THE RELATIONSHIP BETWEEN SERVICE QUALITY, CUSTOMER SATISFACTION AND BEHAVIORAL INTENTION WITH MODERATING EFFECTS OF SWITCHING BARRIERS

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UNIVERSITI TEKNOLOGI MALAYSIA
THE RELATIONSHIP BETWEEN SERVICE QUALITY, CUSTOMER SATISFACTION AND BEHAVIORAL INTENTION WITH MODERATING EFFECTS OF SWITCHING BARRIERS

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A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy (Management)

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I dedicated this thesis to my husband, Hamidreza, who has been a constant source of motivation and support each step of the way.
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ABSTRACT

Service quality and customer satisfaction are believed to affect customer behavior. On that basis, one of the main research focus in marketing field is to get a better understanding in the dynamic relationship between service quality and customer satisfaction, and their impact on customer behavior. Although this research area has been examined quite extensively, the presence and importance of switching barriers in predicting customer behavior are poorly understood in pay television industry. This thesis aims to explain how the concept of switching barriers moderates the relationship between customer satisfaction and customer’s behavioral intention. In addition to that, this research also aims to determine service quality dimensions for the current research setting. Based on the theory of social exchange and theory of planned behavior, a framework depicting the interrelationships among service quality, customer satisfaction, switching barriers and behavioral intention is proposed. The research framework predicts the main effects of main variables and moderating effects of switching barriers. The data were collected among pay TV customers from the state of Johor in two phases. The first phase involved stratified random sampling method which yielded 32 responses, while the second phase involved convenience sampling which yielded 213 responses. The data were analyzed using structural equation modeling. Seven dimensions of service quality were identified: tangibles, reliability, content quality, customer service, convenience, price and interactivity. The findings supported the direct relationships between service quality, customer satisfaction and behavioral intention. Most importantly, there are two novel and important findings in this study that add to the body of literature: first, two components of switching barriers which is switching costs and attractiveness of alternatives do not moderate the relationships between customer satisfaction and behavioral intention; and second, the newly introduced switching barriers’ component, which is the social ties moderate the relationship between customer satisfaction and repurchase intention, and positive recommendation. An important implication of this study is that social ties act as an important factor that will glue customer to stay with an organization.
ABSTRAK

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<tr>
<td>3D</td>
<td>3 Dimensional</td>
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<tr>
<td>ASTRO</td>
<td>All-Asian Satellite Television and Radio Operator</td>
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<tr>
<td>AVE</td>
<td>Average Variance Extracted</td>
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<tr>
<td>BCM</td>
<td>Brady and Cronin’s Multidimensional and Hierarchical Model</td>
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<td>C</td>
<td>Contractual</td>
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<td>CFA</td>
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<td>CFI</td>
<td>Comparative Fit Index</td>
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<td>CONQ</td>
<td>Content Quality</td>
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<td>CONV</td>
<td>Convenience</td>
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<td>CR</td>
<td>Composite Reliability</td>
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<td>CUSV</td>
<td>Customer Service</td>
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<td>DBS</td>
<td>Direct broadcast satellite</td>
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<tr>
<td>DTH</td>
<td>Direct-To-Home</td>
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<td>EFA</td>
<td>Exploratory Factor Analysis</td>
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<td>HD</td>
<td>High Definition</td>
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<td>HRA</td>
<td>Hierarchic Regression Analysis</td>
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<td>IPTV</td>
<td>Internet Protocol Television</td>
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<td>IS</td>
<td>Information System</td>
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<td>INT</td>
<td>Interactivity</td>
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<tr>
<td>KMO</td>
<td>Kaiser-Meyer-Olkin</td>
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<td>MDMI</td>
<td>Multi Dimensional Multi Items</td>
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<td>MEASAT</td>
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<td>Personal Video Recorder</td>
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<td>REL</td>
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<td>RSS</td>
<td>Random Stratified Sampling</td>
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<td>RTM</td>
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<td>Single Multi Items</td>
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<td>Theory of Planned Behavior</td>
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<td>TAN</td>
<td>Tangible</td>
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TRA - Theory of Reasoned Action
VIF - Variance Inflation Factor
VOD - Video on Demand
WOM - Word of Mouth
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CHAPTER 1

INTRODUCTION

1.1 Introduction

In this chapter, the topic of the research is presented. It starts off with an introduction to the background of the study, followed by the statement of problems which discussed the observation of the gaps in knowledge and the opportunities for further studies. Then, the purpose of research, the research questions, the research objectives, research scope, significant of the research, and definitions of the research terms are presented. The chapter ends with organization of the thesis. The review of relevant literatures and theoretical framework, along with justifications for each of the hypothesis will be discussed in the following chapter.

