Effects of Customer Beliefs on Relationship Marketing Tactics and Customer Attitude on Switching Intention in a Competitive Service Industry

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This article identifies the marketing variables that best predict customer switching attitude and intention using Theory of Reasoned Action and relationship marketing theory. 172 customers from the UK deregulated utility service industry completed a questionnaire that provides the empirical data for the analysis using structural equation modeling. Prediction was improved by including specific beliefs on the importance of the various relationship marketing tactics and incorporating past switching behaviour as co-predictors of switching intention. The findings provided useful academic insights and have several managerial implications for the service providers in retaining existing customers and acquiring new customers.

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ABSTRACT

This article identifies the marketing variables that best predict customer switching attitude and intention using Theory of Reasoned Action (TRA) and relationship marketing theory. 172 customers from the UK deregulated utility service industry completed a questionnaire that provides the empirical data for the analysis using structural equation modelling. Prediction was improved by including specific beliefs on the importance of the various relationship marketing tactics (RMTs) and incorporating past switching behaviour as co-predictors of switching intention. The findings provided useful academic insights and have several managerial implications for the service providers in retaining existing customers and acquiring new customers.

INTRODUCTION

For more than a decade, businesses have recognised that improving the retention rate of profitable customers can reduce the levels of customer "churn" (Reichheld and Sasser 1990; Webster 1992). In order to attract as well as to retain customers, companies need to develop two sets of relationship marketing strategies; one aimed at keeping existing customers and the other aimed at acquiring new customers (Payne and Frow 1997). A number of empirical studies have provided evidence on the impact of relationship marketing strategy on behavioural loyalty which leads to customer retention (Bolton, et al. 2000; Crosby and Stephens 1987; Verhoef 2003). Other researchers have identified specific relationship marketing tactics (RMTs) and examined their individual effect on customer’s behavioural intention to remain loyal or switch their service providers. These specific RMTs include Service factors (De Wulf et al. 2001; Fornell and Wernerfelt 1987), Pricing factors (Verhoef, 2003; Keaveney 1995) Reputation factors (Moorman et al.1992; Pritchard et al. 1999; Bloemer et al. 1998), Value Offers (Blackwell et al. 1999; Cronin et al. 2000; Zeithaml, V.A. 1988), Communication factors (De Wulf et al. 2001; Bawa and Shoemaker 1987), and Past Behaviour (Stephen et al.1998; Ganesh et al. 2000).

However, despite the empirical evidence demonstrating the effect of RMTs on customer switching intention little has been done to explain the underlying mechanism of such effect (with the exception of Bansal and Taylor 1999, Bansal, Taylor and James 2005). For example, several studies have shown that individual differences variables such as past behaviour affect future intentions either directly or mediated by attitudes and/or subjective norms (e.g. Bagozzi et al. 2000; Bentler and Speckart 1981; Fredericks and Dossett 1983). The direct effect of past behaviour on switching intention derives from its role as another type of informational input to the decision in addition to attitude (Bagozzi et al. 1992). Following the same logic, we reason that the effect of RMTs on switching intention can be explained in terms of its role in shaping customer beliefs about the service providers. Customer beliefs about the service providers in turn affect future switching intention either directly or mediated by attitudes. The direct effect of customer beliefs on switching intention derives from its role as another type of informational input to the decision in addition to the influence of attitude. In addition, most of the research on RMTs and past switching behaviour studies customers who are highly involved in the product/service category or in the purchasing situation. Involvement is defined as an individual’s perceived importance of the object based upon inherent needs, values and interests (Mittal 1995). It is found that high involvement products are less susceptible to changes in evaluation after disreputable information than low involvement product. The rationale is that high involvement implies that beliefs about product/service attributes are firmly held and only influenced by strong quality arguments (Zaichkowsky 1986). Thus, although various customer beliefs about service providers’ RMTs and past switching behaviour have been found (when present individually) to correlate significantly with future switching intention in high involvement context, it is unclear how the effect of individual RMT-related beliefs will vary when more than one RMT-related beliefs are measured at the same time, and whether this effect will be significant for low involvement industry. Therefore based on the above argument, our paper aims to fill the gaps by asking the following research questions:

1. Among the various customer beliefs about the service providers’ RMTs, which specific beliefs have stronger influence on customer attitude towards switching and their switching intention?
2. How do customer beliefs about the service providers’ RMTs affect customer switching intentions: is the effect direct or mediated by attitude towards switching?
3. Does past switching behaviour have a significant effect (either directly, indirectly via attitude, or both) on switching intention in a low involvement product/service context?

