THE RELATIONSHIP BETWEEN RELATIONAL BENEFITS AND CUSTOMER LOYALTY IN MOBILE TELECOMMUNICATION INDUSTRY IN KOTA KINABALU, SABAH: THE MODERATING ROLE OF SWITCHING COSTS

WONG SIAO FUI

DISSERTATION SUBMITTED IN FULFILLMENT FOR THE DEGREE OF MASTER IN BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH
2013
UNIVERSITI MALAYSIA SABAH

BORANG PENGESAHAN TESIS

JUDUL KAJIAN: THE RELATIONSHIP BETWEEN RELATIONAL BENEFITS AND CUSTOMER LOYALTY IN MOBILE TELECOMMUNICATION INDUSTRY IN KOTA KINABALU, SABAH: THE MODERATING ROLE OF SWITCHING COSTS

IJAZAH: MASTER IN BUSINESS ADMINISTRATION

SAYA WONG SIAO FUI SESI PENGAJIAN 2012/2013

MENGAKU MEMBENARKAN TESIS INI DISIMPAN DI PERPUSTAKAAN UNIVERSITI MALAYSIA SABAH DENGAN SYARAT-SYARAT KEGUNAAN SEPERTI BERIKUT;

1. Tesis adalah hak milik universiti malaysia sabah.
2. Perpustakaan universiti malaysia sabah dibenarkan membuat salinan untuk tujuan pengajian sahaja.
3. Perpustakaan dibenarkan membuat salinan tesis ini sebagai bahan pertukaran antara institusi pengajian tinggi.
4. Sila tandakan [✓]

☐ SULIT (Mengandungi maklumat yang berdarjah keselamatan atau kepentingan Malaysia seperti yang termaktub dalam AKTA RAHSIA RASMI 1972)

☐ TERHAD (Mengandungi maklumat TERHAD yang telah ditentukan oleh organisasi/badan di mana penyelidikan dijalankan)

☐ TIDAK TERHAD

Disahkan Oleh

(TANDATANGAN PENULIS)

(TANDATANGAN PERPUSTAKAAN)

Alamat Tetap: 1-4-7 BLK D, LORONG SERI INDAH 3, TAMAN SERI INDAH FASA 2, JLN SEPANGAR KUA, 88450 KK, SABAH

TARIKH: 20/09/2013

Catatan:

• Jika tesis ini SULIT dan TERHAD, sila lampirkan surat daripada pihak berkuasa/ organisasi berkenaan dengan menyatakan sekali dan tempoh tesis ini perlu dikelaskan sebagai SULIT dan TERHAD.
• Tesis dimaksudkan sebagai tesis bagi ijazah Doktor Falsafah dan Sarjana Secara Penyelidikan atau Disertasi bagi pengajian secara kerja kursus dan Laporan Projek Sarjana Muda (LPSM)
DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledge.

15th August 2013

Signature

WONG SIAO FUI
ME1212058T
NAME : WONG SIAO FUI

MATRIC NUMBER : ME1212058T

TITLE : THE RELATIONSHIP BETWEEN RELATIONAL BENEFITS AND CUSTOMER LOYALTY IN MOBILE TELECOMMUNICATION INDUSTRY IN KOTA KINABALU, SABAH: THE MODERATING ROLE OF SWITCHING COSTS.

DEGREE : MASTER OF BUSINESS ADMINISTRATION

VIVA DATE : 28TH AUGUST 2013

VERIFIED BY

SUPERVISOR 1 : Dr. Stephen L. Sondoh Jr @ Jude
Firstly, I would like to express my gratitude to my supervisor Dr. Stephen Laison Sondoh Jr @ Jude for assisting me throughout the process of completing this thesis. Without his guidance and assisting this thesis would not be completed. I pray that God will continue blessing him and his family in every aspects of his life. Not to forgetting, I would like to thank Dr. Amran Harun, who have been provided valuable insights and comments during the process of this thesis. May God continue blessing him in every aspect of his life.

