FACTORS INFLUENCING GEN Y LOYALTY TOWARDS MOBILE SERVICE PROVIDER AND THE ROLE OF SWITCHING COSTS AND ALTERNATIVE ATTRACTIVENESS IN THE VALUE SATISFACTION LOYALTY CHAIN

Naufaldi Hilmi[1], Indira Rachmawati[2]

[1]S1 International ICT Business, School of Economic and Business, Telkom University
[2] School of Economic and Business, Telkom University
[1]naufaldihilmi@student.telkomuniversity.ac.id, [2]indira.rach@gmail.com

Abstract

The older generation (30 – 34 years old) has lower internet consumption compared to the younger generation (20 – 24 years old and 25 – 29 years old). This indicates that the Gen Y is quite dependent to internet, some to the point of addiction. In an endeavor to foster the loyalty of Gen Y'ers, it is crucial for mobile service providers to comprehend the key drivers of customer loyalty.

The purpose of this study is to investigate the reason of loyalty Gen Y'ers toward mobile service provider. The total questionnaire items used in this research are 38 items with sample taken as many as 400 respondents. The independent variabel used in this research are Performance/Quality Value, Price/Value for Money, Emotional Value, Relational Value, and Customization Value, while the mediator variable are Customer Satisfaction, Switching Cost, and Alternative Attractiveness which will be measured by using smartPLS. This research uses quota sampling which is part of non-probability sampling.

The result showed that Performance/Quality Value, Emotional Value, Relational Value is partially influence Customer Satisaction. Customers' satisfaction and customer loyalty is moderated by SC, such that the relationship is weaker for those individuals who perceive SC to be high on Gen Yers towards mobile service provider in Indonesia. Customers' satisfaction and customer loyalty is moderated by SC, such that the relationship is weaker for those individuals who perceive SC to be high on Gen Yers towards mobile service provider in Indonesia. Customers' satisfaction and customer loyalty is mediated through AA on Gen Yers towards mobile service provider in Indonesia. Customers' satisfaction and customer loyalty is moderated by AA, such that the relationship is stronger for those individuals who perceive attractiveness of alternatives to be high on Gen Yers towards mobile service provider in Indonesia.

Keywords : Customer Loyalty, Customer Satisfaction, Switching Cost, Alternative Attractiveness, Mobile Service Provider

1. Introduction

The number of Internet users in Indonesia is always increasing especially for Gen Y. Gen Y has tendency dependent to internet access more than older generation. Hance by needs of information, communication, entertainment and others. Data states that the Indonesian people tend to use mobile service provider in accessing the internet. Due to the increase of the needs above, the dependence on mobile service provider use is also increasing. This phenomenon is a business opportunity for mobile service provider to continue to develop their products with the aim of meeting the needs of Consumers for information and technology continue to grow. The intense competition in most consumer markets has compelled companies to offer products with significant value to customers in exchange for locking them through SC. SC refers to the time, money, psychological and physical e ff orts incurred when customers move from one service provider to another. The counterpart to SC is switching benefits, which are analogous to the notion of AA. AA is defined as the extent to which customers perceive alternative service providers to be superior to that of the focal service provider. Examples of AA include lower prices, better service quality, more choices, quicker delivery and so forth.

The mobile telecommunications sector is frequently cited as an industry in which SC and AA are high [1]. When consumers switch mobile service providers, they face substantial monetary losses (e.g., fees to break a contract, loss of points and rewards). Consumers also suffer non-monetary switching costs (e.g., time and effort spent gathering and evaluating information on feasible service providers). Given these switching barriers, competing service providers often offer various incentives to assist prospective customers in overcoming them.

When mobile subscribers are continually incentivized with attractive offers to switch, they must decide whether they should stay with or leave their current service providers. It is crucial for mobile service providers that experience high churn rates, despite substantial investments in building various switching deterrents, to understand customers' cognitive trade-offs between switching costs and benefits.

The extant literature has established that SC and AA are key determinants of customer loyalty [2]. but there is no definite conclusion about their roles in the satisfaction-loyalty link. The inconclusive findings may be attributed to the fact that some studies investigated SC and AA from the perspective of mediators [3]. whereas other researchers examined these two constructs from the perspective of moderators. To date, few studies have taken a broader perspective and analyzed SC and AA from both perspectives. Thus, to fill the gap in the literature and to provide a better understanding of the complex phenomenon of customer switching, this study adopts a more holistic approach to examine the interplay between SC and its counterpart. Specifically, this study adds SC and AA as mediators and moderators to the traditional satisfaction–loyalty model for an emerging service context (i.e., mobile Internet) using an emerging customer segment.