This paper identifies and investigates a comprehensive list of customer beliefs about service provider’s RMTs, and it is one of the first studies to adapt the Theory of Reasoned Action to examine the relative impact of customer beliefs about their service providers’ RMTs on customer attitude towards switching and switching intention. In the following sections, we begin by discussing the Theory of Reasoned Action (TRA) developed by Fishbein and Ajzen (1975). We then investigate the specific beliefs that customers have about their service provider’s RMTs by reviewing empirical studies on customer relationship marketing. Next, based on the application of TRA and past research findings, we develop a conceptual framework and a set of hypotheses to postulate: (1) the relationship between the specific customer beliefs and their attitude towards switching (ATS) and their switching intention (SI) and (2) the influence of past switching behaviour (PSB) on attitude and switching intentions. Then we describe the research instrument, data collection methods, measures and constructs, and data
analysis using structural equation modelling techniques (LISREL8.54). Finally, we discuss the main findings and managerial implications of our paper.

THEORETICAL FOUNDATION AND RESEARCH HYPOTHESIS

Theory of Reasoned Action

Numerous studies in modelling consumer behaviour research have used Fishbein and Ajzen (1975) Theory of Reasoned Action. Support for this model is rather extensive in both the social psychological and marketing literatures (Bagozzi 1982; Burnkrant and Page 1982; Oliver and Bearden 1985; Sheppard, Hartwick, and Warshaw 1988). TRA views consumers as rational beings and make systematic use of information available to them (i.e. consider the implications of their actions) before they decide to engage in a given behaviour. The aim is to predict and understand an individual’s behaviour. It postulates an individual’s intention to perform a particular behaviour as the immediate determinant of the action. The person’s intention is a function of two basic determinants namely attitude towards the behaviour and the person’s perception of others (social pressures) towards performing the behaviour called ‘subjective norm’. Attitude is a function of beliefs i.e. a person who believes that performing a particular behaviour will lead to positive (negative) outcome will hold a favourable (unfavourable) attitude towards the behaviour (Ajzen and Fishbein 1980, 5-7).

In this study we focus on the effects of consumer beliefs about their service providers’ RMTs as the predictor of attitude towards the act of switching the service provider. We apply the TRA model to examine the links between the specific customer beliefs about their service providers’ RMTs, customer attitude toward switching and their decision to stay or switch their service providers. The adoption of TRA model provides a suitable framework for conceptualising such behaviour with two minor modifications. Firstly, we dropped the subjective norm (SN) component in predicting switching intention. This is supported by Warshaw’s (1980) detailed expository based upon the following reasons: (1) attitudes (A) were the primary determinants of intention, (2) SN adds little predictive power to the attitudinal component (Harel and Bennett 1974; Lutz 1973), (3) the frequent weak explanatory power of SN due to high multicollinearity with A reflects that, most studied behaviour is directed by attitudinal rather than normative considerations. In another study by Mitchell and Olson (1981), they too dropped the SN component citing the operational and conceptual problems associated with SN and raises the question of whether SN is really a separate construct as mentioned by Miniard and Cohen (1979).

Secondly, we used the belief only model (Aactij = ∑bij) instead of the standard evaluation times belief model (Aact = ∑aibij)10 to examine the effect of customer beliefs about their service providers’ RMTs on customer attitude and switching intention. This is supported by a number of studies (see Masao and Bettman 1974 and Beckwith and Lehmann 1973). These studies found that in certain situations (e.g. low involvement product class) the beliefs only model and the standard evaluation times belief model are almost indistinguishable in predicting attitude towards the act and that at the individual level the explanatory power of the two models are virtually identical. These findings indicate that for a low involvement product class, a simplistic decision process is likely to fit better with the rational behaviour.

Customer Beliefs about Service providers’ RMTs

This paper proposes that the effect of a service provider’s RMTs on customer switching intention can be explained in terms of their role in shaping customer beliefs about the benefit of switching service provider. Beliefs are the cognitive aspect of attitudes. For instance, a smoker’s belief about the harmful effects of cigarette smoking is likely to influence his or her intention to quit smoking. Shimp and Kavas (1984) provided empirical evidence that the TRA belief’s cognitive structure is multi dimensional instead of unidimensional. Consumers form cognitive beliefs concerning the benefit of switching service providers, based on their experience or through word of mouth communication or other information sources. Service provider’s RMTs are an important source of information and experience that influence such beliefs. A comprehensive list of specific customer beliefs was compiled based on an extensive literature search and a pilot study of managers and consumers in the utility industry (see the methods section for more details). These include (1) price-related beliefs such as higher and unfair pricing practices; (2) service-related beliefs such as inconvenient, unpleasant service encounters, response to service failures; (3) value offers related beliefs such as attractive offers from competitors; (4) reputation-related beliefs such as dishonest behaviour, intimidating behaviour, unsafe or unhealthy practices, conflict of interest; (5) involuntary switching such as relocation to another town (Keaveney 1995).

