

The Role of the Positive Switching Costs in the Insurance Industry

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ABSTRACT

The purpose of this paper is to test a framework in car insurances for examining the alternative routes through which different types of positive switching costs (social and lost benefits) operate in affecting outcomes, such as satisfaction, relational commitment, loyalty and word-of-mouth (WOM). Thus, the objective of this paper is to understand the role that positive switching costs plays in the insurance industry. This investigation proposes a theoretical model tested using structural equation modelling (SEM). A questionnaire survey was developed to explore the relationships among two positive switching costs (social switching costs and lost benefits costs), satisfaction, relational commitment, loyalty and WOM. For this study, 744 valid questionnaires were collected from a sample of Portuguese car insurance holders. The results show that lost benefits costs directly influence satisfaction, relational commitment, loyalty and WOM. However, social switching costs only influence relational commitment. In turn, satisfaction affects relational commitment, loyalty and WOM. Relational commitment increases loyalty and WOM. Finally, loyalty is a determinant of WOM. In order to address gaps in the literature, the present study developed an integrative model through which two types of positive switching costs operate in directly affecting loyalty and WOM and indirectly, via satisfaction and relational commitment. Research on the downstream effects of different types of switching costs is lacking. Therefore, this investigation examines the mediating role of satisfaction and relational commitment in the relationship between two positive switching costs and loyalty and WOM.

Keywords: Positive switching costs; insurance industry.

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1. INTRODUCTION

The role of switching costs in consumer markets has generated considerable theoretical and practical interest. Switching costs refer to the costs that customers have to incur when switching service provider. Switching costs are defined as “the one-time costs that customers associate with the process of switching from one provider to another” (Burnham, Frels & Mahajan, 2003). Switching barriers represent any factor, which makes it more difficult or costly for consumers to change providers (Jones, Mothersbaug & Beatty, 2000). A limited amount of research has examined switching costs in services. This research is important because it relates the switching costs with outcomes such as satisfaction, relational commitment, loyalty and word-of-mouth (WOM), in the insurance industry.

A number of researchers have provided theoretical support for a distinction between positive and negative switching barriers. In the seventies, Hirschman makes the distinction between “having to be” or “wanting to be” in a relationship. Having to be can be seen as a negative reason to stay in a relationship or to remain a customer, while wanting to be in a relationship as a positive reason to stay. The first premise links the customer with the entity under a desire to stay on it, while the latter cause in the consumer a non-voluntary retention (Lopez-Miguens & Vazquez, 2017). Therefore, positive switching barriers can be characterized as “wanting to be” in an existing relationship (i.e., a positive reason to stay in a relationship with a current provider), while negative barriers can be described as “having to be” in a relationship (i.e., a negative reason to remain). Consistent with this notion, Jones, Mothersbaugh and Beatty (2000) stated that switching barriers can be seen as either positive or negative in nature.

The distinction between positive and negative switching costs is essential to understand the mechanisms through which each type of costs influences behavioral outcome. Because positive switching costs are benefits beyond the core service, they may generate substantially different emotional responses and behavioral responses than do negative switching costs (Haj-Salem & Chebat, 2014). Negative switching costs may make customers feel entrapped and magnify their anger and frustration when experiencing poor recovery (Jones, Mothersbaug & Beatty, 2000).

In the present study, we examine the multidimensional nature of switching costs, as opposed to a unidimensional approach, who view the switching costs as the perceived economic and psychological costs associated with changing from one alternative to another. As such, switching costs can be thought of as barriers that hold customers in service relationships.

Our study categorizes each type of switching cost based on the underlying nature of constraint

involved. Specifically, we consider only positive switching costs (social and lost benefits) that derive primarily from creating benefits and value for the customer. The negative scope of barriers generate an ingenuine relationship and cannot foster customer loyalty (Han & Hyun, 2012).

This paper aims to identify the consequences of switching costs in the insurance industry. In the current study, we suggest that social switching costs and lost benefits costs directly influence satisfaction, commitment, loyalty and WOM. We also propose that social switching costs and lost benefits costs indirectly influence loyalty and WOM, via satisfaction and commitment. Finally, we expected that loyalty has a positive impact on WOM.

The paper is organized as follows. Firstly presents a critical literature review of previous research on switching costs, satisfaction, relational commitment, customer loyalty and WOM. Subsequently, a conceptual model specifying the effects of different types of positive switching costs on the relationships identified is developed. Secondly explains the research design and outlines the data collection procedure. Thirdly presents the results of both exploratory and confirmatory factor analyses, and is followed by a discussion of the findings and an elaboration of the theoretical and managerial implications. The paper concludes by addressing the limitations of the study and making suggestions for future research.