Especially thank to my parents, Wong Fui Fu and Thony Chan, who have been my supporter, endless prayers and having faith in me, and have motivated me to try my best toward the MBA achievement. Hopefully I could finally make you proud. A special thank you to my Grandmother, who have been the first person to motivated me to continue MBA study, and I pray to God that bless her my dear grandma, Wong Siew Lan.

Last but not least, I would like to thank all my relatives and friends, MBA coursemates, for the never ending efforts in making this thesis a reality for me, particularly Nor Baizura Binti Mohd. Tahir, Lee Tzee Yann, Cordelia Yee, and Wong Ling Chai. It has been possible for me because of these great people I have met along the way. I pray that our friendship will continue to be blessed. By God and that these friends of mine will continue to succeed in all of their future undertakings.

WONG SIAO FUI
15TH AUGUST 2013
ABSTRACT

THE RELATIONSHIP BETWEEN RELATIONAL BENEFITS AND CUSTOMER LOYALTY IN MOBILE TELECOMMUNICATION INDUSTRY IN KOTA KINABALU, SABAH: THE MODERATING ROLE OF SWITCHING COSTS

The purpose of this study is to examine the influences of relational benefits on customer loyalty in the context of mobile telecommunication industry. The study also investigate the moderating effects of switching costs in the relationship between relational benefits and customer loyalty. This study have conceptualized relational benefits as a multidimensional construct that consists of six dimensions of benefits (i.e. special treatment benefits, confidence benefits, social benefits, benevolence benefits, competence benefits and convenience benefits). This study involved 243 respondents in the areas of Kota Kinabalu, Sabah. The multiple regression analysis that used to test the relationship between the independent variable (i.e. relational benefits) and dependent variable (i.e. customer loyalty) has shown that the hypotheses of the relationship between relational benefits and customer loyalty were partially supported. Among those benefits, confidence benefits, competence benefits and convenience benefits were found to be valuable to enhance the customer loyalty in the context of mobile telecommunication. The result of moderating effects of switching costs on the relationship between relational benefits and customer loyalty shown that only one dimension of relational benefits is significant with a negative effects. This show that the switching costs would weaken the influence of relational benefits on customer loyalty. As per result, the suggestion for future research are eliminating the insignificant dimensions of relational benefits and adopt trust and commitment as the moderating variable instead of switching costs.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE</td>
<td></td>
</tr>
<tr>
<td>DECLARATION</td>
<td>i</td>
</tr>
<tr>
<td>VERIFICATION</td>
<td>ii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>v</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xii</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xiv</td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td>xv</td>
</tr>
<tr>
<td>CHAPTER 1: INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Problem Statement</td>
<td>4</td>
</tr>
<tr>
<td>1.3 Research Questions</td>
<td>7</td>
</tr>
</tbody>
</table>
1.4 Research Objectives

