CONSUMER SWITCHING INTENTION, WHAT FACTORS THAT AFFECTS IT?

[1]SITI KHOIRIYAH, [2]LILIK WAHYUDI, [3]MUH JUAN SUAM TORO, [4]AMINA SUKMA DEWI

[1,2,3,4]Faculty of Economics and Business Universitas Sebelas Maret, Central Java, Indonesia
E-mail: [1]sitikhoiriyah_feb@staff.uns.ac.id

Abstract - This study proposes a conceptual framework to investigate the antecedents of switching intention. Using purposive sampling, 152 small medium enterprises are involved as respondent. Structural equation modeling (SEM) analysis is employed to analyze the hypothesis formulated. The antecedents of switching intention are satisfaction, switching benefits, switching cost, and perceived switching value. The results indicate that switching benefits and perceived switching value have significant and positive effect on switching intention. Meanwhile, switching cost has significant negative effect on switching intention. Moreover, switching cost and switching benefit both have significant effect on switching intention, but has a different direction of effect. In this study, satisfaction with the fuel used previously has no effect on the switching intention.

Keywords - Perceived Switching Value, Satisfaction, Switching Benefits, Switching Cost, Switching intention.

I. INTRODUCTION

Switching intention is an interesting topic to be studied in marketing field. Companies always try to offer superior customer value so that their customer stays loyal to their company. Therefore, the reason why companies are market oriented is to keep customer satisfaction. This due to customer dissatisfaction is one of the factors that lead to brand switch (Kotler, 2003).

Peter and Olson (2000) define switching intention as a purchasing pattern that characterized by a change or switch from one brand to another. While Schiffman and Kanuk (2000) define switching intention with a group of shoppers who perform product switch from one choice to another. Switching intention or switcher behavior is defined as freedom in choosing a certain item preferred. Switching intention is highly identical with brand switching. Brand switching refers to Assael (1998) who explains it as a moment when a consumer or a group of consumers switch their loyalty from one brand to another. Consumers in this case leave a brand and purchase products from a new brand.

Brand switching also appears as a result of variety seeking. According to Hoyer and Ridway (1984) in Ranto (2014), consumer's decision to switch from a brand is not only affected by the need of variety seeking, but also affected by various factors such as decision strategy, situational and normative factors, dissatisfaction on previous brand, and problem-solving strategy. Consumers who is attached to a brand on cognitive level is the most susceptible consumers to perform brand switching due to marketing stimulus (Dharmmesta, 1999).

In this study, the variables that is suspected to affect respondents' switching intention are: satisfaction on previous consumed product (satisfaction), benefit that will be gained after switching (switching benefits), the cost bore for switching (switching cost), and perceived switching value (Hsu, 2013).

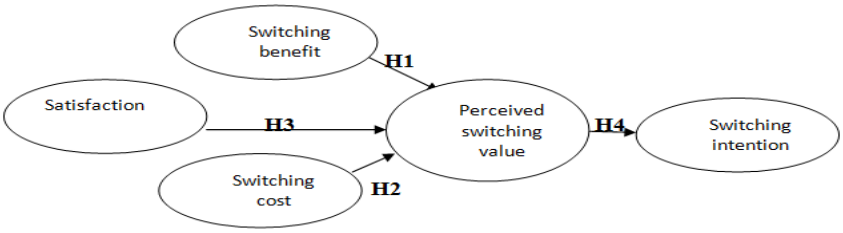
II. METHOD

This study involves 152 SMEs as respondent. The primary data is collected by distributing questionnaire to the respondents. The sampling method employed in this study is purposive sampling, in which the respondents are chosen based on certain criteria.

The instrument used in this study is adopted from previous studies (Hsu, 2013). The answer to all the questions is measured using ordinal scale in Likert scale. The answer to "very agree" were scored 5, "agree" were scored 4, "neutral" were scored 3, "disagree" were scored 2, and "very disagree" were scored 1. The unit analysis in this study is individual. To test the model, the researchers employ Structural Equation Modeling (SEM) analysis.

Study Model

The model in this study is adopted from Hsu (2013) as presented in Figure 1 as follows:



Figure

1: Study Model

RESULT AND DISCUSSION

Based on their age, 9.2% of respondents are below 30 old. The majority of the respondents (32.9%) are 30-39 years old, and respondents over 59 years old have the smallest percentage (8.6%).

Age	Number of Respondents	Percentage
below 30 years old	14	9.2%
30-39 years old	50	32.9%
40-49 years old	43	28.3%
50-59 years old	32	21.1%
over 59 years old	13	8.6%
Total	**152**	**100%**

Source: Processed Primary Data, 2015
Table 1: Description of Respondents Based on Age

While from education level, most of the respondents are elementary school or equal to elementary school graduates (38.8%), followed by senior high school or equal to senior high school graduates (31.6%). The respondents who have never graduated from any education level constitute 3.3% of the respondents.

