The impact of switching costs on customer loyalty: A study among corporate customers of mobile telephony

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Abstract Switching costs are known to influence customer loyalty. This paper primarily investigates which dimensions of switching costs affect which dimensions of customer loyalty. Data are collected among corporate customers of a mobile phone operator and canonical correlation analysis is undertaken to investigate these relationships. Managerial implications are discussed, limitations are noted and future research directions are indicated.

INTRODUCTION

Customer loyalty is one of the most important constructs in marketing and much of management's effort is directed at fostering this among customers. The importance of loyalty stems from its positive consequences in terms of customer retention, repurchase, long-term customer relationships and profitability.[1] It is important to distinguish between customer retention which is a strategy the firm implements and customer loyalty as a psychological state the customer has or has not. Customer loyalty is able to generate positive word-of-mouth with its great advantage over other types of promotion in terms of credibility. It is known to foster resistance to counter-persuasion, retention and therefore lower churn rates. Ultimately these activities mean stronger market share and committed customers with a direct positive effect on the bottom line.

The concept of customer switching costs has long been recognised and researched by several academic disciplines, primarily in marketing, economics and strategy.[2–4] They are recognised as key elements in achieving competitive advantage, and research indicates that they are becoming even more strategic in the increasingly networked competitive environment.[5] Switching costs are generally defined as costs that deter customers from switching to a competitor's product or service. They are known to be one of the key sets of antecedents to customer loyalty and their importance is highlighted in the literature.[6–8] Various classifications of defectors have been put forward. For example, Keaveney,[9] who studied switching resulting from critical incidents

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in service firms, identifies eight general categories of reason for customers switching: core service failure (26 per cent); failed service encounters (21 per cent); price (17 per cent); response to failed service (11 per cent); inconvenience (10 per cent); competition (4 per cent); ethical problems (4 per cent); and involuntary switching (2 per cent). Rather than just provide a typology of churn, a more interesting perspective is to understand the role of different switching costs in the process leading to the outcome.

It is important both from a theoretical and a managerial perspective to clarify the concepts of switching costs and customer loyalty and to identify their dimensions and empirically seek to determine their inter-effect. The study develops and investigates hypotheses, while data are collected from a sample of corporate customers of a mobile phone company. Canonical correlation analysis is undertaken to determine the effect of the various switching costs on customer loyalty as well as the effect of items in each switching cost dimension with the dimensions of customer loyalty. Managerial implications are indicated, limitations are noted and future research directions are indicated.

SWITCHING COSTS

Switching costs are 'one time costs facing the buyer of switching from one supplier's product to another'.[10,11] While there is broad agreement on what switching costs are, the constituents of switching costs are less definite. These costs can be either monetary or nonmonetary; they can also be real or perceived.

Klemperer[12] argues that prior to an actual purchase, switching costs seem to be nonexistent but after a purchase is made, there appear to be hidden costs that are either imposed directly by firms, or indirectly by the very nature of the product purchased. The author identifies three types of switching costs: transaction, learning and contractual. Transaction costs are costs that occur when starting a new relationship with a provider and sometimes also include the costs necessary to terminate an existing relationship. Learning costs represent the effort required by the customer to reach the same level of comfort of knowledge acquired of using a product but which may not be transferable to other brands of the same product. Contractual costs are directly firm-induced in order to penalise switching by customers. It includes examples such as repeat-purchase discounts or rewards and frequent flyer programmes. Contractual switching costs can also be created when the customer signs an undertaking to remain loyal for a certain period of time or pay an exit penalty.

Besides these explicit costs, there are also implicit switching costs associated with decision biases and risk aversion. Such switching costs may comprise psychological and emotional costs. For example, when social bonds, personal rapport and trust have been built up over a period of time between the service provider and the customer, then this is likely to present a psychological exit barrier, even when performance of the core service is less than satisfactory. It is sometimes a case of the 'devil you know is better than the devil you don't'. A customer will want to avoid the accompanying psychological and emotional stress and the risk and uncertainty that the termination of the current relationship could bring.[13]

Guiltnan[14] identifies four types of switching costs: contractual, set-up, psychological commitment and continuity costs. The author uses Klemperer's[15] contractual costs while grouping together transaction and learning costs as setup costs. His psychological commitment costs refer to past expenditures, losses or sunk costs, while continuity costs reflect the opportunity costs and the high perceived risks associated with changing from a known service provider to another.

