Online loyalty and its interaction with switching barriers

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A R T I C L E   I N F O

Article history:
Received 30 April 2013
Received in revised form 26 August 2014
Accepted 27 August 2014
Available online 20 September 2014

Keywords:
Online switching barriers
Online switching inducements
Online loyalty

A B S T R A C T

The results of empirical research on online retail switching tendencies is quite mixed and only a few have specifically examined the presence, frequency or impact of switching barriers and switching inducements in the context of online services. Empirical evidence shows that there is “stickiness to certain sites” experienced by online customers and that they do less comparative shopping than might be expected. This paper conceptualises online switching behaviour as the interaction of barriers and inducements (both real and perceived) using Oliver’s four-stage loyalty model. It also highlights the need to re-examine the concept of online loyalty and its interaction with switching barriers and inducements in the online context.

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1. Introduction

The online retail market is a very important channel of choice for customers worldwide. According to a report by the Boston Consulting Group (2012), the internet economy of the G20 countries is expected to grow at more than 10 percent annually for the next five years and contribute US $4.2 trillion to the combined GDP of these countries in 2016. Thus, it is not surprising that there is a huge interest in enhancing the understanding of factors involved in building online customer retention. Out of these, switching barriers (SBs) have emerged as one of the most important factors for online retailers to consider.

Unlike the physical brick and mortar shops, where there is a greater opportunity for building relationships (Bansal et al., 2004), retaining customers online is considered more difficult due to the non-personal and transaction-based nature of the interactions. Varadarajan et al. (2008) notes that the relative ease of switching online accentuates the importance of building and maintaining SBs. However, the findings emerging from empirical research on online switching behaviour is quite mixed. For example, Jones et al. (2000) found that switching barriers were important factors influencing customers repurchase intentions under certain circumstances. On the other hand, Holloway (2003) concluded that switching costs (one of the categories of SBs) are unimportant and negligible.

Even though the concept of SBs has been discussed quite extensively in marketing literature with commendable attempts to explore the influence of SBs in the online market environment (Balabanis et al., 2006; Goode and Harris, 2007; Holloway, 2003; Li et al., 2007; Tsai and Huang, 2007; Yang and Peterson, 2004), there is still a lack of consensus in terms of its definition, categories and even measurement of the constructs. Furthermore very little effort was made to identify and measure SBs specific to the online services sector. In view of this, it was considered important to examine consumer switching behaviour from an online services sector perspective from both academic and practical perspectives. There is also a widespread assumption that switching barriers are almost negligible in the online shopping context (Bakos, 1997). The popularity of online shopping is supposed to have created a level playing field where ‘competitors are just one click away’. While most retailers acknowledge that having a loyal online customer base is important and beneficial, a large number of online retailers lack a knowledge of the strategies required to retain customers and develop loyalty (Wilcox and Gurau, 2003). This indicates that developing loyalty is not as straightforward as some studies have suggested.

This paper attempts to integrate past studies into a theoretical framework for understanding and to classify customer switching behaviour, which is conceptualised in this paper as the interaction between SBs and the four-stages of loyalty based on Oliver’s (1997)
model. It is expected to contribute to a clearer understanding of the role of switching barriers and the link to online customer loyalty.

2. Customer loyalty

Marketing practitioners and academics alike have emphasised that the most important goal of marketers is to generate customers who are committed repeat-purchasers – in other words, customers who are loyal. This is crucial for the success of a firm because loyal customers enhance the firm’s profitability (Reichheld and Teal, 1996), market share (Chaudhuri and Holbrook, 2001) and increase shareholder value (Sindell, 2000). Oliver (1999) described customer loyalty as the overall attachment and deep commitment to product, brand, organisation or retailer.