2. LITERATURE REVIEW AND RESEARCH HYPOTHESES

Understanding why, how, and under what conditions customer loyalty is developed remains an important and interesting issue (Ha & Park, 2013). A growing body of evidence indicates that customer satisfaction is a necessary but insufficient condition for loyalty enhancement (Agustin & Singh, 2005). As a result, focus has shifted onto other important determinants such as switching costs (Burnham, Frels & Mahajan, 2003). Switching costs have been found to to have a profound explanatory effect on customer loyalty.

Switching costs may be defined as the sacrifices or penalties consumers feel they may incur in moving from one provider to the next (Heide & Weiss, 1995). According to the latest investigations, switching costs are multidimensional. Theses investigations distinguish between positive costs and negative costs. The positive costs are all those who retain customers in the company for their own will ("wanting to stay") showing a positive attitude towards the continuity of the relationship. On the contrary, negative costs include all those barriers that hold clients against their will ("having to stay"), reflecting a negative attitude towards the continuity of the relationship (Maícas Lopez, Polo Redondo & Sesé Oliván, 2007).

The purpose of these studies is to examine the effects of switching costs, classified by type

(relational, procedural, and financial) and direction (positive and negative), on relational outcomes (El-Manstrly, 2016). In this multidimensional approach, Burnham, Frels and Mahajan (2003) identified three categories of switching costs, each with several subcategories: procedural, relational, and financial. Jones, Reynolds, Mothersbaugh and Beatty (2007) identify three dimensions of switching costs that correspond roughly with those of Burnham, Frels and Mahajan (2003): procedural, lost benefits, and social. Procedural is a negative switching cost while social and lost benefits are positive switching costs. We should like to mention the studies of Meng and Elliot (2009), El-Manstrly, Paton, Veloutsou and Moutinho (2011), Wang, Huang and Howng (2011), Huang and Hsieh (2012), Haj-Salem and Chebat (2014), Lee and Huang (2014), Ting (2014), Blut, Frennea, Mittal and Mothersbaugh (2015), Blut, Evanschitzky, Backhaus, Rudd and Marck (2016) and El-Manstrly (2016) that differentiates these three categories of switching costs. In the insurance industry, we emphasize the studies of Picón, Castro and Roldán (2014) and Picón-Berjoyo, Ruiz-Moreno and Castro (2016).

Research examining switching costs as a multi-dimensional construct is very limited when switching costs are classified by type (relational, financial, and procedural) and direction (positive and negative). Viewing switching costs as a multi-dimensional construct enhances the explanatory power of the construct (Whitten & Wakefield, 2006), clarifies important theoretical and managerial implications across switching costs types (Jones, Mothersbaugh & Beatty, 2002; Jones, Reynolds, Mothersbaugh & Beatty, 2007), and adequately assesses the relationship between switching costs and other related constructs (Barroso & Picón, 2012).

In this paper, we only consider positive switching costs: social and lost benefits. Social switching costs are the costs associated with the potential loss of personal relationships that customers have developed with a service. It is one of the two positive costs identified by Burnham, Frels and Mahajan (2003) and Jones, Reynolds, Mothersbaugh and Beatty (2007). Lost benefits costs are the costs reflecting the potential loss of special discounts and unique benefits if the consumer switched from her or his current service provider to another and is roughly equivalent to Burnham, Frels and Mahajan (2003) financial dimension and correspond to Jones, Reynolds, Mothersbaugh and Beatty (2007).

The positive switching costs (social and lost benefits switching costs) are derived largely from positive sources of constraint because they represent the positive benefits and value beyond the core service, that a customer would have to give up to switch. Alternatively, procedural switching costs are derived largely from negative sources of constraint because they involve

the negative aspects (e.g., search time, inflexible contract, the need to fill out new paperwork) a customer would have to endure or incur to switch. In support of these perspectives, the results of Jones, Mothersbaugh and Beatty (2002) suggest that compared to procedural costs, social and lost benefits costs were the primary value drivers in service relationships. Thus, though social and lost benefits costs are likely to be associated with positive value enhancement (Reynolds & Beatty, 1999), procedural switching costs are likely to be viewed as binding elements, causing customers to feel like “hostages” in the relationship (Sharma & Patterson, 2000).

In general, customer satisfaction refers to the response of a customer to the level of contentment and the customer’s judgment of that contentment while realizing benefits from a product or service based on criteria important to the customer (Oliver, 1997). Transaction-specific satisfaction and cumulative satisfaction are two different ways in which customer satisfaction can be conceptualized (Andreassen, 2000; Hansen, 2012). Transaction-specific satisfaction refers to the customer’s post-choice evaluation of a specific transaction involving a product or service experience (Oliver, 1993; Wu, 2011). On the other hand, cumulative satisfaction signifies an overall evaluation of a specific product or service over time, depending on the consumption experience and the total purchase (Fornell, 1992; Orsingher, Valentini & de Angelis, 2010). From the firm’s point of view, cumulative satisfaction is more useful than transaction-specific satisfaction, as it better predicts repurchase intentions and economic performance (Oliver, 1997; Bodet, 2008). In this study, we adopt the broader definition of satisfaction whereby the overall measure is an aggregation of all previous transaction-specific satisfaction, and involves both cognitive and affective components.