We surveyed Gen Yers as they are dubbed as "true mobile Internet generation", and are the biggest users of mobile Internet. Furthermore, their hefty size and purchasing power are making them one of the most coveted consumer segments for many industries. However, Gen Y is a challenging group to target, considering that this segment represents the most value- conscious, least satisfied and loyal consumers compared to all other generations. Having grown up in a more media- saturated, brand-conscious world, Gen Yers respond to marketing tactics differently compared to their predecessors. MSP thus need to revisit their strategies, to ensure that they can establish long-lasting and profitable relationships with this "unique" customer segment.

2.   Theoretical Background

This research based on two underlying theories, Human Resource Management, Market Management and Data analytics. The linkages between both theories is shown on the Fig.1., the factor influencing the customer loyalty as dependent variables.

2.1   Theoretical Framework

There are five independence variabels they are consist of Performance/Quality Value (QV), Price/Value for Money (VM), Emotional Value (EV), Relational Value (RV), Customization Value (CV) as called Perceived value and affect Costumer Satisfaction and Customer Loyalty. Customer satisfaction has been regarded as a key precursor to loyalty and repurchases intentions. But this belief is now being challenged by counterarguments that satisfaction does not necessarily result in customer loyalty, and dissatisfaction does not always result in switching. The variability in the relationship between customer satisfaction and loyalty drives the need to look into other factors, such as SC and AA, that may mediate or moderate the link. A mediator is a mechanism through which the predictor variable influences the criterion variable. In contrast, a moderator is a variable that influences the strength or the direction of a relationship between a predictor and a criterion.
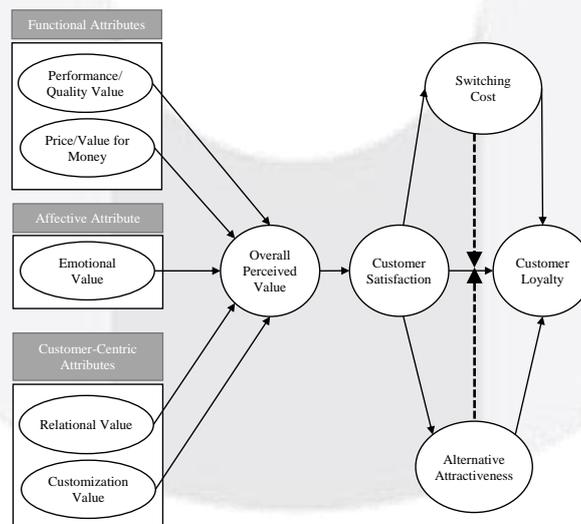

Figure 1: Research Framework

SC, defined as the perceived economic and psychological costs associated with changing from one service

provider to another, is recognized as a powerful defensive marketing tool that leads to longer term relationships and thus higher revenues. However, there is no general consensus about the role SC plays in the relationship between customer satisfaction and loyalty. Most empirical studies that treated SC as a moderator have produced mixed results about the role of this key variable in the satisfaction-loyalty association.

2.3 Customer Loyalty

According to Kotler, P., & Keller, K. L. (2012) Loyalty has been defined as a very strong commitment to rebuy a product or service in the future despite situational influences and marketing efforts than can lead to cause switching behavior [4]. Customer loyalty is "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing a repetitive same brand purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior. The importance of customer loyalty has been recognized for years [5]. To identify the percentage of the potential loyal target market, the marketing tunnel can be used. The marketing tunnel shows the stages of consumers from aware to highly loyal.

2.4 Customer Satisfaction

Customer satisfaction most commonly identified in service marketing literature as a key factor to customer loyalty [6]. According to Satisfaction is one of the determinant to survive in the competition. By keeping the customer satisfy, the company can keep the remain customer. According to Oliver in satisfaction is a combination of consumers' evaluation before buying product and their response about the service or the product after they buy the product. The similar theory is also shown by [7] customer satisfaction is an assessment and behavior that shown by the consumers right after the purchasing process. Therefore, Hutcheson and Moutinho in [8] says that satisfaction is closely related to consumers' expectation, the narrower gap is between the consumer's expectation and actual performance of the product or service, the higher is the customer satisfaction.

