The Impact of Customer Relationship Marketing Tactics On Customer Loyalty
— Within Swedish Mobile Telecommunication Industry
Acknowledgements

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Halmstand, 2009

Xuan Zhang and Yuanyuan Feng
Abstract

Due to the more and more fierce competition in today’s business, many companies are required to build long-term profitable relationship with customers and to achieve customer loyalty. Therefore, relationship marketing has become more and more important since last decade of 20th century, especially in service industry. There are many different relationship marketing tactics implemented for retaining customer. However, some of those tactics did not affect customer loyalty effectively, and switching behaviors frequently occur among most of targeted customers. Therefore, this study is aimed to investigate the impact of relationship marketing tactics on customer satisfaction and trust, which in turn increase customer loyalty, by focusing on Swedish mobile telecommunication sector. A analytical model is developed as a guildline to test the relationships between relationship marketing tactics, relationship quality (trust and satisfaction) and customer loyalty.

A quantitative method with deductive approach are chosen in this research. In order to collect primary data, a self-completed questionnaire is designed and randomly sent out by email to the students in Halmstad University. The SPSS for windows is used to process the primary data. The findings shows that Service Quality, Price Perception, and Value Offers have impact on customer loyalty indirectly via the customer satisfaction and trust. Brand image is positively and directly related to customer loyalty. However, switching costs is found to be less correlation with customer loyalty, as well as satisfaction and trust in Sweden telecommunication industry.

Keywords: Relationship Marketing, Relationship Marketing Tactics, Relationship Quality, Customer Loyalty, Trust, Satisfaction, Switching Cost, Mobile Telecommunication.
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1. INTRODUCTION

The introduction chapter will start with a background of the subject and an analytical model that will be researched, followed by a problem discussion and the research questions, then the purpose of this study will be presented. This chapter will end up with delimitations.

1.1 Background

As the competitive environment becomes more turbulent, the most important issue the sellers face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations (Tseng, 2007). To compete in such overcrowded and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing strategy, which are no longer enough to be implemented for achieving competitive advantage. Therefore, relationship marketing has become an alternative means for organizations to build strong, ongoing associations with their customers. As a part of marketing strategy, relationship marketing seek to acquire and retain customers by providing good quality customer services, and therefore has become one of the keys to success in acquiring strong competitiveness in the present markets, because of its implications for access to markets, generation of repeat purchase, creation of exit barriers, and the view that it benefits all parties (Andaleeb, 1996).

Relationship marketing has received much attention in both academy and practice areas in the last few decades. It was during the last decade of the 20th century that relationship marketing began to dominate the marketing field (Egan, 2001). During this period relationship marketing became a major trend in marketing and management business (Ibid). Relationship marketing is concerned about building customer loyalty by providing value to all the parties involved in the relational exchanges (Peng and Wang, 2006), as customer loyalty is the final goal of relationship marketing.

Buyers and sellers in markets achieve mutual benefits through developing relationships, which are not simple that a customer is 100 per cent loyal to a vendor (Stone & Woodcock &
Machtynger, 2000). There are often switching behaviors occurred in different stages of a partnership relationship. Relationship marketing tactics are thus approaches to apply relationship marketing in practice (Tseng, 2007). Effective customer-oriented relationship marketing tactics may help marketers to acquire customers, keep customers, and maximize customer profitability, and finally build up customer loyalty.

The telecommunication industry is becoming one of the most important industries in the world. The telecommunication industry delivers voice communications, data, graphics, and video at ever increasing speeds. Telecommunication influences the world economy and the telecommunication industry’s revenue was estimated to be $1.2 trillion in 2006. The competition is also becoming more and more sharp. In order to obtain sustainable competitive advantage, telecommunication firms are forced to make innovation and do the best for customer satisfaction. Due to this, customer relationship marketing plays an important role in telecommunication industry. It demands a relationship-oriented strategy in marketing (Grönroos, 2004).

Moreover, the new electronic communication regulations suggested that the regulations would harmonize the legislation of the EU countries and increased competition would favor the consumers. And Sweden, as a precursor in this industry also faced a tense competition. In 2004, there are 6.447 million telephone main lines are in use, then in 2005, the number became 8.044 million

Sweden liberalized its telecommunication sector starting in 1980s and being formally liberalized in 1993 which was earlier three years than USA, and the European common policy allowed for an open and competitive telecommunication market five years later. So, the Swedish telecommunication industry has already became a mature market. The main Swedish mobile operators – Tele2, Telia, Telenor, and 3(Hutchison) – have launched a mobile marketing initiative. Facing the fierce competition, it is more and more important for each firm to execute relationship marketing tactics in order to retain loyal customers who will bring long-term profit and create competitive advantage to firms.

Considering the significant importance of relationship marketing in today’s business, it will
make sense to understand how the relationship marketing are executed in practice and how this type of marketing take effect, e.g. influencing long-term relationship building and customer loyalty. Therefore, this study is aimed to develop and exam a analytical model regarding the field of relationship marketing in practice, based on reviewing literatures and theories about relationship marketing tactics, relationship quality and customer loyalty. This developed analytical model is presented as Figure 1.1.

![Analytical model](image)

**Figure 1.1: Analytical model (developed by authors)**

1. **Relationship marketing tactics**: Relationship marketing is carried out with many relationship marketing tactics, which are widely to be applied in today’s business. Many tactics may have potential to influence relationship quality and retaining customers. On basis of previous researches, four ways of implementing relationship marketing tactics are focused on this study, such as *service quality, price perception, value offers* and *brand image*. These four tactics will be discussed in detail in the next chapter.

2. **Relationship quality**: It is usually used to assess the effectiveness of relationship marketing tactics. It is also considered to be antecedent of achieving customer loyalty. *Customer*
satisfaction and trust are two basic components for measuring relationship quality. Higher level of relationship quality is reflected by higher level of customer satisfaction and trust.

3. Switching costs: It happens when a customer switches from an existing service provider to a new one. Switching costs perceived by customers can be either monetary or non-monetary (time, effort, risk taking, psychological nature, etc.). It is considered as a barrier that influences customer’s decision to change service provider, in turn affect customer’s willing to remain loyalty with current service provider.

4. Customer loyalty: It was defined by Oliver (1997, p.392) as “deeply held commitment to rebury or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior”. Customer loyalty is thought to be the final goal that a firm apply relationship marketing tactics, by building long-term mutual relationship with customers.

1.2 Problem Discussion

Confronted with the fierce competition in today telecommunication marketplace, there have been many marketing strategies for service providers to plan and implement. However, consumers are disturbed by a number of marketing activities ranging from aggressive sales tactics, telemarketing, direct mail, doorstep selling, radio advertisement, TV advertisement, and internet promotion to customer loyalty programmers (Peng and Wang, 2006). There are also evidences shows that consumers tend to other competitors when they can not be satisfied with the service quality.

Relationship marketing strategy might be one of the best ways for service providers to retain customers and building customer loyalty. Many empirical studies have provided evidences that relationship marketing tactics have impact on behavioral loyalty which affects customer retention (Peng and Wang, 2006). Therefore, well awareness of the target consumers and
building good relationship with them is the most significant issue.

The challenge for telecommunication service providers is to attract more customers, focus on building good relationship quality with customers, make customers satisfied and trust, and step by step obtain customer’s loyalty, through relationship marketing tactics.

1.3 Research questions

Companies have implemented various relationship marketing tactics into practice. However, some of those tactics did not work effectively, and there are phenomena showing that switching behavior frequently occur among most of targeted customers. Accordingly, our research questions are brought forward as follows:

(1) What kinds of relationship marketing tactics in practice positively contribute to customer loyalty?

(2) How do different relationship marketing tactics impact on customer loyalty?

(3) Is the analytical model showed as figure 1.1 proved to be correct?

1.4 Purpose

The purpose of this research is to investigate the impact of customer relationship marketing tactics on customer loyalty within Swedish mobile telecommunication sector, by analyzing the relationship of every construct in the analytical model (show as figure 1.1). This study is expected to exam the relationship between the eight constructs in the model (service quality, price, value offers, brand image, satisfaction, trust, switching cost and customer loyalty), which can be a reference for Swedish mobile telecommunication industry.

In order to achieve this purpose, the research focuses on analyzing the developed conceptual model from consumer’s perspective, accordingly the following hypotheses are aimed to be
tested.

H1a: High service quality perceived by customers is positively related to customer satisfaction.
H1b: High service quality perceived by customers is positively related to customer trust.
H2a: Fair price perceived by customers is positively related to customer satisfaction.
H2b: Fair price perceived by customers is positively related to customer trust.
H3a: Positive brand image perceived by customers is positively related to customer satisfaction
H3b: Positive brand image perceived by customers is positively related to customer trust.
H4a: The value offers perceived by customers is positively related to customer’s satisfaction.
H4b: The value offers perceived by customers is positively related to customer’s trust.
H5: Customer trust is positively related to customer loyalty.
H6: Customer satisfaction is positively related to customer loyalty.
H7: High switching costs perceived by customer is positively related to customer loyalty.

1.5 Delimitation

First, in terms of the constructs showing in the model, only four ways of relationship marketing tactics (service quality, brand image, price perception and value offers) are focused; and only two basic components (satisfaction and trust) are used to measure relationship quality. Other tactics and quality measurements are beyond this study.

Second, this study only focus on Swedish mobile telecommunication industry, the other sectors in other countries are not involved.

Third, this study will be done only from customer’s point of view, the service firms’ perspective about this subject are not be researched.
2. THEORETICAL FRAMEWORK

This chapter consists of five parts, the theory of the relationship marketing will be discussed firstly, and then followed by discussing the relationship marketing tactics, relationship quality, switching costs and customer loyalty, in which each construct showed in the model is discussed respectively, and the research hypotheses are proposed accordingly.

2.1 Relationship Marketing

During the last decade of the 20th century, relationship marketing has been seen as the mainstream of though in planning a marketing strategy both in industrial marketing and consumer marketing (Tseng, 2007). According to Morgan and Hunt (1994), relationship marketing was defined as all the marketing activities that are designed to establishing, developing, and maintaining successful relational relationship with customers.