Thibault and Kelley[16] highlight the role of search costs incurred in selecting a new service provider that contributes to the continuance of a relationship. Services are experiential in nature; therefore the customer may also face a considerable risk in switching to an alternative service provider because the service cannot be evaluated before actual purchase. Gremler,[17] who also looks at services, underlines the role of search costs and adds habit/inertia costs. The latter includes apathy and the lack of enthusiasm needed to change the service provider and is akin to Guiltnan's[18] continuity cost.

Burnham, Frels and Mahajan[19] provide a useful typology that brings together the various types of switching costs that can be used for both tangibles and services. The authors group service switching costs under three broad headings. Informational switching costs primarily involve the expenditure of time and money and consist of economic risk, learning and set-up costs. Contractual switching costs involve the loss of financially quantifiable resources and consist of benefit loss and financial loss. Finally, relational switching costs involve psychological or emotional discomfort due to the loss of identity and breaking of bonds and consist of personal relationship loss and brand relationship costs.

Customer loyalty

The loyalty construct has evolved in both width and depth over the years. Its width is reflected in its multiple foci that can include brand, product, vendor, store and service loyalty among others. To a large extent these foci tended to evolve as the focus of marketing has expanded away from the original emphasis on tangible products to all types of transactions. The historical development of the marketing discipline has also resulted in a deeper and richer conceptualisation and operationalisation of loyalty.

Much of the initial research was about brand loyalty and emphasised the behavioural dimension of loyalty.[20–23] In this tradition, Newman and Werbel[24] define customer loyalty as 'those who rebought a brand, considered only that brand, and did no brand-related information seeking'. Many of these early researchers focused on measurement that simply involved identifying outcome characteristics. These included the sequence of purchase,[25–29] the proportion of purchase devoted to a given brand,[30] and the probability of purchase.[31,32]

Day[33] was among the first to highlight the role of a positive attitude in the purchase decision. The behavioural and attitudinal aspects of loyalty are reflected in the conceptual definition of brand loyalty offered by Jacoby and Chestnut.[34] These authors hold that 'brand loyalty is (1) biased (ie non random), (2) behavioral response (ie purchase), (3) expressed over time, (4) by some decision making unit, (5) with respect to one or more brands out of a set of such brands, and is a function of psychological processes'. Much of the work on loyalty in the 1970s and early 1980s has used this conceptualisation.[35–38] Indeed, even Dick and Basu[39] use an attitudinal theoretical framework that envisages the loyalty construct as being composed of 'relative attitude' and 'patronage behaviour'. In terms of operationalisation the measure involved combining some proportion of purchase of a specific brand together with an (affective) attitude measure using a single scale[40] or multiscale items.[41]

In addition to these dimensions, later authors included what has been termed cognitive loyalty.[42,43] Cognitive loyalty involves the consumers rationally and consciously evaluating information about the benefits of competing offerings before a purchase is effected. This three-dimensional definition is consistent with Zeithaml, Berry and Parasuraman's[44] operationalisation of the loyalty in their behavioural-intentions battery.

Oliver[45] defines customer loyalty as a 'deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior'. Oliver[46–47] argues that customer loyalty is reached through four sequential stages. In the first stage the customer is only cognitively loyal and it is only after repeated purchases that he develops affective customer loyalty. This involves a desire to maintain the behaviour based on a generalised sense of a higher positive regard for, a liking of and an enjoyment of the service experience. After the passage of time and repeated purchases, the most intense level of customer loyalty is reached. At this stage, customer loyalty becomes conative, meaning that it has strong intentions of future exchange based on a favourable evaluation of the current experience that is accompanied by a willingness to make efforts at maintaining a relationship. Finally, referring to the 'action control' theory,[48] Oliver identifies the most intense stage of customer loyalty as action loyalty. This means a loyalty that is sustained not just by strong motivations but one that results in actions undertaken by the 'desire to overcome' every possible obstacle that might come in the way of the decision to buy the brand to which the person is loyal.

