

Inertia and Customer Loyalty in the Varying Levels of the Zone of Tolerance and Alternative Attractiveness

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Abstract

The main aim of the present research is to investigate influence of inertia on customer loyalty regarding to moderating role of the Zone of Tolerance (ZOT) and Alternative Attractiveness (AA); This survey studied mobile phone industry and The model consists of inertia as independent variables and customer loyalty as dependent variable and also zone of tolerance and alternative attractiveness as moderating variables. In this research, for collecting the data relevant to the under studied variable, a standardized questionnaire in the international researches was used and for studying the relationship between the research variables and hypothesis test, the path analysis model have been used. The conceptual model and hypothesis are tested using Structural Equation Models (SEM). Findings also indicate that customer inertia has a positive and significant impact on customer loyalty. While, in case of moderating variable, zone of tolerance not only strengthens the relationship between inertia and customer loyalty but also with wider ZOT reduces that of strengthen and alternative attractiveness have not effect on relationship between inertia with loyalty.

Keywords: Loyalty, Inertia, Alternative Attractiveness, Zone of tolerance

Introduction

Due to, Customers now demand new levels of convenience and flexibility in addition to powerful and easy to use financial management tools, products, and services[33]. Customer loyalty is important primarily because of its positive impact on sales, share of wallet, and customer retention [7]; Liang and Wang (2007), for example, suggest that satisfied longer-term customers are more likely to buy additional services and spread favorable word-of-mouth communication than shorter-term customers [7]. Consumer loyalty and making the consumers loyal in the business framework is defined as committing the consumers to demand the goods and the services repetitively [25]. Other factors are out of the company's control. Changing the location, for example, might cause 20 percent of your customers to be missed. Loyalty is the commitment level of a customer to a company, while the continuous purchase from the company proves the loyalty. Customers and firms become more committed to each other, the client-firm relationship becomes more stable, thus fostering a long-term relationship. As business becomes increasingly competitive, creating and sustaining customer loyalty is critical. Increased loyalty translates into higher profits because it is less expensive to retain customers than to attract new ones [8]. In the modern marketing age, establishing a long-term and interactive relationship with the stakeholders and most importantly the customers is depicted so that more customers are maintained and fewer ones are lost. This is finally resulted in increasing the market share and profitability of the business. High quality productions guarantee the customer's satisfaction and loyalty. Diversity of the mobile phone industry and its daily developments provide new options for innovation and this is the factor which improved the significance of service provision for the customers. Whereas, Iranian consumers, because of their collectivistic culture and religious beliefs, may have a negative view through uniqueness value. Consequently, marketers should achieve the loyalty along with the satisfaction, confidence and commitment. Additionally, the tolerance level and perceive of the customers about the services provided are totally different, so understanding the effective factors on customer's loyalty can obtain more information about the expectance levels of the customers about the services provided in comparison with the competitors. Accordingly, marketers can hold more shares of the market and investigating these factors is though very important. In the modern marketing age, establishing a long-term and interactive relationship with the stakeholders and most importantly the customers is depicted so that more customers are maintained and fewer ones are lost [20].

Mobile is a new phenomenon in Iran. After the entrance of mobile technology to the market, the demand level of this production has been increasingly growing. Initially, mobile was known as a luxury accessory while it is considered as an essential one in the present situation and there are more than 71 million mobile phones working in Iran. SIM-card is rarely required to be changed, while this doesn't hold true for the phone. Any individual might need to change the phone several times. The demand for the mobile phones is very high in Iran. This is because the young populations of the country desire to follow the modern fashions and technologies. There are so many technological progresses and various models of the phones that are provided by the foreign producers. Iranian companies were not so successful in this matter and their performance was not encouraged by the users. The manufactured mobile phones by Iran were neither of a higher technology nor a lower price than the foreign models. It is therefore better to consider mobile phones as the imported goods. Iran is also a considerable fan of the new mobile phones with modern technologies. This is because Iranian people at any age, revenue and occupation tend to buy the expensive phones. Supplying some mobile phones with non-original guarantees caused people to lose their confidence to the

guarantee cards attached to the phones and try to find the original versions of those cards. They have however paid much expense over the counterfeit mobile phones. Then, Iranians as members of a collective society in a Muslim country give more value to brands than the products themselves [38]. On the other hand, low tendency of the customers to buy the guaranteed phones has not been because of the price differentiation between non-guaranteed and guaranteed phones, but this has been because of the useless awareness and attracting the confidence of the users to the mobile phones with the after sale services. This framework has three main features. First, investigates the two-way interaction effects (inertia*ZOT) on customer loyalty. Second, it analyzes the three-way interaction effects (inertia*ZOT*alternative attractiveness) on customer loyalty.