Hougaard and Bjerre (2002, p.40) also defined relationship marketing as “company behavior with the purpose of establishing, maintaining and developing competitive and profitable customer relationship to the benefit of both parties”. Due to profitable relationship on a lifetime basis may also create loss in some stages during the lifetime, Hougaard and Bjerre (2002, p.40) argued that marketing management must pay attention to three different objectives in terms of:

- “The management of the initiation of customer relationships”;
- “The maintenance and enhancement of existing relationships”;
- “The handling of relationship termination”.

Wulf et al. (2001) suggested that different levels of relationship duration would result in different levels of consumption experience, producing different results, satisfaction and loyalty with different relationship marketing tactics.

Compared with traditional marketing, relationship marketing is more concerned about
building customer relationships in order to achieve long-term mutual benefits for all parties involved in the exchanges. Relationship marketing essentially means developing customers as partners, where a approach is different from traditional transaction (Bowen and Shoemaker, 2003). Table 2.1 as below shows the differences between relationship marketing and traditional marketing.

<table>
<thead>
<tr>
<th>Relationship marketing compared with traditional marketing</th>
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<tbody>
<tr>
<td><strong>Relationship Marketing</strong></td>
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<tr>
<td>Orientation to customer retention</td>
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<tr>
<td>Continual customer contact</td>
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<td>Focus on customer value</td>
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<td>Long-term horizon</td>
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<tr>
<td>High customer-service emphasis</td>
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<td>High commitment to meeting</td>
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<td>Customer expectations</td>
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<td>Quality concerns all staff members</td>
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</table>

*Traditional marketing can also be considered transactional marketing, in which each sale is considered to be a discrete event. This table is based on an idea from: F. Robert Dwyer, Paul Schurr, and Sejo Oh, “Developing Buyer-seller Relationships.” Journal of Marketing, Vol. 51, April 1987, pp. 11-27.

Table 2.1 Relationship marketing compared with traditional marketing

Source: Bowen and Shoemaker, 2003

Since the final purpose of relationship marketing is to gain the maximal value of a customer, customer loyalty should be emphasized to achieve this goal. The benefits of relationship marketing derive from the continuing patronage of loyal customers who as a partnership are not sensitive to price cut over time (Bowen and Shoemaker, 2003). Interdependence, mutual cooperation and commitment between supplier and customer tend to be essential in relationship marketing, as such whole relationship is viewed as the key to competitive advantage (Hougaard and Bjerre, 2002).
2.2 Relationship Marketing Tactics

There have been various ways for marketers to implement relationship marketing tactics, which are expected to have impact on customer retention and loyalty. Bansal, Taylor and James (2005) suggested that relationship marketing tactics can be executed through service quality, price perception, value offered, alternative attractiveness, and so on. Tseng (2007) discussed that tactics as direct mail, tangible rewards, interpersonal communication, preferential treatment and membership could enhance long-term relationship and increase relationship satisfaction, trust and commitment. Peng and Wang (2006) also examined the application of relationship tactics in service quality, reputation (brand), price perception, value offers.

Based on the early theories, certain relationship marketing tactics which are considered of importance in service industry, such as service quality, price perception, value offers and brand image, will be focused in the following parts.

2.2.1 Service Quality

Service is different from physical products. Compared with physical products, Service is thought to be intangible, heterogeneous, produced and consumed simultaneously, unable to be kept in stock, etc. A widely accepted definition of service is proposed by Grönroos in 1990 as: “A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems” (see Grönroos, 2000, p.46). This definition implied that service is a process where interactions between customer and service provider most often exist. Hence, in a service context, there are almost a relationship between customer and service provider, such relationship can be used as a basis for marketing (Grönroos, 2000). In order to retain loyal customer who will bring long-term profit to the firm, the key issue for service provider is to make use of this relationship in the way it manages customers by
offering what the customers needs and wants.

The quality of a service is subjectively perceived by customers during the interactions with a firm (Grönroos, 2000). Parasuraman et al. (1988) defined service quality as the consumers’ judgment about a firm’s overall excellence or superiority. What happens and perceived by customers in the interaction process will obviously have critical impacts on customers’ evaluation of service quality (Grönroos, 2000).

Due to the peculiar attributes of service, the evaluation of service quality is more complex than evaluation of product quality. There have been various ways for measurements of service quality proposed by previous researches and literatures. The famous measurement model of service quality is SERVQUAL developed by Parasuraman et al.(1988), who measured the differences between customer expectations and perceptions cross five determinants as follows:

- **Tangibles**: Appearance of physical facilities, equipment, employees and communication materials from a service company.
- **Reliability**: A service company’s ability to perform the promised service dependably and accurately.
- **Assurance**: employees’ knowledge and behavior about courtesy and ability to convey trust and confidence.
- **Responsiveness**: A service company is willing to help customers and provide punctual services.
- **Empathy**: A service company provides care and individualized attention to its customers, as well as having convenient operating hours.

Later, based on integrating previous studies and conceptual works, Grönroos (2000) summarized seven criteria of good perceived service quality as: (1) professionalism and skills; (2) employees’ attitudes and behavior; (3) accessibility and flexibility; (4) reliability and trustworthiness; (5) service recovery; (6) serviscape; and (7) reputation and credibility. The first criteria is outcome-related and thus a technical quality dimension; the last one is image-related and fulfills a filtering function; and the rest five ones are process-related and present the functional quality dimensions (Ibid).
High service quality is regarded as a key to succeed in competitive service markets. Many researches have showed that service quality perceived by customers are will directly influence customers’ satisfaction, as well as their trust in the service firm (Parasuraman et al., 1988; Aydin and Özer, 2005; Ismail et al., 2006; etc.). Customers might be satisfied when a firm provide better services than their pre-purchase expectations. Customer trusts also emerge when customers perceive positive service quality from a firm, and believe the service firm would bring preferable outcomes for them. In mobile telecommunication industry which belongs to service industry, service quality is an important indicator to assess a service provider’s performance. Offering a high quality service is considered to be a visible way to create customers trust and satisfaction, as well as obtaining competitive advantages and building a long-term relationship with customers.

Therefore, the following hypotheses are proposed based on the above discussion:

$H1a$: High service quality perceived by customers is positively related to customer satisfaction.

$H1b$: High service quality perceived by customers is positively related to customer trust.

### 2.2.2 Price Perception

Price is the monetary cost for a customer to buy products or services. It is the critical determinant that influences customer buying decision. Customers usually select their service providers strongly relying on perceived price. How much consumers are willing to pay differs due to their different needs and wants. Thus, the price perceptions to the same service products may differ among individuals. Higher pricing perceived by consumers might negatively influence their purchase probabilities (Peng and Wang, 2006). Price perception is also thought to be related to price searching (Lichtenstein et al., 1993). Consumers are likely to be attracted by perceived high-quality services at perceived competitive prices during the searching process.

Oliver (1997) suggested that consumers often judge price relating to service quality, and
accordingly generate satisfaction or dissatisfaction, depending on the equity principle. If a consumer perceives price as fairness, he or she is willing to conduct this transaction with the service provider. Based on previous studies, Cheng et al. (2008) proposed that price perception can be measured by two dimensions: one is reasonableness of prices, which reflects the way that price is perceived by customers comparing to that of competitors.; another is value for money, which implies the relative status of the service provider in terms of price. In general, high-quality services are considered to cost more than low-quality equivalents (Chitty et al., 2007)

Many researchers have pointed out that price perception influences customer satisfaction and trust (Oliver, 1997; Peng and Wang, 2006; Cheng et al., 2008; Kim et al., 2008). Customer often switch mainly due to some pricing issues, e.g. high price perceived, unfair or deceptive pricing practices (Peng and Wang, 2006). Therefore, in order to increase customer satisfaction, it is essential for service firms to actively manage their customers’ price perceptions, e.g. carrying out attractive pricing, offering reasonable prices mix, lower prices without decreasing quality, etc.

Based on above discussion, the following hypothesis is proposed:

$H2a$: Fair price perceived by customers is positively related to customer satisfaction.

$H2b$: Fair price perceived by customers is positively related to customer trust.

### 2.2.3 Brand Image

Brand concept has been frequently discussed in marketing literatures. Brand building is not only an important driving force for marketing physical products, it is also a vital issue for service firms. Brand image was defined by Keller (1993, p3) as the “perceptions about a brand as reflected by the brand associations held in consumers’ memory.” It is thought as the perception or mental picture of a brand formed and held in customers’ mind, through customers’ response, whether rational or emotional (Dobni and Zinkhan, 1990). According to Grönroos (2000, p.287), “A brand is not first built and then perceived by the customers.
Instead, every step in the branding process, every brand massage, is separately perceived by customers and together add up to a brand image, which is formed in customers’ minds”. Therefore, brand image is consequence of how a customer perceives the relationship with a brand over time (Ibid).

The concept of relationship marketing within services displays the importance of one-to-one relationships between businesses and customers as well as relationships between consumers and the brands (O’Loughlin, Szmigin, and Turnbull, 2004). The development of a brand relationship with customers is based on a series of brand contacts experienced by customers (Grönroos, 2000). What customer perceives the brand image during such experience is critical issue for a service firm to realize. Furthermore, customers is likely to form brand image in mind from inexperience ways, such as word of mouth from other consumers, a company’s reputation in public, marketing communication, and so on. A positive brand image make it easier for a firm to convey its brand value to consumers, also generates favorable word of mouth among people; contrarily, a negative image affect people in opposite direction; a neutral or unfamiliar image may not cause any damage, but it does not increase the effectiveness of communication and word of mouth either (Ibid). The more customers consider a brand valuable, the more sales can be expected to be achieved (Ibid).

Therefore, a positive brand image is supposed to meet customer’s expectation and offer more benefits to customer, which may lead to customer satisfaction and trust. Two hypotheses are thus proposed as follows:

\[ H3a: \] Positive brand image perceived by customers is positively related to customer satisfaction

\[ H3b: \] Positive brand image perceived by customers is positively related to customer trust.

**2.2.4 Value Offers**

Customers will judge the value of consumption after contrasting benefits gained from products and services with their costs (Zeithaml, 1988). Service firms provide superior value through enhanced offers can improve customer satisfaction by increasing the customer’s
perceived benefits and reducing the sacrifice so that customer retention is improved (Ravald and Grönroos, 1996).