1.5 Scope of Study

1.6 Significant of Study

1.7 Definition of Terms

1.7.1 Independent Variable

1.7.2 Dimensions of Independent Variable

1.7.3 Dependent Variable

1.7.4 Moderating Variable

1.8 Organization of Thesis

1.9 Summary

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

2.2 Relational Benefits

2.3 Dimension of Relational Benefits

2.3.1 Special Treatment Benefits

2.3.2 Confidence Benefits

2.3.3 Social Benefits
2.3.4 Trust-related benefits

2.3.5 Benevolence Benefits

2.3.6 Competence Benefits

2.3.7 Convenience Benefits

2.4 Customer Loyalty

2.5 Switching Costs

2.6 Theoretical Foundation

2.6.1 Integrative Model of Relational Benefits and Relationship Quality: Influence on Customer Loyalty and Word-of-Mouth

2.7 Conceptual Framework and Hypotheses

2.7.1 The Relationship between Relational Benefits and Customer Loyalty

2.7.2 The Moderating Effect of Switching Costs on the Relationship between Relational Benefits and Customer Loyalty

2.8 Conclusion

CHAPTER 3: RESEARCH FRAMEWORK AND METHODOLOGY

3.0 Introduction
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Theoretical Framework</td>
<td>30</td>
</tr>
<tr>
<td>3.2 Research Design</td>
<td>30</td>
</tr>
<tr>
<td>3.3 Target Population and Sampling Frame</td>
<td>30</td>
</tr>
<tr>
<td>3.4 Sample Size</td>
<td>30</td>
</tr>
<tr>
<td>3.5 Instruments Development</td>
<td>31</td>
</tr>
<tr>
<td>3.6 Measurement of Relational Benefits</td>
<td>31</td>
</tr>
<tr>
<td>3.6.1 Special Treatment Benefits</td>
<td>32</td>
</tr>
<tr>
<td>3.6.2 Confidence Benefits</td>
<td>33</td>
</tr>
<tr>
<td>3.6.3 Social Benefits</td>
<td>33</td>
</tr>
<tr>
<td>3.6.4 Benevolence Benefits</td>
<td>34</td>
</tr>
<tr>
<td>3.6.5 Competence Benefits</td>
<td>34</td>
</tr>
<tr>
<td>3.6.6 Convenience Benefits</td>
<td>35</td>
</tr>
<tr>
<td>3.7 Measurement of Customer Loyalty</td>
<td>35</td>
</tr>
<tr>
<td>3.8 Measurement of Switching Costs</td>
<td>36</td>
</tr>
<tr>
<td>3.9 Data Collection Method</td>
<td>36</td>
</tr>
<tr>
<td>3.10 Conclusion</td>
<td>37</td>
</tr>
</tbody>
</table>
# CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.1 Introduction