Conceptual framework

In this study, first, we discuss relevant literature and hypotheses, followed by a discussion of our method and the results of model estimation. Finally, we conclude with a general discussion of the findings, limitations of the research and avenues for future research.

Loyalty

A loyal customer is an individual who has a positive vision to the service provider and introduces and offers that company to others. In other words, loyalty of the customers describes a desirable vision of them toward a company and the repetitive purchase of that specified company [9]. Loyal consumers only buy the same brand, even when there is other brand in the market[36]. This is the only factor which is immune of the competitors and the proper management will make it a perpetual property of the company. Jones and Sasser (1995, p. 94) state that customer loyalty is “a feeling of attachment to or affection for a company’s people, products, or services”[32]. Service loyalty also defined as “Customers’ intention to repartionize their current service provider (or company) based on past experiences and future expectations [23]. Three antecedents to service loyalty is that satisfaction, switching costs, and interpersonal bonds [12, 21]. Yee (2001) preliminary identified eight measures in terms of behavioral, attitudinal and cognitive attribute: repeat Purchase Behavior, Word of Mouth, Period of Usage, Price Tolerance, repeat purchase intention, Preference, choice reduction behavior, first-in-mind [47]. Brand loyalty implies that consumers have a good attitude towards a particular brand over other competing brands [13]. Oliver (1999) defined customer loyalty as “a deeply held commitment to repurchase a preferred product consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior” [40] Intensive global competitiveness, continuous improvement of the customer’s specifications and their demand for developing the quality of the productions and services are some challenges that made companies disable of effectively satisfy the customer’s needs and requirements. Brand loyalty implies that consumers have a good attitude towards a particular brand over other competing brands[14]. In doing so, there is a possibility of missing the unsatisfied customers and marginal reduction of the profit and finally bankruptcy of the company. Preparing an environment that motives the loyalty is a key element in generating loyal customers [11]. Consequently, marketers should achieve the loyalty along with the satisfaction, confidence and commitment. Additionally, the tolerance level and perceive of the customers about the services provided are totally different, so understanding the effective factors on customer’s loyalty can obtain more information about the expectance levels of the customers about the services provided in comparison with the competitors. Accordingly, marketers can hold more

shares of the market and investigating these factors is though very important. In general, loyalty necessitates satisfaction, but satisfaction does not always lead to loyalty [35].

Inertia

Inertia is described as a condition where repurchasing behaviors occur on the basis of situational cues, and it reflects a non-conscious process[16]. Inertia is also characterized as a habitual attachment that is to a large extent unemotional and convenience driven [26]. Inert customers are seen to avoid making new purchasing decisions [43], avoid learning new service routines and practices, and avoid making price comparisons [31]. Inertia repeat purchasing of a brand appears has been described as habitual behavior to reduce two types of work. The first is mental and The second is physical [31]. In other words, inert customers prefer the status quo [48]. Ranaweera and Neely (2003) also proposed that the effect of inertia on customer retention could be determined by the competitive structure of the industry [40]. Customers often remain silent when service failures occur [22]. Generally speaking, inert customers are typified as lazy, inactive, or passive; Thus, inertia is described as the absence of goal directed behaviors [42, 45]. Inertia is the repeat purchase of the same brand passively without much thought [43]. With inertia, customers exhibit repeated purchasing behaviors in spite of their negative perceptions about the existing service provider [24]; Repeat purchase as a result of inertia is unstable, reflecting little, or no brand commitment and merely represents acceptance and this process is referred to as spurious loyalty [24]. Therefore, when the relationship inertia is formed, the customer re-purchase habit and purchase behavior will continue, and show the customer loyalty situation [4]. Therefore, it is hypothesized that:

H1. Inertia will have a positive effect on customer loyalty.