Ravald and Grönroos (1996) described the effect of value-adding strategies in long term relationship (show as figure 2.2).

Figure 2.2. The Effect of Value-Adding Strategies in a Long Term Relationship

Source: Ravald and Grönroos (1996)

According to figure 2.2, It is clear that companies execute certain value-adding strategies can increase customer’s perceived benefits and reducing customer’s perceived sacrifices, which in turn stimulate customer repurchasing activities and remain in the same service provider. In a long-term relationship, customer perceived value offered is related to both episodes and expectations (Ravald and Grönroos, 1996). When customer’s expectations are satisfied, they will feel safety, credibility, and security as perceived value in this relationship, which all together increase trust and then enhance customer’s loyalty (Ibid).

Therefore, companies should concern about customer’s value from customer’s point of view, and thoroughly understand customer’s value chain in order to be able to reduce customer-perceived sacrifice (Wilson and Jantrania, 1995). Increasing the customer benefits means adding something to the core product that the customer perceives important, beneficial
and of unique value (Ibid). In telecommunication sector, it is essential for operators to offer something valuable to customers in service interaction process, such as reward refund activities and promotional offers, in order to gain customer satisfaction and trust, which are expected to enhance customer loyalty.

Therefore, the following hypotheses are proposed:

H4a: The value offers perceived by customers is positively related to customer’s satisfaction.

H4b: The value offers perceived by customers is positively related to customer’s trust.

2.3 Relationship Quality

Relationship Quality (RQ) emerged from the field of Relationship Marketing (RM). Due to the importance of relationship marketing in today’s businesses, relationship quality is essential for assessment of relationship strength and the satisfied degree of customer needs and expectations (Crosby & Evans & Cowles, 1990; Smith, 1998). Successful exchange events can finally lead to an enduring buyer-seller relationship if they are properly treated from both a buyer and a seller’s perspectives (Crosby et al., 1990). In some service contexts, since service is invisible and heterogeneous, customers would feel high uncertainty and risk in the transaction (Li and Ho, 2008). Whereas, good relationship quality could reduce service uncertainty and risk for the purpose of increasing customers’ reliability to develop long-term relationships (Crosby et al., 1990; Li and Ho, 2008). In other words, higher quality of relationship creates association between service providers and customers, and fosters long-term stable exchanges where both parties can gain mutual benefits (Singh, 2008).

Relationship quality does not have a widely accepted definition and measures (Singh, 2008). Various dimensions have been used to measure relationship quality within marketing researches. One attempt to conceptualize relationship quality has been proposed by Grosby et al. (1990), who viewed relationship quality as a high-order construct and should contain at least two dimensions: trust and satisfaction. Morgan and Hunt (1994) drew the
commitment-trust theory by proposing that trust and commitment are two basic constructs for measuring relationship quality. By integrating different research viewpoint, Chakrabarty, Whitten and Green (2007) discussed that relationship quality is measured in terms of trust, commitment, culture, interdependence, and communication. Otherwise, Lages et al. (2005), from a perspective of business organization rather than consumers, suggested that relationship quality reflected the intensity of information sharing, communication quality, long-term orientation and satisfaction with the relationship between the exporter and importer.

Although there are no consensuses regarding the components that form up relationship quality, it is generally accepted that trust and satisfaction are two significant factors for measuring relationship quality. Especially in the context of service markets, high relationship quality perceived by customers is achieved through customer trusts and customer satisfaction, which are two key points for service providers to consolidate stable long-term relationship with their customers, and in turn achieve customer retention and loyalty behavior. Therefore, we study relationship quality by focusing on trust and satisfaction from customers’ perspectives.

2.3.1 Trust

Trust is one of the most widely subjects across multi disciplines, including management, economics, philosophy and psychology. Various definitions of trusts have been given in previous literatures. One general concept of trust was provided by Mayer, Davis and Schoorman (1995), who systematically studied organizational trust and defined trust as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control the other party. Geyskens and Steenkamp (1995) also summarized trust as the extent to which a firm believes that its exchange partner is benevolent and honest. Doney and Cannon (1997) emphasized that trust is the perceived credibility and benevolence. Based on above definitions, it is clear that trust is a human characteristic that is based on assessment of one another’s personality traits (Chu, 2009), motives and behaviors (Tian et al., 2008). In the development of trust, trustors’ expectations and perception about trustees are involved. This is suggested that the level of trust is different significantly among
individuals based on their personal decision-making habits and characteristics (Chu, 2009).

Trust or distrust often takes place with a relationship built up. As a supplier actively makes relationship efforts, it provides evidence to customers that the supplier can be trusted, concerns about the customers’ interests and is willing to make sacrifices for satisfying customers’ needs in the relationship (Liang and Wang, 2008)).

In practical business activities, therefore, the development of trust is considered to be a critical result of establishing a long-term successful relationship between all the parties involved. In face of complicated service markets, customers tend to behave and make purchasing decision depending on their previous consuming experiences (Doney and Cannon, 1997), their expectations (Anderson and Narus, 1990; Mayer et al., 1995) and perception (Liu et al., 2008; Gwinner et al., 1998; Doney and Cannon, 1997) to service providers. Investing in long-term relationship with customers thus helps to develop customer trusts and improve the effective quality of a relationship in order to obtain mutual interests (Anderson & Weitz, 1989). Customers with trusts in service providers’ capability would probably be willing to commit to a service relationship for meeting their expectations (Morgan and Hunt, 1994). Even when the environment is changing, the customers would believe that the service provider will take customers’ interests into account instead of doing anything harmful to the development of relationship (Liu et al., 2008).

Mayer et al. (1995) conceptualized organizational trust by proposing three core elements as: trustee’s ability, trustee’s benevolence and trustee’s integrity. These three dimensions have been further supported and adopted by several researchers to operate trust in their later studies. (Lin and Ding, 2005; Aydin and Özer, 2005; Tian et al., 2008). Besides, cumulative process in a relationship was considered to construct trust on the basis of a party’s capability of implementing its obligations continuously (Doney and Cannon, 1997; Aydin and Özer, 2005).

Trust is considered so important to long-term relationships and enhancing customer loyalty. Many researches have suggested that customers’ trust is a significant role in building long-term relationship and achieving customer loyalty (Berry, 1995; Bowen and Shoemaker, 2003; Chu, 2009). With trust as a precursor, a customer becomes loyal to a firm and forms a
commitment to that firm (Bowen and Shoemaker, 2003).

Therefore, the following hypothesis is proposed:

\[ H5: \text{Customer trust is positively related to customer loyalty.} \]

### 2.3.2 Satisfaction

Customer satisfaction has been paid much attention among theoretical literatures and practical researches. It is also an expected outcome of implementing marketing activities, as providing satisfying products or services to customers relates to success achieved in today’s tensely competitive world of business.

Fornell (1992) defined satisfaction as an overall evaluation dependent on the total purchase and consumption experience of the target product or service performance compared with repurchase expectations over time. Oliver (1997, 1999) reviewed satisfaction as pleasurable fulfillment which is sensed by customers in the consumption. It means that “the consumer senses that consumption fulfills some need, desire, goal, or so forth and that this fulfillment is pleasurable” (Oliver, 1999, p.34).

In relationship marketing literatures, customer satisfaction has also been thought to be an key performance indicator for evaluating the quality of a relationship between service provider and customers. Customers’ expectations regarding costs and benefits of the relationship mainly depend on past experience, and satisfying experiences increase the motivation and the likelihood that an individual stays in the relationship (Mouri, 2005).

Customer perception to products or services has been widely used to measure customer satisfaction. According to Li (2008), five emotions perceived by customers as below are satisfactory:

1. Satisfaction: the products can be accepted or tolerated;
2. Content: the products bring people with a positive and happy experience;
3. Relieved: the products remove people’s negative state;
Novelty: the products bring people with freshness and exciting;

Surprise: the products make customer unexpectedly pleased.

Furthermore, customer satisfaction also has been measured relying on the phases of customer relationship life cycle, which characterizes different stages of a customer relationship and requires focus on specific target and customer expectation of different stages (Spath and Fähnrich, 2007).

In general, customer satisfaction enhances the quality of relationship between customers and service providers, and increases the repeat purchase behavior.

Therefore, the following hypothesis is proposed:

\[ H6: \] Customer satisfaction is positively related to customer loyalty.

### 2.4 Switching Costs

Switching behavior refers to customer’s termination of a relationship with a provider (Mouri, 2005). There are many reasons that might lead to customer switching behavior. Bitner (1990) proposed that customers change service provider due to time limitation, money constraints, and unavailable access to information, or habit among parties. Keaveney (1995) also suggested eight critical factors will cause switch behavior, such as attraction by competitors, inappropriate employee response to service failures, pricing problems, core service failures, service encounter failures, inconvenience, ethical problems, and situation changes.

Switching cost incurred when a customer switches from an existing service provider to a new one. It is a barrier that influence customer’s decision to change service provider. Selnes (1993) suggested that switching cost includes the technical, financial, and psychological costs that make it difficult or costly for customers to change brands. Patterson and Smith (2003) defined switching cost as the customer’s perception of the importance of the additional cost led to ending up a relationship and to securing an alternative one. N’Goala (2007) argues that the
perceived costs of switching can be either monetary or non-monetary (time, effort, risk taking, psychological nature, etc.).

Higher switching costs perceived by customers may affect their switching behaviors. In other words, the higher switching costs perceived, the more willing of a customer to remain loyalty with current service provider.

Therefore, the following hypothesis is proposed:

\[ H7: \text{High switching costs perceived by customer is positively related to customer loyalty} \]

### 2.5 Customer Loyalty

Customer loyalty is the most important goal of implementing relationship marketing activities. Oliver (1997, p.392) defined customer loyalty as a “deeply held commitment to rebury or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior”.

