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HOW CUSTOMER SERVICE EXPERIENCE DETERS CUSTOMER SWITCHING BEHAVIOUR AND RESULTS IN BRAND LOYALTY IN A COLLECTIVIST, DEVELOPING MARKET

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1. Introduction

Vietnam is considered as one of the fastest growing smartphone markets in the South-East Asian region and is known for a strong implementation of communication technologies. Since 2010, the mobile phone market is the most rapidly growing market in the information and communication (ICT) (Vietnam: Embracing ICT for Economic Catch-up, 2014).

The penetration of smartphones in the Vietnam market made a breakthrough in 2016 standing 72 percent in urban areas and 53 percent in rural areas (Google Vietnam & Appota, 2017). The estimated potential market has been put at US$10 billion annual import value (General Statistics Office of Vietnam, 2017). Vietnam has recently concentrated on developing ICT infrastructure with an increasing investment in Internet coverage throughout the country as well as high bandwidth capacity (Nguyen, et al., 2017). One of the unique features of the Vietnamese market is that there is still an absence of direct official stores of leading brands, such as namely Samsung and Apple. Thus, all smartphones are currently distributed through the networks of local retailers (IDC Vietnam, 2015).

When overseas companies want to promote their brand as well as reduce their costs and achieve competitive advantage in a fast growing new market like Vietnam, they need to utilise their relationship with local experienced distributors and expand their network for effective distribution (Nath, 2017). Along with distribution, the retailer's credibility can be increased by offering perceived product quality to local people because local people relate to well-known local retailer brands and local retailers understand how to satisfy local consumer expectations (Echchakoui, 2016; Mosavi, 2012). However, several studies suggest that the relationship between customer satisfaction and loyalty is not straightforward (Samaha, et al., 2014; Xu-xiaoli , 2006). Thus, it is necessary to understand customer loyalty as well as the switching barrier(s) between customer satisfaction and loyalty.

Based on preceding research, the constructs such as service quality, perceived value and customer satisfaction are often considered as antecedents of customer loyalty (Chang & Thai, 2016, Dabholkar, et al., 1995, Flint, et al., 2011, Kim, et al., 2016). The interrelationships among these constructs as well as the role of switching barriers has also been examined comprehensively in various industries (Chao & Tsao, 2016; Kim, et al., 2016; Nath, 2017, Xu-xiaoli, 2006). For example, several studies have investigated the switching barrier as a moderator in the relationship between customer satisfaction and loyalty in a telecommunication service (Premkumar & Rajan, 2017), international logistics (Chao and Tsao, 2016), mobile phone market in China and Korea (Ram & Wu, 2016; Kim et al, 2016). However, the previous studies tend to rely heavily on classic scales of SERQUAL to measure service quality without considering other external factors such as cultural differences or online reviews. To date, there is a dearth of studies that analyse the customer engagement construct and its relationship to higher features such as customer loyalty in a collectivist/developing market. Thus, this research addresses the research gaps by examining: How far does a positive customer experience regarding service and product quality deter customers from switching behaviour and retain retailer brand loyalty in a collectivist/developing market?

The study concentrates on the context of developing markets and although there is an increasing demand for smartphones in developing countries (i.e there has been an 8 fold increase over the last 6 years in Vietnam), the leading global brands such as Samsung and Apple entered the market only through local distributors (Google Vietnam and Appota, 2017). Although Vietnamese consumers are highly price sensitive, which is expressed through the existence of unofficial and second-hand products, they have gradually shifted their focus to buying quality products through the increasing demand for flagship smartphones per year (IDC Vietnam, 2015). As the potential market growth is huge, it is crucial for smartphone retailers (as well as manufactures) to understand the factors that influence customer intentions. Hence, two research objectives were identified:

- To explain how consumers in a developing market, where a collectivist cultural background is evident, prioritize service elements as important factors for customer satisfaction when purchasing a smartphone from different retailers.
- To explain how consumers in a developing market, where a collectivist cultural background is evident, are influenced by external sources such as word of mouth or online reviews when exercising a purchase decision.

