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EFFECT OF SWITCHING COST ON REPURCHASE INTENTION WITH CUSTOMER SATISFACTION AS A MODERATING VARIABLE

(A STUDY ON SMARTPHONE PRODUCTS IN INDONESIA)

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Abstract

Now days, consumers can obtain information of a product with ease. It is become the basis consideration to switch to other companies. Companies should be able to anticipate this issue with a strategy that can retain old customers to re-buy their products. The purpose of this study is to explain effect of switching cost to repurchase intentions with customer satisfaction as a moderating variable. The subjects of this study are the users of smartphone products with a sample of 166 people selected using purpose sampling. Data is analyzed by using Moderated Regression Analysis. The results shows that switching costs and customer satisfaction have a significant positive effect on repurchase intention and customer satisfaction have moderating effect on relation of switching cost and repurchase intention. This study implies that the smartphone industry should maintain and increase its switching cost as to innovate and build a superior feature than its competitors. The smallest value obtained by evaluation cost which means that consumers can more easily evaluate the existing smartphones in the market so that industry players have to do a promotion showing that their products are the best and have their own advantages.

Keywords: Repurchase Intention, Switching Cost, Customer Satisfaction, Smartphone Industry, Switching Barriers

INTRODUCTION

The development of technology and information today make consumers can obtain information of a product, and then compare it with similar products with ease. Information obtained by consumers can be the basis of its consideration to switch to using products from other companies. Companies should be able to anticipate this with a strategy that can keep existing customers.

A strategy that companies can use to retain their customers is by locking in to consumers (Dollinger, 2008). This strategy is basically the use of switching costs to keep consumers loyal using their company's products (Dollinger, 2008). Dollinger (2008) also states that switching costs are costs that lock buyers into a continuing relationship with the seller. As the company succeeds in establishing the perception that consumers will face high switching costs, this will increase the Repurchase intention of their products.

The results of research on the effect of switching costs on repurchase intention until the end of the year 2016 still vary. Research by Jones et al. (2002) shows that all cost dimensions shift positively and significantly related to repurchase intention in the sample as a whole, the strongest association occurs with the lost performance cost. Danesh et al. (2012) indicates that switching barriers have a positive relationship to customer retention. According to Blut et al. (2015) increased switching costs can directly raise the intention and repurchase action. Wibowo (2013) study shows that switching costs, attractiveness of alternative, interpersonal relationships, and service recovery have significant effect on repurchase intentions. But there are different research results. Han et al. (2014) who found that switching costs have no effect on customer satisfaction and repurchase intentions. While the results of the Tuu (2015) show that money factor, time, energy and social ties in the cost-switching dimension have a moderately negative effect, but the cost of a relational switch has a moderate positive effect on the relationship of buy-back intentions.

Differences in previous research results can occur because there are other variables that may not have been included in the model so that research can be re-done by adding customer satisfaction as a moderating variable. The use of customer satisfaction variables is based on the research of Jones et al. (2000), which suggests that the relationship between switching costs and repurchase intentions can be moderated by other variables, namely customer satisfaction. The findings of Ibzan et al. (2016) suggest that there is a positive relationship between customer satisfaction and buy-back intentions, satisfied consumers are more likely to continue their relationship with certain companies than dissatisfied ones.

This study re-examines the effect of switching costs on repurchase intention with customer satisfaction as a moderator. Research this time will be done on the smartphone industry. The current technological developments make smartphone manufacturers should continue to issue the latest products and make the life of one type and smartphone features relatively short. Being the current market leader is not a guarantee the company will continue to be the best and have the highest sales in its industry. As a result smartphone companies are required to be able to retain consumers and increase the intention to buy back consumers. This is necessary so that when consumers want to change the smartphone to the latest features, he still chose to use the smartphone with the same brand.

THEORIES AND MODELS UNDERPINNING THE STUDY

Repurchase Intention

Intention is an attitude statement about how a person will behave in the future (Soderlund and Ohman, 2003). The repurchase intention is a consumer commitment that formed after the consumer made a purchase of a product or service. Cronin et al. (2000) considers repurchase intention and behavorial intention as idendik construction. Repurchase intentions can be classified into a more general concept of behavorial intention that includes intentions related to repurchase, such as the intention to buy the product back. Word-of-, mouth intention and complaint intention (Hossain, 2006).

Customer buy or retention is the most important goal for a company's success and perhaps the most important concept in marketing. The cost of generating new customers is believed to be about six times the cost of maintaining existing customers, consequently the company is concentrating on maintaining existing customers or getting them to buy back, rather than focusing entirely on getting new customers (Kitchathorn, 2009).

Switching Cost

Morgan and Hunt (1994) define switching costs as relationship cost costs in the viewpoint of expectation of all losses due to stopping relations or switching to other alternatives (Harsono, 2005). Moving costs include the struggle for change, time, and effort required to acquire the brand of a particular product (Julander and Soderlund, 2003).