Customers are the driving force for profitable growth and customer loyalty can lead to profitability (Hayes, 2008). For a customer, loyalty is a positive attitude and behavior related to the level of re-purchasing commitment to a brand in the future (Chu, 2009). Loyal customers are less likely to switch to a competitor solely because of price, and they even make more purchases than non-loyal customers (Bowen and Shoemaker, 2003). Loyal customers are also considered to be the most important assets of a company (Blackton, 1995). It is thus essential for vendors to keep loyal customers who will contribute long-term profit to the business organizations (Tseng, 2007). Attempt to make existing customers increase their purchases is one way to strengthen the financial growth of a company (Hayes, 2008). Furthermore, organization’s financial growth is dependent on a company’s ability to retain existing customers at a faster rate than it acquires new ones (Ibid). Therefore, good managers should understand that the road to growth runs through customers – not only attracting new customers, but also holding on existing customers, motivating them to spend more and getting
them to recommend products and services to the other people (Keiningham et al., 2008).

Customer loyalty has been generally divided into attitudinal loyalty and behavioral (Aydin and Özer, 2005). Attitudinal loyalty describes customer’s attitude toward loyalty by measuring customer preference, buying intention, supplier prioritization and recommendation willingness; on the other hand, behavioral loyalty relates to shares of purchase, purchasing frequency (Ibid).

There are evidences suggesting that stronger relationship commitment leads to buyers’ repeat patronage. Wulf et al. (2001) defined the construct of behavioral loyalty as a composite measure based on a consumer’s purchasing frequency and amount spent at a retailer compared with the amount spent at other retailers from whom the consumer buys. Morgan and Hunt (1994) found significant relationships between the level of a buyer’s relationship commitment and his acquiescence, propensity to leave, and cooperation, all of which can be regarded as behavioral outcomes of relationships.

In general, customer loyalty are the final purpose that firms implement relationship marketing. This study is seeking to investigate the impact of the above mentioned relationship marketing tactics on relationship quality and customer loyalty, by examining the above proposed hypothesizes.
3. METHODOLOGY

This chapter begins with an explanation of the chosen method for this research, followed by case selection and sampling, questionnaire design and data collection, finally the reliability and validity and statistical analysis tool will be explained.

3.1 Research Method

There are two helpful research methodologies: quantitative and qualitative. Bryman and Bell (2003) pointed out that the connection between theory and research, epistemological considerations and ontological considerations, quantitative and qualitative research can be considered as two distinctive clusters of research strategy.

<table>
<thead>
<tr>
<th>Fundamental differences between quantitative and qualitative research strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal orientation to the role of theory in relation to research</td>
</tr>
<tr>
<td>Deductive; testing of theory</td>
</tr>
<tr>
<td>Epistemological orientation</td>
</tr>
<tr>
<td>Ontological orientation</td>
</tr>
</tbody>
</table>

Figure 3.1 Fundamental differences between quantitative and qualitative research strategies

Source: Bryman and Bell (2003)

Due to the purpose of this research is to test the proposed hypothesizes, a quantitative method is chosen in this research.

“Quantitative research can be construed as a research strategy that emphasizes quantification
in the collection and analysis of data and that:

- Entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories;
- Has incorporated the practices and norms of the natural scientific model and of positivism in particular; and
- Embodies a view of social reality as an external. Objective reality.”

(Bryman and Bell, 2003, p25)

3.2 Case selection and Sampling

In this research, the case selection is focused on the Sweden mobile telecommunication sector. One of the reasons is that the authors are studying in Sweden, and it will be easy for the authors to do research by focusing on Swedish industry. On the other hand, Sweden has liberalized its telecommunication industry since 1980s and has been formally liberalized since 1993, which was three years earlier than USA, and the European common policy allowed for an open and competitive telecommunication market five years later. So that the Sweden telecommunication industry has already became a mature market. And the companies in this industry want to achieve long-term competitive advantage depend on customer loyalty. Therefore, it is make sense to choose Swedish mobile telecommunication sector to study.

A population is the whole group that the research focuses on (Jacobsen, 2002). Sample is the segment of the population that is selected for investigation (Bryman and Bell, 2003). In quantitative research, the need to sample is one that is almost invariably encountered. And sampling constitutes a key step in the research process in social survey research.

Due to the research is studied from customers’ point of view, the population was expected to involve the people who are consuming the mobile services from Swedish telecom service provider. However, it is not possible for researchers to get in touch with a big number of
sample, as the sample size is a critical question in practice. The decision about the size of the sample needs to consider about time and cost, the need of precision, and a variety of further considerations. (Bryman and Bell, 2003). Due to the limit of time and costs, the population are changed to targeted on the university students, therefore, undergraduate students and master students who study in Halmstad University are chosen as survey sample.

3.3 Questionnaire Design and Data Collection

Yin (1994) has recognized five popular ways of collecting and analyzing empirical data in business research. It includes experiments, survey, and analysis of archival information, histories and case studies. The research used survey as the main method strategy to research. In surveys, data are standardized, and comparison is easy, however it costs much time to do it.

In this survey, a self-completion questionnaire with closed questions are developed. The self-completion questionnaire is very similar method of business research, and the research instrument has to be especially easy to follow and its questions have to be particularly easy to answer (Bryman and Bell, 2003). Meanwhile, whether to ask a question in an open or closed format is one of the most significant considerations for many researchers. According to Bryman and Bell (2003), closed questions have some advantages: it is easy to process answers; it enhances the comparability of answers, and makes them easier to show the relationship between variables. It is better than open question for this research.

The questionnaire was composed of two parts and total 40 statements (see appendix). The first part is about individual characteristics with two questions by asking respondents’ gender and the name of the mobile telecom operator they are choosing currently. The second parts contains all eight constructs in the research model with total 38 statements. Several items on each construct are developed and adopted from relevant literatures (show as Table 3.1). all of the items were measured by using a five-point Likert-type response scales, anchored at 5 strongly agree and 1 strongly disagree.
<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Referred to</th>
</tr>
</thead>
</table>
| **Service quality** | 1. This mobile telecom operator follows up in a timely manner to customer requests  
2. The frontline employees of this operator are always willing to help me.  
3. This operator is consistent in providing good quality service.  
4. This operator is consistent in providing good quality service.  
5. This operator offers personalized services to meet customers’ need.  
6. This operator provides timely information when there are new services. | Peng and Wang (2006); Grönroos (2000) Parasuraman *et al.* (1988); |
| **Price Perception** | 1. This operator took effective ways to help us know its pricing policies of products and services.  
2. The pricing policies of products and services from this operator are attractive.  
3. The calling rate offered by this operator is reasonable.  
4. This operator is offering flexible pricing for various services that meet my needs.  
5. I will continue to stay with this operator unless the price is significantly higher for the same service. | Cheng *et al.* (2008) Peng and Wang (2006); |
| **Brand Image**    | 1. I consider that this operator’s reputation is high.  
2. I have a good feeling about the operator’s social responsibility.  
3. The operator delivered a good brand image to its customers. | Aydin and Özer (2005); Grönroos (2000); Raval and Grönroos (1996) |
| **Value Offered**  | 1. The promotional offers from this operator were worth the money.  
2. It was easy to get benefits from the promotional offers.  
3. The proposed rewards from this operator were what I wanted.  
4. It is highly likely that I will achieve the proposed reward. | Peng and Wang (2006); Zeithaml (1988);  |
| **Trust**          | 1. This operator is reliable because it is mainly concerned with the consumers’ interests.  
2. The billing system of this operator is trustworthy.  
3. The reputation of this operator is trustworthy.  
4. The policies and practices of this operator are trustworthy.  
5. The service process provided by this operator is secure. | Chu (2009); Aydin and Özer, (2005); Tian *et al.* (1998); Morgan and Hunt (1994); etc. |
| **Satisfaction** | 1. I am satisfied with the overall service quality offered by this operator.  
2. I am satisfied with the professional competence of this operator.  
3. I am satisfied with the performance of the frontline employees of this operator.  
4. I am comfortable about the relationship with this operator. | Mouri (2005); Oliver (1997); Fornel (1992); etc. |
| **Switching cost** | 1. I feel that switching to a new operator causes monetary cost.  
2. To switch to a new operator; I should compare all operators (on account of services, coverage area, billing, etc.)  
3. Even if I have enough information, comparing the operators with each other takes a lot of energy, time and effort  
4. If I change my phone number, I would be concerned if people dial my previous number but could not reach me.  
5. If I switch to a new operator, I am not able to use some services (MMS, GPrice Perceptions, WAP, etc.), until I learn to use them | N’Goala (2007); Aydin and Özer (2005); Keaveney (1995); etc. |
| **Customer Loyalty** | 1. I intend to continue using mobile services from this operator for a long time.  
2. If I want to change a new telecom service, I am willing to continue selecting this operator.  
3. Even if another operator’s price is lower, I will go on using this provider.  
4. I am willing to say positive things about this operator to other people.  
5. I will encourage friends and relatives to use the services offered by this operator.  
6. To me, this operator clearly is able to provide the best service. | Aydin and Özer, (2005); Wulf et al. (2001); Morgan and Hunt (1994); etc. |

Table 3.1: Constructs and Items

Questionnaires are administrated in different ways: face to face, telephone, postal, e-mail and Web. In this study Web and e-mail questionnaires methods been chosen. This survey chose on-line questionnaire to collect data about people’s attitude of customer loyalty and other relationship marketing tactics.

During the survey research, there are some errors which we almost can not avoid.

Bryman and Bell (2003, pp 110-111) suggested that there are four main factors will make our
Survey research error:

![Error Diagram](image)

**Figure 3.2: Four sources of error in social survey research**

Source: Bryman and Bell (2004)

- Sampling error—this kind of error arises because it is extremely unlikely that one will end up with a truly representative sample, even when probability sampling is employed.

- Sampling-related error—this kind of error arises from activities or events that are related to the sampling process and that are connected with the issue of generalizability or external validity of findings.

- Data-collection error—this source of error includes such factors as: poor question wording in self-completion questionnaire and so on.

- Data processing error—this kind of error arises from faulty management of data, in particular, errors in the coding of answers.