SWITCHING COST AND CUSTOMER LOYALTY

A review of literature suggests that higher switching costs are positively related to customer loyalty.[49,50] Fornell[51] was one of the first authors to consider switching costs, adding them to consumer satisfaction in the customer loyalty function. Jones and Sasser[52] mention switching costs as one factor that determines the competitiveness of market environment, since high switching costs discourage changing from a current provider, thereby yielding less incentive for firms actively to compete. Bateson and Hoffman[53] suggest that as customer satisfaction is strongly linked to impressions of performance, satisfaction and switching costs are assumed to be the most important antecedents of repurchase behaviour, or the intention to repurchase a product or service. Switching costs interact with satisfaction to influence loyalty[54,55] and this relationship has been shown to hold among mobile phone customers in France.[56] On the basis of the above this is extended to corporate customers and it is argued that:

H1: The higher the level of switching costs exhibited by corporate customers of mobile telephony the stronger the level of loyalty.

The above hypothesis is hardly in doubt. What this research seeks to do is drill down further to obtain a deeper insight. Both the concept of switching cost and customer loyalty have tended to be insufficiently conceptualised. This research uses more elaborate conceptualisations of both constructs and investigates the effect of the dimensions of switching costs on those of customer loyalty. It is argued that the psychological and emotional discomfort costs that constitute relational switching costs are the most challenging for any customer to overcome. Among corporate customers, contractual switching costs are unlikely to provide insurmountable barriers. Moreover, in the trade-off between the two commodities of time and cost, it is often time that is at a premium with managers. Therefore, it is expected that informational switching costs are likely to represent a stronger barrier to switching than contractual costs. Of course, the position may be reversed among noncorporate customers.

With the exception of Oliver[57] there is little literature that links specific dimensions of switching costs with those of loyalty. Broadly, Oliver[58] argues that 'consumers operating only at the cognitive level are hypothesised to be most susceptible to switching caused by marketing overtures while those "fully integrated" consumers at the level of action loyalty are hypothesized to be least susceptible'. Oliver[59] argues that cognitive loyalty is the lowest level of loyalty and on the basis of the earlier distinction between switching costs it is held that:

H1a: The higher the contractual switching costs exhibited by corporate customers of mobile telephony the stronger their cognitive loyalty.

Oliver[60] also argues that affective loyalty contains some involvement by the customer, which aspect is most salient at the conative stage of loyalty. Commitment comes from emotional involvement represented by relational switching costs. Hence:

H1b: The higher the relational switching cost exhibited by corporate customers of mobile telephony the stronger their affective and conative loyalty.

Finally, Oliver[61] holds that action loyalty includes routinised and habit behaviour. The inertia brought about by time constraints on corporate customers is one that impedes switching, hence:

H1c: The higher the informational switching costs exhibited by corporate customers of mobile telephony the stronger their action loyalty.

METHODOLOGY

The measurement of customer loyalty and switching costs reflects the historical elaboration of the two constructs. To measure switching costs the instrument developed by Burnham, Frels and Mahajan[62] consisting of 30 items measuring the eight identified dimensions of switching cost was used. Customer loyalty is measured by means of ten items; four items measuring cognitive loyalty and the two items measuring affective loyalty taken from Gremler *et al.*,[63] three items measuring conative loyalty taken from Oliver[64] and Gremler *et al.*[65] and a single item measuring action loyalty taken from Oliver.[66] The final questionnaire therefore consisted of 40 items to which a number of demographic variables were added for classificatory purposes. Seven-point scales described by strongly disagree (=1) and strongly agree (=7) scales were used for the 40 items that captured the two constructs of the study.

The questionnaire was part of a wider study conducted among corporate customers of a mobile phone firm. The questionnaire was mailed to 650 corporate mobile phone customers chosen at random from the entire database of corporate subscribers. Whenever possible questionnaires were addressed to the persons that had signed the original service contract on behalf of their firm. A response rate of 31 per cent was achieved but three of the 203 returned questionnaires could not be used. To assess non-response bias, 50 corporate mobile phone users who were not part of the original sample were identified and the same demographic characteristics as those in the main survey were collected. Statistical tests indicated no significant differences between the two samples providing support for the absence of non-response bias.