These costs can rarely be seen explicitly, but they can stand out and prove when consumers are faced with a reason to consider moving. Research by Burnham et al. (2003) shows that in switching cost there are three potential variables in it, namely procedural Switching Cost, Financial switching cost and Relational switching cost.

Customer Satisfaction

Satisfaction is a feeling of pleasure or disappointment of someone after comparing between perception and / or impression to the performance (or outcome) of a product and hope (Kotler, 2007). Tse and Wilton in Tjiptono (2007) suggest that customer satisfaction or dissatisfaction is a customer response to a perceived disconfirmation between the previous expectations (or other performance norms) and the actual performance of the perceived product after its use. Wilkie (1990) expresses customer satisfaction as an emotional response to an evaluation of the consumption experience or product or service.

Customer satisfaction will be achieved if expectations match the expectations received. Fornell et al. (1996) stated that customer satisfaction is high if the perceived value exceeds customer expectations. To improve customer satisfaction, an organization must manage its resources. If the results received by the customer of an organization in accordance with his wishes, then the satisfaction can occur.

The concept of the study is illustrated in Figure 1 below which shows the relationship of switching cost, repurchase intention and customer satisfaction.

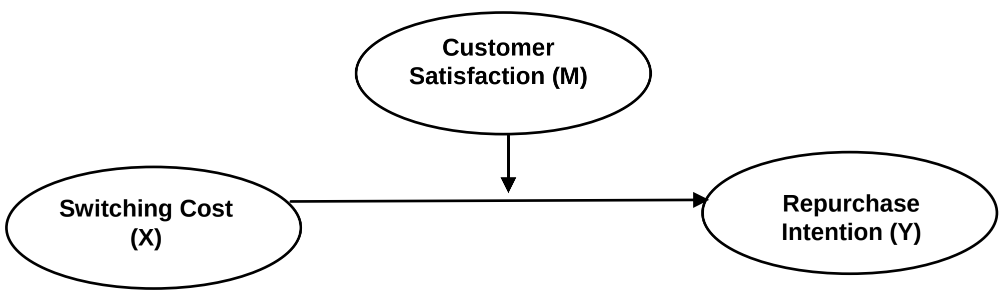

Figure 1. Conceptual Framework

RESEARCH METHODOLOGY

This descriptive research is conducted by survey method using a modified questionnaire instrument from Ting research in 2014 in Taiwan. The tests were conducted to analyze the effect of switching costs on repurchase intentions in the behavior of smartphone consumers in Indonesia. Furthermore, testing is also done by adding customer satisfaction as a moderating variable that is alleged to reinforce switching cost to repurchase intentions.

This study use purposive sampling with criterion such as smartphone user which is age above 17 years old, live in Denpasar, and have been changed smartphone. Minimum size of respondent is determined by multiple amount of questionnaire item with 5 (Ghozali, 2013). This study used 31 items on questionnaires so the minimum size of respondent is 155 respondents.

In order to prevent shortage of sample size, 170 questionnaires are distributed. The statistical tool used is moderate regression analysis (MRA).

ANALYSIS AND DISCUSSION OF RESULTS

Respondents' demographic profile

Of the 170 questionnaires scattered, which can be used in the analysis of this study were 166. Data of respondents showed that of 166 respondents it was found that there were 85 men and 81 women. Characteristics of respondents in terms of age can be grouped into 3 (three) namely the first largest in the age range 17-26 years, amounting to 112, ages 27-36 years as many as 33 people, at vulnerable ages 36-47 years a number of 8 people and 13 people in the range age> 47 years. High school respondents amounted to 96 people, Bachelor as many as 58 people, and graduate 12 people. Based on smartphone brand, Samsung is used by 52 people, Iphone by 61 people, Xiaomi by 29 people and Oppo by 24 people.

Hypotheses Testing

The result of moderate regression analysis is summarized in table 1 below.

Table 1. Summary of MRA

Model	Regression Coefficient	t-test	Sig.t
X	0,478	7,926	0,000
M	0,388	6,312	0,000
XM	0,156	3,088	0,002

The first hypothesis states that switching costs have a significant positive effect on repurchase intention. Submission of hypothesis refers to the value of the regression coefficient and significance value presented in Table 1. The value of switching cost regression coefficient is positive value of 0.478 and the significance value of 0.00 or less than 0.05 so it can be concluded that the first hypothesis accepted. In other words, switching costs have a significant positive effect on repurchase intention.

The second hypothesis states that customer satisfaction has a significant positive effect on repurchase intention. Submission of hypothesis also refers to the value of regression coefficient and significance value presented in Table 1. Value of customer satisfaction regression coefficient is positive value of 0.388 and significance value of 0.00 or less than 0.05 so it can be concluded that the second hypothesis accepted. In other words, customer satisfaction has a significant positive effect on buying intention.