Predicting Attitude towards Switching from Customers’ Belief on RMTs

Service Quality

Drawing on the studies by Parasuraman et al. (1988, 15), service quality is defined as ‘the consumers’ judgment or belief about a firm’s overall excellence or superiority’. Zeithaml et al. (1996) indicated that customer’s beliefs concerning service quality results in favourable behavioural intentions and leads to customer retention. Numerous studies have linked service quality or service quality-related beliefs to switching intention, repurchasing behaviour, and behavioural intentions that leads to customer retention (see Bansal and Taylor 1999; Cronin and Taylor 1992; Keaveney 1995; Mittal and Laser 1998). Although these studies did not compare the relative impact of service quality with other RMTs, they have provided empirical evidence linking service quality or service quality-related beliefs to attitude toward switching. Therefore, based on these empirical studies and the TRA model, we hypothesise that:

H1: A more favourable customer belief about the current service provider’s service quality will have a significantly negative effect on their attitude towards switching their service provider.

Value Offers

Value is considered as an important constituent of relationship marketing, and firms providing superior value through enhanced offers can improve customer satisfaction by increasing the customer’s perceived benefits and reducing the sacrifice (Ravald and Gronroos 1996). We adopt the definition of value ‘as the consumer’s overall evaluation of the utility of the service provision based on perceptions of what one gets for what one gives’ (Zeithaml 1988, 14). Numerous studies have shown that a firm’s value offers through rewards, loyalty programmes, etc will enhance customer retention (De Wulf et al. 2001; Blackwell et al. 1999; Cronin et al. 2000). In addition, sales promotion that offers different customer benefits (monetary and non monetary) has positive impact on consumers purchase decisions (Sunil 1988; Chandon et al. 2000) and loyalty

10 Where ai is the evaluative aspect of consequence i of that act.

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programmes that provide economic incentives positively affect customer retention (Bolton et al. 2000). Although these studies did not compare the relative impact of value offers with other RMTs, they have provided empirical evidence linking value offers or value-related beliefs to attitude toward switching. Therefore, based on these empirical studies and the TRA model, we hypothesise that:

H2: A more favourable customer belief about the current service provider’s value offers will have a significantly negative effect on their attitude towards switching their service provider.

Reputation
We adopt the definition of reputation from Weiss et al. (1999, 755) as ‘an overall belief or judgement regarding the extent to which a firm is held in high esteem or regard’. Reputation plays a special role in service companies because strong brands and reputation increase customers’ trust, enables customers to better understand intangible products, and reduce customers’ perceived monetary, social or safety risk in buying services. Trust is generally viewed as a key element for successful relationships (Morgan and Hunt 1994). A number of other studies have also found that reputation related factors help to build loyalty, trust and commitment with the service providers (see Bloemer et al. 1998; Moorman et al. 1992; Pritchard et al. 1999; Ranaweera and Prahalad 2003). Although these studies did not compare the relative impact of reputation with other RMTs, they have provided empirical evidence linking reputation or reputation-related beliefs to attitude toward switching. Therefore, based on these empirical studies and the TRA model, we hypothesise that:

H3: A more favourable customer belief about the current service provider’s reputation will have a significantly negative effect on their attitude towards switching their service provider.

Price Perception
Perceived price is what a consumer gives up or sacrifices in order to obtain a product (Zeithaml 1988). Price is unquestionably one of the most important marketplace cues in all purchase situations. Customer’s beliefs on being charged an unfair or high price for a product or service negatively affect their purchase probabilities and positively affect their switching intention. Lichtenstein et al. (1993) suggest that customers’ price perception comprises four dimensions namely, price consciousness, value consciousness, sale proneness and coupon proneness11. Empirical studies found that price factors are strongly linked to customer switching behaviour and switching intention (see Colgate and Hedge 2001; Keaveney 1995; Mittal and Lassar 1998; Verhoef 2003). Although these studies did not compare the relative impact of price factors with all the other RMTs, they have provided empirical evidence linking price factors or price-related beliefs to attitude toward switching. Therefore, based on these empirical studies and the TRA model, we hypothesise that:

H4: A stronger customer belief about the pricing level of the current service provider will have a significantly positive effect on their attitude towards switching their service provider.