Education Level	Number of Respondents	Percentage
D3 and above	16	10.5%
Senior High School and its equivalent	48	31.6%
Junior High School and its equivalent	24	15.8%
Elementary School and its equivalent	59	38.8%
Do not attending school	5	3.3%
Total	**152**	**100%**

Source: Processed Primary Data, 2015
Table 2: Description of Respondents Based on Education Level

The instrument used in this study is tested with validity and reliability analysis. The validity is assessed using factor analysis with varimax rotation, while the reliability test is performed using Cronbach Alpha technique. The result from testing shows that all question items are extracted perfectly and have factor loading > 0.4 and Cronbach Alpha value of > 0.6. These results are the required critical value (Sekaran, 2006).

Hyphothesis Testing

The hypothesis testing is performed using SEM. The study model is as follow:

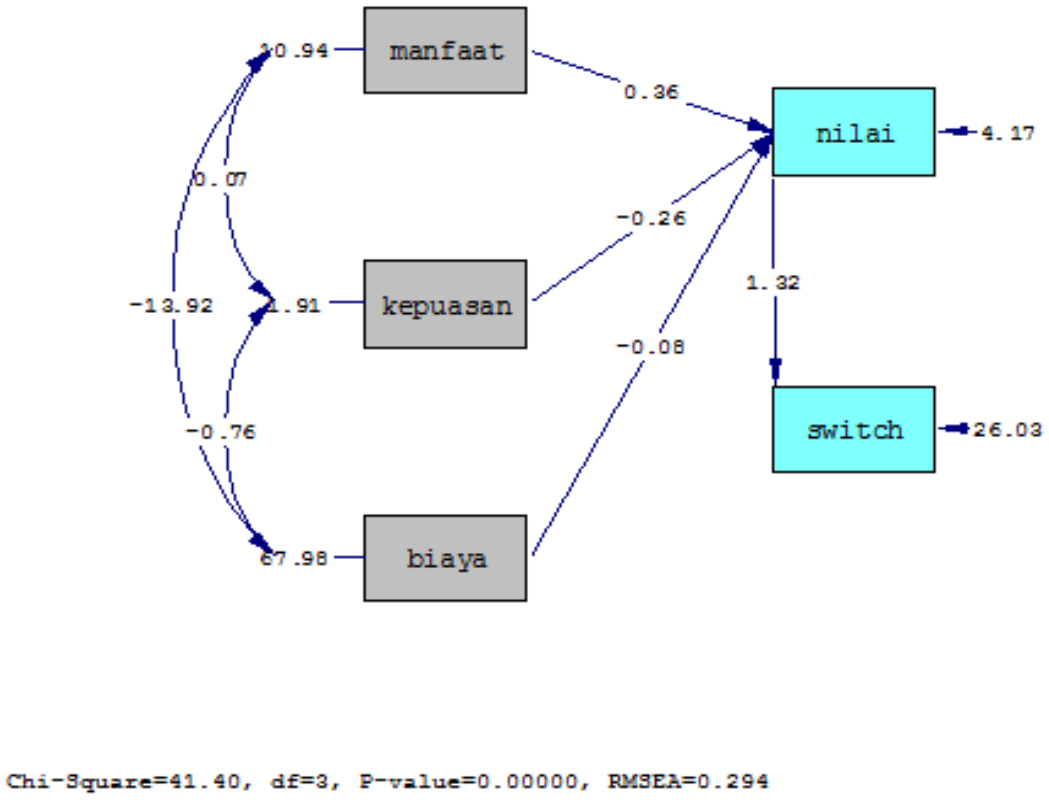


Figure 3 Structural Model

At the first stage of testing, we perform goodness of fit index testing. The result of goodness of fit index is as follow:

Index	Critical Value	Result	Explanation
$\chi 2$	Expected to be low	41,40	
Probability level	< 0.05		
df	Positive		
CMIN/DF	≤ 2.0 / ≤ 3.0		
GFI	≥ 0.90	0,9	Very Good
AGFI	≥ 0.90	0,51	Poor
IFI	≥ 0.90	0,83	Marginal
RFI	≥ 0.90	0,42	Poor
CFI	≥ 0.90	0,83	Marginal
RMR	≥ 0.03	0,11	Very Good
RMSEA	≥ 0.03	0,29	Very Good
TLI	≥ 0.90		
NFI	≥ 0.90	0,83	Marginal

Source: Processed Primary Data, 2015
Table 3: The Result of Goodness of Fit Index Testing

The result of goodness of fit model testing above has met the predetermined standard. Thus, the model proposed can be used in hypothesis testing. However, the result of hypothesis testing is as follows:

Relationship Between Variables	CR Value	Explanation
Switching benefit → perceived switching value	6.11	Significant effect
Switching cost → perceived switching value	-2.14	Significant effect
Satisfaction → perceived switching value	-3.25	Significant effect
Perceived switching value → switching intention	8.60	Significant effect

