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The role of pure and quasi-moderators in services: an empirical investigation of ongoing customer–service-provider relationships

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Abstract

This paper presents some significant empirical findings about the role of switching cost and alternative attractiveness in developing the long-term relationship between the client and the service-provider in personal financial planning services. Considering switching costs and alternative attractiveness as independent antecedents as well as moderators of relationship commitment, a sample of 200 clients who are the patrons of two financial planning services firms is used to test the hypothesized effects. Hierarchical regression analysis provides mixed support for the hypothesized model. While perceived switching cost is a quasi-moderator (antecedent as well as moderator), alternative attractiveness is a pure moderator of an ongoing customer–service-provider relationship.

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1. Introduction and background

The ideas of relationship marketing have relevance for consumer services (Sharma and Patterson, 1999; Sheth and Paravatiyar, 1995). Marketers are oriented towards understanding the nature and role of the factors for establishing, maintaining and enhancing the relationship with the customers (Gronroos, 1990, 1994; Heskett et al., 1997). Customer satisfaction/dissatisfaction and trust are suggested as the core concepts of customer relationships (Crosby et al., 1990; Rust and Zahorik, 1993; Patterson and Spreng, 1997). Implicitly a dissatisfactory service results in losing customers. This issue is considered in numerous studies (e.g., Fornell, 1992; Fornell and Wernerfelt, 1987) that propose organisation should strive for managing the satisfaction of its customers to build longer term relationships. The other studies (e.g., Storbacka et al., 1994), however, suggest that customer satisfaction is not the only dimension in strong customer relationships and relationships are maintained even when there is dissatisfaction. This links customer satisfaction and customer retention with switching barriers, consisting of search cost, learning cost, emotional cost, and risk of changing to a new

source, which make it costly for a customer to switch to another source (Gronhaug and Gilly, 1991; Hallowell, 1996; Jackson, 1985). Along the same line, Reichheld, (1993) argues that customer satisfaction cannot always lead to customer retention as his empirical study found 65–85% of customers who were very satisfied with their former supplier left due to various reasons. In other studies, client–service-provider relationships terminated even though a fair degree of satisfaction was experienced (Reichheld and Aspinall, 1993–1994). They conclude that 90% of customers who had defected in the banking industry reported that they had been satisfied. This indicates that customer satisfaction/dissatisfaction is not the sole driver of customer retention, several more variables, e.g., switching cost can have an influence on it.

However, the role of switching cost in maintaining long-term customer relationships is not entirely clear as on date. While numerous studies (e.g., Ping, 1993; Morgan and Hunt, 1994) suggest switching cost is a direct antecedent of (loyalty) commitment in industrial marketing context, the studies in the literature of consumer, professional services (e.g., Sharma and Patterson, 2000) report that switching cost has a moderating effect on the link of relationship commitment to its antecedents i.e., service satisfaction and trust. Under normal conditions (when switching cost is absent or low), satisfaction and trust directly influence commit-

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ment. When switching cost is high, the strength of the above link alters, clients may remain committed to a specific professional service provider even if there is dissatisfaction and trust is low.

Apart from switching cost, alternative attractiveness i.e., perceived satisfaction with a new trading partner is reported to directly affect loyalty (commitment) in retailing scenario (Ping, 1993). Other commitment studies (e.g., Sharma and Patterson, 2000), however, do not report alternative attractiveness as a direct antecedent to loyalty. There, it is reported as a moderator, influencing the link of satisfaction and trust, to loyalty. Similarly, the link between customer satisfaction and customer loyalty is found to be different under varying conditions of competition (availability/non-availability of alternative supply source) in the automobile sector and the personal computer sector (Jones and Sasser, 1995). If clients are unaware of the benefits available in an alternative source, they may well stay in the relationship even when the service is less than satisfactory. However, if the alternative source is perceived to be valuable than the current service provider, the chances of termination are greater.

The foregoing discussion indicates that the role of switching cost and alternative attractiveness, whether these are direct antecedents of relationship commitment or moderators or both, is not adequately investigated. The present paper makes an attempt to fill this vacuum by developing and testing a conceptual framework that relates a number of relationship variables thought to play a significant role in relationship development and functioning, e.g., relationship commitment, trust, service satisfaction, switching cost, alternative attractiveness, in the context of a personal financial planning service. The financial planning service is technically complex and an expensive service (Sharma et al., 1997). These services can be distinguished from the services high in experience

properties, such as restaurants or airlines services where the customer can clearly assess service performance during, and immediately after consumption. Financial services vary considerably in their technical complexity and may propose vastly different investment approaches and therefore clients face difficulty in evaluating the services of different advisers with confidence. Personal financial planning services are highly divergent and credential in nature. No two financial professionals can provide the same service because creating this service involves a thorough understanding of client's circumstances, his resources and his ability to bear risk. An adviser needs to obtain adequate knowledge of the client's priorities and circumstances in order to recommend a suitable investment option that can fulfill the client's desired goals. The return on investment is received over a period of time thus the success of the financial adviser depends on the trust shown in the adviser and the degree of commitment of the client towards the adviser. The conceptual model considering switching cost and alternative attractiveness as moderators in the adviser–client relationship, links relationship commitment to trust and service satisfaction. The independent effect of switching cost and alternative attractiveness for generating relationship commitment is also hypothesised.

2. The conceptual framework

The conceptual framework (Fig. 1) is adapted from the earlier empirical and conceptual models of relationship marketing which focus on relationship commitment as the central construct (Sharma and Patterson, 2000; Morgan and Hunt, 1994; Moorman et al., 1992; Norris and McNeilly, 1995). Relationship commitment towards the adviser is conceptualized as a psychological state

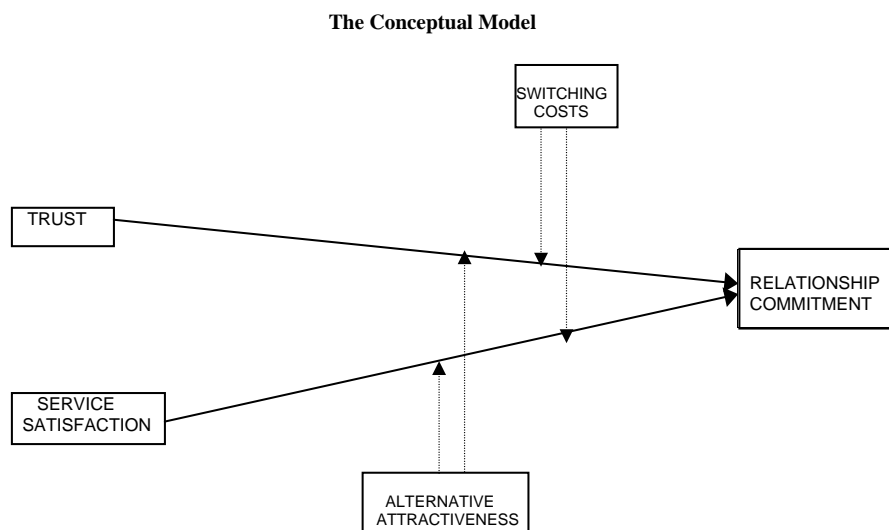


Fig. 1. The conceptual model.

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