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Switching Intentions of Service Providers and Cultural Orientation

Goitom Tesfom[a], Thijs L. J. Broekhuizen[b] and Clemens H. M. Lutz[b]

[a]Marketing at the Department of Finance and Marketing, Eastern Washington University, College of Business, Spokane EWU Center, Spokane, Washington, USA; [b]Department of Innovation Management & Strategy, University of Groningen, Groningen, The Netherlands

ABSTRACT

This study performs a cross-cultural comparison to understand how the drivers of switching intentions differ between countries that vary in their long-term orientation (LTO). The authors hypothesize how LTO moderates the influence of the drivers of switching intentions for a mobile phone subscription service. Structural invariance tests between consumer samples of the United States (low LTO) and the Netherlands (high LTO) reveal that, consumers from high LTO nation attribute more importance to relational quality but care less about service recovery in their formation of switching intentions. The theoretical and managerial implications of how differences in time orientation affect the pathways to loyalty are discussed.

KEYWORDS

Culture; subscriptions services; switching barriers; switching intentions

Introduction

Customer loyalty has attracted considerable attention in the marketing literature (Paparoidamis, Tran, and Leonidou 2019; Russell-Bennett, McColl-Kennedy, and Coote 2007; Verhoef 2003) and is often considered as a primary marketing goal of any company (Heide and Weiss 1995). In exchange for loyalty, customers receive benefits like cheaper prices, convenience, and personalization of service (Barseghian 2019). Loyalty and churn have always been relevant but becomes even more important in today's industries that are flooded by the advent of subscription-based business models in communication (mobile phones), entertainment (Spotify, Netflix, Steam), retail delivery services (Amazon Prime), food and meal-kits (Blue Apron, HelloFresh), and software and online storage (Office 365, Dropbox). The subscription services market has grown by more than 100% a year, increasing from $57 million in sales in 2011 to $2.6 billion in 2016 (Columbus 2018). Also, for these subscription services reducing churn rates is a highly relevant aspect, as income flows strongly depend on the defection. The mobile phone service industry loses approximately 30% of its subscribers every year, incurring unusually high new customer acquisition costs (Lee, Lee, and Feick 2001; Statista 2019).

Cross-cultural differences increase customer heterogeneity (Ladhari, Souiden, and Choi 2015; Lynn, Zinkhan, and Harris 1993) and, hence, complicate the building of loyalty for firms operating in an international context (Watson *et al.* 2015). In an attempt to analyze the impact of cross-cultural or cross-national differences in the relationship marketing context, many studies rely on Hofstede's four cultural value dimensions (cf. Kübler *et al.* 2018; Orsingher, Valentini, and de Angelis 2010; Pick and Eisend 2016; Salmi and Sharafutdinova 2008; Steenkamp *et al.* 1999). The LTO construct has received recent attention from the marketing literature (Ndubisi and Nataraajan 2018; Wang, Shi, and Barnes 2015; Nepomuceno and Laroche 2017; Pesce 2018). Yet, it did not strongly look at the longer-term consequences and how it affects customers' intentions to stop the relationship (mostly only on short-term impulse behaviors). LTO, defined as "the fostering of virtues oriented towards future rewards, in particular perseverance and thrift" (Hofstede 2001, p. 350), is critical to understanding how cultures may differentially form loyalty and

CONTACT Goitom Tesfom gtsegay@ewu.edu Marketing at the Department of Finance and Marketing, Eastern Washington University, College of Business, Spokane EWU Center, Spokane99004-2419, Washington, USA.
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switching intentions. LTO explains a culture's future orientation and willingness to delay short-term success or benefits (Yoo, Donthu, and Lenartowicz 2011) and drives customer loyalty and switching via altering the culture's valuation of current and future benefits.

Borrowing from the Expectancy theory (Vroom 1995), driven by their cultural value that short-term sacrifices lead to long-term benefits, the motivation of customers from long-term oriented cultures is based on their focus on long-term rather than short-term benefits. Accordingly, customers from long-term and short-term oriented cultures may exhibit different behaviors based on their time orientation. By understanding the factors that motivate customers from long-term and short-term oriented cultures, marketers can create a strategy that will increase the motivation level of customers.