2.5 Alternative Attractiveness

Another construct that may affect the satisfaction-loyalty link is perceived AA. This refers to customers' perceptions of obtaining a more satisfactory service from an alternative provider. Stated that a customer's perception of AA is dependent on the level of satisfaction, the existence of viable competing alternatives, the degree of heterogeneous among alternatives, and the benefits and costs of switching. Yang and Peterson (2004) observed that when perceived value and satisfaction with one provider were high, the probability that customers would get better service from another provider was not likely to be high [9]. Therefore, positive service experience should decrease the perceptions of switching benefits, thereby deterring customers from changing to other providers. In the insurance sector, found that AA mediated the relationship between satisfaction and loyalty, in that an increase in satisfaction would reduce the degree of AA, which in turn contributes to customer loyalty. While an increase in satisfaction could lead to a reduction of AA, a decrease in satisfaction is expected to increase the attractiveness of alternatives, which eventually results in customer defection. In a highly competitive market such as the mobile services, there are many competing alternatives that offer better prices, wider product choices, and better service quality. When numerous viable alternatives are available in the market, dissatisfied customers should be more likely to defect because they perceive that switching benefits outweigh costs. In the context of mobile services, Wu (2011b) found that AA positively moderated the relationship between customer satisfaction and loyalty, in that satisfaction would have a greater effect on customer loyalty under the condition of high AA [10].

2.6 Alternative Attractiveness

Conventionally, customer satisfaction has been regarded as a key precursor to loyalty and repurchase intentions. But this belief is now being challenged by counterarguments that satisfaction does not necessarily result in customer loyalty, and dissatisfaction does not always result in switching. The variability in the relationship between customer satisfaction and loyalty drives the need to look into other factors, such as Switching Cost (SC) and Alternative Attractiveness (AA), that may mediate or moderate the link. A mediator is a mechanism through which the predictor variable influences the criterion variable. In contrast, a moderator is a variable that influences the strength or the direction of a relationship between a predictor and a criterion. SC, defined as the perceived economic and psychological costs associated with changing from one service provider

to another is recognized as a powerful defensive marketing tool that leads to longer term relationships and thus higher revenues.

3.   Methodology

This Research is done in Indonesia. The objects are the customer of mobile service provider (Telkomsel, Indosat, XL, 3) in Indonesia that are divided in to three parts based on the time horizon which are, West Indonesia, Central Indonesia, and East Indonesia. This research takes 5 month to in the making research process and 7 days for distribute the questionnaires and collect the data from the respondents. The research is start on the February 2018 until June 2018.

Quantitative method is measuring consumer behavior, knowledge, opinions, or attitudes (Cooper & Schindler, 2011). In this study the writer wants to know about the factors that influencing Gen Y loyalty in mobile service provider users, so that quantitative method is suitable to gain respondent. Cross Sectional method is used when the data gathering is conducted in one period, than the data is analyzed, and concluded [11].

Sampling technique that will be used in this research is quota sampling which is part of non-probability sampling. Quota sampling is a sampling process that has a term that the choice of the samples is determined in convenience from a limited population with number of samples that has been determined. To determine the sample size in this case, Slovin's formula can be used. After the calculation has been done the sample can be known, it is 400 (after rounding) samples with 5% errors. In this research the data is collected through questionnaire which is created using google forms and distributed to the sample randomly through online platform.

In this research, researcher use convergent validity. The instruments can meet the criteria of convergent validity if the correlation of the items in the same variable has high correlation. The correlation analysis by operating Pearson Correlation. Friedenberg and Kaplan suggested that correlation > 0.3 to be valid. From the validity test, all of the item are valid. In this study, the reliability test is also conducted by using SPSS. And all of the item of questionaire are reliable.

This research uses PLS as data analyzing tecnique. PLS have two different equation models which are outer model and inner model. According to [12], outer model is the equation model to find out the validity and reliability model through algorithm iteration, parameter measurement model, and R^2. The next one is inner model which is a structural model to predict causality relation among latent variables.