The different phases of loyalty have been explored in quite some detail (Jacoby and Chestnut, 1978; Dick and Basu, 1994). According to Harris and Goode (2004), one of the most comprehensive appraisals of loyalty construct was provided by Oliver (1997) who conceptualised loyalty as developing in four phases, namely, cognitive loyalty, affective loyalty, conative loyalty and action loyalty. It was postulated (but not empirically tested) that loyalty is not achieved until a customer shows high consistency throughout the four distinct phases of loyalty (Oliver, 1997). There is a need to examine the four phases, namely, cognitive loyalty, affective loyalty, conative loyalty and action loyalty from an online marketing perspective.

2.1. Cognitive loyalty

Cognitive loyalty (loyalty based on cognition only) refers to the belief that a particular online retailer is preferable to others, a belief based solely on the information that customers have about a retailer’s functional characteristics, such as costs and benefits (Oliver, 1997; Harris and Goode, 2004). In this phase customers are mostly exercising rational switching behaviour, weighing the costs and benefits of both firms and competitors’ offerings. Oliver (1997) argues that customers operating only at a cognitive level of loyalty will be highly vulnerable to competitors’ inducements. This is more so in the online market context where agent-based services such as shop-bots exist, which aggregate information on products and competitors, and which make switching decisions easier for cognitive loyal customers (Pedersen and Nysveen, 2001).

2.2. Affective loyalty

Affective loyalty involves a liking for or a favourable attitude towards a brand, based on cumulative episodes of experienced satisfaction. Attitude is a function of cognition, so affective loyalty is stronger than cognitive loyalty and is based on the customers’ cumulative experience of satisfaction that leads to a positive attitudinal shift (Oliver, 1997). Customers can develop a high relative attitude (‘like’) to an online retailer whilst still remaining receptive to other competitors’ overtures. A study looking at the antecedents of customer loyalty towards e-mail service providers, found that emotions indirectly influence affective loyalty. The authors concluded that customer loyalty could be enhanced by investing in customer emotions and e-trust (Ranganathan et al., 2013).

2.3. Conative loyalty

Conative loyalty refers to customer’s behaviour al intention to keep purchasing a brand in the future. Having a favourable attitude towards a brand (effectively loyal) may not necessarily lead to intention to buy (conatively loyal) the brand in the future. Although conative loyalty is stronger than affective loyalty, customers may still consider alternative offerings (Oliver, 1999). However, the likelihood of buying due to other online competitors’ inducements is lower when compared to cognitive and affective loyalty.

2.4. Action loyalty

This is the final phase of loyalty, which relates to transforming intention into action, and the readiness of the customer to overcome obstacles to purchasing a brand. Similar to physical market environment, the behaviour of customers online will become routine after some time as they become accustomed to purchase with a particular site. Once that happens, the decision process becomes ‘habitual’ (Fornell, 1992). Oliver (1997) further argues that this habit or ‘routinised response behaviour’ of action-loyal customer means that they are almost immune to competitors’ inducements to switch, as they will engage less (if not at all) in any search for and evaluation of competitors’ marketing communication. In the online context, the vast majority of online customers bookmark their favourite retailers’ websites and visit them more than those of competitors (Anderson and Srinivasan, 2003). Over time, as trust is established, the positive influence of satisfaction on loyalty will increase significantly and the customer will transit from problem solving to relying on well-established habitual purchasing behaviour (Johnson et al., 2003). In other words, the behaviour of customers online will become routine after some time as they become accustomed not only to purchasing through a particular retailer’s website, but also to navigating around it.

3. Switching barriers

The concept of SBs has been discussed quite extensively in marketing literature. However, there is a lack of consensus in terms of its definition, categories and even measurement of the constructs (Balabanis et al., 2006; Goode and Harris, 2007; Holloway, 2003; Li et al., 2007; Tsai and Huang, 2007; Yang and Peterson, 2004). A synthesis of past empirical research of SBs in the online environment context is provided in Table 1.