This study tries to pinpoint how LTO can explain cross-cultural differences in the construction of switching intentions. Cultures with high LTO view time holistically, valuing both the past and the future rather than deeming actions important only for their effects in the here and now or the short term (Bearden, Money, and Nevins 2006). Extant literature has already used LTO to investigate the satisfaction-loyalty link (Kim *et al.* 2018), service quality-loyalty link (Chen *et al.* 2015), and as a driver of customer lifetime value (Kumar and Pansari 2016), but have not yet investigated how LTO alters the effects of switching barriers like service recovery, relational quality and switching costs on switching intentions. Investigating the drivers of switching intentions is managerially relevant, as these drivers may differ from those of loyalty intentions (Patterson and Smith, 2003), yet strongly link to competitive processes and outcomes. To address this research gap, this study examines the drivers of switching intentions across countries that differ strongly in LTO. More specifically, this study addresses the question:

> To what degree does LTO moderate the influence of the drivers of switching intentions for a subscription service?

To answer this research question, we use mobile phone subscription services as a suitable and relevant context. The mobile phone service industry is a highly competitive market yet characterized by low customer satisfaction and loyalty as compared with other industries (Lee, Lee, and Feick 2001). The mobile phone service industry is in dire need to understand the drivers of switching, as it loses approximately 30% of its subscribers every year, incurring unusually high customer acquisition costs (Ascarza, Iyengar, and Schleicher 2015; Lee, Lee, and Feick 2001; Statista 2019). We conduct an empirical analysis in a nation with a long-term orientation, the Netherlands (LTO score = 67), and with a short-term orientation, the United States (LTO score = 26) (Hofstede, Hofstede, and Minkov 2010). Based on two large customer samples, we investigate the differences in the importance that mobile phone service users attribute to three drivers of switching intentions: relationship quality, switching costs, and service recovery.

The main contribution of this study is that it provides empirical evidence showing that LTO plays a critical role in explaining the cross-cultural differences in the drivers of switching intentions, but also unveils the different temporality of effects of relational quality vs. service recovery. Relational quality helps to build loyalty for long-term oriented customers who value trusting relationships that help to secure future benefits. Service recovery particularly helps to build loyalty for short-term oriented customers via the delivery of immediate, transaction-oriented benefits that demonstrate the willingness of the provider to maintain a good relationship. Hence, LTO reveals the different loyalty mechanisms for customers with varying time orientations.

We organize the remainder of the paper as follows. The next section presents our conceptual model and hypotheses, followed by the research methodology and results. The paper concludes with a discussion of the research findings and discusses the research implications for theory and practice.

Cross-cultural differences and drivers of switching intentions

Customer loyalty, the willingness of a customer to continue consuming a specific product or

service (Jones and Sasser 1995; Ashley and Varki 2009) has been hailed as the key driver of firms' profitability and market dominance (Chaudhuri, Voorhees, and Beck 2019; Umashankar, Ward, and Dahl 2017). In competitive and saturated markets, firms are incentivized to cultivate customer loyalty by building switching barriers and strengthening customer satisfaction (Brunner, Stöcklin, and Opwis 2008; Chuah *et al.* 2017b). Switching barriers enhance customer loyalty (Burnham, Frels, and Mahajan 2003 Chuah *et al.* 2017b; Ghazali *et al.* 2016; Lam *et al.* 2004) by reducing customers' intentions to switch between providers, which we define as the intention or decision to terminate the contract with a particular service company (cf. Calvo-Porral et al., 2017).

Empirical research in the mobile phone service industry has linked switching barriers to customer retention (Chuah *et al.* 2017a; Edward and Sahadev 2011; Kim *et al.* 2004; Vazquez-Carrasco and Foxall 2006). Customers are more likely to stay or repurchase if they perceive high switching barriers related to leaving the current provider (Chen and Wang 2009; Jones *et al.* 2002; Keaveney1995). By reducing the likelihood of customers switching to other providers, switching barriers help the firm to retain customers and ultimately making them loyal to its brand (Beggs and Klemperer 1992; Kim *et al.* 2018). Perceived switching barriers, constructed by subscription services companies, have been used strategically to retain customers, even when customers are less than satisfied with the provider (Burnham, Frels, and Mahajan 2003; Colgate, Hedge, and Lang 2001; Malhotra and Malhotra 2013).

Although global markets offer companies opportunities for market growth, they also involve challenges (Burgess and Steenkamp 2006; Chao, Samiee, and Yip 2003). Customers' responses to marketing efforts may differ across countries depending on cultural values (Hofstede, Hofstede, and Minkov 2010). In other words, customers' behavior depends on the cultural context in which this behavior is embedded (Kumar and Pansari 2016). Marketing strategies can be tailored to local cultures to become more persuasive and appealing than standardized marketing strategies that neglect such cultural differences (Cho *et al.* 1999; Kang and Mastin 2008). Cultural values represent a powerful force that shapes the motivations, lifestyles, and product choices of the members of any given culture, and differences between them provide firms with the means to improve the effectiveness of their actions and hence steer customer loyalty (Chaudhuri, Voorhees, and Beck 2019; Steenkamp *et al.* 2012).