4.   Results and Analysis

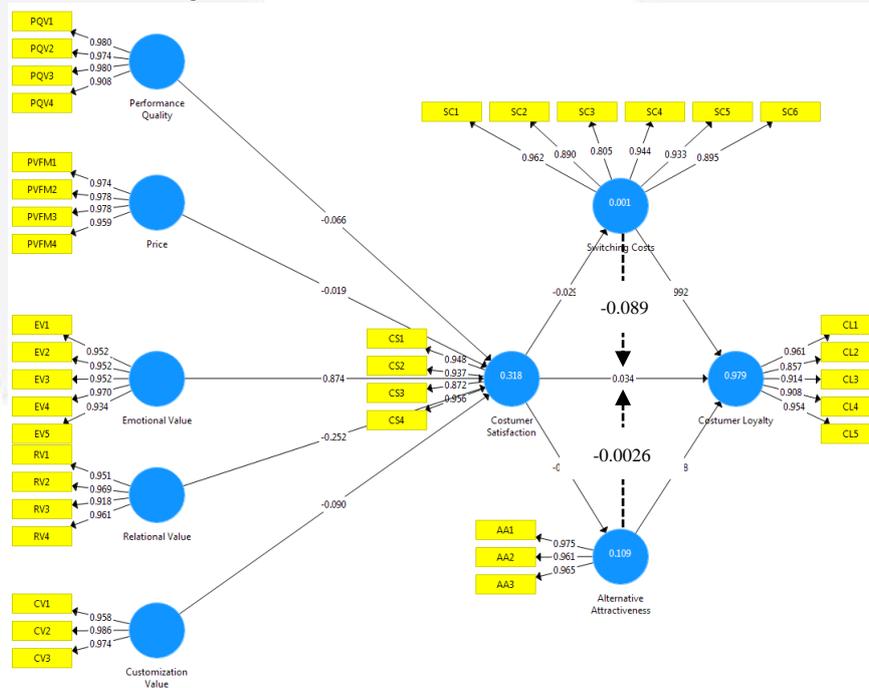The first calculation is using SmartPLS 3 to find the outer model.

Figure 2: Outer Model Path with SmartPLS

Inner model test one is done by calculate the bootstraping test in SmartPLS to know the coefficient determination (R^2). The table 4.5 shows the R^2 results for each latent variable.

Table 1. Results of R^2 on Variables

Variable	R Square
AA	0.109
CL	0.979
CS	0.318
SC	0.001

R^2 value will be categorized as good for 0.67, as moderate for 0.33, and weak for 0.19. From the table above we can see that all of the latent variables, there is CL (Customer Loyalty) are categorized as good since the R^2 value are more than 0.67, and there are Alternative Attractiveness (AA), and CS (Customer Satisfaction) are categorized as moderate since the R^2 values are more than 0.33 but lower than 0.67 and Switching Cost (SC) is categorized as weak the value is lower than 0.19. The results show that the influence of the dependent variables to independent variables is good enough to be used in the further research.

Inner model test two is done by calculating the blindfolding test to know the predictive relevance (Q^2). The table 4.6 shows the Q^2 results for each latent variable.

Table 2: Results of Q^2 on Variables

Variable	Q²
AA	0.107
CL	0.979
CS	0.310
SC	-0.002

The model will have a predictive relevance if the value of Q^2 is more than 0. As we can see in the table above, AA, CL, and CS are greater than 0, which means that each variable has a predictive relevance. The Alternative Attractiveness which is the exogenous has a predictive relevance for the Customer Loyalty, Customer Satisfaction. The Customer Loyalty which are the endogenous.

The next one is calculating GoF manually because GoF cannot be found using SmartPLS. GoF is the geometric mean of average communality for the outer model and average R-square for the inner model. The result of GoF is shown in the table below:

Table 3: Gof

Item	AVE	R Square	GoF $GoF = \sqrt{\overline{AVE} \times \overline{R^2}}$
Alternative Attractiveness	0.935	0.109	
Customer Loyalty	0.846	0.979	
Customer Satisfaction	0.863	0.318	0.552
Switching Costs	0.821	0.001	
Average	0.866	0.352	

From table 3 we can see that the result of GoF calculation is 0.552, which can be conclude that it is a high GoF because if the value is greater than 0.36 it is categorized as a high GoF.