The authors sent out e-mail to a total of 700 undergraduate students and master students (percent males) to tell them the questionnaire’s Website and ask their help. At the end of survey, there are 101 students answered the questionnaire. The numbers of students studied in Halmstad University is almost 7000, thus, 101 feedbacks will lead to 10 percent margin of error during statistical analysis which can be undertaken. Meanwhile, the data-collection error and data processing error will be decreased when doing the Statistical Analysis.
3.4 Reliability and Validity

3.4.1 Reliability

Reliability is defined as be fundamentally concerned with issues of consistency of measures. (Bryman and Bell, 2003) There are three prominent factors related to considering whether a measure is reliability: stability, internal reliability and inter-observer consistency. (Ibid). In this study, internal reliability will be considered. Bryman and Bell (2003) suggested that a multiple-item measure in which each answers to each questions are aggregated to form an overall score, we need to be sure that all our indicators are related to each other. It can be test use Cronbach’s alpha method. The result of 0.7 and above implies an acceptable level of internal reliability.

3.4.2 Validity

Validity is defined as how much any measuring instrument measures what it is intended to measure. Bryman and Bell (2003) also suggested that the important issue of measurement validity relates to whether measures of concepts really measure the concept.

“Validity refers to the issue of whether an indicator (or set of indicators) that is devised to gauge a concept really measures that concept. Several ways of establishing validity are: face validity; concurrent validity; predictive validity; construct validity; and convergent validity.” (Bryman and Bell, 2003, p 77). In this thesis, construct validity has been used. This study deduces hypotheses from a theory that is relevant to the concept.

3.5 Statistical Analysis

The results of the survey were analyzed using descriptive statistics. There are many basic techniques for analyzing quantitative data. In this study, the research chose the software of SPSS for Windows to analyze the exploratory factors. SPSS for Windows is probably the most widely used computer software for analysis of quantitative data for social scientists.
SPSS, which originally was short for Statistical Package for the Social Sciences, has been in existence since the mid-1960’s and over the years has undergone many revisions, particularly since the arrival of personal computers (Bryman & Bell, 2003). It is easy for the research to operate. Given the scales of items for a construct, the Cronbach’s alpha’s are calculated to assess the reliability of those items. For construct with alpha under certain threshold (0.7 in this report), items within each construct are to be checked in order to ensure that the items have high correlations. After reliability confirmed, the summated averages of the items in each construct will be studied further. Correlation matrix is calculated to show the pair-wise correlations between constructs, which provides useful but limited information about our hypotheses testing. To account for the effects of other construct, multivariate linear regression is applied for the hypotheses in two main stages, one for the left part of Figure 1.1, and one for the right. These measures provide more information on the correlation structure between constructs and therefore facilitate a further step in hypotheses testing.
4. EMPIRICAL DATA AND DATA ANALYSIS

This chapter will present the empirical data collected from the survey, the data will be presented on table with SPSS data processing results, followed by the data analysis which are combined with theories and empirical data.

4.1 Empirical Data

4.1.1 Empirical Data Reliability Testing

In this survey, there are total 101 feedbacks from sample population. All the feedbacks are complete, i.e. no missing data in the questionnaires. For the eight constructs that this study focused on, it is necessary to measure internal reliability of each construct with its different number of items. To test the internal reliability, the Cronbach’s alpha are calculated for items designed for the same construct. If the items are multi-dimensional, Cronbach’s alpha will generally be low, in which case, it can either make use of factor analysis or the correlation matrix of the items to select a subset of items that tend to be unidimensional. For the 8 constructs we have, 7 of them have Cronbach’s alphas larger than 0.7 (a level considered “acceptable” in most social science research) except for Switching Cost (Table 4.1).

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Cronbach’s Alpha</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>0.791</td>
<td>6</td>
</tr>
<tr>
<td>Price Perception</td>
<td>0.766</td>
<td>5</td>
</tr>
<tr>
<td>Brand Image</td>
<td>0.798</td>
<td>3</td>
</tr>
<tr>
<td>Value Offers</td>
<td>0.791</td>
<td>4</td>
</tr>
<tr>
<td>Trust</td>
<td>0.848</td>
<td>5</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.808</td>
<td>4</td>
</tr>
<tr>
<td>Switching Costs</td>
<td>0.486</td>
<td>5</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>0.850</td>
<td>6</td>
</tr>
</tbody>
</table>
Due to the Cronbach’s alphas of Switching Costs is only 0.486 (< 0.7), it indicates that the internal reliability/consistency of this construct is low and there may be some items that are multi-dimensional. In order to select a subset of items that tend to have internal consistency, the correlation matrix for the 5 items of Switching Cost is then calculated (the result showed as Table 4.2). The fifth item (SC5) seems to be uncorrelated with any other item within this construct (the correlation coefficients are not significant). Therefore, SC5 is removed from the analysis, the lack of correlations of SC5 could be due to the fact that the statement does not capture the characteristics of switch cost. After the removal, the Cronbach’s alpha for Switching Costs with 4 items increase to 0.529 (show as Table 4.3), which is still a little low.

### Table 4.2 Pearson’s correlations between items of Switching Cost

<table>
<thead>
<tr>
<th>Items</th>
<th>SC1</th>
<th>SC2</th>
<th>SC3</th>
<th>SC4</th>
<th>SC5</th>
</tr>
</thead>
<tbody>
<tr>
<td>SC1</td>
<td>1</td>
<td>.297(**)</td>
<td>.107</td>
<td>.195</td>
<td>.137</td>
</tr>
<tr>
<td>SC2</td>
<td>.297(**)</td>
<td>1</td>
<td>.094</td>
<td>.288(**)</td>
<td>.012</td>
</tr>
<tr>
<td>SC3</td>
<td>.107</td>
<td>.094</td>
<td>1</td>
<td>.334(**)</td>
<td>.163</td>
</tr>
<tr>
<td>SC4</td>
<td>.195</td>
<td>.288(**)</td>
<td>.334(**)</td>
<td>1</td>
<td>-.018</td>
</tr>
<tr>
<td>SC5</td>
<td>.137</td>
<td>.012</td>
<td>.163</td>
<td>-.018</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: ** Correlation is significant at the 0.01 level (2-tailed).

SC = Switching Costs

### Table 4.3 Cronbach’s alpha for new switching costss

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Cronbach’s Alpha</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Switching Costs</td>
<td>0.529</td>
<td>4</td>
</tr>
</tbody>
</table>

### 4.1.2 Empirical Data of Correlation Analysis

After checking the reliability of the items, it needs to take the averaged scores of items for each construct as the final score upon which we conduct further analysis. Table 4.4 shows the means, standard deviations for all the constructs. Five of the eight constructs have scales.
mean that are within half of the scale of the center of scales (3) except for (Service Quality, Value and Customer Loyalty). The sample standard deviations of Brand Image (0.779) and Customer Loyalty (0.724) are relatively higher, while the others range from 0.605 to 0.696 (mean 0.665). Many of the constructs are negatively skew, the non-normality could be a sign of inter-correlations.

Table 4.4 Summary of descriptive statistics of constructs

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>3.4785</td>
<td>.60812</td>
<td>.057</td>
</tr>
<tr>
<td>Price Perception</td>
<td>3.6535</td>
<td>.69102</td>
<td>-.149</td>
</tr>
<tr>
<td>Brand Image</td>
<td>3.5578</td>
<td>.77904</td>
<td>-.727</td>
</tr>
<tr>
<td>Value Offers</td>
<td>3.3540</td>
<td>.62676</td>
<td>.066</td>
</tr>
<tr>
<td>Trust</td>
<td>3.6574</td>
<td>.66051</td>
<td>-.486</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>3.5396</td>
<td>.60491</td>
<td>.135</td>
</tr>
<tr>
<td>New Switching Costs</td>
<td>3.7574</td>
<td>.69593</td>
<td>-.743</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>3.3845</td>
<td>.72409</td>
<td>-.576</td>
</tr>
</tbody>
</table>

Note: * Standard errors of skewness 0.240

From the correlation matrix in Table 4.5, preliminary tests of the hypotheses were implicitly performed. Almost all the variables are positively correlated to each other at the 0.01 level except for the pair of Value Offers and Switching Cost. Meanwhile, the correlations between Switching Cost and other variables are weaker if we look at the scale of correlation more closely, ranging from (0.183 to 0.450), while the correlations between other pairs are at least 0.392 (Brand Image and Value Offers), ranging from 0.392 to 0.750. Pair-wise correlations provide a rough view of the relationships between these different factors. To investigate the structure of the hypotheses in a more sophisticated way, it is better to fit the corresponding (multivariate) linear models by accounting for the effects of other constructs.
Table 4.5 Pearson’s correlations between constructs

<table>
<thead>
<tr>
<th></th>
<th>SQ</th>
<th>PR</th>
<th>BI</th>
<th>VA</th>
<th>TR</th>
<th>SA</th>
<th>New SC</th>
<th>CL</th>
</tr>
</thead>
<tbody>
<tr>
<td>SQ</td>
<td>1</td>
<td>.507 (**)</td>
<td>.594 (**)</td>
<td>.444 (**)</td>
<td>.616 (**)</td>
<td>.682 (**)</td>
<td>.301 (**)</td>
<td>.628 (**)</td>
</tr>
<tr>
<td>PR</td>
<td>.507 (**)</td>
<td>1</td>
<td>.551 (**)</td>
<td>.456 (**)</td>
<td>.601 (**)</td>
<td>.600 (**)</td>
<td>.346 (**)</td>
<td>.585 (**)</td>
</tr>
<tr>
<td>BI</td>
<td>.594 (**)</td>
<td>.551 (**)</td>
<td>1</td>
<td>.392 (**)</td>
<td>.742 (**)</td>
<td>.602 (**)</td>
<td>.344 (**)</td>
<td>.730 (**)</td>
</tr>
<tr>
<td>VA</td>
<td>.444 (**)</td>
<td>.456 (**)</td>
<td>.392 (**)</td>
<td>1</td>
<td>.438 (**)</td>
<td>.467 (**)</td>
<td>.183</td>
<td>.501 (**)</td>
</tr>
<tr>
<td>TR</td>
<td>.616 (**)</td>
<td>.601 (**)</td>
<td>.742 (**)</td>
<td>.438 (**)</td>
<td>1</td>
<td>.600 (**)</td>
<td>.450 (**)</td>
<td>.701 (**)</td>
</tr>
<tr>
<td>SA</td>
<td>.682 (**)</td>
<td>.600 (**)</td>
<td>.602 (**)</td>
<td>.467 (**)</td>
<td>.600 (**)</td>
<td>1</td>
<td>.314 (**)</td>
<td>.750 (**)</td>
</tr>
<tr>
<td>New SC</td>
<td>.301 (**)</td>
<td>.346 (**)</td>
<td>.344 (**)</td>
<td>.183</td>
<td>.450 (**)</td>
<td>.314 (**)</td>
<td>1</td>
<td>.375 (**)</td>
</tr>
<tr>
<td>CL</td>
<td>.628 (**)</td>
<td>.585 (**)</td>
<td>.730 (**)</td>
<td>.501 (**)</td>
<td>.701 (**)</td>
<td>.750 (**)</td>
<td>.375 (**)</td>
<td>1</td>
</tr>
</tbody>
</table>

Note:  ** Correlation is significant at the 0.01 level (2-tailed).
SQ = Service Quality; PR = Price Perception; BI = Brand Image; VA = Value Offers; TR = Trust; SA = Satisfaction; New SC = New Switching Costs; CL = Customer Loyalty.