We focus only on relational commitment, because relationships characterized by high levels of relational commitment correspond to dedication-based relationships, as described by Bendapudi and Berry (1997). It can be defined as a kind of attitude that reflects the desire to continue a relationship that is considered beneficial or valuable (Curras-Perez & Sanchez-Garcia, 2016). We define relational commitment as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely (Morgan & Hunt, 1994). Our definition corresponds almost exactly with that developed by Moorman, Zaltman and Deshpandé (1992): “Commitment to the relationship is defined as an enduring desire to maintain a valued relationship”. Their “valued relationship” corresponds with our belief that relationship commitment exists only

when the relationship is considered important. Similarly, their “enduring desire to maintain” corresponds with our view that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. For this reason, we only consider positive switching costs.

We did not consider calculative commitment, because it is rooted in relatively negative aspects of a relationship. Calculative commitment reflects consumers’ intentions to stay with a service provider because they feel that they have to based on feeling locked in (Verhoef, Franses & Hoekstra 2002; Bansal, Irving & Taylor 2004). Calculative commitment is similar to Bendapudi and Berry's (1997) notion of a "constraint-based relationship" in which consumers believe they cannot end a relationship because there are costs. Procedural switching costs derive mainly from negative sources of constraint (*e.g.*, time and effort to find a new service provider, hassle of getting out of a contract). Therefore, as procedural switching costs increase, customers should be more likely to feel “locked in” to the service relationship, thus driving up perceptions of calculative commitment. Indeed, Bansal, Irving and Taylor (2004) found that procedural switching costs were strongly related to calculative commitment. In Portugal, we think this type of negative switching costs, such as procedural switching costs, it is not considerable when car insurance holders decide to change insurance company, because the insurance legislation has become more flexible. So, we consider that only positive switching costs are importante in insurances.

The anticipation of future relational exchange is generally expressed in terms of two behavioral outcomes, namely, repeat purchase (re-patronage) and word-of-mouth recommendation (Bitner, 1990). Repeat purchase is viewed as an indicator of whether or not a customer will maintain the relationship with the company (Zeithaml, Berry & Parasuraman, 1996). Word-of-mouth recommendation is the extent to which customers will inform their friends, relatives, and colleagues about the consumption experience (Söderlund, 1998). Therefore, customer loyalty is defined as the intention to repurchase and word-of-mouth as the intention to provide positive word-of-mouth.

2.1. The effects of switching costs on satisfaction, commitment, loyalty and WOM

The influence of switching costs on satisfaction has not been much investigated. For this reason, we think it is essential to test this effect. The investigations of Julander and Söderlund (2003) and Meng and Elliot (2009) demonstrated that positive switching costs (social and lost benefits) affect satisfaction. The direct effects of positive switching costs on relational or affective commitment have supported in several studies. Sharma (2003), Jones, Reynolds,

Mothersbaugh and Beatty (2007), Alves, Terres and Santos (2013) and Baloglu, Zhong and Tanford (2017) support the direct effect of switching costs on affective commitment. In turn, Jones, Mothersbaugh and Beatty (2000), Burnham, Frels and Mahajan (2003), Julander and Söderlund (2003), Vázquez-Carrasco and Foxall (2006), Barroso and Picón (2012), Blut, Frennea, Mittal and Mothersbaugh (2015), Lopez-Miguens and Vazquez (2017) and Ngo and Pavelková (2017) demonstrated that positive switching costs are antecedents of loyalty. Consequently:

H1. Social switching costs have a positive influence on satisfaction.

H2. Social switching costs have a positive influence on relational commitment.

H3. Social switching costs have a positive influence on loyalty.

H4. Social switching costs have a positive influence on WOM

H5. Lost benefits costs have a positive influence on satisfaction.

H6. Lost benefits costs have a positive influence on relational commitment.

H7. Lost benefits costs have a positive influence on loyalty.

H8: Lost benefits costs have a positive influence on WOM.

2.2.The effect of satisfaction on relational commitment

Results from a number of studies indicate that the level of customer satisfaction has a positive effect on loyalty. However, a number of authors argue that mere satisfaction is not enough to keep customers loyal (Stewart, 1997); other mechanisms also need to be considered (Oliver, 1999). One such mechanism is commitment; the future of buyer-seller relationships depends on the commitment made by the partners to the relationship (Morgan & Hunt, 1994).