4.2 Data Collection and Response Rate

4.3 Profile of Respondents

4.4 Factor Analysis

4.4.1 Factor Analysis of Relational Benefits

4.4.2 Factor Analysis of Customer Loyalty

4.4.3 Factor Analysis of Switching Costs

4.5 Reliability Analysis

4.6 Descriptive Analysis

4.7 Correlation Analysis

4.8 Hierarchical Regression Analysis

4.8.1 Regression Analysis of Dependent Variable and Independent Variable

4.8.2 The Moderating Effects of Switching Costs

# CHAPTER 5: DISCUSSION AND CONCLUSION

5.1 Introduction
5.2 Summary of the Study Findings 61

5.3 Discussion of Findings 62

5.3.1 Identification of the Dimension of Relational Benefits 63

5.3.2 The Effect of Relational Benefits on Customer Loyalty 65

5.3.3 The Moderating Effect of Switching Costs on the Relationship between Relational Benefits and Customer Loyalty 74

a. Moderating Effect of Switching Costs 74

5.4 Contributions of Research 76

5.4.1 Theoretical Implications 76

5.4.2 Managerial Implications 78

5.5 Limitations of the Study 80

5.6 Recommendations for Future Research 82

5.7 Conclusion 82

REFERENCES 85

APPENDICES 93
| Table 4.6 | Factor Analysis of Switching Costs | 49 |
| Table 4.7 | Reliability Analysis on Variables of the Study | 50 |
| Table 4.8 | Mean and Standard Deviation for Variables in the Study | 51 |
| Table 4.9 | Pearson Correlations Matrix of Study Variables | 54 |
| Table 4.10 | Regression Result of Dependent Variable and Independent Variable (5th Run-Final Run) | 56 |
| Table 4.11 | Hierarchical Regression Results of the Moderating Effect of Switching Costs on the Relationship between Relational Benefits and Customer Loyalty | 58 |
| Table 4.12 | Results of Hypothesis Testing | 60 |
| Table 5.1 | The Effects of the Dimensions of Relational Benefits on Customer Loyalty: Comparison of Hypotheses with Actual Results | 73 |
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1</td>
<td>Comparison of Brand Value for Digi, Celcom, and Maxis</td>
<td>2</td>
</tr>
<tr>
<td>Figure 2</td>
<td>Organization of the study</td>
<td>10</td>
</tr>
<tr>
<td>Figure 2.1</td>
<td>Integrative Model of the Determinants of Key Relationship Marketing Outcomes by Hennig-Thurau et al. (2002)</td>
<td>23</td>
</tr>
<tr>
<td>Figure 3.1</td>
<td>Research Framework: The Influence of Relational Benefits on Customer Loyalty: The Moderating Effects of Switching Costs on Malaysian Mobile Telecommunication Industry</td>
<td>29</td>
</tr>
<tr>
<td>Figure 4.1</td>
<td>Moderating effect of switching costs on the relationship between relational benefits and customer loyalty</td>
<td>59</td>
</tr>
</tbody>
</table>
## LIST OF APPENDIX

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix A</td>
<td>Copies of Cover Letter and Research Questionnaire for Respondents</td>
<td>93</td>
</tr>
<tr>
<td>Appendix B</td>
<td>Frequency Analyses</td>
<td>103</td>
</tr>
<tr>
<td>Appendix B1</td>
<td>Frequency for Respondent Profile</td>
<td>104</td>
</tr>
<tr>
<td>Appendix B2</td>
<td>Frequency for Users' Most Preferred Mobile Telecommunication</td>
<td>106</td>
</tr>
<tr>
<td>Appendix B3</td>
<td>Frequency for Significant Dimensions Of Independent Variable</td>
<td>107</td>
</tr>
<tr>
<td>Appendix B4</td>
<td>Frequency for Switching Costs</td>
<td>109</td>
</tr>
<tr>
<td>Appendix C</td>
<td>Factor Analysis</td>
<td>110</td>
</tr>
<tr>
<td>Appendix C1</td>
<td>Factor Analysis for Relational Benefits</td>
<td>111</td>
</tr>
<tr>
<td>Appendix C2</td>
<td>Factor Analysis for Customer Loyalty</td>
<td>118</td>
</tr>
<tr>
<td>Appendix C3</td>
<td>Factor Analysis for Switching Costs</td>
<td>120</td>
</tr>
<tr>
<td>Appendix D</td>
<td>Reliability Analysis</td>
<td>125</td>
</tr>
<tr>
<td>Appendix D1</td>
<td>Reliability Analysis of Special Treatment Benefits</td>
<td>126</td>
</tr>
</tbody>
</table>
Appendix D2 Reliability Analysis of Confidence Benefits 127
Appendix D3 Reliability Analysis of Social Benefits 128
Appendix D4 Reliability Analysis of Benevolence Benefits 129
Appendix D5 Reliability Analysis of Competence Benefits 130
Appendix D6 Reliability Analysis of Convenience Benefits 141
Appendix E Reliability Analysis of Customer Loyalty 132
Appendix F Reliability Analysis of Switching Costs 133
Appendix G Descriptive Analysis 134
Appendix H Regression Analysis 136
Appendix H1 Regression Analysis between Relational Benefits and Customer Loyalty 137
Appendix H2 Moderating Effect of Switching Costs on the Relationship between Relational Benefits and Customer Loyalty 147
CHAPTER 1

INTRODUCTION

1.1 Background of Study
Nowadays, service marketing has become important because the service sector in most nations had contributed to more than half of total gross domestic product (GDP) to the world economy (Lovelock and Wirtz, 2007). In Malaysia, the service sector has remarkable contribution among the three main sectors (agriculture, mining and service sector). Statistics show that mobile phone subscriptions had continuous growth from 2008 to 2012. The 2012/2013 economic report reported a 7.6% of total GDP contributed by mobile services in 2011 (The Ministry of Finance Malaysia, 2013). According to the report, this subsector experienced growth of 9% in 2012. Mobile telecommunication is considering a combination of product and service where in the intensive competition, the telecommunication companies compete more on customer service. Hence to provide better service, the provider should appreciate the importance of service marketing.