Hofstede's four cultural value dimensions (i.e., power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, see Hofstede and Hofstede, 2001) have been investigated in the relationship marketing context. Research, however, often ignored the influence of Hofstede's fifth cultural value dimension (Hofstede and Hofstede 2005) long-term/short-term orientation (Hassan, Shiu, and Parry 2016; Kübler *et al.* 2018; Kim and Kim 2010; Steenkamp *et al.* 1999). In this paper, we argue that switching intentions depend on the time frame customers consider and that long-term/short-term orientation moderates the influence of the drivers of switching intentions in the mobile phone service industry.

Conceptual model

Previous research has come up with several, but similar, classifications of factors that make it more difficult or costly for consumers to change providers. Building on prior work (Ping1993), Colgate, Hedge, and Lang (2001) grouped switching barriers into relational benefits, switching costs, availability and attractiveness of alternatives, and service recovery. Malhotra and Malhotra (2013) divided these costs into soft lock-in and hard lock-in. Also, Lee, Lee, and Feick (2001) and Caruana (2003) classified switching barriers into transactional costs, contractual costs, and learning costs. A similar conclusion can be drawn regarding the concepts used by Burnham, Frels, and Mahajan (2003), who used the switching costs construct synonymously with the concept of switching barriers and proposed procedural, financial, and relational switching costs that drive customers' switching intentions. One notable exception is Wirtz *et al.* (2014), which includes marketing mix variables relative to competitors and customer background data as drivers of switching intentions. Based on a broad analysis

of existing empirical research, we identify relational quality (Colgate, Hedge, and Lang 2001; Jones, Mothersbaugh, and Beatty 2000), switching costs (Burnham, Frels, and Mahajan 2003; Colgate, Hedge, and Lang 2001; Jones, Mothersbaugh, and Beatty 2000; Gremler and Brown, 1996), and service recovery (Colgate, Hedge, and Lang 2001; Tesfom and Birch 2011; Forbes et al. 2005) as the main drivers of switching intentions. We augment our baseline model with LTO (Hofstede and Hofstede 2005) as an important moderator of each of the relationships between the drivers and switching intentions. The constructs and the hypotheses underlying this conceptual framework are discussed below (Figure 1).

Hypotheses

Relational quality

Relational quality is "a benefit resulting from accumulated experiences with the supplier and the perceived quality of its services" (Rexha 2000). Relational quality benefits arise from the performance of the core service and from the relation itself (Hennig-Thurau, Gwinner, and Gremler 2002). Service quality measures a firm's performance along transactional dimensions (Morash and Ozment 1994), such as mobile phone service connection quality, lower frequency of dropped calls, and new technologies that are part of the core service that defines the provider's core service performance. Relational benefits measure the intangible aspects of relationships that are beyond the attributes of the core service (Zeithaml and Bitner 2000; Zineldin 2006) including confidence, social and special treatment benefits (Meldrum and Kaczynski 2007). In the mobile phone service industry, relational benefits can vary from faster device upgrades, discounted or free services, installment plans to pay for device costs, to free call time to friends in the same network (Malhotra and Malhotra 2013). Customers are incentivized to develop and maintain relationships with companies offering superior relational quality, as it increases the risks associated with switching to another provider (Gwinner, Gremler, and Bitner 1998). Higher relational quality is expected to lower switching intentions, as customers would risk losing these benefits. While previous research has shown that relational quality has a direct positive influence on customer retention in an online auction context (Li 2015), we seek to test this relationship for a mobile phone service context. Thus:

> H1: Relational quality is negatively associated with customers' intentions to switch to another mobile service provider.

Service recovery

Service recovery becomes important when there is service failure (Tax, Brown, and Chandrashekaran 1998). It includes all activities and efforts

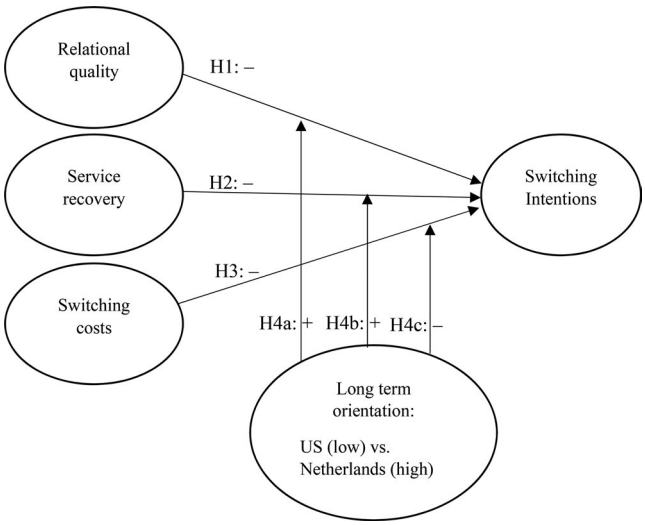

Figure 1. Conceptual model.

