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CUSTOMER RETENTION: SWITCHING COST AND BRAND TRUST PERSPECTIVES

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ABSTRACT

Customer retention is analyzed from the perspective of switching cost and brand trust in this study. The sample consisted of 120 respondents who were taken based on purposive sampling were students of Master of Management at Universitas Pendidikan Indonesia (UPI) who used simPATI cellular cards. The data were analyzed using multiple linear regression analysis method. The results show that switching costs and brand trust affect customer retention partially and simultaneously. Several recommendations are described in this article for the perfection of further research.

INTRODUCTION

Companies need to strive to create customer loyalty. No exception to cellular card providers. However, customer loyalty is not enough to guarantee the company will survive, it needs real action so that customers are truly loyal to the company, which is necessary to create customer retention (Al-Rabayah, Wafaa Khasawneh, Abu-shamaa, & Alsmadi, 2017). The competition today is very fierce that the company must take action to keep customers going. One of them is by improving service. Good service quality will form brand trust (McQueen, 2012) where company characteristics, brand characteristics, customer relationship characteristics with the brand are important predictors that the company must always evaluate because all of this will lead to customer loyalty (Fatema, 2019). Brand trust plays a very important role in customer loyalty. The company's reputation is one that affects brand trust in addition to perception, experience, satisfaction and the influence of others on certain brands (Abd Aziz, 2017).

The intense competition in the cellular card market resulted in a decline in profider income. More and more profiders have sprung up, making more and more mobile cards circulating in the market. Therefore it is necessary to pay special attention to simPATI to keep customers from switching to competing cellular cards. The simPATI card professional must convince customers that the cost of switching to another cellular card is greater than if they remain loyal to simPATI. SimPATI must give advantages to customers so that they prioritize using simPATI over other cards.

Switching fees can also be considered a risk to customers, such as other cellular cards that turn out to be more expensive, time to study other cellular cards which turn out to be long, service and quality of other cellular cards which are not good. Therefore, in analyzing customer retention, it is necessary to consider switching costs and brand trust.

LITERATURE REVIEW

Customer retention is a link between customer loyalty and profitability, which is a form of loyalty related to consumer buying behavior as indicated by the high frequency of consumers buying a product (S, Muhammad, Barween, & A, 2020). The purpose of marketing to prevent customers from moving to competitors is called customer retention (Larsson & Broström, 2019) which is a form of the future tendency of customers to remain loyal and loyal to certain products or services (Kim, 2019). Customers behave to defend certain products, either because of price or well-known brands (Huarng & Yu, 2020). Thus, customer retention is the process of creating loyalty by fostering good relationships with customers (Heesup Han, Shim, Lee, & Kim, 2019).

Indicators to measure customer retention according to (Barusman, Rulian, & Susanto, 2019) are:

a. Repeat purchase is a re-purchase product at the same company.

b. Average order size is the average number of consumer purchases.

c. Purchase of multiple products or services, that is transactions by consumers on several products or services.

d. Referral to buyers in other departments or in outside companies.

Switching cost is one of the factors that contribute to maintaining relationships with customers (El-Manstrly, 2016). The switching cost strategy is important to lock customers from moving to other providers (Burnham, Frels, & Mahajan, 2003) and create consumer dependence on providers (M. V. Ngo, Phan, Nguyen, & Vu, 2019). Switching costs are costs incurred by consumers due to moving to other providers that would not be experienced if consumers remained loyal to the current provider (Christino, Silva, Moura, & Fonseca, 2019). Meanwhile, according to (Ariefin, Andarwati, & Hadiwidjojo, 2019) switching costs are costs that must be borne by consumers during the process of moving from one product/service to another product/service, which is the sum of economic, psychological and physical costs (Al-Mashraie, Chung, & Jeon, 2020).