1.2 Background of Research

Having satisfied customers does not guarantee that the customers will remain loyal and have positive behaviors towards company (Bennett & Rundle-Thiele, 2004). They might be attracted to other service suppliers which offer more attractive services. On the other hand, there are also factors that influence purchasing where satisfaction does not play a role. For example, customers might stay with the current supplier because of the barriers to exit from the relationship. The key point that can be used to understand this situation is switching barriers. It is believe that creating
switching barriers other than providing excellent service can be strategies to keep current customers and to build a good reputation of the company.

Most literature in switching behavior focused on why customers switch to competitor, but few studies have attempted to answer question: why customers do not switch? It is important to know this phenomenon to understand whether this behavior will bring positive or negative outcome to service provider. A satisfied customer might stay loyal because of the benefits they perceived but a dissatisfied customer might be ‘forced’ to stay because of the barriers to exit. It is argued that a loyal but dissatisfied customer will be giving negative outcomes to the service provider such as negative word of mouth.

To retain current customers as well as to improve the service quality, a survey should be carried out to measure customers’ perceived service quality that will lead to customer satisfaction as well as to understand the switching behavior between them. The approach is intended to show the usefulness of service quality, satisfaction and switching barriers in attaining service improvements by focusing on areas of customer behavioral intention. A new dimensions of service quality are suggested in order to suit the characteristics of service industry being studied.

1.2.1 Services Marketing

Service-based economy has been rapidly growing in order to deal with the ever existed manufacturing-based economy. To cope with this emergence, the demand to understand and dismantling the importance of service has emerged. Related research has revolved around service quality (Gronroos, 1984; Parasuraman et al., 1985; Cronin Jr & Taylor, 1992), satisfaction (Oliver, 1980; Bitner, 1990), loyalty (Dick & Basu 1994; Andreassen & Lindestad 1998; Bowen & Shoemaker 1998) and behavioral intention (Parasuraman et al., 1988; Anderson & Sullivan, 1993; Cronin et al., 2000). Although there are extensive body of research exists in service marketing, the expansion and evolution of the service industry has revealed a gap in the literature.
In service marketing, customer orientation is the central purpose or an organization because it is where competitiveness and profitability generated. In order to maintain that, organization need to seek for ways to satisfy and keep customer and the most important thing to be look for is understanding the customer’s needs and expectations. Furthermore, in nowadays rapid growth and market domination, many products and services are easily duplicated, making it quite challenging for service providers to compete by offering unique products and services. Thus, one helpful tool to be used in order to retain customer is by imposing barriers to customer to stop them exit from the relationship.

The next section will discuss one of the major service sectors in Malaysia which is pay TV service focusing on ASTRO (All Asia Television and Radio Company) as the major player in the market.

1.2.2 Pay TV Service in Malaysia

Television was first introduced in Malaysia in 1963 with the first network known as Rangkaian Pertama (The First Channel) under the control of the Department of Broadcasting, Radio Television Malaysia (RTM), Ministry of Information. It was followed by the second channel in 1969. In 1984, The Privatisation Policy was introduced and brought to the establishment of the first private terrestrial channel, TV3 (Mohd & Abdullah, 2008).

The introduction of Malaysia’s first pay TV provider on late 1995, Mega TV has opened new dimensions for television consumer market. The company who used cable as a medium of transmission was quite active in acquiring numbers of subscribers throughout peninsular Malaysia. Unfortunately, the 1998 economic downturn has forced the company to shut down after experiencing serious financial problems as well as failure to provide high quality of service (Mohd & Abdullah, 2008). At its peak operation, Mega TV had 166,000 subscribers and after six years, the numbers declined to 7,557 at the end of its operation (Utusan Malaysia, 3 October 2001).
The usage of cable television system in Malaysia is not as popular as satellite television network. Mohd & Jin (2008) stated that the most popular place to be using cable television system are hotels. Parallel to the development of technology in communication and media, Malaysia introduced its first satellite television in 1996, ASTRO as the second pay TV provider. ASTRO provides a subscription-based direct broadcast satellite (DBS) for satellite and radio services direct to home. At the beginning, the service was provided only to Malaysia’s market, but nowadays ASTRO has expanded its operation to Brunei, Indonesia and Singapore by the launching of MEASAT (Malaysian East Satellite System) 1 and 2 (Mohd & Abdullah, 2008). After the launching of MEASAT-3 in 2006, currently ASTRO is operating in a full swing providing customers with more than 180 channels consists of television channels, radio channels, video on demand (VOD) and other broadcasting services. In addition, ASTRO is in charged for interactive television in Malaysia which provide technology that allow customer to record, reverse or forward their favourite programs as they want (Idrus & Abidin, 2008). Interactive TV which mean any interaction that could happen between customers and television has given customers more controls over their televisions. This include real-time voting on the screen, video games, on-screen programming guides, customer support services and local weather information and all accessed through the television (Wahab, 2006; Idrus & Abidin, 2008).