employed by a service organization to rectify, amend, and restore the loss experienced by the consumer following a service failure (Boshoff and Allen 2000; Grönroos 2009). According to Edvardsson (1998), gaps between customer service quality expectations and perceptions are in most cases recurrent. Customers who experience a service failure will usually experience dissatisfaction (Colgate, Hedge, and Lang 2001; Keaveney1995). Successful service recovery efforts can reverse this dissatisfaction and can even make the customers more satisfied and loyal than before the problem (Smith and Bolton 1998; Forbes et al. 2005). Therefore, effective service recovery provides a service company an opportunity to recover from service failures and to build up goodwill that provides a buffer against customers' switching intentions (Liu and Mattila 2015). Hence,

H2: Service recovery is negatively associated with customers' intentions to switch to another mobile phone service provider.

Switching costs

Switching costs are defined as the "costs perceived, anticipated, and/or experienced by a buyer when changing a relationship from one seller to another" (Pick and Eisend 2014, p. 186). Switching costs include all perceived monetary, time, and psychological costs (Burnham, Frels, and Mahajan 2003). The use of switching costs to deter customers from moving to other providers is common in the mobile phone service industry (Vazquez-Carrasco and Foxall 2006; Burnham, Frels, and Mahajan 2003; Lam *et al.* 2004; Malhotra and Malhotra 2013; Caruana 2003). For instance, mobile phone users can face financial switching costs (a contract fee) when breaching a contract (Malhotra and Malhotra 2013). Furthermore, they experience time and psychological switching costs when searching for (Colgate, Hedge, and Lang 2001) or establishing a new contract with a new provider. When perceived switching costs are high, customers may remain with the provider, despite their possible dissatisfaction, due to perceptions that switching costs outweigh switching benefits (Gronhaug and Gilly 1991). Based on the discussion above, we hypothesize the following:

H3: Switching costs are negatively associated with customers' intentions to switch to another mobile service provider.

Moderating effects of LTO

LTO makes customers value the long-term benefits rather than short-term gains. Cultures with high LTO are more likely to focus on the long-term consequences of actions taken today than cultures with low LTO (Hofstede, Hofstede, and Minkov 2010). Relational quality is strongly linked with long-term consequences, as it is linked with future benefits that derive from the development of mutually beneficial relationships. It reduces switching, as it heightens the risk of losing future benefits from a mobile phone supplier when switching (Gwinner, Gremler, and Bitner 1998). Relational quality helps to deepen customers' relationships with the service provider to forge reciprocal and trusting relationships. Thus, LTO strengthens the negative association between relational quality and customers' switching intentions. Therefore, we hypothesize that:

H4a: Long term orientation (LTO) strengthens the relationship between relational quality and customers' intentions to switch, such that the negative effect is stronger (i.e., more negative) for higher levels of LTO.

In contrast, we expect that service recovery is more short-term oriented, and, hence, more strongly valued by members of short-term oriented cultures than those of long-term-oriented cultures. Customers in high LTO cultures appear to tolerate service problems more easily (Dwyer, Mesak, and Hsu 2005). Even though customers who invested in a long-term relationship tend to be more motivated to express their discontent than customers who are in a short-term relationship (Ping 1993; Haenlein and Kaplan 2012), prior research indicates that those customers are less likely to change their attitude toward the provider than customers in a short-term relationship (Evanschitzky *et al.* 2012). Put it differently, short term-oriented cultures are not expected to tolerate service failure and, therefore, require fast service recovery. In

line with this, we argue that short term-oriented cultures are more likely to care about service recovery as a driver of their switching intentions. In countries with short-term oriented cultures, customers tend to punish those who delayed or failed to recover the service immediately. In short term-oriented cultures, corrective action must be taken as soon as possible to prevent customers from concluding that the provider does not care about the time that customers waste. Therefore, we hypothesize the following:

> H4b: Long term orientation (LTO) weakens the relationship between service recovery and customers' intentions to switch, such that the negative effect between service recovery on the intention to switch is weaker (i.e., less negative) for higher levels of LTO.