Marketing Communication
The primary aim of relationship marketing is to decrease the exchange uncertainty and to create customer collaboration and commitment (Andersen 2001). The specific focus on marketing communication in providing information satisfaction directly impacts trust (Mohr and Nevin 1990). Information satisfaction is consumer’s subjective satisfaction judgment of the information used in choosing a product or service (Spreng et al. 1996). It represents their beliefs about service providers’ marketing communication activity. In Keaveney’s (1995) exploratory study, 20% of customers found a new service provider through persuasion by marketing communications. Although these studies did not compare the relative impact of marketing communications with other RMTs, they have provided empirical evidence linking marketing communications or market communication-related beliefs (i.e. information satisfaction) to attitude toward switching. Therefore, based on these empirical studies and the TRA model, we hypothesise that:

H5: A more favourable customer belief about the service provider’s marketing communication (i.e. information satisfaction) will have a significantly negative effect on their attitude towards switching their service provider.

Predicting Switching Intention from Attitude Toward Switching
Previous research indicates that the more favourable the attitude with respect to the behaviour, the greater the customer’s intention to perform the behaviour (Ajzen and Fishbein 1980; Bansal and Taylor 1999; Bagpperlli et al 2000; Fishbein and Ajzen 1975). The various RMT-related beliefs are postulated to affect customer attitude toward switching. In turn, customer attitude toward switching should affect their switching intention. Therefore, based on empirical evidence and the TRA model, we hypothesise that:

H6: A more favourable customer attitude towards switching their service provider will have a significantly positive effect on their switching intentions.

Predicting Switching Intention from Past Switching Behaviour
As mentioned earlier, past behaviour affects future intentions either directly or mediated by attitudes (e.g. Bagozzi et al. 2000; Bentler and Speckart 1981; Fredericks and Dossett 1983). The direct effect of past behaviour on switching intention derives from its role as another type of informational input to the decision in addition to attitude (Bagozzi et al. 1992). The direct effect of past behaviour on intention derives from its role as another type of informational input to the decision in addition to attitude. There is however insufficient evidence to suggest that such effect exists for low involvement products or services. Therefore we test the conjunctures that:

H7a: A customer’s past switching behaviour has a significant positive effect on their attitude towards switching their service provider.

H7b: A customer’s past switching behaviour has a

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11 ‘price consciousness’ refers to the degree to which the consumer focuses exclusively on paying low prices; ‘value consciousness’ refers to the concern for price paid relative to quality received; whereas ‘sale proneness’ refers to an increased sensitivity to price in its negative role, which is related to the price being in sale form or discounts from their regular selling price; ‘coupon proneness’ refers to a price reduction in coupon form as an increased propensity to respond to a purchase offer because the coupon form of the purchase offer positively affects purchase evaluations.
significant positive effect on their switching intentions. The specific hypotheses are presented in Figure 1.

**FIGURE 1**
Conceptual Framework

![Figure 1: Conceptual Framework](image)

### RESEARCH METHOD

**Research Setting, Instrument Design and Data Collection**

The research was carried out in the UK utility service industry which was deregulated more than ten years ago and intense competition had resulted in high incidences (47%) of customer switching (OFGEM 2006). Companies have increasingly recognised the importance of building mutually beneficial relationship with valued customers. Scale development measures following Churchill’s (1979) and Steenkamp and van Trijp (1991) approach were adopted. The questionnaire was developed following a review of the extant literature and exploratory interviews with five service providers and a small group of consumers in the West Midland region. Originally, 8 new items were generated using verbal protocols (Bettman and Park 1980) by a convenience sample of 10 consumers. Participants were asked to provide their perception of various RMTs and how the RMTs affect their choice of service providers. Based on the verbal protocols, statements were compiled that correspond to each construct. These were assessed for face validity with the aid of 10 faculty members and 9 graduate students of a UK university. The resulting items were measured on 7 point scales. Measures and sources for the constructs are listed in Table 2.

The research instrument was pre-tested on a convenient sample of 28 consumers before administering it to a random sample of 1000 domestic consumers (resulting in an effective response rate of 17.2%). Respondents were asked a screening question requesting a member of the household who is solely or jointly responsible for choosing the energy supplier to fill in the questionnaire.