2. Smartphone Market Structre and Consumer Tendency in Vietnam

Although authentic smart phones are available through authorized retaillers in Veitnam, there are still a large number of second-hand products with a lower price being offered by unauthorized retaillers (IDC Vietnam, 2015). This is due to the short proximity between Vietnam and other developed markets such as Singapore and Japan; hence, along with insufficient regulations, substitute products can be imported into the Vietnam market through various ways, typically in a traveller's hand-luggage (IDC Vietnam, 2015). However, it could be suggested that this reflects the fact that there is potential for the smart phone retail sector to grow (Statista, 2016), but the pricing/cost-saving issue is something that companies need take into consideration as local consumer's buying power appears limited compared to consumers in developed markets.
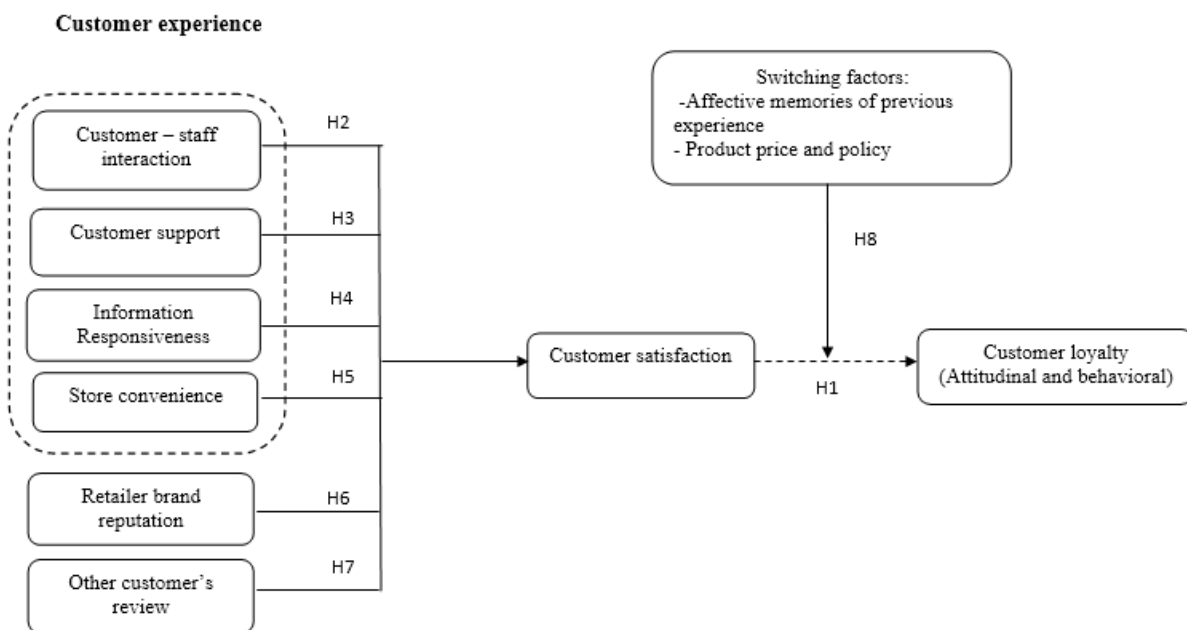
Competition in Vietnam among authorised retailers and the unauthorised retailers with their second-hand products is high. The authorised retailers differentiate themselves from unauthorised ones through comprehensive product policies. The unauthorised retailers normally do not offer a full-range product guarantee such as screen and mainboard warranty due to the high expenditure of component replacement, but the price of their product is lower than the authorised retailers.

As regards smart phone retailers interaction with their customers, it is also an important aspect that companies need to pay attention to what may attract and retain customers in developing/collectivist markets, where consumers favour an individualised relationship and attention rather than being given superior service (Wang, et al., 2008). This is why authorised retailers provide comprehensive warranty and detailed services, which allow them to compete with unauthorised counterparts. By providing a customised service, each customer receives specific care that fits their exact demand; hence, it will reduce the customer's uncertainty in shopping and build a great rapport between the retailer and the customer. As a result, when the product quality is the same, particularly among authorised retailers, it is crucial for the local distributors to establish a strong relationship with customers and build a good reputation.

In the context of a retailing service, the service providers have a greater chance to achieve a good relationship with customers because of the face-to-face interaction with individual customers, which allows the retailers to engage with buyers more fully (Seto-Pamles, 2012). By satisfying customers, the distributors tend to receive a good customer response both online and offline, which may generate a positive review and trigger brand preference with other customers (Mosavi, 2012). However, the connection between satisfaction and loyalty can be influenced by other factors such as product policy

and price discrepancy. For example, in the context of high price sensitivity and low cost, to switch among service providers such as a budgeted airline, customers are willing to change their service to another service that offers a lower price even if their current service quality is better than the alternatives (Xu-xiaoli, 2006). Therefore, it is essential to understand how the company can prevent customer switching through effectively satisfying their needs and developing brand loyalty in a collectivist/developing market. For the research, we developed a conceptual framwork. Please see Figure 1 below.