The continuous development in media and communication technology such as the introduction of Internet Protocol Television (IPTV) has upgraded the ways of television operation. According to Mohamad & Choe (2008), IPTV is different with Broadband and Internet TV because it is a closed system for the delivery of Pay TV services with an assured Quality of Service. Internet Protocol is being applied to the operation of IPTV. In Malaysia, IPTV system was first introduced through the launching of Malaysia’s third pay TV operator, MiTV (Multimedia Interactive Television) in September 2005. MiTV offers an affordable pay TV service that combines both traditional TV with interactive features and internet benefits. Even though the operation has been temporarily stopped, on March 2013 MiTV under Aqilqisti Broadcast Sdn. Bhd. (AQB) management has re-launched mobile pay TV
with 40 channels focusing on smart phones and tablet consumers. The target of this products is to expatriates from Indonesia, Bangladesh and Nepal (Nadzari, 2012).

At the same year, after MiTV was launched, the fourth pay TV station, Fine TV was introduced. As described in their website, Fine TV offers Video On Demand which customer can rewind, play, forward and pause the program (Mohamad & Choe, 2008). Another Internet-based pay TV was launched on September 2008. UniFi which stands for “Uni” to denote togetherness and “Fi” to symbolise fibre optics is another alternative for customers to watch TV programmes. It is provided by TM Berhad that combines both High Speed Internet, HyppTV (IPTV) and Voice. It offers more than 50 channels and radio streaming.

In June 2012, ABNxcess another pay TV entered the market by offering digital cable TV targeting 80% of Malaysia’s 6 million TV households in 5 years. It is believed to become the direct competitor to the satellite pay TV operator, ASTRO and IPTV provider, Telekom Malaysia Bhd (Sidhu, 2012). The strategy of the company is by offering affordable cheaper price package for its current 50 channels. Even though ABNxcess is currently on its trial mode and the broadcasting is limited to areas at Kuala Lumpur and Johor Bahru, the strategic alliance with Motorola Mobility is expected to boom its business operation as the broadcasts can be transmitted through three mediums; cable, satellite and fibre optic.

Apart from the mentioned pay TV providers, there are few more available pay TV providers in Malaysia. ETV or previously known as DeTV is a joint venture by REDtone International Bhd and Zhong Nan Enterprise (M) Bhd which provide TV programmes mostly from mainland China and Taiwan and focusing at Chinese viewers. Other than that, YTL Sezmi Hybrid TV is a joint venture by YTL Communications Sdn Bhd (YTL Comms) and an American company, Sezmi Corporation providing traditional TV, on-demand and Internet content. Another three unlaunced IPTV holder, DMD Fone, MahaSemerak and VassetiDatatech and are on their ways to enter the market. Figure 1.1 depicts the overview of pay TV players throughout the years since the introduction of pay TV in Malaysia.
The fast growth of television technology has intensified the competition between television service providers. Moreover, in 2006, the Deputy Information Minister, Datuk Donald Lim announced that the government will shut down the analogue television broadcast by 2015 and an estimated amount of RM 1.34 billion will be spent to upgrade the service nationwide (Mohamad & Choe, 2008). It is expected that the buying power for pay television products will increased in the future. Thus, each company strive to implement better strategies to maintain their business competitiveness.

**Figure 1.1:** Past, present, and future pay TV service providers in Malaysia

### 1.2.3 Challenges in Business - ASTRO

Media and Broadcasting is one of the major sectors in Malaysia’s communications and multimedia market. This market is forecasted worth about 4.5% of Malaysia’s gross domestic product in 2012 and in 2011 total investment in this subsector amounted to RM6 billion, all of which were domestic investments\(^1\). In a broader context, Strategy Analytics forecasted that the global digital pay TV

\(^1\) Source: Ministry of Finance Malaysia
revenues to grow from roughly $150 billion in 2010 to $215 billion by 2014 (John, 2010).

