THE EFFECTS OF CUSTOMER VALUE AND SWITCHING BARRIER TO CUSTOMER LOYALTY AT PT. TELKOMSEL MANADO

by:
Saniati Muliani Matilda Mintje

Faculty of Economics and Business
International Business Administration (IBA) Program
University of Sam Ratulangi Manado
email: saniati.mintje@yahoo.com

ABSTRACT

Customer value is customer's perceived preference for and evaluation of those product or service. It is one of factor that can attract customers. While, switching barrier is difficult of switch product or service by a customer who is not satisfied with the existing service. It is a factor that can keep customers. so, with definition of Customer Value and Switching barrier above, it can concluded that, by creating Customer value and Switching Barrier it can create customer loyalty. The Purpose of this research are to see the effects of customer value and switching barrier to customer loyalty. This research supporting by theories of about customer value, switching barrier and customer loyalty. The population of this research is customer of mobile operator Telkomsel in Manado, and use sample 100 respondents. Analyzed was a Multiple Regression analyze. The conclusion of this research are: customer value has no significant effect to customer loyalty; Switching barrier have effect to customer loyalty and, customer Value and Switching Barrier simultaneously Effects to Customer Loyalty.

Keywords: *customer value, switching barrier and customer loyalty.*

INTRODUCTION

Research Background

Human being cannot live without communicating with one another, then the People are now able to take advantage of all the media, the existing facility to communicate to be able to support their lives. Easy ways to make people communicate are supported by adequate facilities. Phones, mobile phones, gadgets, and the Internet is a part of human media to communicate with each other. With those type of media, people can easily communicate with one another without thinking about distance, space, and time. the importance of telecommunication is realized. Many kinds of company have various kinds of marketing communications and promotions done to gain customers attention.

Customer value will affect the purchase and use of a product. This influence appears when the positive attitude of consumers towards customer value can provide satisfaction. Therefore, the company must create good value products to make customers interested and will finally choose the product. Although the company has displayed good value at the customer, it does not guarantee loyal customer will persist buying those products. Therefore companies must create barriers that makes it difficult for the customers move to another brand or commonly. There are many factors that can present customers to switch to another product. Two of them are customer value and switching barrier. When customers receive something good in a product, they will have a good value of the product and would be interested to use the product with any bid offered. That is called customer value. Once the customer has experienced a good value of the product, the company can create barriers that make it difficult for customers to turn to other products. That is called switching barrier.

Indonesia has one of the highest mobile phone users. With the number of mobile phone users in Indonesia, this provides an opportunity for businesses to provide mobile telecommunications operator. In the market Indonesia is dominate with Telkomsel mobile operator. That means until now mobile operator Telkomsel still be able to meet that demand and what the customer wants in Indonesia.

Research Objective

The purpose of this research. and objectives of this research are as follows:
1. To analyze the influence of customer value on customer loyalty at PT. Telkomsel Manado.
2. To analyze the influence switching barrier on customer loyalty at PT. Telkomsel Manado.
3. To analyze the variable that has the most significant influence on customer loyalty at PT. Telkomsel Manado.

THEORETICAL FRAMEWORK

Theories

Customer Value

Customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations. (Woodruff, 1997:142). Customer value is the difference between total customer value and total customer cost. Put it very simply, customer value is created when the perceptions of benefits received from a transaction exceed the costs of ownership. The same idea can be expressed as a ratio. (Chiristopher, 1996:55). Customer value as being what customers get (benefits, quality, worth, utility) from the purchase and use of a product versus what they pay (price, costs, sacrifices), resulting in an attitude toward, or an emotional bond with the product. (Butz and Goodstein 1996:63). Customer value is operationalized as a ratio or trade-off between total benefit received to total sacrifices, taking into consideration the available suppliers' offerings and prices. (Buzzell and Gale 1987:4).