The dimensionality of the two constructs was assessed using factor analysis. Tables 1 and 2 provide results of an oblique rotation for the two constructs. The results correspond to and confirm the eight-factor structure of the switching costs factor as well as the four-factor structure of customer loyalty. Reliability was assessed using coefficient alpha. With the exception of one dimension relating to monetary loss costs, all reliability alphas exceed the 0.7 suggested by Nunnally[67] for acceptance. Aggregate measures for each of the dimensions have been created from the summing up of raw scores for the items in each dimension.

RESULTS

The data were analysed using canonical correlation to test the relationships between the switching cost dimensions as a set of predictors and customer loyalty dimensions as a set of criterion variables. Inspecting the magnitudes of the canonical correlation coefficients and the redundancy index enables an assessment of the association between the two sets of dimensions. Canonical weights can be unstable and can vary across samples from the same population providing statistically significant canonical correlation even when the criterion and predictor variables are not strongly related.[68,69] The procedure suggested by Lambert and Durand[70] was undertaken to evaluate weight instability. This involved splitting the survey into two random groups ($N = 102$ and $N = 98$) and applying canonical correlation to each subsample. The results in Table 3 indicate canonical correlations of 0.681 and 0.740 respectively both significant at the 0.001 levels. The strong association and the consistency of the canonical weights provide support for the stability of the overall sample and its objective interpretation.

The overall result provides a canonical correlation of 0.663 that is significantly different from zero at the 0.001 level by the chi square test. The canonical correlation provides an estimate of the strength of the relationship between the predictive and the criterion set of variables. The redundancy test for the canonical correlation indicates the degree of shared variance. Results show that 28.5 per cent of the variance in customer loyalty dimensions is accounted for by the variability in the switching cost items. On the other hand, the customer loyalty dimensions account for a similar 29.7 per cent of the variance in the switching cost dimensions.

The canonical weights, canonical loadings and canonical cross-loadings indicate the relative importance of a variable in a set. An examination of the canonical loadings that show how much variance each variable shares with other variables in the same set indicates that these are all strong. Canonical cross-loadings reflect the correlation to variables between sets. With the exception of learning and monetary costs, canonical cross-loadings exceed the 0.30

Table 1: Results of factor analysis of switching cost items after an oblique rotation

Item	Mean	sd	Loadings	Alpha
1. I worry that the service offered by the other service provider won't work as well as expected.	3.71	1.610	−0.852	0.8635
2. If I try to switch service provider, I might end up with a bad service for a while.	3.70	1.629	−0.816	
3. Switching to a new service provider will probably involve hidden costs/charges.	3.98	1.582	−0.677	
4. I am likely to end up with a bad deal financially if I switch to a new service provider.	4.03	1.570	−0.741	
5. Switching to a new service provider will probably result in some unexpected hassle.	4.23	1.563	−0.460	
6. I don't know what I will end up having to deal with while switching to a new service provider.	4.09	1.675	−0.489	
7. I cannot afford the time to get the information to evaluate fully another service provider.	4.46	1.801	0.804	0.8421
8. How much time/effort does it take to get the information you need to feel comfortable evaluating a new service provider? (very little … a lot)	4.40	1.632	0.824	
9. Comparing the benefits of my service provider with the benefits of the other service provider takes too much time/effort, even when I have the information.	4.25	1.597	0.777	
10. It is tough to compare the other service provider.	3.76	1.557	0.658	
11. Learning to use the features offered by a new service provider as well as I use my service would take time.	3.85	1.594	0.545	0.7009
12. There is not much involved in understanding a new service provider well. R	3.45	1.473	−0.671	
13. Even after switching, it would take effort to 'get up to speed' with a new service.	3.55	1.431	−0.418	
14. Getting used to how another service provider works would be easy. R	3.23	1.350	−0.831	
15. It takes time to go through the steps of switching to a new service provider.	3.82	1.552	−0.483	0.8022
16. Switching service provider involves an unpleasant sales process.	3.69	1.651	−0.630	
17. The process of starting up with a new service is quick/easy. R	3.40	1.456	−0.550	
18. There are a lot of formalities involved in switching to a new service provider.	3.90	1.585	−0.838	
19. Switching to a new service provider would mean losing or replacing points, services, and so on that I have accumulated with my service provider.	4.85	1.645	0.787	0.7548
20. How much would you lose in accumulated points, services you have already paid for, and so on if you switched to a new service provider?	4.21	1.764	0.763	
21. I will lose benefits of being a long-term customer if I leave my service provider.	4.57	1.729	0.477	
22. Switching to a new service provider would involve some up-front costs (access fees, deposits etc).	4.57	1.712	−0.720	0.6176
23. How much money would it take to pay for all of the costs associated with switching service provider?	3.49	1.473	−0.853	
24. I would miss working with the people at my service provider if I switched provider.	4.59	2.108	0.828	0.9106
25. I am more comfortable interacting with the people working for my service provider than I would be if I switched provider.	4.85	1.869	0.880	
26. The people where I currently get my service matter to me.	4.96	1.871	0.862	
27. I like talking to the people where I get my service.	5.22	1.777	0.855	0.8098
28. I like the public image my service provider has.	5.52	1.411	0.705	
29. I support my service provider as a firm.	5.44	1.431	0.792	
30. I do not care about the brand name of the service provider I use. R	Deleted[1]			