Source: Processed Primary Data, 2015
Table 4

a. H1: The Effect of Switching Benefit on Perceived Switching Value

Based on Table 4 above, the CR value for the effect of switching benefit on perceived switching value to biogas is 6.11 and is significant at 1% (≥2.56) level. This result indicates that there is a positive and significant relationship between the variables tested. Thus, hypothesis 1 is **empirically supported.**

This result also provides a conception that the higher the switching benefit, the higher the perceived switching value. If somebody can feel the benefits from a new brand in the form of social benefit, economical benefit, product quality improvement, and other emotional benefits, then the higher is the expedient, value, and benefit they will perceive. Likewise with SMEs of kripik tempe (tempe crips) decision to switch from firewood to biogas, if SMEs owner get high value from biogas, then their perception towards biogas will be higher.

b. H2: The Effect of Switching Cost on Perceived Switching Value

The CR value of -2.14 indicates a significant negative effect of switching cost on perceived switching value. Thus, **empirically, hypothesis 2 is supported.** This result support Hsu (2013) study result. This shows that the higher the discomfort felt by the community, a real uncertainty, the rise of new costs that should by borne, and the high involvement and efforts (switching cost), then the perceived switching value from firewood to biogas will be lower.

c. H3: The Effect of Satisfaction to Previous Brand on Perceived Switching Value

Based on Table 4 above, the CR value for the effect of satisfaction on perceived switching value is -3.25 and is significant at 1% (≥2.56) level, this indicates a significant negative relationship between the variables tested. This result support Hsu (2013) study result. Thus, **hypothesis 3 is empirically supported.**

The result of H3 testing in this study shows that if somebody feels satisfied, happy, and cheerful toward the brand they currently used, then the lower the perceived switching value. Similarly in this study context, the higher the satifaction felt by SMEs of kripik tempe on firewood, the lower is the perceived switching value they feel toward biogas.

d. H4: The Effect of Perceived Switching Value on Switching Intention

Table 4 above shows CR value for the effect of perceived switching value on intention to switch of 8.60 significant at 1% (≥2.56) level, this indicates a significant positive relationship between the variables tested. Thus, **hypothesis 4 is empirically supported.** This study result support Hsu (2013) study result.

This result provides an illustration that the higher the perceived switching value felt by the community, either social benefit, economcal benefit, and product quality, the switching intention from firewood to biogas will be higher.

CONCLUSION

From the analysis results, we can draw a conclusion that: switching benefits and perceived switching value is significantly and positively affect switching intention. While, switching cost and satisfaction is significantly and negatively affect switching intention.

REFERENCES

[1] Assael, Henry (1998), *Consumer Behavior and Marketing Action,* International Thompson Publishing

[2] Gao, Tao, Leichter G, dan We, Yinghong (2012), Countervailing Effect of Value and Risk Perceptions in Manufacturers' Adoption of Expensive, Discontinous Innovations, *Industrial Marketing Management,* Vol 41 Page: 659-668

[3] Ghozali, Imam (2004), *Model Persamaan Struktural, Konsep dan Aplikasi dengan Program Amos Ver 5,0,* Semarang: Badan Penerbit Universitas Diponegoro

[4] Goodwin, Stephen A (2009), The Conseptand Measurement of Perceived risk: Marketing Aplication in The Context of The New Product Development Process, *Proceeding of ASBBS* Volume 16 Number 1

[5] Hair, Joseph F, JR, Rolph E Anderson, Ronald L Tatham and William C Black (1998), *Multivariate Data Analysis, 5th ed,* USA: PrenticeHall International, Inc.

[6] Hsu, Jack Shih-Chieh (2013), understanding the role of satisfaction in the formation of perceived switching value, *Decision Support System Journal,* Elsevier Vol 59 Page: 152-162

[7] http://www.esdm.go.id/berita/umum/37-umum/2957-program-desa-mandiri-energi-dme-departemen-esdm.html Program Desa Mandiri Energi (DME) Departemen ESDM

[8] *http://Beritadaerah.co.id//Akbar Buwono/Regional Analyst at Vibiz Research/VM/BD* Kebutuhan Minyak Bumi Dalam Negeri Melebihi Jumlah Produksi Nasional,

[9] Kotler, Philip (2000), *Marketing Management,* NY: McGraw Hill

[10] Peter, J. Paul dan Jerry C Olson. 2000. Consumer behavior: Perilaku Konsumen Dan Strategi Pemasaran Jilid 1. Edisi Keempat. Jakarta: Erlangga..

[11] Schiffman and Lazar Kanuk, 2000, *Costumer behaviour,* Internasional Edition, Prentice Hall

[12] Sekaran, Uma (2006), *Research Method Business,* Hermitage Publishing Services

[13] Zeithaml, Valery A (1988), Consumer Perceptions of Price, Quality, and Value: A Means-End and Synthesis of Evidences, *Journal of Marketing,* Vol 52 Page: 2-22

★★★