Five major value themes : (1) Creating value for customers in order to capture value from customers in return. Today's marketers must be good at *creating customer value* and *managing customer relationships*. They must attract targeted customers with strong value propositions. Then, they must keep and grow customers by delivering superior customer value and effectively managing the company-customer interface. Today's outstanding marketing companies understand the marketplace and customer needs, design value-creating marketing strategies, develop integrated marketing programs that deliver customer value and delight, and build strong customer relationships. In return, they capture value from customers in the form of sales, profits, and customer loyalty. (2) Building and managing strong, value-creating brands. Well-positioned brands with strong brand equity provide the basis upon which to build customer value and profitable customer relationships. Today's marketers must position their brands powerfully and manage them well. (3) Managing return on marketing to recapture value. In order to capture value from customers in return, marketing managers must be good at measuring and managing the return on their marketing investments. They must ensure that their marketing dollars are being well spent. In the past, many marketers spent freely on big, expensive marketing programs, often without thinking carefully about the financial and customer response returns on their spending. But all that is changing rapidly. Measuring and managing return on marketing investments has become an important part of strategic marketing decision making. (4) Harnessing new marketing technologies. New digital and other high-tech marketing developments are dramatically changing how marketers create and communication customer value. Today's marketers must know how to leverage new computer, information, communication, and distribution technologies to connect more effectively with customers and marketing partners in this digital age. (5) Marketing in a socially responsible way around the globe. As technological developments make the world an increasingly smaller place, marketers must be good at marketing their brands globally and in socially responsible ways that create not just short-term value for individual customers but also long-term value for society as a whole. (Kotler 2007:1-2).

Switcing Barrier

The switching barrier refers to the difficulty of switching to another provider that is encountered by a customer who is dissatisfied with the existing service, or to the financial, social and psychological burden felt by a customer when switching to a new carrier. (Fornell 1991:6). Switching cost means the cost incurred when switching, including time, money and psychological cost and is defined as perceived risk, insofar as there are potential losses perceived by customers when switching carriers, such as losses of a financial, performancerelated, social, psychological, and safety-related nature. Murray (1991:10). Switching barrier is any factor that makes it difficult or costly for customers to change providers. (Jones, Mothersbaugh and Beatty 2000:259). Switching barriers as encompassing the following aspects for customers: lack of an attractive alternative, high relationship investment and high associated costs with switching to another attractive alternative. (Ping 1993:320).

Switching barriers as three barriers: interpersonal relationships, perceived switching costs, and attractiveness of alternative. (Jones et al. 2000:259). Six switching barriers: search costs, loss of social bonds, set-up service costs, functional risk, attractiveness of alternatives, and loss of special treatment benefits. (Patterson and Smith 2003:107). Seven switching barriers for an online business: familiarity, convenience, parity, economic, speed, unawareness, and emotional. (Balabanis et al. 2006:214).

Customer Loyalty

Loyalty is a complex construction, which comprises both psychological and behavioral components; different loyalty types are supposed to form a combination of repeated purchasing and relative attitude towards business firms. (Dick and Basu 1997:99). The behavioural dimension includes aspects such continuous purchase, frequent purchase, number of years a customer has been in the relationship, number of different products the customer buys from the supplier, among others. (Hallowel 1996:322). On the other hand attitudinal loyalty considers aspects such as intentions for repurchasing the product and for recommending the company to other potential customers, among others. (Soderlund 2003:1375). Customer loyalty has been defined early that. It is normally the willingness of customer to maintain their relations with a particular firm or service/product. (Kim & Yoon 2004:145). In reality loyalty should be explain as a customer commitment to do dealing with a particular firm, buying their products and services and referring it to colleagues. (Mcllroy & Barnett 2000:374)

Previous Research

Before the study was conducted there have been several authors who have written their research on the effect of customer value and switching barrier to customer loyalty. These studies are described as in the table below:

Table 1. Literature Review

No.	Title	Author	Year	Variable	Method	Result
1.	Promotion, Switching Barriers, And Loyalty	Gu-Shin Tung (Corresponding Author), Chiung-Ju Kuo, Yun-Ting Kuo	2011	*Promotion effects, Switching Barriers, Loyalty*	Quantitative	The interpersonal relationships and switching cost have positive and significant influences on loyalty. A positive and significant relationship exists between promotion effects and perceived switching cost.
2.	Loyalty And Switching Barriers: The Case Of Dissatisfie Customers Of The Retail Banking Industry	*Fredy Valenzuela*	2009	Loyalty and Switching barrier	Quantitative	The more rewarding switching barriers have a positive relationship with customer loyalty, which is in line with the findings of Julander and Soderlund (2003).
3.	Customer Value, Satisfaction, Loyalty, and Switching Costs: An Illustration From a Business-to-Business Service Context	Shun Yin Lam, Venkatesh Shankar, M. Krishna Erramilli and Bvsan Murthy	2009	customer value; satisfaction ; loyalty	Quantitative	Our findings provide insights into the complex interrelations-hips between customer value, customer satisfaction, Switching costs and customer loyalty constructs.