[1]Deleted due to low item-to-total correlation. R = negatively worded question.

Table 2: Results of factor analysis of customer loyalty items after an oblique rotation

Item	Mean	sd	Loadings	Alpha
31. I try to use my provider's services every time I need mobile communication services.	5.90	5.90	0.899	0.8950
32. I consider my provider as my primary service provider for mobile communication services.	6.02	6.02	0.955	
33. I consider my service provider to be my first choice when I need mobile communication services.	5.76	5.76	0.645	
34. My provider is the primary service provider I consider when I want mobile communication services.	5.69	5.69	0.537	
35. I really like doing business with my provider.	5.62	5.62	0.861	0.8572
36. To me, my provider is clearly the best service provider with whom to do business.	5.28	5.28	0.920	
37. I intend to continue using my provider's services over the next few years.	5.83	5.83	0.703	0.8393
38. I encourage friends and relatives to use my provider's services.	5.67	5.67	0.897	
39. As long as the present service experience continues, I doubt that I would switch to another service provider.	5.74	5.74	0.746	
40. When I have a need for mobile communication services I buy only from current service provider.	5.13	5.13	0.912	—

Table 3: Results of a canonical analysis showing the effects of switching costs on customer loyalty: Total and split sample results

	Canonical weights			Canonical	Canonical
	N = 102	N = 98	N = 200	loading[1]	cross-loading[1]
Predictive set:					
Economic risk cost	–0.038	–0.041	–0.037	–0.596	–0.395
Evaluation cost	–0.033	–0.069	–0.042	–0.509	–0.377
Learning cost	–0.040	0.055	0.022	–0.357	–0.236
Set-up cost	0.030	–0.010	–0.010	–0.487	–0.323
Benefit loss cost	–0.022	0.009	–0.016	–0.499	–0.331
Monetary loss cost	–0.010	–0.029	–0.033	–0.345	–0.229
Personal relationship loss costs	–0.068	–0.007	–0.029	–0.783	–0.519
Brand relationship loss costs	–0.146	–0.185	–0.161	–0.870	–0.576
			Redundancy coefficient = 0.297		
Criterion set:					
Cognitive loyalty	0.084	–0.042	0.007	–0.715	–0.474
Affective loyalty	–0.434	–0.171	–0.232	–0.909	–0.602
Conative loyalty	–0.067	–0.048	–0.088	–0.860	–0.570
Action loyalty	0.007	–0.271	–0.199	–0.719	–0.477
			Redundancy coefficient = 0.285		
Canonical correlation	0.681	0.740	0.663		
Wilk's	0.367	0.352	0.455		
χ^2	94.619	94.44	151.55		
df	32	32	32		
$p(\chi^2)$	0.000	0.000	0.000		

[1]Canonical loadings and cross-loadings are only shown for the entire sample.

level suggested by Lambert and Durand.[71] Taken together, these results provide support for H1 with a significant positive relationship between switching costs and customer loyalty among corporate customers of mobile telephony.