Zone of tolerance

Zone of tolerance is one construct that has emerged from both the service management and the consumer behavior literatures [18] and showed The level of service satisfying or dissatisfying service that each individual customer will accept in each service scenario [23]. The ZOT represents customers' tolerance for differences between desired (represent the level of service a consumer hopes to receive) and adequate (represent minimum level customer are willing to accept) levels of service performance [3, 39, 41]. Overall, service performance below the adequate level is likely to result in customer dissatisfaction, and service performance above the desired level will result in satisfaction and even customer delight [18, 41]. The difference between these two expectation standards is the zone of tolerance [15, 28].

The ZOT has been shown to predict the level of inertia; Johnston (1995) indicated that while customers' levels of expectations are met, and customers' perceptions of service performance fall in the ZOT, this in turn leads to inertia. In addition, Egan (2004) defined the ZOT as the zone of inertia, where customers are indifferent to small changes of service performance [41].The ZOT and inertia are relevant because both are the same forms of indifferent behaviors. Within the ZOT, any variation in service performance will only have a marginal effect on customers' perceptions [41, 46]; Meanwhile, inertia represents persistence of the status quo over time. Therefore, the ZOT has been characterized as a special form of inertia [40]. Moreover, Johnston (1995) proposed that high involvement generates a narrower ZOT, while low involvement generates a wider ZOT. Furthermore, inertia involves little emotional involvement [16]. The zone of tolerance can vary from customer to customer, and from service attribute to service attribute. It may also, for a given customer, vary from time to time [3, 29]. inertia is defined as a condition of passive repurchasing behaviors

involving not much thought [39, 43]. Because customers engage in habitual repurchasing behaviors; the ZOT and inertia are antecedents of customer loyalty. However, many studies have found that the positive relationship between the ZOT and customer loyalty is based on cognitive evaluations [41]; In contrast, inertia is due to passive patronage without true loyalty [17]. The cognitive evaluations of service performance are to distinguish cognitive loyalty from spurious loyalty based on inertia. In other words, inert customers' tolerance of poor service performance is relatively high [41]. In sum, their extensive past experience with current service providers may make inertial behaviors more common [43]. Therefore, it is hypothesized that:

H2. The positive relationship between inertia and customer loyalty will be stronger when customers have a wider ZOT.

Alternative attractiveness

Alternative attractiveness is defined as a customer's estimate of the likely satisfaction available in an alternative relationship [30]. Alternative attractiveness can be characterized by four dimensions that is the number of available alternatives, the degree of differences among them, the degree of difficulty in understanding them and the degree of difficulty in comparing them [41]. The notion of the 'attractiveness of alternatives' can also be linked to service differentiation—that is, the provision of a unique and valued service that competitors do not offer [44]. customers exhibit switching behaviors that are not necessarily due to dissatisfaction with their existing providers, but rather to the availability and attract ability of alternative service providers For instance, there may be many competitors or other providers that offer more added-value services in order to attract subscribers [2, 6, 34]. Boulding et al. (1993) reasoned that the ZOT might adjust over time as customers have more service encounters. In other words, the ZOT can expand and contract across situations [10, 41]. A higher extent of alternative attractiveness reduces the satisfaction of the existing relationship [49, 50]. Attractiveness of alternative increases when service provider does not offer differentiated services that are difficult for competitors to imitate. In the contrary, when there is few viable alternatives or perceived benefit of switching service provider is low, attractiveness of alternative reduces and customers are likely to stay in service [5].

Dick and Basu (1994) and Gounaris and Stathakopoulos (2004) argued that customers that repurchase a brand due to inertia may be easily induced to switch brands. Similarly, Beckett et al. (2000) indicated that increased competition erodes inertia [41]. If there is not enough attractiveness of alternatives to switch to the new service, then the user will continue to use the existing service [27]. As the ZOT becomes narrower, customer loyalty may rely more on distinguished service performance; In such cases, the role of inertia is limited and the effect of inertia on customer loyalty is reduced [40]. On the other hand, customers with low perceptions of alternative attractiveness have no referent expectation to make comparisons with, and therefore have a wider ZOT for poor service performance This may be reflective of the spurious loyalty based on inertia among customers [41]. Therefore, it is hypothesized that:

H3. The positive moderating effect of the ZOT on the relationship between inertia and customer loyalty will reduce as alternative attractiveness increases.

METHOD

Sample and Data Collections: The data for this study were collected in Iran by means of a national self administered consumer questionnaire survey.