One of the sub-sectors under the media and broadcasting is TV broadcasting services. In Malaysia, ASTRO is the largest pay television provider. It has more than 3 million subscribers with a household penetration rate of 63% as at end-December 2015 (ASTRO Malaysia Holdings Bhd 2015, p. 3). According to Mohd & Jin (2008), ASTRO is chosen by majority of customers in Malaysia because of the best quality pictures and diversity of channels that gives great value of money spent by customers. As at April 2016, ASTRO offers 184 TV channels, including 50 HD channels, delivered via Direct-To-Home (DTH) satellite TV, IPTV and Over the Top (OTT) platforms. ASTRO has transformed from a pure DTH satellite TV operator into a multi-platform pay TV operator which includes services delivered through fibre optic broadband with high speed broadband and telephony services. The adoption of current technologies has enable ASTRO to offer high definition (HD), 3 Dimensional (3D), personal video recorder (PVR), video on demand (VOD) and IPTV services through ASTRO B.yond and ASTRO On-The-Go. ASTRO also provides Malaysia’s first non-subscription based satellite TV, NJOI targeting lower income segment. Besides that, ASTRO Radio is Malaysia’s highest rated stations with approximately 12.93 million of listeners in December 2015. Its operations is widened by entering local publication of entertainment and lifestyle magazines. Throughout its years of operation and continuous development and innovation, ASTRO has been awarded as “Brand of the Year” at Malaysia’s Putra Brand Award 2012. For the purpose of this research, focus is being put on the customers of ASTRO pay TV services.

ASTRO was given an exclusive license for 20 years until 2017 and was extended until 28 February 2022. This license is renewable which make them to become the monopoly of the satellite pay TV market. According to Maybank ID Research by Yang (2012), Hypp TV by Telekom Malaysia is ASTRO’s sole active competitors which offers 124 channels. As at end 2015, UniFi has more than 839 thousands subscribers but only 80 thousands are Hypp TV subscribers (Telekom
Malaysia Bhd 2015, p. 185). As mentioned earlier, several other pay TV licensees are exists but none are active.

Despite its oligopoly status as pay TV provider and monopoly status as satellite pay TV provider which give ASTRO the advantages in term of competitiveness and profitability, this situation has restricted other operators from entering the market and providing better service. ASTRO has been long criticized by Malaysia’s consumers regarding its price offering and service disruption during rain. Hence, customer still subscribing to ASTRO as there are not many compatible alternatives offering the same services to switch to which result in high switching barriers. This situation has enabled ASTRO to retain their current customer from switching to another provider.

However, looking at the opportunity given in Malaysia’s market, competition might become more intense and this will lead in customer’s switching behavior. For instance, the emergence of IPTV has made the so-called war of television services in Malaysia become intense. Therefore, ASTRO has to build stronger strategies in order to keep its business competitive. It must started from the roots of serving customers with excellent service quality which will result in customer satisfaction and later receiving favourable behaviors from customers. In addition, ASTRO must also look for strategies to manage the customers’ switching behavior.

The current study will look onto the company’s service quality and its consequences which is customer satisfaction, measuring the switching intention between customers and the effects of switching barriers to the future behavioral intention.
1.3 Statement of Problem

Customer’s behavioral intention is a critical issue that concern businesses. Favourable behavioral intention such as repurchase intention, positive recommendation and willingness to pay more as suggested by Zeithaml et al. (1996) will bring benefits in terms of profitability and sustainability of a company. That is why there are many studies that have been carried out in this area in different types of industries. For instance, Jaiswal & Niraj (2011) in online shopping industry, Lu et al. (2011) in transportation industry, Chen & Chen (2010) in tourism industry and Ladhari (2009) in hotel industry. Studies in this area merely focused on the factors affecting behavioral intention such as customer satisfaction. Still, many factors remain unexplored such as in the condition where customer satisfaction plays a lesser role.

Logically, a satisfied customer will likely to perform positive behavioral intention or in another words, customer satisfaction is the antecedent of behavioral intention. This statement has been approved empirically by scholars such as Kassim & Abdullah (2010), Kuo et al. (2009), and Xu et al. (2007). However, there are also situations where satisfaction does not predict behavioral intention. For example, a satisfied customer that switch to another company and a dissatisfied customer that stay purchasing with the current company. This situation can be explained by switching barriers.