In the end of March 2011, Malaysian Communications and Multimedia Commission (MCMC) reported that out of 28,477,600 total populations, Malaysia had 36,123,300 mobile phone subscribers. The number of mobile phone subscribes were more than total population because some users have multiple numbers. In Sabah itself, the statistics had reported a 7.1% of mobile phone subscription in 2007, increased to 8.2% in 2011. In Malaysia, there are many mobile services and some popular service providers include Celcom, Maxis Communications, Digi, U Mobile and Tune Talk. Competing intensely in this industry, each telecommunication company strives to offer greatest packages and complementary service to gain more subscribers. However, previous researchers found that the victory belongs to those that are able to remain customer loyalty in a competitive environment (Nikbin, Ismail, Marimuthu, and Armesh, 2012; Liu, Guo, and Lee, 2011; Kim, Park, and Jeong, 2008; Lee, Lee, and Feick, 2001; Mohamad Amin, Ungku Ahmad, and Lim, 2012; Karjaluoto, Jayawardhena, Leppaniemi, and Pihlstrom, 2012).
Customer loyalty is the key success in a competitive environment where it serves as the company's competitive advantage in reducing marketing and transaction costs, also allowing the company to increase company profitability through charging premium price (Bennett and Rundle-Thiele, 2005; de Matos, Henrique, and deRosa, 2009; Wang and Wu, 2012; Lovelock and Wirtz, 2007). Lovelock and Writz (2007) realized that customer loyalty does not generate revenue when it comes to business-to-business (B2B) context because the business customer has high decision making powers, however in the business-to-customer (B2C) context, customer loyalty does increase company revenue because customers cannot negotiate prices. Hence, mobile telecommunication service providers are encouraged to improve their service through offering plans to meet customer expectation. However, imitable plans cause price war. Figure 1 illustrates the comparison of brand value for the three major telecommunication companies in Malaysia, Digi, Celcom and Maxis. The figure shows that Maxis has the highest brand value, followed by Digi and Celcom. From the comparison it concludes that Maxis has the greatest customer loyalty in current year, followed by Digi in the second place and Celcom in the third place.

Figure 1: Comparison of Brand Value for Digi, Celcom, and Maxis

To learn user behavior, some factors that contribute to user loyalty towards telecommunication service provider had been studied. Researchers have confirmed that customer satisfaction is one of the most important factors in the formation of customer loyalty (Nikbin, Ismail, Marimuthu, and Armes, 2012; Liu, Guo, and Lee, 2011; Kim, Park, and Jeong, 2008; Seo, Ranganathan, and Babad, 2008; Karjaluoto, Jayawardhena, Leppaniemi, and Pihlstrom, 2012; Lee, Lee, and Feick, 2001; Edward and Sahadev, 2011).

Besides of customer satisfaction, there are other factors influencing customer loyalty such as relational benefits that was introduced by Gwinner et al. (1998). Previous researchers also found that relational benefits significantly influence customer satisfaction and loyalty (e.g. Gwinner, Gremler and Bitner, 1998; Gwinner, Hennig-Thurau and Gremler, 2002; Chen and Chang, 2007; Chen and Hu, 2010; Ruiz-Molina, Gil-Saura and Berenguer-Contrí, 2009; David and Ng, 2011; Dagger and David, 2012; Dimitriadis, 2010; Dimitriadis, 2011). Also, they found that relational benefits could influence customer loyalty directly because it was similar to the function of satisfying the customers (Yang and Peterson, 2004). Regarding the importance of relational benefits towards customer loyalty, this paper intends to examine the influences of relational benefits on customer loyalty in the context of the mobile telecommunication industry.