A proportional satisfied sampling was applied. This sample was conducted in January 2011. The case studies are students at Islamic Azad University of city of Tehran that use mobile phone. In this research, we asked students to respond to questions about amount of loyalty to their mobile phone. Finally, 379 valid questionnaires were collected indicating the most amount of service loyalty to mobile phone brand.

Measures: A five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”) was used to measured all of the items in the proposed model.

Control Variable: Following the work of previous researches, we controlled several variables including gender, marital status, age, faculties, educational level and phone brand. Table 1 shows the demographic profile of the respondents. This study measured customer loyalty, inertia, zone of tolerance and alternative attractiveness using five-item, five-item, three-item, five-item and three-item respectively scales adapted from the works of Wu (2011).

Validity: Validity assesses whether each item has been measured correctly. Insufficient or unsuitable measurement can damage scientific research [19]. In this research, face validity was used. Face validity considers whether experts confirm that the tool measures the understandable concepts (ibid) then we use convergent validity. As evidence of convergent validity, all the items had significant loadings on their respective constructs [1].

Reliability: The reliability of multi-item or ordinal scales was determined by computing Cronbach alphas. The minimum amount of Cronbach alphas in Alternative Attractiveness is 0.7862. Cronbach alphas after two pre-test stages with 30 respondents were 0.9414 (table 3).

In this model, at first, we examined the effect of independent variables on loyalty with using CFA. In the second, we tested the impact of moderating variables on loyalty with using multi-hierarchical regression.

Confirmatory factor analysis

Using a maximum likelihood estimation method, confirmatory factor analysis (CFA) was conducted to ensure the uni-dimensionality of the scales measuring each construct in the proposed model.

Table 1: Demographic Profile of Respondents

Item	Frequency	Percentage
Gender		
Male	182	45.8
Female	215	54.2
Marital status		
Single	326	82.1
Married	71	17.9
Age		
Under 25 years old	222	55.5
25-35	154	38.8
35-45	16	4
45-55	5	1.3
Faculties	146	36.8

Humanity Sciences	62	15.6
Basic Sciences	91	22.9
Engineering	4	1
Art	94	23.7
e.t.c	146	36.8
Educational level		
Bachelor degree	155	39
Master degree	199	50.1
PhD	43	10.8
Phone Brand		
Motorola	6	1.5
Samsung	59	14.9
Nokia	177	44.6
Apple	18	4.5
Sony Ericsson	97	24.4
e.t.c	40	10.1

Analysis and results:

Measurement model:

Researchers have reached a consensus that validity is the most important concept in measurement. The measurement scale was first tested for reliability and validity following which; the path model was assessed a Confirmatory Factor Analysis (CFA) was performed to test the measurement model using LISREL 8.52. The goodness-of-fit indices for the model indicated strong fit (Table: 2). The Cronbach's α values for inertia, the ZOT, alternative attractiveness and customer loyalty were all greater than 0.78, supporting the reliability of the measurement.

In this study, the examination of convergent validity requires scrutiny of factor loadings and Squared Multiple Correlations (SMCs) of the measurement items. All factor loadings had values between 0.771 and 0.901 on their underlying constructs and were significant ($p < 0.01$). In addition, the SMCs were calculated for all items (Table 3).

Table 2: Goodness-of-fit Indices for Structural Model

Fit Indices	Benchmark	Value
Absolute fit measure		
CMIN (χ^2)		393.50

Df		184
CMIN(χ^2)/Df	3.00	2.14
GFI (Goodness of Fit Index)	0.90	0.92
RMSEA (Root Mean Square Error of Approximation)	0.10	0.054
Incremental fit measures		
AGFI (Adjusted Goodness of Fit Index)	0.80	0.89
NFI (Normed Fit Index)	0.90	0.93
NNFI	0.90	0.95
IFI (Incremental Fit Index)	0.90	0.96
CFI (Comparative Fit Index)	0.90	0.96

Table 3: Measurement item description and confirmatory factor analysis and Correlation of constructs