4.1.3 Testing the hypothesized model

4.1.3.1 Relationship Marketing Tactics (Hypothesis 1a, 1b, 2a, 2b, 3a, 3b, 4a and 4b)

The hypothesized analytical model in Figure 1.1 was tested with multivariate linear regression. For the first stage, we adjust a multivariate model to test hypothesis H1a, H1b, H2a, H2b, H3a, H3b, H4a and H4b.

H1a: High service quality perceived by customers is positively related to customer satisfaction.

H1b: High service quality perceived by customers is positively related to customer trust.

H2a: Fair price perceived by customers is positively related to customer satisfaction.

H2b: Fair price perceived by customers is positively related to customer trust.

H3a: Positive brand image perceived by customers is positively related to customer satisfaction.
H3b: Positive brand image perceived by customers is positively related to customer trust.

H4a: The value offers perceived by customers is positively related to customer’s satisfaction.

H4b: The value offers perceived by customers is positively related to customer’s trust.

In table 4.6, we chose Service Quality, Brand Image, Price Perception, Value Offers as independent variables; Switching Cost, Satisfaction, and Trust as dependent variables to test if the four relationship marketing tactics, which be mentioned previous, are positively correlated to customer satisfaction, trust and switching cost.

Table 4.6 Parameter estimates for Service Quality, Brand Image, Price Perception, Value Offers to Switching Cost, Satisfaction, Trust

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Parameter</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>Intercept</td>
<td>.515</td>
<td>.275</td>
<td>1.874</td>
<td>.064</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.397</td>
<td>.087</td>
<td>4.568</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Price Perception</td>
<td>.216</td>
<td>.074</td>
<td>2.910</td>
<td>.004</td>
</tr>
<tr>
<td></td>
<td>Brand Image</td>
<td>.146</td>
<td>.069</td>
<td>2.129</td>
<td>.036</td>
</tr>
<tr>
<td></td>
<td>Value Offers</td>
<td>.100</td>
<td>.075</td>
<td>1.338</td>
<td>.184</td>
</tr>
<tr>
<td>Trust</td>
<td>Intercept</td>
<td>.506</td>
<td>.281</td>
<td>1.800</td>
<td>.075</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.207</td>
<td>.089</td>
<td>2.335</td>
<td>.022</td>
</tr>
<tr>
<td></td>
<td>Price Perception</td>
<td>.195</td>
<td>.076</td>
<td>2.562</td>
<td>.012</td>
</tr>
<tr>
<td></td>
<td>Brand Image</td>
<td>.415</td>
<td>.070</td>
<td>5.915</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Value Offers</td>
<td>.073</td>
<td>.076</td>
<td>.950</td>
<td>.344</td>
</tr>
<tr>
<td>New Switching Costs</td>
<td>Intercept</td>
<td>2.120</td>
<td>.448</td>
<td>4.733</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.114</td>
<td>.142</td>
<td>.802</td>
<td>.424</td>
</tr>
<tr>
<td></td>
<td>Price Perception</td>
<td>.210</td>
<td>.121</td>
<td>1.735</td>
<td>.086</td>
</tr>
<tr>
<td></td>
<td>Brand Image</td>
<td>.162</td>
<td>.112</td>
<td>1.446</td>
<td>.151</td>
</tr>
<tr>
<td></td>
<td>Value Offers</td>
<td>-.030</td>
<td>.122</td>
<td>-.247</td>
<td>.805</td>
</tr>
</tbody>
</table>

In Table 4.6, the statistics of multivariate tests provide the information that the regression of switching cost, none of the independent variables have coefficients significantly different than 0 (significance levels ranging from 0.086 to 0.424). Meanwhile, given the independent variables, in the model, only a small amount of sum of squares (Type III) are explained for SC: 7.73 versus 21.29 and 27.61(in Table 4.8), which also support the model in Figure 1.1 that switching cost is not affected by the service quality, brand image, price and values.
Table 4.7 Tests of Between-Subjects Effects for the rival model

<table>
<thead>
<tr>
<th>Source</th>
<th>Dependent Variable</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>Satisfaction</td>
<td>21.287 (a)</td>
<td>4</td>
<td>5.322</td>
<td>33.382</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Trust</td>
<td>27.615 (b)</td>
<td>4</td>
<td>6.904</td>
<td>41.390</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>New Switching Costs</td>
<td>7.725 (c)</td>
<td>4</td>
<td>1.931</td>
<td>4.554</td>
<td>.002</td>
</tr>
</tbody>
</table>

Note:  a  R Squared = .582 (Adjusted R Squared = .564) ;  b  R Squared = .633 (Adjusted R Squared = .618)  c  R Squared = .159 (Adjusted R Squared = .124)

Table 4.8 Residual SSCP Matrix

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Satisfaction</th>
<th>Trust</th>
<th>Switching Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>1.000</td>
<td>.054</td>
<td>.042</td>
</tr>
<tr>
<td>Trust</td>
<td>.054</td>
<td>1.000</td>
<td>.255</td>
</tr>
<tr>
<td>New Switching Cost</td>
<td>.042</td>
<td>.255</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: Based on Type III Sum of Squares

To study the effects of Service Quality, Price Perception, Brand Image, Value offers on Trust and Satisfaction, adjust the model again without Switching Costs. In Table 4.9, the statistics of multivariate tests provide the information on the overall effects of an independent variable to dependent variables (Trust and Satisfaction).

Table 4.9 Multivariate Tests(b)

<table>
<thead>
<tr>
<th>Effect</th>
<th>Value</th>
<th>F</th>
<th>Hypothesis df</th>
<th>Error df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>.063</td>
<td>3.170(a)</td>
<td>2.000</td>
<td>95.000</td>
<td>.046</td>
</tr>
<tr>
<td></td>
<td>.937</td>
<td>3.170(a)</td>
<td>2.000</td>
<td>95.000</td>
<td>.046</td>
</tr>
<tr>
<td>Service Quality</td>
<td>.208</td>
<td>12.492(a)</td>
<td>2.000</td>
<td>95.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>.792</td>
<td>12.492(a)</td>
<td>2.000</td>
<td>95.000</td>
<td>.000</td>
</tr>
<tr>
<td>Price Perception</td>
<td>.129</td>
<td>7.063(a)</td>
<td>2.000</td>
<td>95.000</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>.871</td>
<td>7.063(a)</td>
<td>2.000</td>
<td>95.000</td>
<td>.001</td>
</tr>
<tr>
<td>Brand Image</td>
<td>.285</td>
<td>18.938(a)</td>
<td>2.000</td>
<td>95.000</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>.715</td>
<td>18.938(a)</td>
<td>2.000</td>
<td>95.000</td>
<td>.000</td>
</tr>
</tbody>
</table>
### Table 4.10 Parameter Estimates

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Parameter</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>Intercept</td>
<td>.515</td>
<td>.275</td>
<td>1.874</td>
<td>.064</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.397</td>
<td>.087</td>
<td>4.568</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Price Perception</td>
<td>.216</td>
<td>.074</td>
<td>2.910</td>
<td>.004</td>
</tr>
<tr>
<td></td>
<td>Brand Image</td>
<td>.146</td>
<td>.069</td>
<td>2.129</td>
<td>.036</td>
</tr>
<tr>
<td></td>
<td>Value Offers</td>
<td>.100</td>
<td>.075</td>
<td>1.338</td>
<td>.184</td>
</tr>
<tr>
<td>Trust</td>
<td>Intercept</td>
<td>.506</td>
<td>.281</td>
<td>1.800</td>
<td>.075</td>
</tr>
<tr>
<td></td>
<td>Service Quality</td>
<td>.207</td>
<td>.089</td>
<td>2.335</td>
<td>.022</td>
</tr>
<tr>
<td></td>
<td>Price Perception</td>
<td>.195</td>
<td>.076</td>
<td>2.562</td>
<td>.012</td>
</tr>
<tr>
<td></td>
<td>Brand Image</td>
<td>.415</td>
<td>.070</td>
<td>5.915</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Value Offers</td>
<td>.073</td>
<td>.076</td>
<td>.950</td>
<td>.344</td>
</tr>
</tbody>
</table>

### Table 4.11 Residual SSCP Matrix

<table>
<thead>
<tr>
<th></th>
<th>Satisfaction</th>
<th>Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation</td>
<td>Satisfaction</td>
<td>.054</td>
</tr>
<tr>
<td></td>
<td>Trust</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: Based on Type III Sum of Squares

### Table 4.12 Bartlett's Test of Sphericity (a)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Likelihood Ratio</td>
<td>.842</td>
</tr>
<tr>
<td>Approx. Chi-Square</td>
<td>.323</td>
</tr>
<tr>
<td>df</td>
<td>2</td>
</tr>
<tr>
<td>Sig.</td>
<td>.851</td>
</tr>
</tbody>
</table>

Note: (1) Tests the null hypothesis that the residual covariance matrix is proportional to an identity matrix.