It is obvious from the table that there are almost as many perspectives of switching barriers as there are researchers. Although most authors agree that switching barriers is conceptually a multidimensional construct encompassing several categories and dimensions, some authors utilise only one global measure of switching barriers (Ranaweera and Prabhu, 2003; Shin and Kim, 2008). Fornell (1992) argued that a direct measure of switching barriers is difficult to obtain as switching barriers include all costs associated with deserting one supplier in favour of another. Thus, SBs constitute all the reasons that prevent or hinder customers from switching to competitors. On the other hand, SBs were defined by Jones et al. (2000) as “any factor that makes it more difficult or costly for consumers to change provider”. Specifically, it is the extent to which customers experience a sense of being locked into the relationship with a service provider because of the economic, social and psychological costs associated with switching (Allen and John, 1990; Tsai and Huang, 2007). Due to the perceived extra costs of switching, these barriers reduce the likelihood of customers leaving the service provider, although certain factors like below-average service performance may encourage this (Jones et al., 2000). This paper has adopted SBs based on Jones et al. (2002), who has divided customer perceived SBs into three major components, namely, perceived switching cost, attractiveness of available alternatives and interpersonal relationships. However, an examination of customers who shop
Table 1
Empirical research on switching behaviour in the online service environment.

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Switching barriers measured</th>
<th>Context and findings</th>
<th>Primary contributions</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhang et al. (2008)</td>
<td>Attractive alternative - Sunk costs</td>
<td>Blog service</td>
<td>Examining switching barriers of blog service providers based on Bansal et al.'s (2005) push-pull-mooring framework</td>
<td>Attractive alternative is a strong factor affecting intention to switch</td>
</tr>
<tr>
<td>Goode and Harris (2007)</td>
<td>Switching costs - Switching inducements</td>
<td>Research agency database: consumers of online book website</td>
<td>Examining the antecedents of behavioural intentions with both switching costs and switching inducements as moderators</td>
<td>Switching inducement moderates the relationship between (a) 'favourable interpretation of firm's banner advertisements' and (b) 'perceived online security' and conative loyalty</td>
</tr>
<tr>
<td>Li et al. (2007)</td>
<td>Comparison level of alternative - Non-retrievable investment</td>
<td>Internet users: student subjects</td>
<td>Distinguish stayers and switchers along five relationship dimensions according to Wilson's (1995) model</td>
<td>The decision to stay or leave a website depends on the level of commitment, trust, satisfaction, comparison level of alternative non-retrievable investment</td>
</tr>
<tr>
<td>Tsai et al. (2006)</td>
<td>Expected value-sharing - Perceived switching costs - Community-building</td>
<td>Customers of an e-retailer in Taiwan</td>
<td>Testing a conceptual framework that considers the antecedents of switching barriers and overall satisfaction, and their roles as drivers of online customer retention</td>
<td>Perceived switching costs and community building exert the greatest impact on repurchase intentions through switching barriers and overall satisfaction</td>
</tr>
<tr>
<td>Balabanis et al. (2006)</td>
<td>Convenience, economics, emotional, speed, familiarity, unawareness, parity</td>
<td>Online shoppers: student subjects</td>
<td>Examines switching barriers and satisfaction as the antecedents of online loyalty</td>
<td>Impact of switching barriers varies at different levels of customer satisfaction</td>
</tr>
<tr>
<td>Yang and Peterson (2004)</td>
<td>Switching costs</td>
<td>Online financial and retailing services</td>
<td>Examines the moderating effects of switching costs on customer loyalty through satisfaction and perceived value</td>
<td>The moderating effects of switching costs on the association of loyalty and satisfaction and perceived value are significant when the level of satisfaction or perceived value is above average</td>
</tr>
<tr>
<td>Thatcher and George (2004)</td>
<td>Artificial costs - Learning costs - Transaction costs</td>
<td>GVU datasets of web users</td>
<td>Exploring the direct influence of switching costs toward web shoppers' commitment</td>
<td>Vendor may foster commitment if strategies are focused on increasing transaction costs and satisfaction. Vendor may be vulnerable to new entrants when focusing on artificial costs</td>
</tr>
<tr>
<td>Chen and Hitt (2002)</td>
<td>Relationship service - personalisation - Overall costs</td>
<td>Online brokerage</td>
<td>Measures the level of switching costs and brand loyalty for online service providers using random utility modelling framework</td>
<td>Online consumers' system usage and the breadth and quality of alternative online service providers were significant predictor of switching behaviour</td>
</tr>
<tr>
<td>Mathwick (2002)</td>
<td>Switching effort - Contract barriers - Continuity barriers</td>
<td>GVU datasets: experience online shoppers</td>
<td>Exploring the perceived magnitude of switching costs on four groups of online shoppers</td>
<td>The stronger the exchange norms governing online interaction, the higher the real or perceived switching costs created through contract, continuity barriers, or perceived switching effort</td>
</tr>
</tbody>
</table>