Research Procedure

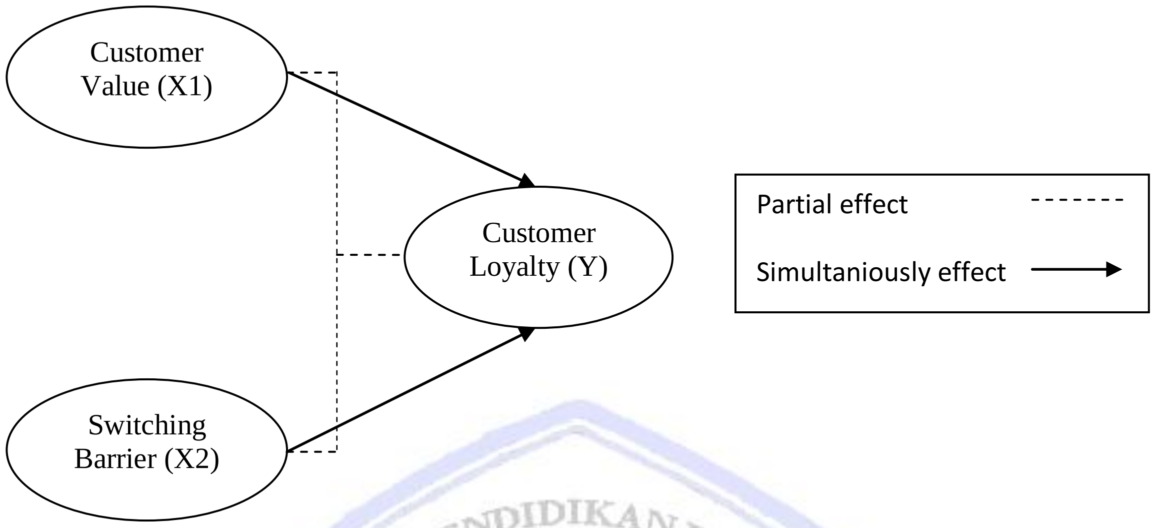

Figure 1. Conceptual Framework

Source: Lam at al (2009:4)

The conceptual framework of this research shows the relation between variable customer value and switching barrier as variable X and customer loyalty as variable Y. The straight line from X1 and X2 to Y indicates that customer value (X1) and switching barrier (X2) influences customer loyalty (Y) simultaneously. Yhe break line from X1 to Y and X2 to Y indicated that customer value (X1) and switching barrier (X2) influence customer loyalty (Y) partially.

Research Hypothesis

H1 : Customer value influence customer loyalty partially
H2 : Switching Barrier influence customer loyalty partially
H3 : Customer value and switching barrier influence customer loyalty simultaneously

RESEARCH METHOD

Type of Research

Type of this research is Causal research Research that involves finding the effect of one thing on another or the effect of one variable on another, is called Causal Research. To conduct this type of research, one must hold one variable (the one that is suspected to cause the change in the other variables) constant so the other variables can be measured.

Place and Time of Research

This research is conducted in Manado between June – July 2013.

Population and Sample

Population is a group of individuals or items that share one or more characteristics from which data can be gathered and analyzed. The population of this research is all of the Customers Mobile Operator Telkomsel in Manado. Sample is a subset of a population that is used to represent the entire group as a whole. For this research use 100 respondents.

Data Collection Method

Primary Data are original works. These sources represent original thinking, report on discoveries, or share new information. Usually these represent the first formal appearance of original research. Primary sources include statistical data, manuscripts, surveys, speeches, biographies/autobiographies, diaries, oral histories, interviews, works or art and literature, research reports, government documents, computer programs, original documents(birth certificates, trial transcripts...) etc. Secondary Data are usually studies by other researchers. They describe, analyze, and/or evaluate information found in primary sources. By repackaging information, secondary sources make information more accessible. A few examples of secondary sources are books, journal and magazine articles, encyclopedias, dictionaries, handbooks, periodical indexes, etc.

Operational Definition and Measurement of Research Variables

Operational definition of research variables

1. Customer value (X1) is the value assigned to product customers.
2. Switching barriers (X2) are barriers that are created to retain customers. Switching barriers have proven to be a relevant strategy to retain customers.
3. Customer loyalty (Y) can be interpreted as a commitment from the customer to do business with a particular company, to buy products and services are offered many times, recommending services or products to their friends or colleagues.