In order to analyse in greater depth the relationship between individual dimensions of switching costs with those of customer loyalty, canonical correlation analyses between the items of each of the eight dimension of switching cost with the four dimensions of customer loyalty was undertaken. Cross-loadings

Table 4: Results of canonical analysis of switching cost dimensions with customer loyalty dimensions

Predictive variables' items:	Cross-loadings Informational switching costs Economic risk cost Q1 to 6	Evaluation cost Q7 to 10	Learning cost Q11 to 14	Set up cost Q15 to 18	Contractual switching costs Benefit loss cost Q19 to 21	Monetary loss cost Q22 to 23	Relational switching costs Personal relationship loss costs Q24 to 26	Brand relationship loss costs Q27 to 29
	–0.255	–0.323	–0.355	–0.342	–0.244	–0.229	–0.471	–0.467
	–0.268	–0.356	–0.048	–0.312	–0.258	–0.232	–0.475	–0.516
	–0.253	–0.409	–0.298	–0.233	–0.346		–0.499	–0.513
	–0.424	–0.209	–0.116	–0.321				
	–0.331							
	–0.394							
Redundancy coefficient	0.108	0.111	0.058	0.093	0.082	0.053	0.232	0.249
Criterion set:								
Cognitive loyalty	–0.340	–0.627	–0.341	–0.314	–0.333	–0.058	–0.313	–0.410
Affective loyalty	–0.394	–0.554	–0.285	–0.313	–0.316	–0.020	–0.517	–0.545
Conative loyalty	–0.327	–0.774	–0.319	–0.204	–0.290	–0.013	–0.430	–0.525
Action loyalty	–0.417	–0.953	–0.363	–0.314	–0.253	–0.026	–0.309	–0.358
Redundancy coefficient	0.138	0.107	0.108	0.084	0.090	0.046	0.161	0.217
Canonical correlation	0.482	0.441	0.406	0.395	0.366	0.271	0.538	0.587
Wilk's	0.679	0.781	0.765	0.771	0.856	0.919	0.686	0.619
χ^2	74.786	48.151	52.125	50.631	30.422	16.539	73.57	93.432
df	24	16	16	16	12	8	12	12
$p(\chi^2)$	0.000	0.000	0.000	0.000	0.002	0.035	0.000	0.000

and other canonical analysis are presented in Table 4.

The switching costs dimensions of brand and personal relationship costs exhibit the highest canonical correlations at 0.587 ($p<0.001$) and 0.538 ($p<0.001$) followed by the dimensions of economic and evaluation costs at 0.482 ($p<0.001$) and 0.441 ($p<0.001$) respectively. While the canonical correlations remain statistically significant for the other switching costs dimensions some of the values of cross-loadings for the items of these switching cost dimensions tend to be below the 0.30 level suggested by Lambert and Durand[72] and redundancy indices fall below the 10 per cent level.

An analysis of the canonical cross-loadings as shown in Table 4 indicates that although the two contractual switching costs of benefit loss cost and monetary loss cost provide the lowest canonical correlations, their strongest effect does appear to be with cognitive loyalty providing support for H1a that the higher the contractual switching costs exhibited by corporate customers of mobile telephony the stronger their cognitive loyalty. Relational switching costs, which consist of personal and brand relationship costs, have the most salient effect on affective and conative loyalty that varies between 0.430 to 0.545 with both the three items in each dimension being significant indicators. These findings provide support for H1b that the higher the relational switching cost exhibited by corporate customers of mobile telephony the stronger their affective and conative loyalty. Among the informational switching costs only economic switching costs and evaluation costs have redundancy coefficients that exceed the 10 per cent threshold for both variable sets. Results indicate that these have the most salient effect on action loyalty represented by canonical cross-loadings with action loyalty of 0.417 and 0.953 respectively. The key items in the case of economic risk cost relates to respondents' belief that they will end up with a bad deal if they switch service provider (item 4) while in the case of evaluation costs, respondents believe that it takes too much time and effort to compare different competitive offerings (item 9). This result provides only partial support for H1c as the canonical correlation link of learning costs and set up costs is weaker although the higher pattern of loading with action loyalty is discernible.