One of the driving factors so that consumers are motivated to stick to one product choice is switching costs. The consumer's consideration when switching to another product is the implication of the cost or risk that will be received (Temerak & El-Manstrly, 2019). After switching, usually indirect costs are acquired, consumers need some time to feel.

Consumers will feel it when there are search fees, transaction fees, learning costs, losing loyal customer discounts from profider(Magnani, Manenti, & Valbonesi, 2020).

Switching cost indicators according to (Wong, Chang, & Yeh, 2019) are:

1. Procedural switching costs related to time. Its aspects are economic risk cost (costs of the risk of uncertainty that arise when receiving new products/services, evaluation costs (costs of effort and time to seek information), learning costs (costs of effort and time to learn skills and knowledge to use the new product/service), set-up cost (cost of effort and time required to initiate a relationship with a new product/service).

2. Financial switching costs related to monetary gain. Its aspects are the benefit loss cost (the cost of a contractual bond that creates more value to stay afloat), monetary loss cost (the cost of switching to a new provider).

3. Relational switching costs related to emotional factors. The aspects are personal relational loss cost (consumer emotional loss when having to break the relationship), brand relationship loss cost (consumer emotional loss when he has to break the relationship with brand identification that has been done so far).

Brand trust is a psychological variable that reflects the accumulated amount of integrity and benevolence assumptions attached to a particular brand (Atulkar, 2020). Expectations for brand reliability and trust intentions create brand trust (H. M. Ngo, Liu, Moritaka, & Fukuda, 2020) where the willingness of consumers depends on the ability of a particular brand to provide benefits and functions (Kwon, Jung, Choi, & Kim, 2020) thereby reducing uncertainty about the brand.

Building and maintaining brand trust is at the heart of brand equity, as it is a key characteristic of a successful long-term relationship between a company and its customers. Trust is the driving force for the emergence of loyalty because it can create a very valuable exchange of relationships so that brand loyalty does not only focus on attitudes towards a brand, but also relates to repurchase behavior. Therefore, brand loyalty underlies a continuous relationship and maintains the valuable and important relationship created by trust (Anaya-Sánchez, Aguilar-Illescas, Molinillo, & Martínez-López, 2020).

When someone has trusted the other party, they are sure that hopes will be fulfilled and there will be no disappointment. Trust comes from consumer expectations of the fulfillment of brand promises. When their hopes are not fulfilled, their trust will decrease or even disappear. When consumer confidence is lost, it will be difficult for companies to grow back. Consumer trust in brands affects purchase interest, because consumers have a more cautious attitude towards unknown brands. It can be concluded that brand trust is the desire of consumers to trust a brand and feel safe with all kinds of risks so that it can provide positive results in accordance with their expectations (Marliawati & Cahyaningdyah, 2020).

There are 2 (two) indicators of brand trust (Putra & Ningrum, 2019), they are:

1. Brand reliability (consumer confidence that the brand is able to meet the promised value (need and satisfaction) and avoid bad feelings for the brand.

2. Brand Intentions (consumer belief that brands are able to prioritize consumer interests when problems in product consumption arise unexpectedly. Thus, companies prioritize consumer needs and will not take advantage of consumer ignorance.

RESEARCH FRAMEWORK

Switching costs are one of the evaluations for consumers on cellular card services, namely transfer costs related to time, risk, material due to moving to another cellular card. There are physical, economic and psychological elements in the switching costs where consumers bear the costs of moving from one provider to another. If switching costs are high, consumers are less likely to switch and will instead use another cellular card if the switching costs are low. Now this is what consumers call a certain cellular card which could be due to high switching costs. Apart from switching costs, another factor that can influence is brand trust. Consumers will assess the ability of a cellular card whether it provides the benefits and functions as promised so that they believe and will survive a certain cellular card or may even switch to another cellular card because the supplier has broken promises of the benefits and functions that should be provided to consumers. So trust will create a long-term relationship between consumers and professionals. The framework showed in Figure 1.