**RESULTS AND ANALYSIS**

**Measurement Properties**

Of the 172 respondents (52.1% male and 47.9% female), 32.4% were stayers (switched none), 38.2% switched once, 20.6% switched twice, 7.6% switched three times and 1.2% switched more than three times, 25.9% below the age of 35, 37.1% between the ages of 36-45 and 25.3% between the ages of 46-55. Overall, the data indicated good variance in the responses as shown in Table 1:

**TABLE 1**
Correlation Matrix of Latent Variables

<table>
<thead>
<tr>
<th></th>
<th>mean</th>
<th>stddev</th>
<th>ats</th>
<th>si</th>
<th>price</th>
<th>repute</th>
<th>comm</th>
<th>sq</th>
<th>value</th>
<th>experin</th>
</tr>
</thead>
<tbody>
<tr>
<td>ats</td>
<td>4.10</td>
<td>1.09</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>si</td>
<td>2.47</td>
<td>1.80</td>
<td>0.526</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>price</td>
<td>4.83</td>
<td>1.23</td>
<td>0.42</td>
<td>0.305</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>repute</td>
<td>4.86</td>
<td>0.97</td>
<td>-0.174</td>
<td>-0.243</td>
<td>0.137</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>comm</td>
<td>4.83</td>
<td>1.06</td>
<td>-0.229</td>
<td>-0.202</td>
<td>-0.066</td>
<td>0.506</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sq</td>
<td>5.19</td>
<td>0.98</td>
<td>-0.258</td>
<td>-0.219</td>
<td>-0.081</td>
<td>0.513</td>
<td>0.602</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>value</td>
<td>4.28</td>
<td>1.15</td>
<td>-0.05</td>
<td>-0.028</td>
<td>0.379</td>
<td>0.336</td>
<td>0.139</td>
<td>0.311</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>experin</td>
<td>3.12</td>
<td>1.87</td>
<td>0.261</td>
<td>0.219</td>
<td>0.281</td>
<td>-0.223</td>
<td>-0.082</td>
<td>-0.146</td>
<td>-0.003</td>
<td>1</td>
</tr>
</tbody>
</table>
Nonresponse Bias
Testing of nonresponse bias was done by assessing the differences between the early and late respondents following Armstrong and Overton’s (1977) method. Late respondents were defined as the last 25% of the returned questionnaires, while early respondents were the first 75% of the returned questionnaires. No significant differences in means were found between the two groups, at p<0.05, on any measured variables.

Measures and Constructs

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Factor Loading/ t-values/ R²</th>
<th>Scale based on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>Opinion on the various aspects of service quality provided that influenced your decision to choose your current service provider...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price Consciousness</td>
<td>1. I am willing to make every effort to find lower prices.</td>
<td>0.83/-0.69</td>
<td>adapted from Lichtenstein et al. 1993</td>
</tr>
<tr>
<td></td>
<td>2. The money saved by finding low prices is usually worth the time and effort.</td>
<td>0.89/12.331/0.79</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. I would never look around to find low price.*</td>
<td>0.45/5.55/0.20</td>
<td></td>
</tr>
<tr>
<td>Sale Proneness</td>
<td>1. If the price is cheaper, that is an important reason to stay with the service provider.</td>
<td>0.71/-0.500</td>
<td>adapted from Lichtenstein et al. 1993</td>
</tr>
<tr>
<td></td>
<td>2. I am more likely to stay with the service provider that offers price savings.</td>
<td>0.80/7.26/0.64</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. When I choose a service provider that is offering a cheaper rate, I feel that I am getting a good deal.</td>
<td>0.69/7.04/0.48</td>
<td></td>
</tr>
<tr>
<td>Past Switching Behaviour</td>
<td>1. How many times have you changed your electricity supplier?</td>
<td>1.0/-1.0</td>
<td>adapted from Bagozzi et al 2000</td>
</tr>
<tr>
<td>Switching Intention</td>
<td>1. How likely are you to switch to a competing service provider in the next six months?</td>
<td>1.0/-1.0</td>
<td>adapted from Bansal et al 2005</td>
</tr>
<tr>
<td>Marketing</td>
<td>Satisfaction with the information provided by the service provider in helping you to choose your current service provider</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The items used to measure the latent variables, were obtained from a combination of prior studies relevant to the current research setting and new items developed from the exploratory interviews. Descriptive statistics, exploratory factor analysis using SPSS 14.0 and confirmatory factor analysis using LISREL 8.54 with maximum likelihood (ML) estimation (Joreskog and Sorbom 1996) were first conducted to test and validate the measurement model. Missing data for the scale measures were replaced with the series mean except for the demographic variables (Hair et al. 1998). Details of the scale measures are shown in Table 2.

Note: ats –attitude toward switching; si –switching intention; repute –reputation; comm. –marketing communication, sq –service quality; value –value offers; experin –past switching behaviour.