Another important factor influencing customer loyalty that had been highlighted by previous researcher is switching costs (Chang and Chen, 2007). According to Chang and Chen (2007), customer satisfaction is not strong enough to make a customer loyal. Based on the literature, customer loyalty will be stronger when a customer’s satisfaction is being strengthened by some relevant costs and benefits (Chang and Chen, 2007). Hence, switching costs that represent any factors that prevent customers from changing service providers, acts as the factor that strengthens the relationship between customer satisfaction and customer loyalty.

Referring the terms of “switching costs” will immediately connect the readers to monetary costs. However the terms does not simply measure loss of monetary costs because by changing to a new service provider, it also means dealing with loss
of time and the psychological effort for giving up the friendly and comfortable relationship with the service provider (Jones, Mothersbaugh, and Beatty, 2000; Ruyter, Wetzels, and Bloemer, 1998). Some researchers found positive influence of switching costs on customer loyalty (Farrell and Klemperer, 2007; Ruyter, Wetzels, and Bloemer, 1998; Edward and Sahadev, 2011). Despite the positive direct effects of switching costs on customer loyalty, it had a different result where it negatively moderates the relationship between customer satisfaction and customer loyalty (Aydin, Ozer, and Arasil, 2005; de Matos, Henrique, and deRosa, 2009; Jones, Mothersbaugh, and Beatty, 2000). However there is less research of switching costs as moderating role on the relationship between relational benefits and customer loyalty. Regarding the different roles of the switching costs and the lack of research, this paper intends to test its effects on the relationship between relational benefits and customer loyalty in the context of the telecommunication industry.

Previous researches had proved that relational benefits have similar function as customer satisfaction. This study will eliminate the role of customer satisfaction, and directly test the effects of relational benefits on customer loyalty. In addition, due to the lack of research of switching costs as a moderating variable in previous studies, switching costs will be used as a moderating variable to investigate the results on the influence of relational benefits on customer loyalty. In this regard, the purpose of this study is to prove that the relational benefits already satisfies customers and has direct influence on customer loyalty, while assuming switching cost could moderate the relationship. This paper examines on how the fastest growing service of mobile telecommunication can rely on emphasizing the importance of relational benefits to remain customer loyalty in the intense competition.

1.2 Problem Statement
The main problem in Malaysia’s mobile telecommunication scene is the difficulty to remain customer loyalty. Digi had 27% of subscriber share in 2007 and the number dropped to 24% in 2011 which caused the company to lose 3% of switching customers to the competitors (Euromonitor International, 2012). This especially when Malaysians were introduced to the Mobile Number Portability (MNP) that allows
users to switch from one service provider to another without the needs to change their current phone number in the second quarter of 2008 (Bernama, 2007). The switching customers also caused decreased of subscriber shares to other providers like Celcom and Maxis (Euromonitor International, 2012). Due to high switching costs, it had been more difficult for mobile service providers to remain customer loyalty. Regarding the importance of customer loyalty to compete intensively in the telecommunication industry, this paper intends to study on the factors that could remain customer loyalty.

The term “Relationship Marketing” was first presented in marketing literature in 1983 by Berry in his paper presentation at the American Marketing Association’s Services Marketing Conference (Berry, 2002). Berry (2002) defined relationship marketing as “attracting, maintaining and – in multi-service organizations – enhancing customer relationships” where relational benefits are the extra benefits that could be used to attract, maintain and enhance as well as to build long term customer relationship. In Berry’s paper, he identified some relational benefits including (i) social benefits, (ii) psychological benefits, (iii) economic benefits, and (iv) customization benefits. To be more concise, Gwinner et al. (1998) adopted the model of relational benefits in 1998 and did further research on three specific dimensions: special treatment benefits (combination of economic and customization benefits), social benefits, and confidence benefits (psychological benefits).

