exit process - A review and research agenda. *Journal of Marketing Management, 14*(4), 235-250.

TIO. (2011). *2011 Annual Report, Telecommunications Industry Ombudsman*. Melbourne, Australia: Retrieved from http://www.tio.com.au/.

Tseng, F.-M., & Lo, H.-Y. (2011). Antecedents of consumers' intentions to upgrade their mobile phones. *Telecommunications Policy, 35*(1), 74-86.

Turnbull, P. W., Leek, S., & Ying, G. (2000). Customer confusion: The mobile phone market. *Journal of Marketing Management, 16*(1-3), 143-163.

Verma, R., Iqbal, Z., & Plaschka, G. (2004). Understanding customer choices in e-financial services. *California Management Review, 46*(4), 43-67.

Wang, A., & Acar, S., Adam. (2006). Information search and mobile promotions. *International Journal of Mobile Marketing, 1*(2), 80-87.

Wang, C.-Y. (2010). Service quality, perceived value, corporate image, and customer loyalty in the context of varying levels of switching costs. *Psychology and Marketing, 27*(3), 252-262.

White, L., & Yanamandram, V. (2004). Why customers stay: reasons and consquences of intertia in finanical services. *Managing Service Quality, 14*(2/3), 183-194.

Zeelenberg, M., & van Putten, M. (2005). The dark side of discounts: An inaction inertia perspective on the post-promotion dip. *Psychology & Marketing, 22*(8), 611-622.