In line with Hofstede (2001), we argue that those who have a longer-term orientation are less likely to pay attention to the immediate switching costs since they more strongly value the long-term benefit. Accordingly, we expect that customers with a longer-term orientation are less restrained by switching costs. When they distrust a service provider, they seek to build a relationship with a new service provider and tend to discount or disregard the initial switching costs. In such circumstances, they rather incur costs to switch to a new provider that they trust instead of maintaining a bad relationship and saving on switching costs. Thus,

> H4c: Long-term orientation (LTO) weakens the relationship between switching costs and intentions to switch, such that the negative effect of switching costs is weaker for higher levels of LTO.

Methodology

Sample and survey approach

Data was collected from graduate and undergraduate students in two comparable public higher education institutions in the Netherlands and the United States. For this age group, mobile telephone usage, and switching are both common (Deloitte 2017). The countries differ strongly in terms of LTO (US = 26 vs. NL = 67) and masculinity (US = 62 vs. NL = 14) but much less on other cultural dimensions (power distance: US = 40 vs. NL = 38, individualism: US = 91 vs. NL = 80, uncertainty avoidance: US = 46 vs. N = 53. Hofstede, Hofstede, and Minkov (2010) describe the Netherlands culture as independent that prefers to the loosely-knit social framework. It is caring for others, avoids uncertainty, and inherits a strong propensity to save and invest. The US culture, like the Netherlands culture, is highly independent that prefers to loosely-knit social framework. However, unlike the Netherlands culture, the US culture is masculine with high tolerance to risk and expects quick results in the workplace. Apart from the significant difference in the LTO and masculinity score, there are striking similarities between the mobile phone service industries in the United States and the Netherlands in terms of maturity and competition. The United States and the Netherlands have high smartphone penetration rates of 77% and 79%, respectively (Newzoo 2018). Also, the mobile phone service market structure and service offerings in the two countries are similar. The US mobile market is more consolidated than the Netherlands mobile market. During the first quarter of 2021, AT&T, the largest mobile service provider in the US, accounted for a market share of 44. 8% wireless subscription services (Statista 2021). Verizon Wireless, T mobile-US, and Dish wireless are other major players in the US market. The latter is a grouping of small providers, previously operated under the Boost brand name. T-Mobile (32%), KPN (27.5%), Vodaphone Zigo (22.5%), and MVNO's (17.5%) dominate the Netherlands mobile phone service market (Statista 2021). Global phone service companies, such as T-Mobile, operate in both the US and the Netherlands. In both markets, we find smaller operators being affiliated with the bigger mobile phone service providers to cater to the lower end of the consumer market. In both markets, we find prepaid and contract plans.

To establish data equivalence, the same English language-based survey instrument was used in both countries. To enhance sample equivalence, the same sampling method was employed to collect data in the United States and the Netherlands. In both countries, the questionnaire targeted a homogenous group of undergraduate and graduate students at a single university, who currently

Table 1. US and Dutch sample characteristics.

	US		Netherlands	
	Frequency	Percentage[a]	Frequency	Percentage
Gender				
Male	176	57.3%	179	54.1%
Female	131	41.6%	151	45.6%
Other	2	0.7%	1	0.3%
Age				
20 years or younger	53	16.9%	28	8.5%
21 to 30 years	261	83.1%	303	91.5%
Education				
Post graduate degree	23	7.4%	55	16.6%
Bachelors or Associate degree	233	74.9%	232	70.1%
Trade Qualification	5	1.6%	4	1.2%
Highschool diploma or equivalent	48	15.4%	40	12.1%
Less than high school	2	0.6%	0	0.0%
Annual Individual Income[b]				
Less than $16,000	180	58.3%	290	87.6%
$16,000 - $31,999	108	35.0%	29	8.8%
$32,000 - $47,999	13	4.2%	9	2.7%
$48,000 – or higher	8	2.6%	3	0.9%

[a]Valid count or percent (does not include missing responses).
[b]Annual income is in US dollars for the USA sample, and in Euros for the Dutch sample. The exchange rate between US dollar and Euro was $1/€0.9.

make use of a mobile phone service provider, in the age between 18-30 years.

We gathered data from a total of 315 respondents in the United States and 331 respondents in the Netherlands. The two samples are rather similar in the distribution of gender (female US = 41.6%, female NL = 45.6%), household size, and income. In both samples, the majority (US = 82.3%; NL = 86.7%) holds a university degree (see Table 1). The great similarity in population distributions reduces the chance that the differences in structural relationships result from non-cultural variables like gender, household size, income, and education.

Measures

Independent variables

Relationship quality. There is no clear consensus on the set of dimensions that determine customers' relational quality (Hennig-Thurau, Gwinner, and Gremler 2002). We use items that reflect the level of core service quality, satisfaction, and commitment (Hennig-Thurau, Gwinner, and Gremler 2002), in the mobile phone service industry as the main constituents of relational quality. Accordingly, we use five factors: (1) excellent connections (service quality), (2) fewer dropped calls than other providers (service quality), (3) technology pioneer (service quality), (4) meets expectations (satisfaction), and (5) commitment toward provider (service commitment) to measure relational quality.