Online would require modifications and adaptations in terms of measurements.

Customers' perceptions of SBs will influence their behaviour, not objective barriers (Morgan and Hunt, 1994) and as such SBs in this paper specifically refer to SBs as perceived by customers. Some of the barriers identified in previous literature include perceived switching costs (Burnham et al., 2003; Jones et al., 2002), perceived risks (Fornell, 1992), interpersonal relationships (Jones et al., 2000), the attractiveness of alternatives (Jones et al., 2000), switching inducements (Grace and O'Cass, 2001; Keaveney, 1995) and so on.

The concept of switching barriers is well established and has started to attract interest in recent years. There have been some commendable attempts to explore the influence of SBs in the online market environment (Balabanis et al., 2006; Goode and Harris, 2007; Holloway, 2003; Li et al., 2007; Tsai and Huang, 2007; Yang and Peterson, 2004). These include few studies have also looked at online SBs by incorporating variables which had been identified in earlier (offline) studies into their overall conceptual frameworks. For instance, Goode and Harris (2007), while looking at the factors which influences and moderates online behaviour al intentions, found that switching barriers and inducements moderate the link between all the antecedents studied. Furthermore, Tsai et al. (2006) found that SBs mediate the links between the antecedents of several types of switching behaviour and customer retention in the online environment. However, the review of the literature revealed several conceptualisation and operationalisation issues with respect to switching barriers, prompting the focus in this study on further exploration of the very nature of the concept and its role in promoting online customer retention. Furthermore, very little effort was made to identify and measure SBs specific to the online service environment.

By looking at the interaction between loyalty and switching barriers, several studies confirm the relationship between SBs and customer retention (Balabanis et al., 2006; Goode and Harris, 2007; Jones et al., 2000; Li et al., 2007; Tsai et al., 2006). There is some evidence that switching barriers are positively related to loyalty (Ping, 1993, 1997) and Fornell (1992) was one
of the pioneers to consider SBs as an important factor besides satisfaction, in influencing customer loyalty. Hirschman (1970) also argues that the loyalty tendency will increase when there are limited options to exit a relationship and when the SB is high. Intuitively, there should be some distinction in the nature of loyalty when a customer ‘wants’ to stay with a relationship because of firm’s service superiority as compared to a customer ‘having’ to stay because of firm’s monopoly or market power (see Hirschman, 1970; Julander and Söderlund, 2003). Thus, following the reasoning provided by Jones et al. (2007), we divide SBs into two, namely, negative barriers and positive barriers.

3.1. Attractiveness of available alternatives

According to Oliver (1997, p. 395), consumers operating at the cognitive level are hypothesised to be more susceptible to switching caused by marketing overtures. The attractiveness of available alternatives (AAA) construct is defined as the customer perceptions with regards to the extent to which viable competing alternatives are available in the marketplace (Jones et al., 2000). This construct is based on the customer’s perception of other available companies who could alternatively provide the product or service in question. As such, it is not a measure of actual intensity of competition but rather the attractiveness of possible alternatives as perceived by customers (Holloway and Beatty, 2003).