According to Muller the moderated path analysis should also test the mediated moderating process during path estimation[13]. Since AA was found to have a moderating effect and SC was found to have a mediating effect on the satisfaction-loyalty link, for further examined their mediated moderation effects. Total effect that occurs on variable PQV, PVFM, EV, RV, CV to CL through CS, AA and SC can seen at figure below:
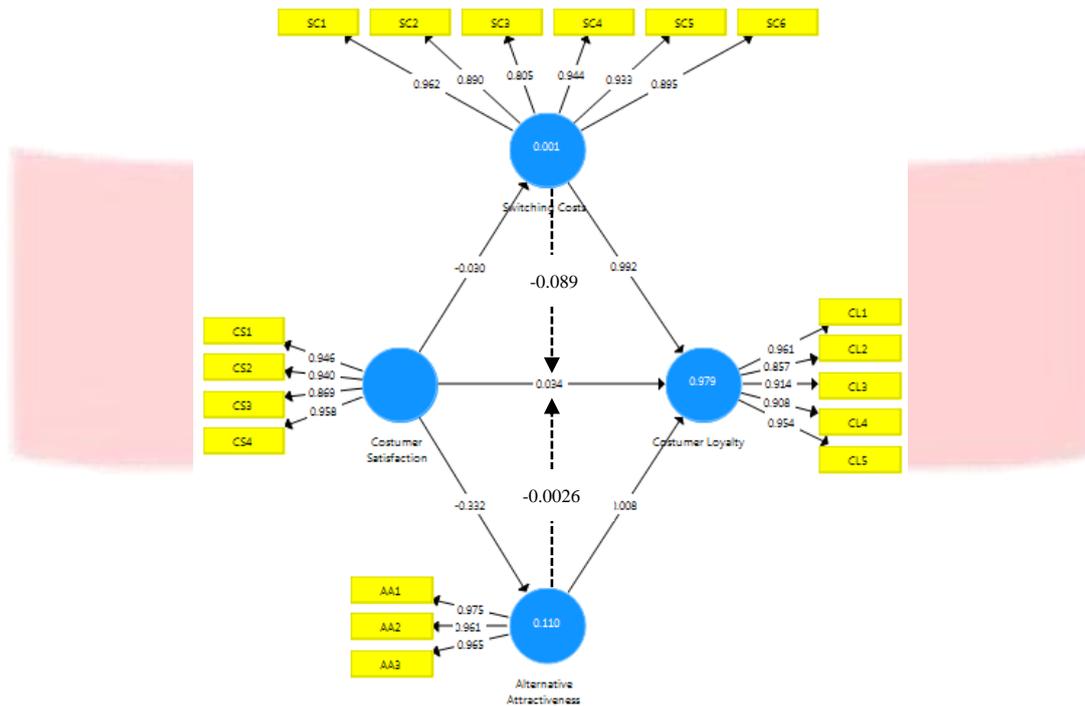
Figure 3: Outer model path with SmartPLS3

Based on figure 3 showed that there is mediated moderation effect. The original moderating effect of AA decreased to 0.008 when the mediating effect of SC was controlled. These results support the mediated moderation of AA, that is the moderationg effect of AA is partially through SC.

Hypotheses testing is done by conducting a bootsraping test with one-tailed test using SmartPLS. The significance level that used in this study is 5%. This test is conduct to know whether the hypotheses is accepted or not. The criteria of the accepted hypotheses is when the t-statistics value is greater than 1.65. The path coefficient will show whether each relation has a positive or negative influence. Table 4 below shows the results:

Table 4 : Hypotheses Testing Results

Hypotheses	Path	Path Coefficient	t-statistic	P Values	Description
H1	PQV > CS	-0.066	1.186	0.236	Accepted
	PVFM > CS	-0.019	0.404	0.687	Rejected
	EV > CS	0.874	4.340	0.000	Accepted
	RV > CS	-0.252	1.961	0.050	Accepted
	CV > CS	-0.090	0.509	0.611	Rejected
H2	CS (med) SC > CL	-0.030	0.316	0.752	Rejected
H3	CS (mod) SC > CL	0.992	302.517	0.000	Accepted
H4	CS (med) AA > CL	-0.332	6.606	0.000	Accepted
H5	CS (mod) AA > CL	0.008	1.236	0.217	Accepted

As we can see in the table above, it is known that there are most accepted and partially rejected hypotheses. The t-statistic value greater than 1.65 indicates that the hypothesis is accepted. The accepted hypothesis is marked in red. So it can be conclude that H3, H4 and H5 are accepted, which shows that the path coefficient of Customer Satisfaction to Customer Loyality (moderated by Switching Costs) and Customer Satisfaction to Customer Loyality (moderated by Alternative Attractiveness) have a positive influence. In addition, path coefficient of Customer Satisfaction to Customer Loyality (mediated through Alternative Attractiveness) have a negative influence.