Based on social exchange theory (SET), individual’s decision to stay or leave a relationship is based on his/her judgment of the overall worth of a particular relationship by subtracting its costs from the rewards, whereby costs here is refer to switching barriers. The higher level of switching barriers, the higher probability that customer will remain with the company as the costs of defecting outweigh the benefits they will get. This would explain why customer satisfaction is not the only factor that predict behavioral intention where switching barriers exist. Thus, it is important to study the effect of switching barriers as a factor to predict behavioral intention.
There are many components of switching barriers that have been used in the past studies. One of the famous study is by Jones et al. (2000) that suggested three types of switching barriers; switching costs, interpersonal relationships and attractiveness of alternatives. Other than that, Shi et al. (2011) have included brand attachment while Balabanis et al. (2006) added familiarity, convenience, parity, speed and unawareness barriers. To sum, all of the switching barriers of past studies can be categorized into monetary and non-monetary.

Social switching barrier is one type of non-monetary switching barriers. It is a barrier that develops through a relationship between two parties. For example, interpersonal relationships by Jones et al. (2000) is a bond between customer and employees of service provider that develops through interaction of service consumption. Author such as Wang (2009) showed that interpersonal relationship is an important social indicator of behavioral intention. A strong interpersonal relationship will become a barrier to customer to switch service provider. This type of social switching barriers created through the relationship between customer and service provider. What has been neglected from previous study is the social switching barriers that created through interaction between customers that are using same service. By having relationships with other customers, the identical purchasing behavior enabled customers to perform activities such as seeking for advice and sharing information of the consumed service. If they stop the service consumption, they will lose the bond they have created with other customers. Here, the bond or social ties acts as an exit barrier for customer to switch service provider. Along with the logical justification, this idea is supported by several psychological theories. For example, theory of planned behavior (TPB) stressed out the effects of social influence in individuals decision making, while group cohesiveness in SET emphasized on the influence of social group in determining customer behavior. Apart from that, Maslow’s Hierarchy of Needs stressed out how a human will strive to have social ties in a social group. Specifically, in pay TV studies, Shin (2009a) has found out that intention to use IPTV was significantly influenced by normative pressure refers to the social influence such as family and friends.
Nonetheless the importance, there are very limited research that has been done in this area. To the researcher knowledge, there are only 3 studies that have considered the connection between customers as a barrier to switch and only 2 were existed during the initial stage of the current research. The first one is Tsai et al. (2006) where they tested switching barriers and overall satisfaction as the drivers of customer retention. The element of social ties is explained in ‘community building’ construct where operationalized as ‘a sense of belonging to a community’. The result shows that switching costs and community building give the greatest impact on repurchase intention through switching barriers and customer satisfaction. Based on Tsai et al. (2006)’s research framework, Woisetschläger et al. (2011) had conducted a research to examine the effects of social ties on customer loyalty and word-of-mouth. The result shows that social ties significantly has positive effect as well as moderating effect to customer loyalty and word-of-mouth. After reviewing these two research, it was found out that there are some gaps that have not been filled. For instance, in Tsai et al. (2006) community building was tested as the antecedent not as a component of switching barriers. Furthermore, the research did not emphasize that community building is the result of sharing consumption of service between the community members. Then, contradict with Woisetschläger et al. (2011)’s result on the negative moderating role of social ties, the current research hypothesized that social ties has a positive moderating effects on the relationship between customer satisfaction and behavioral intention. Therefore, there is a need to further study in this area to get a better understanding on the roles play by social ties. More recently, Shi et al. (2015) has attempted to extend Burnham et al.’s (2003) typology by including social ties as one kind of switching costs which they called it social ties loss costs.

On top of that, researches have showed contradict findings on the effects of switching barriers on behavioral intention. Some studies show that switching barriers act as the antecedent of behavioral intention (Vázquez-Casielles et al., 2009; Jen et al., 2011; Matos, 2013; Sujatha & Chandrika, 2013; Wan & Mamun, 2013) while some studies show that switching barriers moderate the relationship between customer satisfaction and behavioral intention (Ranaweera & Prabhu, 2003; Aydin et al., 2005; Woisetschläger et al., 2011; Han & Ryu, 2012). Due to the mix findings,
more studies should be carried out to see the difference in another industry segment. In the current study, it is believed that switching barriers modify the original relationships between satisfaction and behavioral intention. In other words, the relationship between customer satisfaction and behavioral intention become dependent on switching barriers. The decision to perform behavioral intention based on the level of satisfaction is being affected by the existence of switching barriers. Therefore, switching barriers have moderating effects on customer satisfaction – behavioral intention link.