Past research on channel relationships has shown that perceived AAA is positively associated with exit and negatively with loyalty (Ping, 1993; Rusbult et al., 1982). In addition, the traditional economics model of buying behaviour has classically posited that customers will always base their decision on the costs and benefits relative to other competing alternatives that are available in the market, that is when the perception of available alternatives is low, the perceived benefits of changing provider are also low, thereby leading to retention. Furthermore, Colgate and Norris (2001) suggested that a lack of perceived differences between alternatives can also act as a switching behaviour. They found that those customers who switch providers tend to perceive greater differentiation between different firms. AAA has also been defined by Goode and Harris (2007) as “switching inducement”. It is in this light that AAA is seen as a barrier to switching. The AAA construct is central in online exchange research as it has been argued that, developing online loyalty by reducing the perceived AAA, should be an important goal of online firms (Rigby et al., 2002). This is because online shoppers are more susceptible to switching inducement than offline shoppers (Goode and Harris, 2007). In line with Oliver’s (1997) argument that cognitive loyal customers will be more susceptible to switching due to competitors’ inducement in terms of benefits, such as lower cost and higher quality, we assume that the relationship between cognitive loyalty and affective loyalty will be weaker under the situation of attractive alternatives. Moreover, Oliver (1997) also argues that the deterioration of customer commitment to a brand would impact the conative stage of loyalty. One of the primary reasons of eroding commitment is an increased attractiveness of competitors’ brand (Sambandam and Lord, 1995). On the other hand, the less the perception of competitors’ attractiveness, the more committed the customers with the current provider, which translate to purchase intention. Thus, we assume that AAA will moderate the relationship between cognitive and affective loyalty. In other words, as the AAA increases, the relationship between cognitive loyalty and affective loyalty will be weaker and vice versa. This leads to our first proposition, namely

**Proposition 1.** As the AAA increases, the relationship between cognitive loyalty and affective loyalty will be weaker.

Oliver (1997) also put forward that the deterioration of customer commitment to a brand would impact the conative stage of loyalty. One of the primary reasons of eroding commitment is an increased attractiveness of competitors’ brand (Sambandam and Lord, 1995). On the other hand, the lesser the perception of competitors’ attractiveness, the more committed the customers would be with their current provider, which would translate to purchase intention. Therefore we propose that

**Proposition 2.** As the AAA decreases, the relationship between affective loyalty and conative loyalty will be stronger.

4. Perceived switching costs

Porter (1980) defines switching costs as the “one-time costs facing the buyer of switching from one supplier’s product to another’s”. There is some confusion between the terms ‘switching costs’ and ‘switching barriers’ (Balabanis et al., 2006), with some authors using the terms interchangeably (e.g. Mathwick, 2002) (see Table 1). Goode and Harris (2007, p. 157) pointed out that there are “subtle differences between switching barriers and costs” but failed to describe any clear differences. Different categories of switching costs have also emerged. Fornell (1992)
for instance describes switching costs as “all costs (financial, psychological, learning, etc.) associated with deserting one supplier in favour of another”. He contends that switching costs may include search costs, transaction costs, learning costs, cognitive effort, emotional costs, loyalty discounts, customer habit and the financial, social and psychological risks experienced by the customer when deciding to change provider. These costs can either be real or perceived and monetary or non-monetary. Switching costs in this paper refers to perceived switching costs. In this paper, perceived switching costs is classified under four different dimensions, namely, artificial cost, uncertainty cost, relational bond and ‘time and effort’ barrier (refer to Fig. 1). The dimensions are described in detail below.

4.1. Artificial switching costs

These switching costs are mentioned in the literature as the costs that arise due to actions initiated by a supplier in order to retain customers and make it more costly to switch suppliers (Klemperer, 1987). Artificial cost is also roughly equivalent to Burnham et al.’s (2003) financial dimension and Jones et al. (2002) ‘loss benefit cost’ dimension. They are the perceived costs related to the potential loss of special discounts and unique benefits if the consumer switches from her or his current service provider to another. In the online context, the closest examples are frequent flyer programs and repeat purchase discounts. Switching suppliers means that customers will lose these loyalty rewards.