Service recovery. We use the work of Colgate, Hedge, and Lang (2001), Colgate and Hedge (2001), and Tesfom and Birch (2011) to measure the switching barrier of service recovery, using two items: (1) a complaint that I had with my mobile phone service provider was resolved, (resolved complaint) and (2) I was happy how my mobile phone service provider responded to my complaint (satisfaction with provider's response).

Switching costs. Similarly, we use three items from Colgate and Hedge (2001) and Burnham, Frels, and Mahajan (2003) to measure switching costs: (1) amount of effort, (2) amount of time, and (3) procedural difficulties.

For each of the items related to relational quality, service recovery, and switching costs, respondents were asked to express their agreement or disagreement with a statement, using a 7-point Likert-type scale, where 1 indicates "strongly disagree" and 7 indicates "strongly agree".

Dependent variable

We measure consumer switching intention by asking respondents how likely they would end their relationship with the mobile phone service provider within six months, one year, and two years using a 7-point Likert-type scale (cf. Colgate, Hedge, and Lang 2001; Tesfom and Birch 2011). Although our study does not measure actual switching behavior, prior research (Hsieh *et al.* 2012) has demonstrated a strong link between switching intention and switching behavior. Table 2 provides an overview of the constructs.

Table 2. Construct reliability and validity.

Construct	Item	Standardized loading US	Standardized loading Netherlands
Relational quality	RQ1: My provider has excellent connection quality everywhere.	.811	.705
AVE = .478/.341	RQ2: My provider has less dropped calls than other providers.	.818	.601
CR = .816/.716	RQ3: My mobile phone service provider is a pioneer in new technology.	.550	.521
	RQ4: My mobile phone service plan/provider meets my expectations.	.677	.624
	RQ5: I feel a sense of loyalty to my mobile phone service provider.	.548	.431
Service recovery	SR1: I was happy with how my mobile phone service provider responded to my complaint.	.902	.849
AVE = .826/.768			
CR = .905/.869	SR2: A complaint that I had with my mobile phone service provider was resolved.	.916	.903
Switching costs	SC1: There are technical (procedural) difficulties in changing my mobile phone service plan/provider.	.470	.515
AVE = .581/.622			
CR = .796/.824	SC2: Changing mobile phone service plans/providers requires a lot of time.	.874	.925
	SC3: Changing mobile phone service plans/providers requires a lot of effort.	.870	.864
Switching intentions	SI1: Within the next six months.	.685	.730
AVE = .636/.712	SI2: Within the next one year.	.989	.993
CR = .835/.880	SI3: Within the next two years.	.678	.637

Data measurement and analysis

To test the validity of the constructs, we perform Structural Equation Modeling (SEM) using AMOS 25.0. We first assessed the measurement models for both subsamples to test the validity and reliability of the constructs (see Table 2). We find that the data fit the model well, given the fit indices we found for both the US (χ^2/df = 2.866; GFI = .920; CFI = .936; RMSEA = .077) and the Dutch context (χ^2/df = 2.708; GFI = .932; CFI = .934; RMSEA = .072). All standardized loadings are highly significant (p<.001) (Anderson and Gerbing 1988), which satisfies the criterion for convergent validity (Hair *et al.* 2006). Furthermore, except for relationship quality, we find that the average variance extracted for each construct is higher than 0.5, indicating that the constructs explain more variance than an error (Fornell and Larcker 1981). Although the constructs in our study are conceptually related, they should be sufficiently distinct from each other. To assess the discriminant validity, we first assessed whether the absolute values of the latent correlations between each pair of constructs (plus/minus twice the standard error) did not include 1.0 (Anderson and Gerbing 1988). Each of the constructs met this first criterion in both contexts. As a second test, we assessed whether the square root of the AVE was higher than any of the correlations between the focal construct and any other construct. Again, we find evidence for discriminant validity. Finally, we find that all constructs demonstrate sufficient construct reliability (CR) as the lowest value (.716) surpasses the recommended minimum threshold of 0.6 (Bagozzi and Yi 1989).

Table 3. Correlations and discriminant validity.