The likert scale is used in this research. Likert Scale is psychometric scale commonly involved in research that employs questionnaires. The measurement is the process or the result of determining the ratio of a physical quantity or etc. this study uses questionnaire to measure the scale of the customer value, switching barrier and customer loyalty of Telkomsel customers. The scale are 1 = "strongly disagree," 2=”disagree,” 3 = "neither disagree nor agree," 4=”agree,” and 5 = “strongly agree."

RESULT AND DISCUSSION

Result

Validity and Reliability Test

Alpha coefficient for Customer Value and Switching Barrier to Customer loyalty is 0.841 (>0.60). Therefore, the instrument in this study can be found reliably.

Validity

The value of pearson Correlation of Customer Value is 0.366 and Switching Barrier is 0.694. its greater than 0.3. it means the instrument is valid.

Table 1 Result of R and R^2

Model	R	R Squere	Adjusted R Squere	Std. Error of the Estimate
1	.695[a]	.483	.472	.605

Source : SPSS

Table 1 above, shows the value of R which is a symbol of the value of the correlation coefficient. The table above shows the correlation value is 0.695. This value can be interpreted that the relationship between the two variables is a strong relationship. Through this table also obtained the value of R Square or coefficient of determination that indicates how well the regression model formed by the interaction of the independent variables and the dependent variable. Determination coefficient value obtained was 48.3%, which can be interpreted that the independent variable X1 Customer Value and X2 Switching Barrier has the effect of a contribution of 48.3% to variable Y and the other is 51.7% influenced by other factors than the variable X1 and variable X2.

Regression Analysis

Table 2. Multiple Linear Regression Analysis

Model		Unstandarized Coefficient		Standarized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.667	.321		2.079	.040
	Customer Value	.042	.097	.036	.431	.667
	Switching Barrier	.817	.101	.677	8.088	.000

Source : data processed, 2013

The Multiple Linear Regression model is used to determine the influence of several independent variables on a dependent variable. Here is computed the influence of Customer Value (X1), Switching Barrier (X2) to Customer Loyalty (Y). From the result of the table above, the model is defined as:

Y = 0.667 + 0.042 X1 + 0.817 X2

Where:

X1= Customer Value; X2 = Switching Barrier; Y = Customer loyalty

1. Constant (α) 0.667 shows the influence to relationship between customer value (X1), Switching Barrier (X2) to Customer Loyalty (Y).
2. Customer Value (X1) have an influence on Customer Loyalty (Y) is 0.042. if Customer Value (X1) increases then Customer Loyalty is increase.
3. Switching barrier (X2) have an influence on Customer Loyalty (Y) is 0.817. if Switching Barrier (X2) increases then Costomer Loyalty is increase.

Classical Assumption Test

The value of TV and VIF for Customer Value (X1) are 0.829 and 1.207; the value Switching Barrier (X2) are 0.829 and 1.207. since TV of Customer Value and Switching Barrier are above 0.10 and VIF value are less then 10, then there is no multycollinearity. The dots spreading in 0. This proves that the model is heteroscedasticity. The results obtained from calculations or tests through SPSS.

Table 3. Durbin Watson Table

Observations		1		2		3		4		5	
N	Prob.	D-L	D-U	D-L	D-U	D-L	D-U	D-L	D-U	D-L	D-U
15	0.05	1.08	1.36	0.95	1.54	0.82	1.75	0.69	1.97	0.56	2.21
	0.01	0.81	1.07	0.7	1.25	0.59	1.46	0.49	1.70	0.39	1.96
20	0.05	1.20	1.41	1.10	1.54	1.00	1.68	0.90	1.83	0.79	1.99
	0.01	0.95	1.15	0.86	1.27	0.77	1.41	0.68	1.57	0.60	1.74
25	0.05	1.29	1.45	1.21	1.55	1.12	1.66	1.04	1.77	0.95	1.89
	0.01	1.05	1.21	0.98	1.30	0.90	1.41	0.83	1.52	0.75	1.65
30	0.05	1.35	1.49	1.28	1.57	1.21	1.65	1.14	1.74	1.07	1.83
	0.01	1.13	1.26	1.07	1.34	1.01	1.42	0.94	1.51	0.88	1.61
40	0.05	1.44	1.54	1.39	1.60	1.34	1.66	1.39	1.72	1.23	1.79
	0.01	1.25	1.34	1.20	1.40	1.15	1.46	1.10	1.52	1.05	1.58
50	0.05	1.50	1.59	1.46	1.63	1.42	1.67	1.38	1.72	1.34	1.77
	0.01	1.32	1.40	1.28	1.45	1.24	1.49	1.20	1.54	1.16	1.59
60	0.05	1.55	1.62	1.51	1.65	1.48	1.69	1.44	1.73	1.41	1.77
	0.01	1.38	1.45	1.35	1.48	1.32	1.52	1.28	1.56	1.35	1.60
80	0.05	1.61	1.66	1.59	1.69	1.56	1.72	1.53	1.74	1.51	1.77
	0.01	1.47	1.52	1.44	1.54	1.42	1.57	1.39	1.60	1.36	1.62
100	0.05	1.65	1.69	1.63	1.72	1.61	1.74	1.59	1.76	1.57	1.78
	0.01	1.52	1.56	1.50	1.58	1.48	1.60	1.46	1.63	1.44	1.65