Past studies on brand switching behaviour have demonstrated that customers who switch to a firm because of extrinsic factors (such as points accumulations or coupons or even price) may exhibit lower levels of satisfaction and less future purchase intention as compared to customers who switch because of internal factors (such as dissatisfaction or desire to try a new brand) (Mazursky et al., 1987). Therefore, we can assume that the link between cognitive loyalty and affective loyalty is weaker when the customer decides not to switch (stay) because of artificial costs as the customer is attached to the brand only at the rational level. Therefore we posit that

Proposition 3. As the perceived artificial cost increases, the link between conative and action loyalty will become stronger.

In addition, past research has shown that loyalty cards do not affect customer loyalty by enhancing perceived performance or satisfaction, but they do strengthen the relationship between buying intention (conative loyalty) and the actual buying behaviour (action loyalty) (Evanschitzky and Wunderlich, 2006). Thus, it is highly likely that as the perceived artificial cost increases, the link between conative and action loyalty will become stronger.

Proposition 4. As the perceived artificial cost increases, the link between conative and action loyalty will become stronger.

4.2. Uncertainty costs

These costs refers to the customer’s perception of the costs or potential losses associated with accepting the risk of potential negative outcomes when switching to an untested provider about which the customer has little or insufficient information (Colgate and Lang, 2001; Guiltinan, 1989; Klemperer, 1995). This construct is roughly equivalent to “economic risk costs” (Burnham et al., 2003). Risk and uncertainty are higher when there is a lack of face-to-face interaction of the internet market. Thus uncertainty costs should be more important in service over the internet where security and privacy issues and delivery service are highly essential (Zeithaml et al., 2002). Reasons preventing online customers from re-registering with too many websites are not only due to the hassle factor but also due to the security and privacy risk issues (Balabanis et al., 2006). Jones et al. (2002) postulated that customers’ perceptions of risk and uncertainty are higher when services are heterogeneous (differentiated) in nature and the value of offering is difficult to judge. They also suggested that cumulative positive experience with a service provider will accentuate the perceptual uncertainty to switch. This suggests that as perceived uncertainty cost increases, the link between cognitive and affective loyalty will become stronger. Furthermore, the link between affective and conative loyalty will become stronger as well. In line with these arguments we put forth the following:

Proposition 5. As perceived uncertainty cost increase, the link between cognitive and affective loyalty will become stronger.

4.3. Relational bond

This dimension can be further differentiated into interpersonal relationships and brand relationship loss costs. Jones et al. (2000) proposed interpersonal relationship with the supplier’s employees as a SB. Due to the self-service nature of online shopping, the absence of direct human contacts deems interpersonal relationship between customer and firm’s employee to be very minimal. Following the recommendation of Yen and Gwinner (2003), the relationship and perception of friendship is re-conceptualised in this paper as the interpersonal relationship between shoppers or users of the website. Some companies (e.g. Amazon.com) have created online communities that can foster relationships between the website users. Therefore, the interpersonal relationship between users can act as SB and prevent a customer from leaving the service provider. On the other hand, Brand relationship loss costs Burnham (1998) has identified the feeling of loss in leaving a brand as one dimension of relational cost that can stop customer from defecting. Based on Porter (1980) and few others, he refers to this cost as the customer’s perception of “psychological losses associated with breaking the bonds of identification that have been formed with the brand or company with which the customer has associated”. It should be noted that brand commitment comes from emotional involvement represented by relational switching barriers. In line with Oliver’s (1997) arguments that affective loyalty contains some involvement by the customer and this aspect is more salient at the conative stage of loyalty. In other words, as the perceived relational bond increases, the link between affective and conative loyalty will become stronger. This leads to our next proposition.

Proposition 6. As the perceived relational bond increases, the link between affective and conative loyalty will become stronger.

4.4. Time and effort barrier

The time and effort barrier is the last dimension of perceived switching costs in the conceptual framework. This dimension is made up of various costs including pre-switching search cost, post-switching learning cost, setup cost and sunk cost.