	RQ	SR	SC	SI
RQ	*.691/.584*	.407***	.242***	−.307***
SR	.502***	*.909/.877*	.183**	−.175**
SC	−.135	−.074	*.762/.789*	−.028
SI	−.453***	−.102	.086	*.797/.844*

Notes: Correlations are displayed between latent constructs. Scores above the diagonal represent correlations from the US sample; scores below the diagonal represent correlations from the Dutch sample. On the diagonal, the square root values of the AVEs are displayed for the US/Dutch sample.
†p < .10;
*p < .05;
**p <.01;
***p < .001.

To test for the differences in the strength of specific relationships between a low LTO (US) and high LTO (NL) setting, we perform multiple-group SEM to assess the invariance of the structural parameters of the two samples. The establishment of measurement invariance is a logical prerequisite to structural invariance, as the items then measure the same thing to the same degree in each context (Steenkamp and Baumgartner 2000) (Table 3).

Findings

We test H1-H3 to assess our baseline model. As hypothesized by H1, relationship quality reduces switching intentions for both samples. H2, which predicts that service recovery reduces switching intentions, is only confirmed for the US sample, and only at a significance level of 10 percent. We

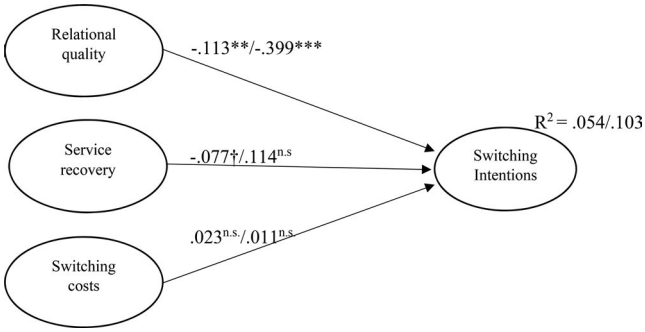

Figure 2. Structural results for the US and Dutch sample.*Note*: The standardized betas are displayed for the US and Dutch sample, respectively. † p < .10; * *p* < .05; ** *p* <.01; *** p < .001, n.s. = not significant.

Table 4. Structural invariance.

Hypothesis	Relationship	US	Netherlands	χ^2 difference	p-value	Hypothesis confirmed?
H4a	RQ →SI	−.113** (.047)	−.399*** (.090)	8.258	**.004**	Yes
H4b	SR →SI	−.077† (.047)	.114 (.080)	4.270	**.039**	Yes
H4c	SC →SI	.023 (.042)	.011 (.051)	.033	.856	No

Notes: Betas are displayed for the US and Dutch sample with standard errors between brackets. Significant levels indicate whether the structural parameter differs significantly from zero. The χ^2 difference test shows the worsening of fit (i.e., increment of χ^2) by setting the structural parameter to be equal across samples; it is tested with one degree of freedom.
†p < .10;
*p < .05;
**p <.01;
***p < .001

do not find support for H3 in both samples, indicating that switching costs do not significantly impact switching intentions. As part of their effort to lure customers, recently, mobile phone service providers have been offering potential mobile phone service customers to pay their switching costs in exchange for leaving their current provider. Accordingly, such provider's offer to pay the switchers' costs may have lowered the effect of switching costs on customers' switching intentions (Figure 2).

To assess H4a-c, we first check whether the structural model displays acceptable fit indices. The stacked model demonstrates that the data fit the model appropriately (χ^2/df = 4.592; GFI = .937; CFI = .937; RMSEA = .075). Then, to establish measurement invariance across the two samples, we constrain the loadings to be equal across the two samples. The corresponding χ^2 difference test is significant ($\Delta\chi^2(9) = 36.918$, p <.001), indicating that the items are not equal across samples. We set 4 items to be variant across the samples to establish partial measurement invariance. The structural invariance test that fixes the three structural parameters to be equal across samples shows a significant worsening of fit ($\Delta\chi^2(3) = 8.872$, $p = .031$), indicating preliminary evidence that the respondents in our samples differ in the weights they attribute to the drivers.

In support of H4a, we find that the negative effect of relational quality on intention to switch is more negative for the high-LTO NL context ($\beta = -.399$, p <.001) as compared to the low-LTO US context ($\beta = -.113$, p <.01), and that this difference is significant ($\Delta\chi^2(1) = 8.258$, $p = .004$).

In support of H4b, we find that the effect of service recovery on the intention to switch is less negative for the high-LTO NL context ($\beta = .114$, p >.10) as compared to the low-LTO US context ($\beta = -.077$, $p = .098$). This difference is also significant ($\Delta\chi^2(1) = 4.270$, $p = .039$). In contrast to H4c, we do not find that the impact of switching costs on switching intentions varies across low and high LTO contexts (Table 4).