(2) a Design: Intercept+Service Quality+Price Perception+Brand Image+Value Offers
In Table 4.10, the variables of service quality, price perception and brand image are significantly affecting the dependent variables, except value offers. So in order to try to see whether value directly affects the customer loyalty via the univariate linear model with Customer Loyalty as dependent variable and Satisfaction, Trust, Value Offers as independent variables (since from the correlation matrix, Value Offers has the largest correlation with Customer Loyalty among others). However, the parameter for Value Offers in that model is again not significant.

Table 4.13 Parameter Estimates

<table>
<thead>
<tr>
<th>Parameter</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-.552</td>
<td>.291</td>
<td>-1.898</td>
<td>.061</td>
<td>-1.130 - .025</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.569</td>
<td>.091</td>
<td>6.272</td>
<td>.000</td>
<td>.389 - .750</td>
</tr>
<tr>
<td>Trust</td>
<td>.398</td>
<td>.082</td>
<td>4.867</td>
<td>.000</td>
<td>.236 - .561</td>
</tr>
<tr>
<td>Value Offers</td>
<td>.139</td>
<td>.078</td>
<td>1.776</td>
<td>.079</td>
<td>-.016 - .293</td>
</tr>
</tbody>
</table>

4.1.3.2 Relationship Quality and Switching Cost (Hypothesis5, H6 and H7)

For the second stage, fit the model with Switching Cost, Satisfaction and Trust as independent variables and Customer Loyalty as dependent variable to study the hypothetical structure on the right of Figure 1.1.

*H5:* Customer trust is positively related to customer loyalty.

*H6:* Customer satisfaction is positively related to customer loyalty.

*H7:* High switching costs perceived by customer is positively related to customer loyalty.
Table 4.14 Parameter Estimates  
Dependent Variable: Customer Loyalty

<table>
<thead>
<tr>
<th>Parameter</th>
<th>B</th>
<th>Std. Error</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-.459</td>
<td>.305</td>
<td>-1.503</td>
<td>.136</td>
</tr>
<tr>
<td>New Switching Costs</td>
<td>.047</td>
<td>.069</td>
<td>.690</td>
<td>.492</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.612</td>
<td>.088</td>
<td>6.916</td>
<td>.000</td>
</tr>
<tr>
<td>Trust</td>
<td>.410</td>
<td>.086</td>
<td>4.763</td>
<td>.000</td>
</tr>
</tbody>
</table>

4.1.3.3 Summary of hypothesized model

Previous tests show all the result of our hypotheses, then in order to test the hypothesized model’s integrality, given that hypotheses assume that satisfaction and trust are the intermediate of the relationships between customer loyalty and the other four factors, it fit a linear regression with Customer Loyalty as dependent variables, Satisfaction, Trust and Price Perception, Service Quality, Brand Image, Value Offers as independent variables. Switching Cost is left out since based on the observations of previous tests its correlation with Customer Loyalty decreases drastically, with the presence of other variables. From Table 4.15, it can be seen that given the information of Satisfaction and Trust, there is still but only one construct Brand Image that is useful (with parameter 0.283 at 0.001 significance) in explain the variance of Customer Loyalty. Brand Image even to some extent ‘cancel’ out the effect of Trust which becomes insignificant. Nevertheless, the small parameters of other three constructs (0.22 -0.126) suggests that Satisfaction, Trust do screen out the effects of those constructs as intermediate effects.
### Table 4.15 Tests of Between-Subjects Effects

Dependent Variable: Customer Loyalty

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>37.298(a)</td>
<td>6</td>
<td>6.216</td>
<td>38.616</td>
<td>.000</td>
</tr>
<tr>
<td>Intercept</td>
<td>.558</td>
<td>1</td>
<td>.558</td>
<td>3.467</td>
<td>.066</td>
</tr>
<tr>
<td>Service Quality</td>
<td>.008</td>
<td>1</td>
<td>.008</td>
<td>.053</td>
<td>.819</td>
</tr>
<tr>
<td>Price Perception</td>
<td>.017</td>
<td>1</td>
<td>.017</td>
<td>.108</td>
<td>.743</td>
</tr>
<tr>
<td>Brand Image</td>
<td>1.940</td>
<td>1</td>
<td>1.940</td>
<td>12.051</td>
<td>.001</td>
</tr>
<tr>
<td>Value Offers</td>
<td>.426</td>
<td>1</td>
<td>.426</td>
<td>2.647</td>
<td>.107</td>
</tr>
<tr>
<td>Trust</td>
<td>.554</td>
<td>1</td>
<td>.554</td>
<td>3.440</td>
<td>.067</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>3.271</td>
<td>1</td>
<td>3.271</td>
<td>20.319</td>
<td>.000</td>
</tr>
<tr>
<td>Error</td>
<td>15.132</td>
<td>94</td>
<td>.161</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1209.361</td>
<td>101</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>52.430</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: a R Squared = .711 (Adjusted R Squared = .693)

### Table 4.16 Parameter Estimates

Dependent Variable: Customer Loyalty

<table>
<thead>
<tr>
<th>Parameter</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-.531</td>
<td>.285</td>
<td>-1.862</td>
<td>.066</td>
</tr>
<tr>
<td>Service Quality</td>
<td>.022</td>
<td>.098</td>
<td>.229</td>
<td>.819</td>
</tr>
<tr>
<td>Price Perception</td>
<td>.026</td>
<td>.080</td>
<td>.329</td>
<td>.743</td>
</tr>
<tr>
<td>Brand Image</td>
<td>.283</td>
<td>.081</td>
<td>3.471</td>
<td>.001</td>
</tr>
<tr>
<td>Value Offers</td>
<td>.124</td>
<td>.076</td>
<td>1.627</td>
<td>.107</td>
</tr>
<tr>
<td>Trust</td>
<td>.186</td>
<td>.100</td>
<td>1.855</td>
<td>.067</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.463</td>
<td>.103</td>
<td>4.508</td>
<td>.000</td>
</tr>
</tbody>
</table>

As discussed previously, brand image has potential to be another intermediate. One more regression was fitted for Service Quality, Price Perception, Value Offers and Brand Image
(dependent variables). Both the parameters of Service Quality and Price Perception are significantly larger than 0, indicating that Brand Image could indeed be another intermediate variable.

Table 4.17 Parameter Estimates

<table>
<thead>
<tr>
<th>Parameter</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>.174</td>
<td>.407</td>
<td>.427</td>
<td>.670</td>
</tr>
<tr>
<td>Service Quality</td>
<td>.518</td>
<td>.118</td>
<td>4.404</td>
<td>.000</td>
</tr>
<tr>
<td>Price Perception</td>
<td>.354</td>
<td>.104</td>
<td>3.404</td>
<td>.001</td>
</tr>
<tr>
<td>Value Offers</td>
<td>.086</td>
<td>.110</td>
<td>.780</td>
<td>.437</td>
</tr>
</tbody>
</table>

4.2 Data Analysis

All empirical data gave the legible and specific results of the analytical model. In this part, the analytical model will be confronted with both empirical data and the theoretical framework in order to analyze all the hypotheses and achieve the research purpose.

4.2.1 The impact of the four tactics (Hypothesis H1a, H1b, H2a, H2b, H3a, H3b, H4a and H4b)

From the estimated Table 4.6, it shows that for the regression of Switching Cost, none of the independent variables have coefficients significantly different than 0 (significance levels ranging from (0.086 to 0.424). Meanwhile, in Table 4.8 (Switching Cost: 7.73 versus 21.29 and 27.61) also support the model (in figure 1.1 ) that switching cost is not affected by the service quality, brand image, price perception and value offers.

In the hypotheses, service quality, price, brand image and value affect customer loyalty indirectly via the customer’s satisfaction and trust for the mobile service. Through our study,
in Table 4.10, it is clear that service quality, price and brand image all have positive effects on satisfaction and trust. More important, satisfaction and trust seem to be uncorrelated from each other given the information about service quality, price and brand image. The positive correlations between service quality (trust) and loyalty are also supported by the data. In addition, the residual correlation structure and Barlette’s test in Table 4.11 and 4.12 suggest that Service Quality, Price Perception and Brand Image completely almost completely explain the possible correlations between Satisfaction and Trust.

However, value does not provide much useful information as it is in the hypotheses (H4a, H4b). Table 4.9 pointed out that Value Offers (significance 0.286) is not significantly affecting the dependent variables, given Service Quality, Price Perception and Brand Image. From Table 4.10, we can look more closely on the effects of independent variables separately on dependent variables. At 5% significance level, for Satisfaction, the parameters of Service Quality, Price Perception, Brand Image are all different from 0 and the same for Trust.

Ravald and Grönroos (1996) claimed that value is an important element of relationship marketing, and one of the most successful relationship marketing strategies is the ability to provide superior value to customers. Customer selects a service operator which can supply value offers to them. Looking back the empirical data about the hypotheses H4a and H4b of value offers, the parameters for value offers are not significant (Sig. 0.344 and 0.184). Actually, it not means value offers are not important for customer satisfaction and trust, even customer loyalty. The results of this empirical data are due to customers’ assessment about the value offers of a operator depends on their harvest. However, the language that the operators used in Sweden mobile telecom market is Swedish. Some of the students who complete this questionnaire are international students, so that many of them can not obtain the information about the value offers.

### 4.2.2 The impact of relationship quality (Hypothesis 5 and Hypothesis 6)

Customer always prefers to buy a service that they trust. Many early researches have underscored that trust and its implication is an important factor to drive profitable, long-term
customer relationships (Garbarino and Johnson, 1999).

A high customer satisfaction level leads to a high customer loyalty level that helps firms realizing economic success in terms of profitability, market share and investment return (Reichheld, 1996).

Go back to see the Table 4.14, both Satisfaction and Trust have parameters significantly larger than 0, indicating that there exists positive relationships between satisfaction and customer loyalty as well as trust and, which are consistent with our hypotheses.

According to above, operators in Sweden mobile telecommunication industry want to obtain long-term relationship with customers must to adopt different tactics (high service quality, equal price, value offers and building good brand image) to get customers’ trust and satisfaction.