4.4.1. Search cost

Shapiro and Varian (1999) have identified search costs as a type of switching costs and as a potential reason for customer lock-in. By examining the literature, two components of Pre-switching search cost have been identified in this paper, namely, physical search cost and cognitive search cost (Johnson et al., 2003). Physical search cost refers to the perception of the time and effort required to seek the information necessary to make an informed switching decision, while cognitive search cost refers to the
perception of time and effort expended in making sense of information sources and analysing the information that has been collected (Johnson et al., 2003). Some researchers call this the ‘evaluation cost’ (Burnham et al., 2003; Jones et al., 2002).

It is more difficult, inefficient and time consuming for customers to search for viable competing alternatives offline as compared to the online environment where product information acquisition is much easier. Shopbots and search engines have also made information searching and comparisons simpler and quicker for customers. However, Johnson et al. (2004) have demonstrated that the internet does not produce a high amount of searching. In fact, online customers engage in fewer comparisons and tend to remain attached to the websites that they are familiar with (Smith, 2002). For example, the results of a locked-in study showed that online customers displayed short-term orientation that leads them to select a favourite site to use repeatedly even though this choice may not result in the lowest price for the sought product (Johnson, 2003). Even if the overall level of physical search cost is reduced, a previously used website still holds a relative cost advantage that influences switching behaviour (Zauberman, 2003). This brings us to the second type of search cost, the cognitive search cost. The low entry barrier of firms operating online has produced huge amounts of information. Balabanis et al. (2006) described cognitive search cost as being related to the perception of time and effort needed to analyse and verify the credibility of large quantities of online consumer reports, reviews and forums that may sometime be inconsistent, or to comprehend the technical specifications or jargon in the absence of expert advice. New information is processed only when it is felt to be significant and/or relevant (Lee et al., 2000) in coping with the problem of information overload.

4.4.2. Learning cost

Another cost which makes up the time and effort barrier dimension is learning cost (Burnham, 1998) should also be examined. On the other hand, Klemperer (1987) describes learning costs as any costs (including time) that are needed in learning to use one firm’s product line or brand (Guitianan, 1989). This includes all the costs associated with customers having to adapt to and familiarise themselves with conducting transactions on an unfamiliar website, such as the time and effort expended in acquiring customer know-how as customers adapt to the new provider (Burnham et al., 2003; Jones et al., 2002). According to Johnson et al. (2003), customers stay with a website to avoid the inconvenience and hassle of learning to navigate a new one. Having learned to use the website increases the attractiveness of the website as compared to alternative sites and thus raises the cost of switching to another. The more experience the customer gains of a site over time the stronger will be the ‘cognitive lock-in’ of that customer (Johnson et al., 2003, 2004). Just as a firm can lock in a customer with high physical cost in the offline market, it is expected that firms can lock in customers with high cognitive cost similarly in the online market place.

4.4.3. Setup cost

Setup cost was described in the past literature as the cost of beginning or initiating a relationship with a new provider (Burnham, 1998). In the internet environment, if customisation is high, the customer may seek to avoid change due to the set-up costs often incurred when switching to a new e-retailer. Balabanis et al. (2006) also found that internet shoppers dislike registering to too many internet stores due to the hassle of doing that.

4.4.4. Sunk cost

Several researchers have identified that prior investment in an exchange relationship as one barrier to switching (Bendapudi and Berry, 1997; Ping, 1997). This represents customer perception of all the irrecoverable time, effort, and money invested to establish and maintain a relationship and is similar to the sunk costs of Jones et al. (2002). Although it may be economically irrelevant, sunk costs represent a prior investment and psychologically important for customers in their decision to stay or leave (Guitianan, 1989). Each facets of switching cost that have been identified, will become sunk after the customer switch to another provider. For instance, the past time and effort involved in going through a lengthy registration process, learning how to navigate a site and personalising a site may prevent a customer from changing service providers. Degeratu et al. (2000) also found that there is less brand switching online, especially when online customers utilise their pre-set personal list to make a purchase.