Figure 1: Research conceptual framework: Factors influencing customer satisfaction and loyalty

H1: If customers are satisfied, they are more likely remain as loyal customers to the retailer in collectivist, developing markets

H2: Delivering a high level of personalised customer service positively influences customer satisfaction in a collectivist, developing market

H3: Flawless and comprehensive customer support positively influences customer satisfaction in a collectivist, developing market

H4: Information consistency between information on the company's website and information in the store (includes face to face) positively influences on customer satisfaction in a collectivist, developing market.

H5a A widely range of product assortment positively influences customer satisfaction in a collectivist, developing market.

H5b An attractive store design with easy accessibility positively influences customer satisfaction in a collectivist, developing market.

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H6: A positively established retailer's brand influences positively customer satisfaction in a collectivist, developing market.

H7: Positive word of mouth has an impact on perception of customer satisfaction in a collectivist, developing market.

H8a: Price differences among retailers have a moderating effect on the relationship between customer satisfactions and retail brand loyalty in a collectivis,t developing market

H8b: A competitive service package (e.g. after sale service and product return policy) have a moderating effect on the relationship between customer satisfaction and retail brand loyalty in a collectivist, developing market

4. Research Methodology

To examine the conceptual model as well as test the hypotheses, we will carry out two phases – a pilot testing phase and official data collecting phase. The estimated time is around 2 months. The questionnaire utilizes a 5-point Likert scale and nominal scales to collect the data.

Population – The targeted participants for the survey consist mostly of customers aged from 20 to 45 who live in the capital area – Hanoi, Vietnam. This is for two reasons. Firstly, the urban area like Hanoi is a potential market for a wide range of retailers to establish their stores and branches. For illustration, Mobile World Group – the leading smartphone retailer in Vietnam, has opened more than 40 stores in Hanoi only to create a sophisticated distribution network for customers in this area. Secondly, customers from 20 to 45 not only consist of the major proportion of the Vietnamese population but also are considered as the most prominent smartphone users in Vietnam accounting for more than 60 percent of usage (Google Vietnam, 2013)

Sampling technique – The non–probability sampling method will be adopted for the study. Specifically, convenience and snowball sampling because of the chance of a high response rate and the limited timeframe. Although the use of the convenience sampling method may prove the biased view, it still provides an appropriate illustrative sample if the investigated organisation is popular with the public (Saunder et al, 2015). In the research context, smartphones, as has been mentioned above, have become ubiquitous in the population with penetration up to 72 percent in urban area areas (Google Vietnam & Appota, 2017). Therefore, it will strengthen the validity of the sample created by the convenience sampling method. The targeted subjects will all be approached via electronic and paper questionnaires. This method is chosen because the respondents can fill in the survey at their own convenience; hence, it can bring higher accuracy for the response (Sekaran and Bougie, 2013).

Data analysis strategy

In this study, the primary data will be analysed using two statistic programs including SPSS and AMOS. Based on that, the structural equation model is chosen to implement the data analysis for two main reasons. Firstly, SEM enables a sophisticated analysis of the quality of measurement of the theoretical concepts from which the research will specify an explicit measurement model linking each observed variable to a theoretical concept (Baumgartner & Weijters, 2017). Secondly, SEM allows the analysis to examine complex patterns of a relationship among the constructs of the proposed model as well as the specific relations between them and how well the hypothesized model represents data (Baumgartner & Weijters, 2017). The analysis is launched through three main steps:

Reliability test - The reliability test is carried out first to guarantee that the data collected is reliable enough for further statistical analysis. The items are divided into different groups to test the reliability as the order of the questionnaire. The dimensions are considered as qualified when the Cronbach Alpha is from 0.7 and above (Saunders , et al., 2015). The item is excluded if the overall Cronbach Alpha is higher without this item.

Exploratory factor analysis – This test is aimed to identify and test the arrangement tendency of all qualified items. The validity of this test is entirely based on the KMO and Bartlett's Test which must achieve the result from 0.8 and above. After that, the rotated matrix will present the allocation of all items into different main components if the loading factor of the item in that component is above 0.3 (Jöreskog, et al., 2016). The outcome of the rotated matrix is fundamental to create the representative variables later.

Statistical Regression and relationship examination – This phase utilises AMOS – an extension of SPSS, to examine the statistical relationship among independent and dependent variables. This allows to launch the SEM in detail and also solves the limitations of original SPSS in analysing moderating factors such as switching factor of the proposed concept. Through SEM, the research identify the influence path of independent variables on the dependent variable as well as how independent variables impact on each other (Baumgartner & Weijters, 2017). Furthermore, the model also tests the moderating effect of switching factor on the relation between customer satisfaction and their loyalty.

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