In another aspect, while customer satisfaction affecting behavioral intention with moderating effects of switching barriers, it is also important to look at the antecedent of customer satisfaction. There are many studies that show positive effect of service quality on customer satisfaction (e.g. Brady et al., 2005; Bei & Chiao, 2006; Liu et al., 2011; Saghier, 2013). Thus, it is important to include service quality in the current research model to predict behavioral intention. As stated in section 1.2.3, pay TV service sector plays an increasingly important role in Malaysia’s economy. ASTRO as the only satellite pay TV provider face a fierce competition especially from IPTV service providers. Lee et al. (2015) mentioned that IPTV service compete with satellite pay TV service by offering customers live programming, Video On Demand (VOD), and digital video recording. According to Fornell (1992), most of monopolies are less sensitive to customer satisfaction compared to competitive market structures. In order for ASTRO to be competitive in the market, the company must satisfy their customer by providing high quality of service. Thus, the company must understand the attributes that customer used to judge service quality. In measuring service quality, it is important to include the right service quality dimensions that best relate to the selected industry. Previous studies have included service quality dimensions in industries that involve face-to-face interactions between service provider and customer such as airlines, banking, hotel and education. However, very little attention has been received in industry that involves very minimal face-to-face interactions especially in pay TV industry. Only several studies have attempted to measure service quality and factors affecting the acceptance of IPTV (Shin, 2007; Jang & Noh, 2011; Jan et al., 2012), hence the
current study aim at bringing this gap by determining service quality dimensions in pay TV industry based on SERVQUAL scale.

In general, service quality, customer satisfaction and switching barriers can suitably form the basis of the research in behavioral intention area. By doing so, researcher can effectively come out with a better model to determine customers’ behavioral intention. This study will contribute to the literature in three aspects. First, the study examined the perceived dimensions of service quality in Malaysia’s pay TV service provider, ASTRO. Second, the study empirically tested main relationships i.e., between service quality and customer satisfaction as well as the effect of customer satisfaction to behavioral intention. Finally, the investigation empirically tests the moderating role of switching barriers to the relationship between customer satisfaction and three behavioral intention namely repurchase intention, positive recommendation and willingness to pay more. To understand more customer switching behavior in pay TV setting, this study had introduced a new switching barriers component which is called social ties.

1.4 Research Question

Based on the problem statement, research questions were addressed as follows:

i. What are the determinants of service quality in pay TV service setting?
ii. Is there any relationship between service quality and customer satisfaction?
iii. Is there any relationship between customer satisfaction and repurchase intention?
iv. Is there any relationship between customer satisfaction and positive recommendation?
v. Is there any relationship between customer satisfaction and willingness to pay more?
vi. Do switching barriers have moderating effects on the relationship between customer satisfaction and repurchase intention?
vii. Do switching barriers have moderating effects on the relationship between customer satisfaction and positive recommendation?

viii. Do switching barriers have moderating effects on the relationship between customer satisfaction and willingness to pay more?

### 1.5 Research Objectives

Research objectives are set to carry out the study, as well as to answer the research questions. The objectives of the study are:

i. To determine the determinants of service quality dimensions in pay TV service setting.

ii. To test relationship between service quality and customer satisfaction.

iii. To test relationship between customer satisfaction and repurchase intention

iv. To test relationship between customer satisfaction and positive recommendation.

v. To test relationship between customer satisfaction and willingness to pay more.

vi. To measure moderating role of switching barriers to the relationship between customer satisfaction and repurchase intention.

vii. To measure moderating role of switching barriers to the relationship between customer satisfaction and positive recommendation.

viii. To measure moderating role of social ties to the relationship between customer satisfaction and willingness to pay more.
1.6 Scope of the Study

This empirical study focuses on customer behavior in Malaysia pay TV industry. Specifically, respondents from this group experiencing switching barriers which were being examined in this study. There are a total of 3.51 million pay TV households in Malaysia whereby 63% of them are ASTRO’s subscribers (ASTRO Malaysia Holdings Bhd 2015, p.3). Sample of this study are limited to ASTRO customers in Johor region. Johor is chosen based on arguments that this state can represent Malaysia based on three characteristics; gross domestic products contribution and population diversity. Discussion related to this can be found in chapter 3.