Out of the original 12 new items generated from exploratory interviews, 2 items were removed due to low factor loading on the corresponding construct. 1 item remained after CFA analysis.
Communication electricity supplier…… Information satisfaction $\rho_c / \rho_{ave} / \alpha$

<table>
<thead>
<tr>
<th>Information satisfaction</th>
<th>1. Information on the pricing of electricity.</th>
<th>0.61/-0.374</th>
<th>adapted from Spreng et al. 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Regular billing information.</td>
<td>0.69/8.385/0.478</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Regular updates on new products and</td>
<td>0.54/6.822/0.287</td>
<td></td>
</tr>
<tr>
<td></td>
<td>services.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Accurate billing information.</td>
<td>0.83/7.541/0.683</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Your satisfaction overall with the</td>
<td>0.84/7.931/0.705</td>
<td></td>
</tr>
<tr>
<td></td>
<td>information provided.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value Offers</th>
<th>Underlying reasons for selecting the promotional offers……</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Value $\rho_c / \rho_{ave} / \alpha$</td>
<td>1. The loyalty scheme offered has a high cash value.</td>
</tr>
<tr>
<td></td>
<td>2. It is highly likely that I will achieve the proposed reward.</td>
</tr>
<tr>
<td></td>
<td>3. The proposed rewards were what I wanted.</td>
</tr>
<tr>
<td>Monetary Value $\rho_c / \rho_{ave} / \alpha$</td>
<td>1. The promotional offer was reasonably Priced</td>
</tr>
<tr>
<td></td>
<td>2. The promotional offer was worth the money.</td>
</tr>
<tr>
<td></td>
<td>3. The promotional offer was a good buy.</td>
</tr>
<tr>
<td></td>
<td>4. It is easy to get the benefits from the promotional offer.</td>
</tr>
<tr>
<td>Reputation</td>
<td>I choose the service provider that……</td>
</tr>
<tr>
<td>Social Responsibility $\rho_c / \rho_{ave} / \alpha$</td>
<td>1. Supports good causes.</td>
</tr>
<tr>
<td></td>
<td>2. I admire and respect.</td>
</tr>
<tr>
<td>Trusting Products $\rho_c / \rho_{ave} / \alpha$</td>
<td>1. I can trust.</td>
</tr>
<tr>
<td></td>
<td>2. Offers high quality products and services.</td>
</tr>
<tr>
<td></td>
<td>3. Keeps its promises.</td>
</tr>
<tr>
<td></td>
<td>4. Is honest</td>
</tr>
<tr>
<td>Attitude Towards Switching $\rho_c / \rho_{ave} / \alpha$</td>
<td>For me, switching my electricity supplier would be a……</td>
</tr>
<tr>
<td></td>
<td>1. A bad/good idea.</td>
</tr>
<tr>
<td></td>
<td>2. Harmful/beneficial.</td>
</tr>
<tr>
<td></td>
<td>3. Foolish/wise.</td>
</tr>
<tr>
<td></td>
<td>4. Undesirable/desirable.</td>
</tr>
</tbody>
</table>

Note: *Reverse coded items; $\rho_c$ - Composite Reliability; $\rho_{ave}$ – Average Variance Extracted ; $\alpha$ – Cronbach Alpha. All the items for service quality, value offers, price and reputation constructs were measured on a seven point Likert scale that ranged from "strongly disagree" to "strongly agree". Marketing Communication was measured on a seven point Likert scale anchored by “very dissatisfied” and “very satisfied”. Attitude towards switching was measured on a 7 point semantic differential scale. Past switching behaviour responses were transformed into a seven point scale with the following descriptors centered above the appropriate seven points (adapted from Bagozzi et al 2000, 101): 1 (none), 3 (switched once), 5 (switched twice), 7 (switched more than twice).

Measurement Model
The measurement model for each of the constructs suggested good fit to the data (refer to Table 3). The results of the CFA with factor loadings, t-values, cronbach alpha, composite reliability, average variance extracted and reliability is shown in Table 2. All the constructs are above the desirable levels of composite reliability (i.e. above 0.7, Bagozzi 1980) except for social responsibility dimension at 0.69. All AVE values exceeded the recommended level of 0.5 ranging from 0.54 to 0.86, demonstrating support for convergent validity (Bagozzi and Yi 1988). Coefficient alpha and composite reliability range from 0.69 to 0.96 indicating our measures are reliable. Discriminant validity was evaluated using Fornell and Larcker (1981) and Anderson and Gerbing (1988) requirements. On the basis of our reliability, convergent and discriminant validity tests, we concluded that our measurement model satisfied all the psychometric requirements (refer to Table 3).