Conclusion

This research has investigated how Long-Term Orientation (LTO) impacts the relative importance of the drivers of switching intentions for a subscription service. To the best of our knowledge, this is the first study that specifies how

LTO influences customers' intentions and behavior. Our study provides empirical proof for the role of LTO in switching behavior to better understand the cross-cultural drivers of switching intentions. Our results confirm (a) the important role of relationship quality and service recovery in explaining switching behavior, and (b) the important role of culture in explaining the pathways to customer loyalty. Our research yields several theoretical and managerial implications.

Implications to service research

This study confirms that national culture is important to our understanding of the drivers of switching intentions in the international market. The cultural value dimension, LTO, helps to explain *how* the pathways to customer loyalty differ across national cultures. Customers from countries with higher LTO are more likely to evaluate service providers holistically and in terms of relational value, as evidenced by the greater importance attributed to relationship quality. Loyalty is built via the offering of high-quality services and deepening of customer relationships, as customers with high LTO strongly reduce their switching intentions through greater confidence in the receipt of (delayed) future benefits. In contrast, customers from low LTO countries care more about the now and here and evaluate service providers in terms of immediate gains and transactional value, as they attribute more importance to service recovery. Service providers can effectively reduce switching intentions for customers from low LTO countries when they can satisfactorily and quickly restore service failures.

The findings also shed light on the temporality of the effects of relationship quality and service recovery. Although both aspects have been consistently identified as important drivers of customer loyalty, results on loyalty have been mixed – especially for service recovery (Orsingher, Valentini, and de Angelis 2010; Augusto de Matos, Luiz Henrique, and de Rosa 2013; Chang and Chang 2010; Wang *et al*. 2011). Our results suggest that LTO may provide an alternative explanation for these mixed findings. For instance, two studies conducted in Taiwan (Chang and Chang 2010; Wang *et al*. 2011), a nation with a high LTO of 93, find empirical evidence that service recovery does not significantly impact customer loyalty, while studies with US samples (Mattila and Patterson 2004; Maxham and Netemeyer 2002) almost consistently confirm the positive impact of service recovery on customer loyalty. Only the study of Maxham and Netemeyer (2002) finds an insignificant relationship between service recovery, satisfaction, and loyalty (as measured by purchase intent) for a US sample in their first study; yet this relationship is significant for their second study.

Implications for service practice

Our research offers managerial implications to subscription service providers operating in international markets. Global players benefit from understanding that the degree to which switching barriers influence switching intentions is strongly influenced by the nation's LTO orientation. More specifically, our study findings suggest that different customer loyalty strategies should be deployed for high versus low LTO markets: in short LTO markets like the US, service providers need to closely monitor customer satisfaction levels and take immediate action when customers experience service failure. As shown by Mattila and Patterson (2004), customers with Low LTO cultures strongly consider the tangible and transactional value and want to be adequately compensated in case of service failures. Therefore, for Low LTO cultures, empowering employees to resolve complaints to the full satisfaction of customers is key to retaining them longer. Accordingly, equipping employees with effective techniques of communication and skills on how to relate to the customer when critical service incident occurs can help to recover the service in a timely and orderly manner (Edvardson, 1992).

In High LTO markets like the Netherlands, customers do not strongly punish service providers when they provide poor service recovery. In such markets, service providers should prioritize relational quality improvements by investing in long-term relationships through loyalty schemes. Those loyalty schemes should be based on analysis of customer profiles and usage patterns. For example, free value added benefits, such as

Netflix, to customers who stayed with the company longer than others and introducing new technologies that are part of the core service can enhance customer retention. Specifically, faster device upgrades, price-matching scheme for comparable services, discounted or free services, sliding monthly charges, and installment plans to pay for device costs are among relational benefits that could encourage mobile phone service customers in high LTO cultures to maintain their relationship with their providers (Malhotra and Malhotra 2013).

Limitations and directions to further research

Our study has some limitations that provide opportunities for further research. First, data were collected from two higher education institutions in the US and the Netherlands, and for one particular mobile phone subscription service. To improve the generalizability of the findings, further research should carry out studies across several diverse geographical markets, and for products other than mobile phone subscription services like TV or movie subscriptions, internet services, insurances, and electricity. Further research could investigate to what degree LTO moderates the influence of the drivers of switching intentions for other socio-demographic segments (family/households, senior citizens). Second, as the Netherlands and US are highly similar in the commonly investigated cultural values of uncertainty avoidance, power distance, individualism) but differ strongly in LTO and masculinity, we could not assess whether the differences in our study are driven by the difference in LTO or masculinity. We do assume – as the hypothesized effects are as expected – that the results are driven by the LTO differences. Future research does, however, need to examine the possible influence of masculinity on the switching barriers-switching intentions link.

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