Commitment is the enduring desire to maintain a relationship. Satisfaction reinforces the consumers' decision to maintain the exchange relationship with the service provider. Therefore, several studies support the positive impact of satisfaction on relational commitment (Shin, Chung, Oh & Lee, 2013; Balaji, 2015; Ou, Shih & Chen, 2015; Curras-Perez & Sanchez-Garcia, 2016; Fang, Shao & Wen, 2016; Lee & Wong, 2016; Wästerlund & Kronholm, 2017; Giovanis & Athanasopoulou, 2018).

H9: Satisfaction has a positive influence on relational commitment.

2.3. The effects of satisfaction on loyalty and WOM

Many studies have shown that customer satisfaction affects customer loyalty. When customers are highly satisfied, they perceive the outcome of the exchange to be positive and, therefore, are willing to repurchase and to recommend the provider to other consumers. Li (2013), Ruiz, Esteban and Gutiérrez (2014), Fang, Shao and Wen, 2016, Luo and Qu (2016),

Su, Swanson, Chinchanchokchai, Hsu and Chen (2016), Cambra-Fierro, Pérez and Grott (2017), Koklic, Kukar-Kinney and Vegelj (2017) and Leppäniemi, Karjaluoto and Saarijärvi (2017) demonstrated that satisfaction influences loyalty and WOM. Therefore, we propose:

H10: Satisfaction has a positive influence on loyalty.

H11: Satisfaction has a positive influence on WOM.

2.4. The effects of commitment on loyalty and WOM

A substantial body of research has demonstrated that customers' repurchase intentions and positive referrals are regarded as consequences of affective commitment (Ercis, Ünal, Candal & Yildirim, 2012; Alves, Terres & Santos, 2013; Loureiro, Kaufmann & Rabino, 2014; Curras-Perez & Sanchez-Garcia, 2016; Fang, Shao & Wen, 2016; Su, Swanson, Chinchanchokchai, Hsu & Chen, 2016; Wästerlund & Kronholm, 2017). Mukherjee and Nath (2007) suggest that commitment has a positive impact on WOM, purchase intention, and continued interaction. Thus, customer commitment is recognized as a determinant to long-term relationships. Previous studies have found a relationship between commitment and word-of-mouth. Bettencourt's (1997) study found that committed customers are more likely to recommend the firm and say positive things. Liljander and Strandvik (1995) also noted that commitment can lead to behaviours such as positive word-of-mouth. In turn, De Ruyter and Wetzels (1999) found that commitment decreases the likelihood that the client will change. Relationship commitment has a strong positive effect on customer loyalty and the higher the customer commitment, the more willing the customer is to provide word-of-mouth recommendations for the business (Ou, Shih & Chen, 2015). Consequently:

H12: Relational commitment has a positive influence on loyalty.

H13: Relational commitment has a positive influence on WOM.

2.5. The effect of loyalty on WOM

Finally, the findings of several previous studies support the effect of loyalty on word-of-mouth communication (Li, 2013; Hsu, Wang & Chih, 2013; Choi & Choi, 2014; Mishra, 2014; Roy, Lassar & Butaney, 2014; Ruiz, Esteban & Gutiérrez, 2014; Salehnia, Saki, Eshaghi & Salehnia, 2014; Athavale, Banahan III, Bentley & West-Strum, 2015; Chai, Malhotra & Alpert, 2015; Haryono, Suharyono, Achmad Fauzi & Suyadi, 2015; Khan, Ferguson & Pérez, 2015; Sirakaya-Turk, Ekinci & Martin, 2015; Xu, Peak & Prybutok, 2015; Watson, Beck, Henderson & Palmatier, 2015; Akbari, Kazemi & Haddadi, 2016; Casidy & Wymer, 2016; Fang, Shao & Wen, 2016; Eelen, Özturan & Verlegh, 2017; Harris & Kathami, 2017, Rialti, Zollo, Pellegrini & Ciappei, 2017). Therefore, the following hypothesis is

proposed:

H14: Loyalty has a positive influence on WOM.

3. RESEARCH METHODOLOGY

3.1. Sample selection and data collection

The conceptual model proposed in the present study is depicted in Figure 1. This research model investigates the effects of switching costs on different outcomes in the insurance sector. For this purpose, we will test a model where social switching costs and lost benefits costs are antecedents of satisfaction, commitment, loyalty and WOM. So, it is a model of partial mediation, where satisfaction and relational commitment are the mediating variable between the independent factors and the variables loyalty and WOM. The independent variables are social switching costs and lost benefits costs. Satisfaction influences commitment. Satisfaction and relational commitment influence loyalty and WOM. Finally, loyalty influences WOM.