### 4.2.3 The impact of switching costs (Hypothesis 7)

Many researches claimed that switching costs is an important factors influence customer loyalty. However, according to this research empirical data on the Table 4.5 and 4.14, it shows that even though switching cost and customer loyalty have pair-wise correlations, their correlations decrease (not significant) with the presence of other constructs (satisfaction and trust) in Sweden mobile telecom industry. On the one hand, the products of mobile telecom industry are easy to use, so that the learning cost has less influence on choosing the operators. On the other hand, Sweden is high wealthy country, compared the incoming and the transaction cost on switch a new mobile telecom operator, the impact of switching costs on customer loyalty is unapparent. However, it is very different from other developing countries. In the developing country, many surveys show that switching costs cover the impact of customer loyalty comparing the presence of satisfaction.
5. CONCLUSION, IMPLICATION AND LIMITATION

In this chapter a conclusion for the whole study will be made, then the implication both for theoretical academics and practical marketing will be discussed, finally the limitation of this study will be pointed out.

5.1 Conclusion

Retaining customers in the service industry has become a major objective of relationship marketing. Relationship marketing tactics are considered to be essential for building long-term relationship with customers in order to achieve mutual benefits of all parties. Although relationship marketing tactics has been widely implemented by service providers, customers still tend to switch to competitor.

Therefore, this study was conducted to exam the impact of relationship marketing tactics (service quality, price perception, value offered and brand image) on relationship quality (trust and satisfaction), and in turn effect the customer loyalty within on Sweden mobile telecommunication industries. The findings of the survey can be summarized as below:

- The four Relationship marketing tactics are positively related to relationship quality. Among the tactics, value offered tactic show lowest relationship with customer trust and satisfaction. This implied that the value-adding activities implemented by the telecom service providers, such as reward refund, are not effectively perceived by students group.

- Relationship quality (trust and satisfaction) are positively related to loyalty. This result also provide empirical evidence supporting previous theories that higher level of trust and satisfaction perceived by customers, the higher level of customer loyalty achieved by service providers.

- Switching cost however does not show much correlation with customer loyalty, as well as customer trust and satisfaction. Different from other previous evidence in other industries,
switching costs in this study is proved to be less important in affecting customer loyalty in Sweden mobile telecom industries, due to the fact that the comparatively low switching cost perceived by consumers is not taken into account when customers making decision of consumption.

- Brand image tactic especially turns out to directly lead to customer loyalty, regardless of the influence of mediated factors as trust and satisfaction. It reveals that brand image tend to also be an independent variable influenced by other factors.

5.2 Implications

This research provides both theory development for academics and practical implication for marketing managements.

**Theoretical implications**

Based on previous theories and researches regarding relationship marketing and its outcomes, this study shows clear links among relationship marketing tactics, relationship quality and customer loyalty, which helps readers deeply understand the relationship and interaction between these three fields.

The findings support the view points that: relationship marketing tactics can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty; customer trust and satisfaction as the quality of a partnership relationship are not only the desired outcomes of relationship marketing tactics but also the antecedents of customer loyalty; customer loyalty are the final goal of developing a relationship with customers by executing relationship marketing tactics.

The study also explore that switching costs is not always significant in influence customer loyalty as well as trust and satisfaction. In the case of Sweden mobile telecom industry, consumers probably do not much care about switching cost in the decision of staying with current render or switching to another. This suggests that the impact of switching cost on customer loyalty among different industries.
**Practical implications**

The findings of this research also provide important evidence for managers who take charge of relationship marketing tactics. It is helpful for marketers understand the effectiveness of relationship marketing tactics from consumer’s perspective.

Although many relationship tactics have potential for developing customer trust, satisfaction and loyalty, some tactics are more sensitive than others. Marketers should put their efforts into implementing more effective relationship marketing tactics, in order to enhance customer perceived trust, satisfaction and loyalty. In this case, value-adding tactic are less effective than service quality, price tactic and brand image tactic for building customer trust and satisfaction. This implied that the consumer might be not satisfied with or not sensitive to some value-adding promotional activities. Therefore, the mobile service providers should consider to improving the way of interaction with consumers. For example, offering more attractive reward, using English rather than Swedish language in promotion activities to communicate with more foreigners.

It is also essential for service providers to realize importance of relationship quality and customers loyalty for practical business. A higher quality of a relationship might lead to a higher level of customer loyalty, which makes vendors profit more.

### 5.3 Limitations

This study investigates tactics influencing customer satisfaction and trust which will bring customer loyalty, using the survey research method. Although it builds up a new test model which based on theoretical knowledge, it also has some limitations and further research direction as follow:

- In this research, it investigates some important tactics which influence customer loyalty on Swedish telecommunication industry. However, Bansal, Taylor and James (2005) also pointed out the impact of the relationship marketing tactics — “push effects” (quality, satisfaction, value, trust, price perception, commitment), the “pull effects” (alternative attractiveness) and the “moor effects” (attitude towards switching, subjective norms,
switching costs, prior switching experience, variety seeking) — on retaining customers. There are others important tactics such as commitment and customer behavior, which could influence customer loyalty, have not been discussed in this study. Thus further research needs to contain more desirable tactics, in order to gain better insight.

- In this research, it uses the survey research method. The research make sampling for the undergraduate students and master students who study in Halmstad University in Sweden. Inevitably, the survey findings will not be generalized cross other group of population. It will bring limitation to complete a deeper research about the impact of customer relationship marketing tactics on customer loyalty. Further research could expand the survey in order to reduce the sample errors.

- The items for each construct stated in the questionnaire were adapted from previous articles or developed by the researchers without pre-testing for reliability and validity before conducting the research. Some of the items might be ambiguous or hard to understand, this would cause invalid data collected, which definitely influenced the research results.
Reference


12. Chitty, Bill; Ward, Steven; and Chua, Christina (2007), “An application of the ECSI model as a predictor of satisfaction and loyalty for backpacker hostels”, *Marketing*
Intelligence and Planning, Vol.25, No.6, pp.563-580.


Appended : Questionnaire

Dear Participants,

We are conducting a survey of Swedish mobile telecommunication markets. In the following questionnaire, we would like to know your attitudes and behaviors related to satisfaction and loyalty about the Swedish mobile service provider you are using presently. This survey is a part of our master thesis, and your kindly help is crucial for our successful completion of this research project. Your responses will be anonymous; data will be combined and analyzed as a whole. Please attempt to answer all the questions and click one appropriate box that best suits your perspective for each statement.

Your participation in the study will be greatly appreciated. Thank you very much for your time and assistance.

Individual Characteristics
a) Your Gender: Male □  Female □
b) Please fill in the name of the mobile telecom operator you are using now? (e.g. Tele2, Telia and so on ) _____________________________

Service quality

1. This mobile telecom operator follows up in a timely manner to customer requests.
   5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

2. The frontline employees of this operator are always willing to help me.
   5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

3. The response to consumers’ complaints are always taken quickly.
   5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

4. This operator is consistent in providing good quality service.
   5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree
5. This operator offers personalized services to meet customers’ need.
   5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

6. This operator provides timely information when there are new services.
   5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

Price

7. This operator took effective ways to help us know its pricing policies of products and services.
   5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

8. The pricing policies of products and services from this operator are attractive.
   5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

9. The calling rate offered by this operator is reasonable.
   5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

10. This operator is offering flexible pricing for various services that meet my needs.
    5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

11. I will continue to stay with this operator unless the price is significantly higher for the same service.
    5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

Brand Image

12. I consider that this operator’s reputation is high.
    5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

13. I have a good feeling about the operator’s social responsibility.
    5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

14. The operator delivered a good brand image to its customers.
    5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

Value Offered

15. The promotional offers from this operator were worth the money.
    5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree

16. It was easy to get benefits from the promotional offers.
    5 strongly agree   4 agree   3 neutral   2 disagree   1 strongly disagree
17. The proposed rewards from this operator were what I wanted.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

18. It is highly likely that I will achieve the proposed reward.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

**Trust**

19. This operator is reliable because it is mainly concerned with the consumers’ interests.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

20. The billing system of this operator is trustworthy.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

21. The reputation of this operator is trustworthy.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

22. The policies and practices of this operator are trustworthy.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

23. The service process provided by this operator is secure.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

**Satisfaction**

24. I am satisfied with the overall service quality offered by this operator.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

25. I am satisfied with the professional competence of this operator.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

26. I am satisfied with the performance of the frontline employees of this operator.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

27. I am comfortable about the relationship with this operator.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

**Switching costs:**

28. I feel that switching to a new operator causes monetary cost.  
5 strongly agree  4 agree  3 neutral  2 disagree  1 strongly disagree

29. To switch to a new operator; I should compare all operators (on account of services, coverage area, billing, etc.)
30. Even if I have enough information, comparing the operators with each other takes a lot of energy, time and effort
  5 strongly agree   4 agree  3 neutral  2 disagree  1 strongly disagree

31. If I change my phone number, I would be concerned if people dial my previous number but could not reach me.
  5 strongly agree   4 agree  3 neutral  2 disagree  1 strongly disagree

32. If I switch to a new operator, I am not able to use some services (MMS, GPrice PerceptionS, WAP, etc.), until I learn to use them
  5 strongly agree   4 agree  3 neutral  2 disagree  1 strongly disagree

Customer loyalty

33. I intend to continue using mobile services from this operator for a long time.
  5 strongly agree   4 agree  3 neutral  2 disagree  1 strongly disagree

34. If I want to change a new telecom service, I am willing to continue selecting this operator.
  5 strongly agree   4 agree  3 neutral  2 disagree  1 strongly disagree

35. Even if another operator’ price is lower, I will go on using this provider.
  5 strongly agree   4 agree  3 neutral  2 disagree  1 strongly disagree

36. I am willing to say positive things about this operator to other people.
  5 strongly agree   4 agree  3 neutral  2 disagree  1 strongly disagree

37. I will encourage friends and relatives to use the services offered by this operator.
  5 strongly agree   4 agree  3 neutral  2 disagree  1 strongly disagree

38. To me, this operator clearly is able to provide the best service.
  5 strongly agree   4 agree  3 neutral  2 disagree  1 strongly disagree

Thanks for your assistance! It is greatly appreciated!