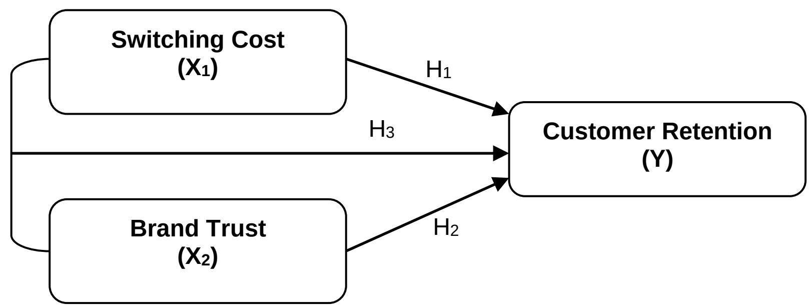

Figure 1. Research Framework

HYPOTHESIS

1. Switching costs affect customer retention of simPATI cellular cards for Masters students in Management at UPI.

2. Brand trust affects customer retention of simPATI cellular cards for Masters students in Management at UPI.

3. Switching cost and brand trust together have an effect on customer retention of simPATI cellular cards for Masters students of Management, UPI.

RESEARCH METHODS

This study involved 120 respondents as a sample taken with a purpose according to research objectives. They are UPI Management Masters students who use simPATI cellular cards which are then analyzed using the multiple linear regression analysis method. The three variables analyzed are as follows:

1. Switching costs (X_1) are costs incurred by consumers due to switching to other service providers that will not be experienced if consumers remain loyal to the current service provider. The indicators are procedural switching costs, financial switching costs, relational switching costs.

2. Brand Trust (X_2) is the desire of consumers to believe in a brand and feel safe with all kinds of risks, because there is an expectation that the brand can provide positive

results that match their expectations. The indicator is brand reliability, brand intentions.

3. Customer retention (Y) is all forms of activity carried out by a company to maintain continuous interaction with customers. The indicators are repeat purchases, average order size, purchase of multiple product services, referrals to buyers in other departments or in outside companies.

RESEARCH RESULTS AND DISCUSSION

RESEARCH RESULTS

Results of Multiple Linear Regression Analysis

Table 1. Results of Multiple Linear Regression Analysis

Coefficients[a]				
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	2.039	.477	
	Switching Cost	.278	.096	.250
	Brand Trust	.180	.066	.236

Table 1 showed that the multiple linear regression equation obtained is as follows:

Y = 2.039 + 0.278 X1 + 0.180 X2 + e

The explanation is as follows:

1) The constant has a regression value of 2.039, meaning that if the switching cost (X_1) and brand trust (X_2) are considered zero, the increase in customer retention is 2.039.

2) Switching cost (X_1) has a regression coefficient of 0.278 in a positive direction, meaning that for every 1 Rupiah increase in switching costs, there will be an increase in customer retention by 27.8%.

3) Brand trust (X_2) has a regression coefficient of 0.180 in a positive direction, meaning that every increase in one unit of brand trust, there will be an increase in customer retention by 18%.

The Results of Simultaneously Test

Table 2. The Results of Simultaneously Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.738	2	1.369	8.281	.000[b]
	Residual	19.338	117	.165		
	Total	22.076	119			
a. Dependent Variable: Customer Retention						
b. Predictors: (Constant), Brand Trust, Switching Cost						

Based on the Table 2, it is found that the Fcount value of 8.281 is greater than the Ftable of 3.07 and with a significance level of 0.000 < 0.05. Because Fcount>Ftable which means that H0 is rejected and Ha is accepted, it can be concluded that switching costs and brand trust together have an effect on customer retention of simPATI cards in UPI Management Masters students.