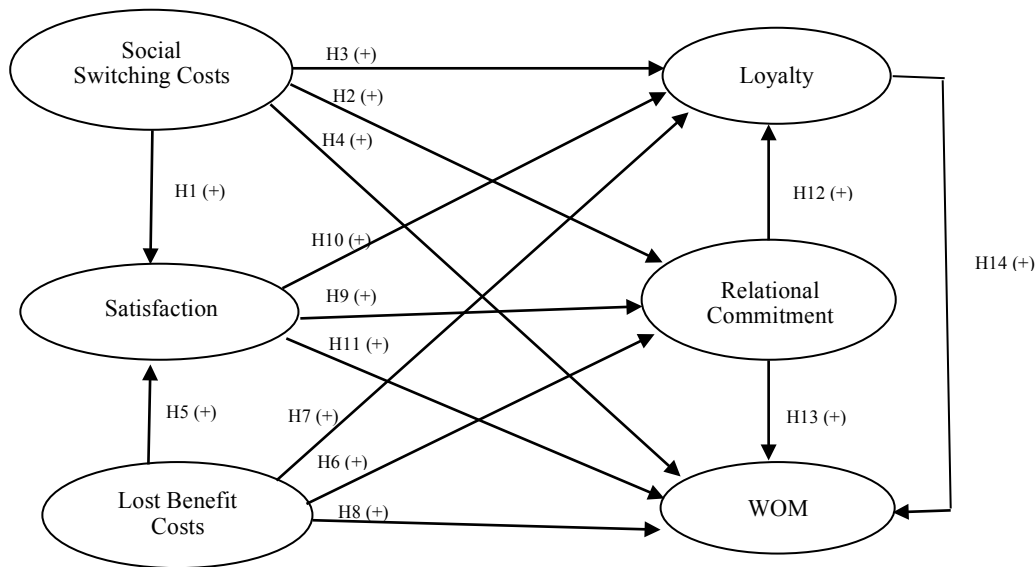


Figure 1: Proposed conceptual model

Source: By author

Extensive qualitative interviews were conducted on this topic prior to the collection of quantitative data. To achieve the purposes of the study, a total of 744 Portuguese car insurance holders were invited to complete the survey. The demographic characteristics indicate that a diverse group of respondents were recruited. Approximately 51.9% were female, while 48.1% were male. The majority of the respondents of this study were between 25 and 54 years old (86.5%). Moreover, 61.7% were married. Finally, 38.8% had completed

high school and 38.0% held a university degree.

3.2. Measures

Established scales were used to measure the variables being studied, based on the review of the most relevant literature on relationship marketing. All the variables were measured by a seven-point Likert scale, ranging from 1- strongly disagree to 7- strongly agree and appear in Table 2.

The scales used to measure social switching costs and lost benefits costs were adapted from the work of Jones, Reynolds, Mothersbaugh and Beatty (2007). The scale items used to measure social switching costs were: “If I switched of insurance company, I might lose the friendships I have developed” (SSC1), “If I switched of insurance company, I might lose an important personal relationship” (SSC2), and “If I switched of insurance company, it might be very uncomfortable to tell the employees that I am leaving” (SSC3). In turn, the scale items to measure lost benefits costs were “Staying in this insurance company allows me to get discounts and special deals” (LBC1), “Staying in this insurance company saves me money” (LBC2), and “Staying in this insurance company allows me to get extra service benefits” (LBC3).

Satisfaction scale was drawn from the work of Gremler and Gwinner (2000). The scale items used were: “Based on all of my experience with this insurance company, I am very satisfied with the insurance services it provides” (SAT1), “My choice to use this insurance company was a wise one” (SAT2), “Overall, I am satisfied with the decision to use this insurance company” (SAT3), “I think I did the right think when I decided to use this insurance company for any insurance needs” (SAT4), “My overall evaluation of the services provided by the insurance company is very good” (SAT5).

Relational Commitment was measured according to the scale used by Kaufman, Jayachandran and Rose (2006). The scale items used were: “The relationship I have with the insurance company is something I am very committed to” (COM1), “The relationship I have with the insurance company is something I really want to maintain” (COM2), and “The relationship I have with the insurance company deserves my maximum effort to maintain” (COM3).

Loyalty measurement was drawn from the scale of Martín Ruíz, Gremler, Washburn and Cepeda Carrión (2008). The scale items used were: “I intend to continue doing business with this insurance company in the future” (LOY1), “As long as the present service continues, I doubt that I would switch insurance companies” (LOY2), and “I will choose this insurance company the next time I need this service” (LOY3).

WOM measurement was drawn from the scale of Palmatier, Scheer and Steenkamp (2007). The scale items used were: “I say positive things about this company insurance to other persons” (WOM1), “I would recommend this company insurance to someone seeking my advice” (WOM2), and “I encourage friends and relatives to do business with this insurance company” (WOM3).