**TABLE 3**
Goodness of Fit Statistics

<table>
<thead>
<tr>
<th>RMSEA</th>
<th>Comm</th>
<th>Repute</th>
<th>SQ</th>
<th>Value</th>
<th>ATS</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.059</td>
<td>0.083</td>
<td>0.063</td>
<td>0.052</td>
<td>0.000</td>
<td>0.096</td>
<td>0.058</td>
<td>0.056</td>
</tr>
<tr>
<td>0.974</td>
<td>0.961</td>
<td>0.953</td>
<td>0.965</td>
<td>0.981</td>
<td>0.987</td>
<td>0.906</td>
<td>0.902</td>
</tr>
<tr>
<td>0.977</td>
<td>0.943</td>
<td>0.941</td>
<td>0.960</td>
<td>0.981</td>
<td>0.971</td>
<td>0.945</td>
<td>0.943</td>
</tr>
<tr>
<td>0.988</td>
<td>0.971</td>
<td>0.969</td>
<td>0.976</td>
<td>0.989</td>
<td>0.990</td>
<td>0.954</td>
<td>0.953</td>
</tr>
</tbody>
</table>
Structural Model and Model Fit

We developed two models to test the hypotheses. Model 1 only included the five RMT beliefs, attitude toward switching and switching intention, whereas Model 2 included past switching behaviour as an extra independent variable. All the latent construct variances, covariances between constructs, and error variances were freely estimated. The overall goodness of fit statistics for the structural model indicates satisfactory levels of fit (Table 3). The values of CFI, NFI, IFI and NNFI are greater than 0.90 and RMSEA is less than or equal to 0.08 (Browne and Cudeck 1993; Bentler 1990). Model 1 ($\chi^2 = 24.49$, df = 21, Pvalue = 0.10277, RMSEA = 0.049, CFI= 0.971, IFI= 0.955, NFI = 0.938, NNFI= 0.938) accounts for 28.1% of the variance in attitude towards switching and 19.6% of the variance in switching intention. Model 2 ($\chi^2 = 31.81$, df = 24, Pvalue = 0.13167, RMSEA = 0.044, CFI= 0.973, IFI =0.953, NFI = 0.938, NNFI= 0.939) accounts for 27.6% of the variance in attitude towards switching and 18.6% of the variance in switching intention.

**FIGURES 2 & 3**

Validation of Hypotheses

The results indicate that although the directions for all hypothesised path were as predicted for both models (see Figures 2 and 3), only H2 (value offer belief – attitude, $p < 0.10$), H4 (price belief – attitude, $p < 0.01$) and H6 (Attitude – intention, $p < 0.01$) were supported. The path coefficient from value offer belief to attitude towards switching ($\gamma_{13} = -0.18$ and -0.16) was weak (i.e. $0.10 < \gamma < 0.20$). The path coefficient from price belief to attitude towards switching ($\gamma_{13} = 0.51$ and 0.46) was moderately strong (i.e. $0.40 < \gamma < 0.60$). The path coefficient from attitude towards switching to switching intention ($\beta_{21} = 0.42$ and 0.43) was moderately strong.

In addition, although we postulated that the effects of customer beliefs about service provider’s RMTs on switching intention are mediated by attitude towards switching, we found two direct paths from beliefs to intention to be significant. These are: the path from price belief to switching intention ($p < 0.05$, $\gamma_{21} = 0.17$ and 0.14) and the path from reputation to switching intention ($p < 0.05$, $\gamma_{22} = -0.20$ and -0.18). Finally in model 2, where an additional path is added to predict attitude towards switching and switching intention from past switching behaviour, the path from past switching behaviour to attitude ($\gamma_{13}$) and to intention ($\gamma_{23}$) was found to be non significant. This is unexpected and the implications of this finding along with other findings will be discussed in the discussion and implication section next.
### TABLE 3
Summary of Path Coefficients & Validation of Hypotheses

<table>
<thead>
<tr>
<th>Path</th>
<th>Model 1</th>
<th>Model 2 (with Pexp)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standardised</td>
<td>Unstandardised</td>
</tr>
<tr>
<td>H4 Price</td>
<td>ATS γ11</td>
<td>0.51***</td>
</tr>
<tr>
<td>H3 Repute</td>
<td>ATS γ12</td>
<td>-0.13(ns)</td>
</tr>
<tr>
<td>H5 Comm</td>
<td>ATS γ13</td>
<td>-0.07(ns)</td>
</tr>
<tr>
<td>H1 S.Quality</td>
<td>ATS γ14</td>
<td>-0.05(ns)</td>
</tr>
<tr>
<td>H2 Value offers</td>
<td>ATS γ15</td>
<td>-0.18*</td>
</tr>
<tr>
<td>H6 ATS</td>
<td>SI β21</td>
<td>0.42***</td>
</tr>
<tr>
<td>H7a PSB</td>
<td>ATS γ16</td>
<td>-</td>
</tr>
<tr>
<td>H7b PSB</td>
<td>SI γ26</td>
<td>-</td>
</tr>
<tr>
<td>H8 Price</td>
<td>SI γ21</td>
<td>0.17**</td>
</tr>
<tr>
<td>H9 Repute</td>
<td>SI γ22</td>
<td>-0.20**</td>
</tr>
</tbody>
</table>