Constructs	Items	R ²	Standard error	t-value	Standardized Loadings	Mean	Variance	Standard Deviation	Cronbach's alpha
Loyalty	1	0.72	-	-	0.884	3.37	0.9288	0.9637	0.8852
	2	0.73	0.045	21.71	0.879				
	3	0.76	0.042	22.65	0.895				
	4	0.61	0.050	18.80	0.824				
	5	0.53	0.048	16.81	0.787				
Inertia	1	0.61	0.043	18.16	0.881	3.12	0.7839	0.8853	0.8863
	2	0.74	0.044	20.77	0.891				
	3	0.58	0.043	17.47	0.844				
Zone of Tolerance (ZOT)	1	-	-	-	0.611	3.39	0.5126	0.7160	0.7954
	2	-	-	-	0.814				
	3	-	-	-	0.831				
	4	-	-	-	0.837				
	5	-	-	-	0.787				
Alternative Attractiveness (AA)	1	-	-	-	0.846	3.83	0.7169	0.8467	0.7862
	2	-	-	-	0.892				
	3	-	-	-	-0.865				

In the second model, to examine effect of moderating variables due to the fact that hierarchical moderated regression analysis was used to test the hypotheses (H2, H3):

Correlation Test: Understanding of intensity and relationship between Independent variables and dependent variable, Inter method is used before doing the regression model. Regarding to $R=0.876$ and $R^2=0.767$ then there is significant correlation between those variables.

Existence of Linear Relationship Test Between Dependent and Independent Variables: This test is done by analyzing of variance and regression model. By considering to the significant level in table 4 is less than 5%, we can assume that there is a linear relationship.

Table 4: Analyze of Variance

Model	Df	F	Sig	Errors
Regression	10	127.357	0.000	0.05

Randomic Test of Residuals: Another assumption in linear regression is independence of residuals from the others for this purpose, we used Durbin- Watson test. In recent study, D.W is equal to 1.956, so there isn't any auto correlation in residuals.

Normality Test of Data:

Kolmogorov- smirnov test is used to indicate the normality of data. The result showed that significant level is more than 5%, so with 95% confidence we can say data has been normally distributed. (Sig = 0.389)

Multi Collinearity Test:

Collinearity is a situation which shows if any of independent variables are linear functions of other independent variables or not. For doing this we've used VIF and Tolerance tests and also condition index. Table 6 shows the results of multi collinearity test with VIF and Tolerance statistic. since VIF statistic is less than 5 and about 1, so there isn't any multi collinearity between independent variables or can be tolerable. in addition Tolerance statistic are so close to 1, so there isn't multi collinearity again.

Table 5 shows condition index and variance ratios for the multi collinearity test. whereas condition index less than 15 then the assumption of lack of collinearity between independent variables are confirmed.

The hypotheses were tested by estimating the following equation using multiple regression analysis:

$$\hat{Y} = \beta_0 + \beta_1 IN + \beta_2 ZOT + \beta_3 AA + \beta_4 (IN * ZOT) + \beta_5 (IN * AA) + \beta_6 (IN * ZOT * AA)$$

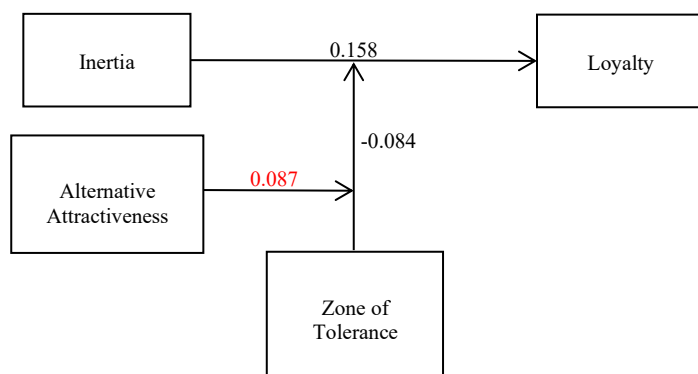
According on table 5, significant level is more than 5% or $|t| < 1.96$, so we can say $\beta_i = 0$ accepted .