3.3. Measurement Model

An initial screening of each scale was conducted using item-total correlations and exploratory factor analysis (EFA), using SPSS 25.0. Following Anderson and Gerbing’s (1988) two-step approach, a measurement model was estimated before testing the hypotheses using a structural model. The analysis of data was realized through confirmatory factor analysis (CFA) and structural equation modeling (SEM) using the statistical software AMOS (*Analysis of Moment Structures*) version 25.0. Maximum likelihood estimation procedures were used, since these afford more security in samples which might not present multivariate normality.

The measurement model fits the data well. I. The chi-square(X^2) was 536.406 with 155 degrees of freedom at $p < 0.001$. Because the chi-square is sensitive to sample size, we also assessed additional fit indices (1) goodness of fit index (GFI), (2) normed fit index (NFI), (3) incremental fit index (IFI), (4) Tucker-Lewis coefficient (TLI), and (5) comparative fit index (CFI). All of these fit indices are higher than 0.9 (GFI=0.93, NFI=0.97, IFI=0.98, TLI=0.97, and CFI=0.98). Because fit indices can be improved by allowing more terms to be freely estimated, we also assessed the root mean square error of approximation (RMSEA), which is 0.058.

CFA enables the performance of tests regarding the convergent validity, discriminant validity and reliability of the study constructs. A commonly used method for estimating convergent validity examines the factor loadings of the measured variables (Anderson and Gerbing, 1988). Following the recommendations by Hair, Anderson, Tatham and Black (2005), factor loadings greater than 0.5 are considered very significant. In addition, we used the Average Variance Extracted (AVE) to contrast convergent validity. Fornell and Larcker (1981) suggested adequately convergent valid measures should contain less than 50% error variance (AVE should be 0.5 or above). Convergent validity was achieved in this study, because all the factor loadings exceeded 0.5 and all variance extracted estimates (AVE) were greater than 0.5. Next, CFA was used to assess discriminant validity. If the AVE is larger than the squared correlation between any two constructs, the discriminant validity of the constructs is supported (Fornell & Larcker, 1981). Discriminant validity was also assessed for each pair of

constructs by constraining the estimated correlation between them to 1.0 and a difference test was performed on the values obtained from the constrained and unconstrained models (Anderson and Gerbing, 1988). Discriminant validity of the scales was also supported as none of the confidence intervals of the phi estimates included 1.0 (Anderson & Gerbing, 1988). Finally, Gaski (1984) suggests the existence of discriminant validity if the correlation between one composite scale and another is not as high as the coefficient alpha of each scale. These tests demonstrated that discriminant validity is present in this study.

To assess reliability, the composite reliability (CR) for each construct was generated from the CFA. The composite reliability (CR) of each scale must exceed the 0.7 threshold (Bagozzi, 1980). As Table 1 shows, the composite reliability coefficients of all the constructs are excellent, being larger than 0.9, except for lost benefits costs (0.88). The Cronbach's alpha indicator was used also to assess the initial reliability of the scales, considering a minimum value of 0.7 (Cronbach, 1970; Nunnally, 1978). As shown in Table 1, coefficient alpha values are all over 0.9, exhibiting high reliability. Table 1 also shows the AVE for each construct and a correlation matrix of constructs.

Construct	N° Items	C R	AVE	1	2	3	4	5	6
1. Social switching costs	3	.91	.78	($\alpha=.91$)					
2. Lost benefits costs	3	.88	.72	.38	($\alpha=.88$)				
3. Satisfaction	5	.97	.86	.16	.59	($\alpha=.97$)			
4 Relational commitment	3	.93	.82	.34	.54	.60	($\alpha=.93$)		
5. Loyalty	3	.94	.85	.18	.61	.84	.63	($\alpha=.95$)	
6. WOM	3	.95	.87	.24	.61	.80	.67	.85	($\alpha=.95$)

Note: CR = Composite Reliability; AVE = Average variance extracted; α = Cronbach's alpha.

Table 1: Factor correlation matrix and measurement information

Source: By author

The measurement information is shown in Table 2.