The inertia brought by information overload and time pressure experienced by customers on the internet (Zauberman, 2003) impede searching and evaluating alternative stores and reduce switching. According to Oliver (1997), under the condition of action loyalty, customers will not engage in search and evaluation and therefore they can be considered as immune to competitors’ inducements. Further, he holds that action loyalty includes routinised and habit behaviour. Oliver (1997) also argues that the key sustainers of action loyalty towards current provider are sunk costs where actual purchase will be more likely for customers who faced sunk costs. In line with all these arguments, it is highly likely that as the perceived time and effort cost increases, the link between conative and action loyalty will become stronger. Thus we have the final proposition:

**Proposition 7.** As the perceived time and effort cost increased, the link between conative and action loyalty will become stronger.

5. Discussion and avenues for future research

Despite the growing volume of research related to the concept of switching costs and barriers, the SBs that online customers face and their actual impact on them remain largely misunderstood. Previous research has shown that satisfaction may not be the best predictor of customer loyalty and that the presence (or lack) of switching barriers may be the reason a customer stays with (or leaves) a firm.

Oliver’s four-stage loyalty model was further expanded to include online switching (refer to Fig. 1: conceptual framework). This paper conceptualises switching behaviour in the online context in terms of the relations between various SB dimensions and the various transition phases of the four-stage loyalty model of Oliver (1997). Furthermore, past studies on switching behaviour have failed to distinguish between consumers at various levels of loyalty by assuming that they are all similar. Online switching is seen as the interaction of barriers and inducements (both real and perceived) and specifically, attractiveness of available alternatives and perceived switching costs (refer to Fig. 1: Conceptual Framework).

A summary of the various propositions in this paper is further presented in Table 2.

It is anticipated that future empirical testing of the effects of barriers and inducements on the online loyalty development process will add to our understanding of both the conceptual and practical aspects of loyalty and switching behaviour in various online marketplaces. In order to stimulate thought for future research, four potential areas of scholarly enquiry have been identified.

1. Future research should examine whether the various barriers and inducements moderate the three transition phases as
customers move from cognitive (belief) to action (habit or inertia). For example, two specific research questions include
a. Does AAA moderate the relationships between conative and action loyalty?
b. Does the time and effort barrier moderate the relationship between affective and conative loyalty?

2. There are two main types of online retailers: pure-play online retailers and retailers with both online and offline operations (brick-and-click retailers). While increasing emphasis in research and publications has been placed on issues relating to online customer retention in recent years, most of these studies have not empirically differentiated between issues affecting pure-play internet companies and bricks-and-click companies. It is expected that different types of online retailer will affect satisfaction and customer retention to a certain extent. Holloway (2003) concludes that the customer relationship with bricks-and-click retailers is stronger than with retailers with only a virtual store-front. Failing to differentiate between these two types of online retailers in a loyalty study may distort the result or lead to over-estimation of relationships in a research model. This is because the brand name, physical presence and tangibility of the retailer’s offline branches are likely to enhance a customer’s familiarity with its online counterparts as well as the brand equity of the online store (Pan et al., 2002). Furthermore, most of the studies on switching behaviours have looked at traditional offline contexts and with online studies frequently using samples consisting of a mixture of customers from brick-and-click (with both offline and online stores) and pure-player internet (internet only) firms. It would be interesting to see whether there are any differences between brick-and-click and pure-player internet firms with regards to switching behaviours.

3. Past studies in the area of consumer behaviour, have generally assumed that habit or inertia and spurious loyalty are analogous (Dick and Basu, 1994) because both types of behaviour occur, by and large, without a clear motive or intention (Ji and Wood, 2007; Wood and Neal, 2009). Further studies can also examine whether this is true in the online service context as well.

4. Drivers of habit formation. Finally, the role of habit in the online context has rarely been tested empirically in consumer behaviour literature and future studies should examine the drivers of habit formation and the role of satisfaction in the process.

References

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