The third hypothesis states that customer satisfaction can moderate the effect of switching costs on repurchase intention. Submission of hypothesis also refers to the value of regression coefficient and significance value presented in Table 1. Value of regression coefficient of switching cost interaction and customer satisfaction is positive value of 0.156 and significance value of 0.002 or smaller than 0.05, in addition the value of regression coefficient of interaction between the cost of switch and customer satisfaction is worth ≠ 0 so it can be concluded that the second hypothesis is accepted. In other words customer satisfaction can moderate the effect of switching costs against repurchase intention. It can further be concluded that customer satisfaction reinforces the significant positive influence of switching costs on customer satisfaction.

DISCUSSION

All switch cost indicators have a very high average value with the smallest average value of 4.0122 on the indicator of cost evaluation. These three statements have the smallest average value of other indicator statements of 3.92. Although the value is still high, but this figure shows that for the respondent, the evaluation cost has the smallest value of all switching cost indicators. This happens because of the easy access of current information about various smartphone products in the market so that evaluation of other smartphone product products is not too difficult.

The results of this study are in accordance with the results of the study of Burnham et al. (2003) which states that switching costs are an important factor to withstand consumer switching behaviors, which means that increased switching costs increase repurchase intentions. The results of this study also in accordance with research Danesh et al. (2012) indicating that switching barrier switching costs have a positive relationship to customer retention that will lead to an increase in repurchase intentions. The results of this study are also consistent with research Wibowo (2013) who found that switching costs have a significant positive effect on repurchase intention as well as research Blut et al. (2015) proving that increased switching costs can directly raise the buying intention and behavior. In addition to this study, the results of this study also support the theory proposed by Bendapudi and Berry (1997) which states that switching costs can form a lock-in effect on consumers. This lock-in effect will encourage consumers to continue purchasing products from the same company, in other words will increase repurchase intention.

Variable customer satisfaction has an average value of 4.25 so it can be concluded most respondents feel satisfied will smartphone products used today. Of the four statements used, the lowest value of 4.20 is owned by the M4 indicator which is a reverse item of the M1 statement.

The results of this study are consistent with the research Hadioetomo (2010) shows satisfied customers will have the desire to buy back. The positive effect of customer satisfaction on repurchase intentions is also shown by Sumitro's (2016) study which found that customer satisfaction has a positive and significant effect on repurchase intentions. Similar results were also reinforced by Rizki's (2015) findings of customer satisfaction having a significant positive effect on repurchase intention.

This study also corresponds to Danesh et al. (2012) states that customer satisfaction has an effect on the positive relationship of customer retention and research Ibzan et al. (2016) who found that there was a positive effect of customer satisfaction on repurchase intentions, satisfied consumers were more likely to continue their relationship with certain companies than dissatisfied ones.

This research also supports Tjiptono's (2007) assertion that customer satisfaction will provide some other benefits of the relationship between the company and the customer to be harmonious, provide a good basis for repeat purchase, can encourage the creation of customer loyalty, form a recommendation from mouth to the mouth is profitable for the company, the reputation of the company to be good in the eyes of customers, and the profit earned becomes increased.

The standardized beta coefficients value of switching cost interaction and customer satisfaction is 0.165 or ≠ 0 so that customer satisfaction is proven to positively moderate the ability to influence switching cost to repurchase intentions. This means that when customer satisfaction is high, the positive effect of switching cost to repurchase intention will be further strengthened.

This result is in line with Jones et al's (2002) suggestion that the effect of switching costs on repurchase intentions can be moderated with customer satisfaction. In addition, the results of this study also in accordance with the results of research Ting (2014) which indicates that when switching cost high then the intention to buy back will also be high and the effect of switching costs on repurchase intention will be further strengthened by high customer satisfaction.

CONCLUSION

This study proves that switching costs have a significant positive effect on repurchase intention. Besides it is proved also that customer satisfaction reinforces the significant positive influence of switching costs on repurchase intention.

All switching cost indicators have a high average value with the smallest average value in the evaluation cost indicator. Easy access to current information about various smartphone products in the market so that evaluation of other smartphone products is not too difficult. As far as possible the smartphone industry players must innovate and build a superior feature than its competitors and inform the consumer. Company must make promotions that show that their products are the best and have their own advantages while enhance their product.

Another indicator that scores lower than the other is on the setup cost. This means that manufacturers must ensure that all personal service to provide the best setup and service so that consumers feel reluctant to change smartphone products.

It is recommended to actors in the smartphone industry to continue to maintain and increase switching cost to its products. As far as possible the smartphone industry players must innovate and build a superior feature than its competitors and inform the consumer.

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