The study selected only perceived service quality, customer satisfaction, switching costs, attractiveness of alternatives, social ties, repurchase intention, positive recommendation and willingness to pay more as constructs of the study. These constructs are considered important to understand customer behavior in pay TV industry.

1.7 Significance of the Study

This research extends previous switching barriers typology by including a new social switching barrier’s component called social ties. It was proposed based on landmark theories i.e. SET and TPB. Most of studies on switching behaviors involved switching barriers imposed by service provider. This study contributes to the structure of switching barriers by adding social ties as a type of social switching barriers occurs through the sharing consumption of service between customers. The three switching barriers’ components i.e. switching costs, attractiveness of alternatives and social ties were expected to effect the relationships between customer satisfaction and behavioral intention.

The growth of media and broadcasting industry has led to the growing importance of service quality to the industry. However, academic research of service
quality in pay TV context have not yet received sufficient attention, particularly in Malaysia. This study is significant because it attempts to determine some varied service quality determinants adapted from SERVQUAL’s five service quality dimensions for Malaysia’s only satellite pay TV company, ASTRO. It is important for service provider to know the attributes that are perceived attractive by customers because this will contribute to the company’s strategic planning and investment management.

Service provider must aware of customers’ switching behavior as it will affect company’s profit and competitiveness. Therefore, one of the strategy to be implemented is by focusing on customer satisfaction and the factors that could strengthen or weaken the relationship between customer satisfaction and behavioral intention. This research investigated the moderating role of three switching barriers’ components, namely switching costs, attractiveness of alternatives and social ties in promoting or discouraging customer’s behavioral intention. Previous studies have to a certain extent done this, but the results have been mixed. Thus, the findings from the study would provide insights to guide service provider to identify strategic key elements in order to get favourable behavior from customers.

Clearly, the results of the study would be of value to the company in the development of organisational strategies, service quality improvements as well as customer service management. In addition, since ASTRO’s current penetration rate of household in Malaysia is 63% which is still low if compare to developed county such as Taiwan with 70% (Chen & Kuo, 2009), the results can help the service provider to understand the market condition better and strive marketing strategies to penetrate more market.
1.8 Definition of Key Terms

In this section, the conceptual definition for each of the research constructs is presented. Besides that, the operational definition or the way the research variables were assessed is explained.

1.8.1 Service Quality

Service quality is a measure of how well the service delivered matches expectations (Gronroos, 1984). Park, Robertson, & Wu (2004) defined service quality as consumer’s overall impression of the relative inferiority/superiority of the organization and its services. In this study, service quality refer to customers’ perceived overall judgment of the excellence and the quality of service performance of the pay TV service.

1.8.1.1 Tangibles

According to Parasuraman et al. (1985), tangible evidence in most cases of service offerings are service provider’s physical facilities, equipment and personnel. Adapting operationalization by Samen (2013) and Seth, Momaya, & Gupta (2008) in the consumption of IS services, tangibles in this study is the appearance of physical facilities, equipment, personnel and communication materials provided by pay TV provider.

1.8.1.2 Reliability

Reliability is the capability of a service provider to provide a precise and accurate service (Parasuraman et al., 1988). In the setting of pay TV which involve less face-to-face interactions but more to the fulfilment of promised service, reliability operationalization need to include technical quality in term of the ability of supporting systems and devices used in order to deliver a reliable service. In the
current study it is defined as the ability of pay TV service provider to deliver and perform service accurately as promised.

1.8.1.3 Content Quality

Content quality is a significant predictor for customer to adopt a technology in IS environment (Cheong & Park, 2005). Usefulness of content provided by service provider will lead to perceived enjoyment by user which later bring customers’ positive attitude (Yang & Jun, 2002; Shin, 2009b). In the current study, content quality refer to the ability of pay TV service provider to provide a good channel offerings, that give information, enjoyment and benefits to customers. It include items such as diversity of channels, flexibility of programs offered and adaptive channel quality (Jan et al., 2012).

1.8.1.4 Customer Service

Customer service is an important factor for customer to evaluate service provider’s quality and further make a repurchase (Chung & Lee, 2003). In the industry with less face-to-face interactions between service provider and customer, the way to create responsiveness and assurance is through customer service. Thus, adapting definitions of responsiveness and assurance from Parasuraman et al. (1988), in the current study customer service is operationalized as the willingness of pay TV service provider’s customer service representative to help customers solve service problems/questions and to inspire trust and confidence in using the service.