Since the relational benefits model was found to have satisfaction influence that could maintain customer loyalty especially in service industry, the dimensions of the model were extended by many other researchers, for example Dimitriadis (2010) found trust-related benefits (benevolence and competence) and convenience benefits have greatest influence on customer relationship in the context of Greece bank-retail. Benevolence and competence are the trust-related benefits that added based on its function as complementary benefits that enhance relationship between customers and service providers (Coulter and Coulter, 2003; Nguyen and Leclerc, 2011; Aurifeille and Medlin, 2009). These benefits are believed to be influential because customers are willing to rely on their current service provider if they trust them. Nowadays, the two dimensions become important due to the increasing ethical
and criminal issues. The rise of ethical concern started when there were service providers that share or sell customers’ information to other companies (Goldman, 2011). Once customer signs up for the service, their information such as their identity number, preferences, address, and status are supposed to be treated as private and confidential to the company, however, some unethical behavior is unavoidable. It is effective for the companies to reach customers using the information but somehow these companies gain the information through unethical channels. In this case, trust issues become major focus when customers plan to engage in a long term relationship with the service provider, which benefits both the customer and service provider. Convenience benefit is added to the original set of benefits as researchers believe convenience could benefit consumers by reducing their time and effort during the service, and also benefits service providers by enhancing the ability to retain their customers (Chang and Polonsky, 2012; Collier and Sherrell, 2010). This paper would include the original dimensions of relational benefits and the new discovered dimensions to provide a holistic view of relational benefits and its effects impacts on customer loyalty.

With regards to the importance of relational benefits to maintain customer loyalty, Karjaluoto, Jayawardhena, Leppaniemi, and Philstrom (2012) examined the influence of value and trust towards loyalty in the telecommunication industry. In the research they mentioned that since 2003, Finland telecommunication provided customers with the option to keep their existing phone number while switching to a different service provider. This influences customer loyalty towards their original service provider. The study had found that trust and value is of utmost importance to keep customer loyalty (Karjaluoto, Jayawardhena, Leppaniemi, and Pihlstrom, 2012).

To test the customer loyalty, researchers used switching costs to direct measures the customer loyalty in the US mobile telecommunications service market (Seo, Ranganathan, and Babad, 2008). In the study the researchers found that switching costs had great influences on US customer loyalty where high switching costs would discourage customers’ intention to switch. Thus, the researchers suggested that to compete intensely in this industry the company should increase the switching costs by setting barriers so customer would not switch easily.
Agreeing to Lee, Lee and Feick (2001), Yang and Peterson (2004) suggested that switching costs would enhance the relationship between customer satisfaction and customer loyalty. However there are some researchers who suggested that switching costs does have a negative moderating effect on the relationship between customer satisfaction and customer loyalty where the they found switching costs does weaken the relationship (Aydin, Ozer, and Arasil, 2005; Dagger and David, 2012; de Matos, Henrique, and deRosa, 2009). However, there is a scarcity of the switching costs as a moderator variable in the relationship between relational benefits and customer loyalty. As there are different results generated by the switching costs as moderator on the relationship, this paper would like to investigate the moderating effects of switching costs on the relationship between relational benefits and customer loyalty.

As suggested by Dimitriadis, since the first discover of the relational benefits model, there is a need to further study on new discovered dimensions such as trust-related benefits (benevolence and competence) and convenience benefits in other service industry. Also, due to the importance of relational benefits in remaining customer loyalty, this study aims to further examine the role of relational benefits on the service industry. Thus, combining some recommendations from previous studies, this paper will examine on the dimensions of relational benefits (special treatment benefits, confidence benefits, social benefits, benevolence benefits, competence benefits and convenience benefits) as independent variables, and user loyalty as dependent variable in the context of Malaysian mobile telecommunication industry. In addition to the different results and scarcity, switching costs will be tested as a moderator towards the relationship between relational benefits and customer loyalty.

1.3 Research Questions
The study attempts to address the following research questions:

a. Do relational benefits have an influence on customer loyalty in the mobile telecommunication industry?

b. To what extent does switching cost moderates the relationship between relational benefits and customer loyalty?
REFERENCES


91