Note: *p<0.10(1tail); + p<0.05 (1 tail); ** p < 0.05 (2 tailed ); *** p< 0.01 (2 tailed ); ns - non significant; Pexp- past switching behaviour; # total effects on SI
DISCUSSION AND IMPLICATIONS

This paper makes several contributions. First, it identifies a set of specific customer beliefs about service providers' relationship marketing tactics (RMTs) that best predict customer attitude and intention to switch their service providers. The results indicate that customers differ in their specific belief about the various RMTs. Some have stronger beliefs about the impact of price, whereas others have stronger belief about the impact of value offers on their attitude towards switching their service providers. We found that among the five customer beliefs, price seems to be the predominant factor ($p < 0.01$, $\gamma = 0.51, 0.46$) followed by value offers ($p < 0.10$, $\gamma = -0.18, 0.16$) in affecting attitude towards switching. This finding indicates that customer belief on price has a significant positive effect on their switching attitude, whereas customer belief on value offers has a significant negative effect on their switching attitude. We found a non significant and negative effect of customer service quality and marketing communication beliefs on customer’s attitude towards switching.

Secondly, the paper shows that while the effects of some specific customer beliefs on customer switching intention are fully mediated by their attitude toward switching (i.e. value offers), others are only partially mediated by their attitude toward switching (i.e. price), and still others are not mediated but directly affect customer switching intention (i.e. reputation). The unexpected direct and strong effect of reputation and price related beliefs on switching intention is intriguing. We wonder whether this is due to the fact that reputation is perceived by consumers to be universal for all customers, whereas other RMTs such as service quality are perceived to be tailored to individual consumers. Thus consumers may stay with service providers for their strong reputation without forming a favourable or unfavourable attitude towards the service provider. Further research will be required to explore this result.

Thirdly, previous studies of high involvement industry have shown that individual differences variables such as past behaviour have a direct effect on future intentions (e.g. Bagozzi, 1992; Bentler and Speckart 1981). However, in this paper we tested the causal link between past switching behaviour and future switching intention and found that past switching behaviour has no significant influence on attitude and switching intention. It is beyond the scope of this paper to explain the underlying mechanism for this finding. Nevertheless we have reason to think that this may be due to the low involvement context of our study. In other words, low involvement products are more susceptible to changes in evaluation after discrepant information (Zaichkowsky 1986). Thus it is conceivable that beliefs about a low involvement product/service attributes that led to previous switching may have been subsequently changed or no longer accessible. Further empirical research will be needed to test this proposition.

This paper has a number of important implications for all service providers. For instance, if their strategy is to retain customers, they will need to develop innovative ‘value offers’ (i.e. with high cash value; easy to achieve the reward; reasonably priced and value for money). On the other hand if the strategy is to acquire customers, creative pricing strategy (i.e. positioning the perceived price consciousness in the consumers mind as been cheaper and offer savings) will be most effective.

In addition, the paper has several important implications for the low involvement industry in particular. Our results show that attitude is a strong predictor of intention to act even for low involvement industry, even though the type and number of customer RMT-specific beliefs that affect the attitude may differ. Furthermore, the results are contrary to the current understanding that ‘price’ is the predominant factor in influencing switching decisions (OFGEM, 2006). Thus service providers will need to investing in reputation building programmes (i.e. improve social responsibility and providing trusting product/services), instead of merely focusing on the pricing and value offers which were found to have lesser impact than reputation.

In terms of the limitations of this paper, we caution that these results are derived from the utility service industry. Further research is needed to validate and generalise these results to broader settings, especially to those industries that share a number of important characteristics with the utility service industry, such as land line telecommunication and internet services where switching is largely initiated by the service providers as a competitive poaching tactic and consumer involvement with the product/service is low.

Finally this is a cross sectional study on customer beliefs, attitude and switching intention. Customer switching costs, satisfaction and loyalty, which are likely to influence customer switching behaviour, have not been included in the study. To answer Lehmann’s (1999) call for the “development of a conceptual and structural model that brings together all the important variables concerning marketing tactics, consumer attitude, intention, satisfaction, preference and loyalty”, future studies will need to extend to longitudinal data and incorporate a more comprehensive list of consumer variables.

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