Table 5: Collinearity Test and Regression results

Variable	Unstandardized Coefficients Slope (B)	Standardized Coefficients S.E. of slope	t	sig	Tolerance	VIF
Constant	0.789	-	3.600	0.000		

Inertia	0.633	0.581	15.833	0.000	0.447	2.238
ZOT	0.229	0.170	4.514	0.000	0.422	2.367
AA	-0.229	-0.201	-5.918	0.000	0.523	1.911
IN*ZOT	-0.115	-0.084	-2.158	0.032	0.394	2.539
IN*AA	0.020	0.018	0.450	0.653	0.369	2.711
IN*ZOT*AA	0.085	0.087	1.613	0.108	0.207	4.830

Figure 2: Model Testing Results



Analysis and results:

According to table 6, the result of data analysis for the first hypothesis shows that the effect of inertia ($|t| = 15.833 > 1.96$) on customer loyalty was significant and positive, and therefore, H1 was supported. Meanwhile, the ZOT and alternative attractiveness had significant effect in this model with a significant value of 0.000 lower than 0.05, but the two-way interaction effect (inertia*ZOT) on customer loyalty are rejected. As well as, the result show that the three-way interaction effects (inertia*ZOT*alternative attractiveness) on customer loyalty are rejected. On the other hand, consistent with H2, the interaction effect of inertia and the ZOT was significant ($|t| = 2.158 > 1.96$) but negative (effect value=-0.084).

Table 6: Path analysis results

Hypotheses	Path from	Path to	Path coefficient	Result
1	Inertia	Loyalty	0.78	Supported
2	Inertia*ZOT	Loyalty	- 0.084	Unsupported
3	Inertia*ZOT*AA	Loyalty	0.087	Unsupported

Discussion: Finally, with regard to the mentioned content and study of the relationship between variables it can be stated that only inertia have a relation with loyalty. In this research, three hypothesis are tested in mobile phone industry that just H1 accepted in this model. The present paper is an effective study because it provides useful information about marketing and services for the researchers and marketers. As results showed that there is positive and significant level between inertia and loyalty (amount of effect= 0.78). Additionally, there are some suggestions provided for the purpose of improving the effectiveness of the conclusions.

Managerial suggestion:

Based on the problem statement and the analyses of the study, the following points are suggested for the future studies: As the first step, a similar study can be conducted with the same variables in other service sectors (like banks and hospitals) to enhance the notions about the variables by examining the relationships between them in services and productions. Moreover, this study can be conducted on some products with different involvement of the consumers with the production. Involvement level can bring different evaluations through different motivations, information processing and decision making process. It might be followed by diverse results.

The statistical population of the present study is merely composed of students as the young spectrum and it caused the study to be conducted in different age groups because some variables might lead different conclusions in old and young groups. According to the findings of Wu and Wong (2012), a similar study can be accomplished by considering these variables with different roles such as independent variable. They regarded mediator variables of tolerance region and alternative attraction independently. Loyalty to brand, to store or to a business is highly significant for the manufacturers. They can sell their products easily and without more advertisement expenses by keeping their customers loyal. On the other hand, loyal customers are effective advertisement intermediaries who can have linguistic advertises with a low cost. The present study can be applied by the manufacturers of the mobile phones. The businesses might recognize their loyal consumers and satisfy their needs and requirements and consequently accomplish their objectives more effectively. This is because marketing begins with recognizing the customers and is persisted with satisfying their needs and desires better than the competitors. Regarding the role that customer loyalty can reduce a company's costs and can develop Worth of Moth (WOM), Then suggested manufacturer should follow suitable strategy and also The accurate recognition of continuous needs and constantly changing customer demands provided suitable goods and services that have value of performance over than level of expectation customer. Due to the fact that relationship between inertia and customer loyalty reduced with increase zone of tolerance. It shows that customers are not indifferent to small changes in service quality. Therefore the findings of this study suggest that manufacturer and provider should increase service quality as a result increase purchase intentions resulted to loyalty. And also regarding to research findings alternative attractiveness has not effect on loyalty, then increase level of inertia and satisfy customer change loyal customer. The more satisfied customers are the more loyal ones. In line with the strong positive relationship confirmed between undifferentiated and loyal customers, manufacturers are suggested to more concentrate on the product quality and brand and move toward enhancing the profitability. The findings revealed that only inertia has positive effect on. This conveys a message to the manufactures and vendors that they should more focus on the ways to attract the customer's satisfaction to improve their loyalty. Besides, comprehensive and extensive surveys should be conducted to recognize the competitors and customers. Then different suggestions about the production and services are made for diverse customers and inclusive advertisement plans are established for them. Therefore, the producers and vendors of the mobile phones are offered to be regularly aware of the customers and how their productions perform.

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