Source: data processed, 2013

From the results indicate that the Durbin Watson count value is less than the value Durbin Watson table. So, there is an autocorrelation in this regression.

Hypothesis Testing

F-Test

The result show that Fcount = 45.269 > Ftable = 3.09. Therefore, hypothesis 3 is accepted or Customer Value and Switching Barrier influence Customer Loyaltu Simultaniously.

T-Test

T-test analysis results are as follows:

1. t_{count} value on Customer Value variable (X1) is equal to 0.431 with a significance level is 0.667 while the t_{table} is 1.98. So, $t_{table} > t_{count}$ or 1.98 > 0.431, Therefore, H_0 is rejected and H_1 is accepted and it means Customer Value (X_1) not significantly effects Customer Loyalty (Y).
2. t_{count} value on Switching Barrier (X2) is equal to 8.088 with a significance level is 0.000 while the t_{table} is 1.98. So, $t_{count} > t_{table}$ or 8.088 > 1.98. Therefore, H_0 is accepted and H_1 is rejected and it means Customer Value (X_2) significantly Effects Customer Loyalty (Y).

Discussion

Marketing is the process of preparation of unified communications that aims to provide information about the goods or services in relation to satisfying the needs and desires of humans. Marketing begins with the fulfillment of human needs which later grows into human desire. The process in the fulfillment of human needs and desires is the concept of marketing.

The first discovery in this research sees the needs of customers who want the best product of the mobile operator Telkomsel. Customers have high expectations, where mobile operators should have a stable signal. In these result, Telkomsel customers find the signal from the mobile operator to be good and stabel. it is also the service provided by the mobile operator Telkomsel that make the customer satisfied. This is known from the results of the research conducted through questionnaires. In addition to having good service, customer agrees that the prices given are affortable by customers. They are all the assessment of customer perception of Telkomsel. As the conclusion, the mobile operator Telkomsel has the good judgment. After attaining good assessment from the customers, PT. Telkomsel Manado should retain existing customers by creating a barrier to switching which makes customers difficult to switch to other providers. PT. Telkomsel Manado has to maintain existing customers by providing affordable prices and make customers feel comfortable with the service used. This study have obtained results which indicate that the customers of Telkomsel has been comfortable with the mobile operator with the advantages and disadvantages that it has that it has. This proves that it is be difficult for customers to move to other operators at the thought of the barriers created mobile operator Telkomsel.

The second findings, from reliability testing using SPSS, proves that there is a reliable variable. The correlation test also shows that the variables that have good correlations. The testing through T-test proves customer value (X1) has no significant relationship with customer loyalty (Y). It is shown on the T-table that the value is greater than T count. This indicates that the two variables do not have significant relationships. It means that a good quality product does not make Telkomsel customers become a loyal. Although Telkomsel also have to provide good service to customers, it does not make them loyal customers. Even it Telkomsel offers low price it does not guarantee the customer will keep using Telkomsel is products service. Through this research can be seen, with the things that has been done by PT. Telkomsel Manado, does not guarantee the customer become loyal customer. Another finding is that Switching Barrier (X2) has a significant relationship with customer loyalty (Y) this can be seen from where T count is greater than T table. From the results it is proven that good functions can create a barrier for the customers to switch to other products. In other words, these functions can lead to customers being loyal. From the test F test result, it can also be proven that customer value (X1) and switching barrier (X2) influences customer loyalty (Y) simultaneously.