5.　Conclusions

According to the result from the test using smart PLS 3 that has been explained in the previous chapter, the result can be conclude:

1. After doing some test from the questionnaire result using smart PLS 3, performance/quality value has positive influence on customer satisfaction on Gen Yers towards mobile service provider in Indonesia
2. After doing some test from the questionnaire result using smart PLS 3, price/value for money has no influence on customer satisfaction on Gen Yers towards mobile service provider in Indonesia
3. After doing some test from the questionnaire result using smart PLS 3, emotional value has positive influence on customer satisfaction on Gen Yers towards mobile service provider in Indonesia
4. After doing some test from the questionnaire result using smart PLS 3, relational value has positive influence on customer satisfaction on Gen Yers towards mobile service provider in Indonesia
5. After doing some test from the questionnaire result using smart PLS 3, customization value has no influence on customer satisfaction on Gen Yers towards mobile service provider in Indonesia
6. After doing some test from the questionnaire result using smart PLS 3, customers' satisfaction and customer loyalty is not mediated through SC on Gen Yers towards mobile service provider in Indonesia
7. After doing some test from the questionnaire result using smart PLS 3, customers' satisfaction and customer loyalty is moderated by SC, such that the relationship is weaker for those individuals who perceive SC to be high on Gen Yers towards mobile service provider in Indonesia..
8. After doing some test from the questionnaire result using smart PLS 3, customers' satisfaction and customer loyalty is mediated through AA on Gen Yers towards mobile service provider in Indonesia.
9. After doing some test from the questionnaire result using smart PLS 3, customers' satisfaction and customer loyalty is moderated by AA, such that the relationship is stronger for those individuals who perceive attractiveness of alternatives to be high on Gen Yers towards mobile service provider in Indonesia.

References

[1] Malhotra, A., Malhotra, C.K., (2013). Exploring switching behavior of US mobile service customers. J. Serv. Mark. 27 (1), 13–24.

[2] Edwards, J.R., Lambert, L.S., (2007). Methods for integrating moderation and mediation: a general analytical framework using moderated path analysis. *Psychol. Methods,* 12 (1), 1–22.

[3] Khizindar, T. M., Al-Azzam, A. F., & Khanfar, I. A. (2015). An Empirical Study Of Factors Affecting Customer Loyalty Of Telecommunication Industry In The Kingdom Of Saudi Arabia . *British Journal of Marketing Studies*, 98-115.

[4] Kotler, P., & Keller, K. L. (2012). Marketing Management. London, UK: Pearson Education.

[5] Lee , W. O., & Wong, L. S. (2016). Determinants of Mobile Commerce Customer Loyalty in Malaysia. *Procedia - Social and Behavioral Sciences* , 60-67.

[6] Qayyum, A., Khang, D. B., & Krairit, D. (2013). An analysis of the antecedents of loyalty and the moderating role of customer demographics in an emerging mobile phone industry. *International Journal of Emerging Markets*, 373-391.

[7] Ningsih, S. M., & Segoro, W. (2014). The influence of customer satisfaction, switching cost and trusts in a brand on customer loyalty - the survey on student as im3 users in Depok, Indonesia. *Procedia - Social and Behavioral Sciences* , 1015-1019.

[8] Santouridis , I., & Trivellas, P. (2010). Investigating the impact of service quality and customer satisfaction on customer loyalty in mobile telephony in Greece. *The TQM Journal*, 330-343.

[9] Yang, Z., Peterson, R.T., (2004). Customer perceived value, satisfaction, and loyalty: the role of switching costs. *Psychology Market*. 21 (10), 799–822.

[10] Wu, J.H., Wang, S.C. (2011). What drives mobile commerce?: An empirical evaluation of the revised technology acceptance model. *Information & Management,* 42 (5), 719-729.

[11] Indrawati. (2015). Metode Penelitian Manajemen dan Bisnis Konvergensi Teknologi Komunikasi dan Informasi. (D. Sumayyah, Ed.) Bandung, West Java, Indonesia: PT Refika Aditama.

[12] Abdillah, W., & Jogiyanto. (2015). Partial Least Square (PLS). Yogyakarta, Indonesia: C.V ANDI OFFSET.

[13] Muller, D., Judd, C.M., Yzerbyt, V.Y., (2005). When moderation is mediated and mediation is moderated. *J. Pers. Soc. Psychol*. 89 (6), 852–863.