CONCLUSION

The results extend the support for a link between higher switching costs and stronger levels of loyalty to corporate customers of mobile phone firms. Moreover, the findings provide understanding of the interplay between switching costs and loyalty. This is useful in the initial elaboration of theory and gives a useful insight to management. Results provide support for a link between higher contractual switching costs and cognitive loyalty; between relational switching costs and affective plus conative loyalty; and some support for a link between informational switching costs and action loyalty. The impact of two of the dimensions of informational switching cost in terms of the learning and monetary costs dimensions appears to be small. This may partly be the result of weak reliability of the instrument measuring the monetary cost dimension.

Management of mobile phone providers is known to devote considerable marketing expenditure to customer acquisition. Better management of customer switching costs could significantly reduce churn rates that is known to have direct positive bottom-line implications. Management must start by recognising the multidimensionality of both the switching costs and the loyalty constructs. The resulting complexity underlines the point that management would be ill advised to seek simplistic solutions. In-depth analysis is the best basis for good decision making. The objective should be to determine how best to create switching barriers that foster loyalty and lower churn rates.

The results indicate that management can enhance costs associated with personal relationships loss and influence cognitive and affective levels of loyalty by staffing corporate customers' contact positions with persons that are willing and able to maintain a strong customer relationship. Organisationally, it represents a strong case for relationship management as against the more traditional brand management system. It is also a strong argument for effective internal marketing directed at these contact persons so that they can effectively perform their role. Moreover, these contact persons must be provided with the process tools that will help them sustain and maintain customer relationships. It needs to be remembered that from the customers' perspective these are the mobile telephony company.

Brand relationships loss costs include not only customers' enjoyment in talking to service providers but also the corporate public image that the company puts across. This has also been found to have a salient effect on affective and conative loyalty, suggesting the need to choose service persons that can keep a conversation at the same level of customers. Careful consideration of the public relations side of the firm must be heeded including the events that the company may decide to support or sponsor.

While affective and conative loyalty are important, management needs to pay particular attention to action loyalty as this is the highest level of loyalty possible and indicates the position where service churn is at a minimum. The results suggest that in the case of economic risk costs a belief that respondents will 'end up with a bad deal financially if one switches to a new service provider' (item 4) is the salient issue in determining respondents' perception of their economic risk costs. It underlines the point that if a relationship with customers is on an even keel, it acts to generate customer inertia and action loyalty. It also indicates that in seeking to attract customers from competitors the emphasis should be putting across a clear advantage for switching. Such a move is best undertaken via face-to-face direct personal selling.

The salient issue affecting evaluation cost is the lack of time to undertake a full comparison of market offerings (reflected in item 9). This combines with the inertia identified in economic risk costs to enhance action loyalty and minimise the chances of churn. It also implies that if a mobile phone provider wishes to attract competitor corporate customers any competitive offering must be trouble-free and the benefits uncomplicated and easily comprehended.

The research has a number of limitations. It has a fairly narrow focus considering only two constructs in a particular sector among a specific customer segment in one country. Extrapolating results to all populations, in all sectors, in all markets, needs to be avoided. The methodology adopted does however provide a useful way of enabling drilling down and identification of activities that help point to deep down relationships. This makes for actionable activities by management.

The limitations indicate areas for further study. Would these relationships stand in different markets and sectors? Do switching costs for tangible goods operate in the same way in their effect on customer loyalty as they do with service offerings? What are the mediating influences of other constructs, such as satisfaction and knowledge of alternatives, which are known to affect customer loyalty? Do certain demographic variables such as size of respondent's firm moderate the effect of some of these constructs? Do switching costs act differently in situations of low and high satisfaction?[73] Do switching costs influence anticipated regret?[74]

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