CONCLUSION AN RECOMENDATION

Conclusion

The conclusion of this research are Customer Value (X1) has no significant relationship with Customer Loyalty (Y); (2) Switching Barrier has significant relationship with Customer Loyalty; (3) Customer Value (X1) and Switching Barrier (X2) is simultaneously influence to Customer Loyalty (Y); (4) The increases of Customer Value and Switching Barrier lead to an increase in Customer Loyalty (Y).

Recommendation

This research above suggests that customer value (X1) is not effect to customer loyalty (Y) and Switching Barrier (X2) effect on customer loyalty. It mean customer value can make customer to be loyal. PT. Telkomsel Manado better creating switching barrier to make customer to be a loyal customer. So it can be seen PT. Telkomsel Manado should be creating obstacles to make a loyal customer than create the good judgment to make a loyal customer. Because with the result of this research, show the customer value can't make the customer become loyal. But to attract the customer PT. Telkomsel Manado should make a good customer value and then create switching barrier to keep the customer to make them be loyal customer.

REFERENCES

Balabanis, G., Reynolds, N., & Simintiras, A. 2006. Bases Of E-Store Loyalty: Perceived Switching Barriers And Satisfaction. *Journal Of Business Research*. Pp. 214

Butz, Howard, And Leonard Goodstein, 1996. Measuring Customer Value: Gaining The Strategic Advantage, Organizational Dynamics. *Journal of Marketing.* Pp. 63

Christopher Martin, 1996. From Brand Values To Customer Value, *Journal Of Marketing Practice: Applied Marketing Science*, Vol. 2, No. 1. Pp. 55-56

Dick, A.S. And Basu, K, 1994. Customer Loyalty: Toward An Integrated Conceptual Framework, *Journal Of The Academy Of Marketing Science*. Pp. 99

Fornell, C, 1992. A National Customer Satisfaction Barometer: The Swedish Experience. *Journal Of Marketing*. Pp.6

Fredy Valenzuela, 2009. Loyalty And Switching Barriers: The Case Of Dissatisfied Customers Of The Retail Banking Industry. *Australian and New Zealand Marketing Academy.* Pp. 2.

Gu-Shin Tung (Corresponding Author), Chiung-Ju Kuo & Yun-Ting Kuo, 2011. Promotion, Switching Barriers, And Loyalty. *Australian Journal of Bussiness and Managament Research* , Vol. 1, No. 2, Pp. 30-31

Hallowel, R, 1996. The Relationships Of Customer Satisfaction, Customer Loyalty And Profitability: An Empirical Study, *Journal Of Management Decision*, Vol. 35, No. 4. Pp. 322

Jones, M, Mothersbaugh, D & Beatty, S. 2000, Switching Barriers And Repurchase Intentions In Services, *Journal Of Retailing*, Vol. 76, No. 2, Pp. 259

Kim, H.S., & Yoon, C.H. 2004. Determinants Of Subscriber Churn And Customer Loyalty In The Korean, *Telecommunication Policy 28,* South Korea. Pp. 145-159

Kotler, 2007. *Creating More Value for you*, The Twelfth Edition Pp. 1-2

Moon-Koo Kim, Myong-vheo Park, and Dong-Heon Jong, 2004. Mobile Telephony Market Determinants Of Subscriber Churn And Customer Loyalty In The Korean Mobile Telephony Market. *Telecommunications Policy*, 28, Pp. 149-159.

Mcllroy, A., & Barnett, S. 2000. *Building Customer Relationships: Do Discount Cards Work? Managing Service Quality*, 10(6),Pp. 347.

Murray, K. B. 1991. A Test Of Services Marketing Theory: Consumer Information Acquisition Activities. *Journal Of Marketing*, 55, Pp. 10.

Ping, R 1993, The Effects Of Satisfaction And Structural Constraints On Retailer Exiting, Voice, Loyalty, Opportunism, And Neglect, *Journal Of Retailing*, Vol. 69, No. 3, Pp. 320

Soderlund M, 2003, "The Retrospective And The Prospective Mind And The Temporal Framing Of Satisfaction, *European Journal Of Marketing*, Vol. 37, No. 10, Pp. 1375.

Shun Yin Lam, Venkatesh Shankar, M. Krishna Erramilli and Bvsan Murthy, 2009. Customer Value, Satisfaction, Loyalty, and Switching Costs: An Illustration From a Business-to-Business Service Context. *Journal of the Academy of Marketing Science.* Pp. 2

Woodruff R. B. Customer Value: The Next Source For Competitive Advantage *Journal Of The Academy Marketing Science*, Vol. 25, No. 2, 1997, 139-154.