1.8.1.5 Convenience

Convenience that service provider gives to customer in using a particular service is one of the factor that convince customer to adopt a technology (Shin, 2007). Therefore, it becomes a critical factor for customer in measuring company’s service quality. In this study, convenience is operationalized as the degree to which pay TV service operator provides flexible and comfortable facilities to suit customers’ needs (Seth et al., 2008).
1.8.1.6 Price

Zeithaml (1988) stated that customers refer on price when judging product/service quality. In addition, due to the characteristic of service which is intangibility, inseparability and heterogeneity, price becomes an important element to be looked at. In the context of pay TV, price was found to be the main driver for customer to switch service provider (Shin, 2009a). Price is defined as the customer’s judgment about a service’s average price in comparison to its competitors (Chen et al., 1994). Adapted from that, in the current study it refer to the customer’s judgement about pay TV service’s price compare to its competitor.

1.8.1.7 Interactivity

The concept of interactivity focuses on the degree to which technology can enable interaction of human in real time (Steuer, 1992). One of the reason customers choose new media and technologies is because they can increase their interactivity (Shin, 2007). In the current study it refer to the ability of pay TV service provider to provide additional functions that enable customer to interact with television.

1.8.2 Customer Satisfaction

Customer satisfaction conceptually defined as the overall evaluation of service provider’s performance experienced by customer over time (Fornell, 1992). According to Oliver (1997), customer satisfaction was measure by two indicator which is emotion-based and evaluative. Thus, the present study operationalized customer satisfaction as the customer’s overall judgment of pay TV service provider based on emotional and evaluative response.
1.8.3 Switching Costs

Early conceptualization by Porter (1980) stated that switching costs as customer perceptions regarding the time, money, and effort associated with changing service providers. Indeed, it is a monetary and non-monetary loss costs that customer need to confront in moving from one provider to another. In this study, switching costs refer to customer perceptions regarding the time, money, and effort associated with changing pay TV service providers (Lu et al., 2011).

1.8.4 Attractiveness of Alternatives

It is undeniable that attractiveness of other alternatives in the market will lead to switching behavior (Yoo et al., 2009). Jones et al. (2000) defined it as customer perceptions whether there are other provider that available in the market. Operationally, in the present study it refers to the customer perception of the extent to which other pay TV providers are available in the marketplace.

1.8.5 Social Ties

Tsai et al. (2006) conceptualized social interactions which refer to social ties as a sense of belonging to a community. Social ties developed through interactions of customers who are consuming the same service. In the current study, it refer to customer’s perception of social bonds that is developed with other customers who share same pay TV consumption.
1.8.6 Repurchase Intention

Repurchase intention is defined as customers’ willingness to maintain the relationship with a particular service provider and to make their next purchase in the category from this service provider (Vázquez-Casielles et al., 2009). In the current study, it refers to customer’s still continuing the contract with pay TV service provider in the next time period.

1.8.7 Positive Recommendation

Positive recommendation is customer willingness to recommend a service provider to other customers (Vázquez-Casielles et al., 2009). More precisely, it is customer’s readiness to communicate about a service provider who is perceived not to obtain monetary gain from so doing (Høst & Knie-Andersen, 2004). Adapting from that definitions, in the current research it refers to the willingness to be giving positive recommendation about pay TV service provider by an existing customer to others without receiving monetary gain from the action.

1.8.8 Willingness to Pay More

Willingness to pay more is the intention of a customer to pay a higher price than competitors charge for the benefits that the customer currently receives from the service provider (Zeithaml et al., 1996). It also conceptualised as customer’s willingness to pay the price premium in order to stay with the current vendor (Kim et al., 2010). In the current study, it refers to customers’ willingness to continue purchasing from the pay TV service provider despite an increase in price for the benefits that their currently received.
1.9 Organisation of the Thesis

Background of the study, purpose and significance of research were discussed in this chapter. Next, in chapter two the related literature is reviewed and discussed. It starts by discussing the key variables in this study followed by the related theories and finally the development of proposed hypotheses. Chapter 3 presents research methodology in terms of research design, instrument development, and determination of data analysis methods. Chapter 4 discusses the analysis of collected data based on Partial Least Square (PLS), descriptive and inferential analysis. Finally, chapter 6 discusses the conclusion of research findings, including the contributions of the study and directions for future research.
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