The Results of Partially Test

Tabel 3. The Results of Partially Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.039	.477		4.278	.000
	Switching Cost	.278	.096	.250	2.885	.005
	Brand Trust	.180	.066	.236	2.718	.008

Table 3 explains that the results of the t test of this study are:

a) Effect of Switching Cost on Customer Retention

The t value for the Switching Cost variable is 2.885, which is greater than t table (1.98) with a significance of 0.005 less than 0.05. It means that Switching Cost has a significant influence on Customer Retention.

b) The influence of Brand Trust on Customer Retention

The t value for the Brand Trust variable is 2.718 greater than the t table (1.98) with a significance of 0.008 less than 0.05. This means that Brand Trust has a significant influence on Customer Retention.

The Results of Determination Coefficient Test

Tabel 4. The Results of Determination Coefficient Test

Model Summary[b]				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.352[a]	.124	.109	.40655
a. Predictors: (Constant), Brand Trust, Switching Cost				
b. Dependent Variable: Customer Retention				

Table 4 shows that the coefficient of determination test results show that the value of R2 is 0.124 which indicates that Switching Cost and Brand Trust explain Customer Retention only 12.4%, while the remaining 87.6% is explained by other factors outside of this study.

DISCUSSIONS

The results showed that switching costs have an influence on customer retention. This is in line with (Wahyuni, Arifin, & Slamet, 2020) which states that switching costs partially have a significant effect on customer retention with dominant results compared to other variables (service quality, satisfaction, trust in brand). The sample involved was 50 respondents, namely simPATI card users for more than 1 year and who had been to GraPARITelkomsel Malang. Supported by (Nanda, Evanita, & Septrizola, 2019) which states that switching barriers have a significant effect on customer retention, namely 100 students using simPATI cards at Padang State University. They suggested that simPATI members benefit more, maintain good reputation, improve service quality so that barriers to switching are getting bigger and not switching to another card.

Brand trust also has an influence on customer retention in this study. This is in accordance with (Nwokah & Owuso, 2016) which proves that brand trust has a strong relationship with customer retention besides word of mouth on 474 respondents, namely car dealer customers in Port Harcourt, Nigeria. They suggest that further researchers expand the research area to other countries (developed and developing) so that it can be generalized and also to other products / services. This is in line with (Simarmata, Keke, Veronica, Silalahi, & Benková, 2017) who found that customer trust has a positive effect on customer retention in addition to service quality, brand image, customer satisfaction in Indonesian aviation research. A total of 417 passengers became research respondents and they recommended that the airline management provide excellent service and maintain good relations with passengers in order to create trust and even use this airline again.

CONCLUSION, LIMITATION, IMPLICATION AND RECOMMENDATIONS

Conclusions

1. Switching Cost affects Customer Retention of simPATI cellular cards for UPI Management Masters Students.

2. Brand Trust affects Customer Retention of simPATI cellular card products for UPI Management Masters students.

3. Switching Cost and Brand Trust jointly affect Customer Retention of simPATI cellular cards for UPI Management Masters Students.

Limitations

1. The unit of analysis is only students at certain universities
2. There were only 120 respondents who still did not describe the real situation
3. The object of research is only the simPATI card which should be some other cellular card so that we can get a comparison
4. The analysis method is only multiple linear regression which may be able to use other methods that provide more accurate research results

Implications

Provide input to simPATI management to take action to retain customers in the aspects of switching costs and brand trust. Apart from that, it serves as a reference for other researchers who wish to conduct similar research or broad-based marketing research which includes related variables in different research objects.

Recommendations

1. Switching costs need to be paid attention to by professionals by improving the quality of simPATI services, such as access speed levels that match tariffs, extensive networks according to tariffs, so that consumers are reluctant to switch to other providers.

2. Brand Trust needs to be formed by increasing brand reputation, attention and supervision of the suitability of the products offered by providers and products received by consumers so that consumers will have more confidence in reusing imPATI cards and can even build loyalty.

3. Further and more in-depth research on customer retention should be conducted by including other variables such as trust, reliability, empathy or other dimensions of service quality.

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