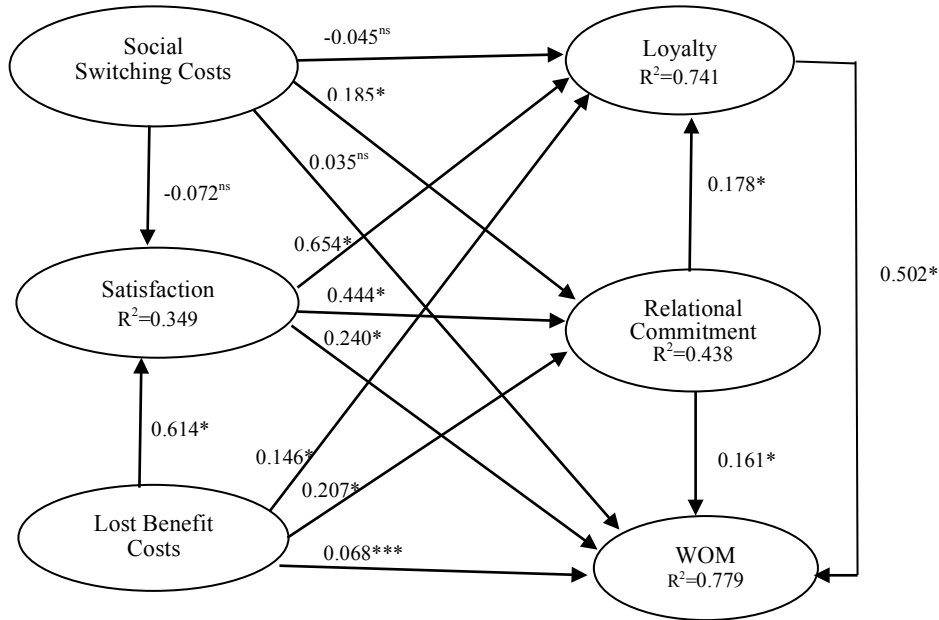
Construct	Item	Standardized Loading	t-Value
Social Costs	SSC1	0.922	32.073
	SSC2	0.966	34.748
	SSC3	0.747	23.515
Lost Benefit Costs	LBC1	0.868	28.545
	LBC2	0.801	25.376
	LBC3	0.872	28.753
Satisfaction	SAT1	0.901	31.714
	SAT2	0.930	33.475
	SAT3	0.949	34.759
	SAT4	0.941	34.208
	SAT5	0.925	33.159
Relational Commitment	COM1	0.856	28.810
	COM2	0.905	31.526
	COM3	0.954	34.522
Loyalty	LOY1	0.916	32.400
	LOY2	0.931	33.365
	LOY3	0.920	32.678
WOM	WOM1	0.942	34.168
	WOM2	0.955	35.026
	WOM3	0.893	31.085

Table 2: Measurement information

Source: By author

4. STRUCTURAL MODEL

The structural model fits the data well ($X^2=536.406$, $df=155$, $p<0.01$; $GFI=0.93$, $NFI=0.97$, $IFI=0.98$, $TLI=0.97$, $CFI=0.98$; $RMSE=0.058$). This model is depicted in Figure 2.



Note: * $p<0.001$; ** $p<0.01$; *** $p<0.05$; ns=not supported; R²=Squared Multiple Correlations.

Figure 2: Structural model
Source: By author

The results in Table 3 show the analyses of the causal paths hypothesized in the structural model. The models support eleven hypotheses. Only three, hypotheses 1, 3 and 4, are not supported.

Path	Standardized Coefficient	t-Value	Hypotheses
Satisfaction ← Social Switching Costs	-0.072	-2.047***	H1 (+): NS
Relational Commitment ← Social Switching Costs	0.185	5.534*	H2 (+): S
Loyalty ← Social Switching Costs	-0.045	-1.820***	H3 (+): NS
WOM ← Social Switching Costs	0.035	1.511	H4 (+): NS
Satisfaction ← Lost Benefits Costs	0.614	15.366*	H5 (+): S
Relational Commitment ← Lost Benefits Costs	0.207	4.754*	H6 (+): S
Loyalty ← Lost Benefits Costs	0.146	4.515*	H7 (+): S
WOM ← Lost Benefits Costs	0.068	2.241***	H8 (+): S
Relational Commitment ← Satisfaction	0.444	11.067*	H9 (+): S
Loyalty ← Satisfaction	0.654	19.352*	H10 (+): S
WOM ← Satisfaction	0.240	5.860*	H11 (+): S
Loyalty ← Relational Commitment	0.178	5.580*	H12 (+): S
WOM ← Relational Commitment	0.161	5.570*	H13 (+): S
WOM ← Loyalty	0.502	11.179*	H14 (+): S

Note 1: * $p<0.001$; ** $p<0.01$; *** $p<0.05$ (one tail tests).
 Note 2: S=supported; NS= not supported.

Table 3: Estimation results of the structural model
Source: By author

According to Bollen (1989), analyzing the effects of total effects (direct and indirect effects) becomes very important, since only examining the direct effects could be misleading. The analysis of indirect effects highlights the importance of mediating variables in explaining loyalty and word-of-mouth, as we can observe in Table 4.

We used the technique of Bootstrapping with a sample of 2000 random observations generated from the original sample, and a confidence interval of 90% also used in the estimation of the proposed model. This is because the analysis of total and indirect effects is only possible with the use of this method of estimation.

		Social Switching Costs	Lost Benefit Costs	Satisfaction	Relational Commitment	Loyalty
Satisfaction	Direct	-0.072 ^{ns}	0.614**			
	Indirect					
	Total	-0.072 ^{ns}	0.614**			
Commitment	Direct	0.185**	0.207**	0.444**		
	Indirect	-0.032 ^{ns}	0.272**			
	Total	0.153**	0.479**	0.444**		
Loyalty	Direct	-0.045 ^{ns}	0.146**	0.654**	0.178**	
	Indirect	-0.020 ^{ns}	0.487**	0.079**		
	Total	-0.065 ^{ns}	0.633**	0.733**	0.178**	
WOM	Direct	0.035***	0.068***	0.240**	0.161**	0.502**
	Indirect	-0.026 ^{ns}	0.543**	0.440**	0.090**	
	Total	0.009 ^{ns}	0.611**	0.680**	0.251**	0.502**

Note 1: * p≤0.001; ** p≤0.01; *** p≤0.05; **** p≤0.1; ns=not supported.

Note 2: ns means a non-significat effect.

Note 3: The influence of one variable on another should be read vertically.

Table 4: Standardized effects direct, indirect and total

Source: By author

5. FINDINGS AND DISCUSSION

Recent investigations differentiate between two types of switching costs based on the nature of the constraints involved. Positive switching costs are related to the value-added and benefits offered to customers that they would lose if they quit the provider. Negative switching costs are constraints that penalize customers. They can be procedural costs. Procedural costs refer to the time and effort the customer anticipates when switching. However, this study has highlighted the importance of positive switching costs in the insurance industry, because we think negative switching costs, such as procedural costs, are not relevant in insurances.

Our findings contribute to the discussion about the impacts of different types of positive switching costs on satisfaction, relational commitment, customer loyalty and WOM.

This study provides empirical evidences of the effects of switching costs in insurance context. This study adopts the view that the interrelationship between switching cost, satisfaction, relational commitment, loyalty and WOM are complex and contribute to the previous research in the field in some new aspects. First, in contrast to most of previous empirical studies in which switching costs are assumed as an overall constructs of some different dimensions for testing the relationship with other constructs, the switching costs in this study are separated into two different positive switching cost (social and lost benefits).

With regard to the relative effect of switching costs on actual purchase behavior, results of the quantitative study show that the two dimensions of financial and relational switching costs affect key marketing outcomes to a different extent. Particularly, we find financial switching costs to be the most important type of switching cost for securing insurance. These findings underscore the need to differentiate between the diverse dimensions of the switching cost construct. Additionally, these findings underline the attractiveness of switching costs as a retention strategy for insurance markets.

With respect to the differential effects of switching costs, this study deepens our understanding of the nature of the two switching cost dimensions. The literature argues that these two types of switching costs represent positive switching costs, expressing the goodwill of the supplier which in turn makes the customer buy from several product and services categories (Jones, Reynolds, Mothersbaugh & Beatty, 2007). Similarly, one can assume that these positive switching costs lead to marketing outcomes such as increased satisfaction, relational commitment, loyalty and positive word of mouth. However, while relational switching costs impact only on relational commitment, financial switching costs impact on satisfaction, relational commitment, loyalty and WOM.

Therefore, this paper adopts the multidimensional view of switching costs, as it is more likely to adequately capture the richness of the construct (Bagozzi & Edwards, 1998; El-Manstrly, 2014). However, in the insurance market, Hellier, Geursen, Carr and Rickard (2003), Antón, Camarero, and Carrero (2007), and Lai, Liu and Lin (2011) only proposed an unidimensional nature of switching costs. They considered that switching costs may be incurred from switching from current insurer to another.

When we analyze the direct effects, lost benefits costs have a significant direct effect on satisfaction, followed by relational commitment. Thus, our results support hypotheses 5

and 6. For Julander and Söderlund (2003) and Meng and Elliot (2009), positive switching costs (social and lost benefits) affect satisfaction. As expected, the customer satisfaction heavily depends on the lost benefits costs. So, in the insurance industry, lost benefit costs are crucial to foster customer satisfaction.

Social switching costs only have a significant effect on relational commitment, although weaker than on satisfaction. Therefore, our results also support hypothesis 2. The direct effects of positive switching costs on relational commitment was supported in several studies (Jones, Reynolds, Mothersbaugh & Beatty, 2007; Alves, Terres & Santos, 2013; Baloglu, Zhong & Tanford, 2017). Consequently, insurance company managers must give special attention to the switching costs they create with car insurance holders for the purpose to be committed with them. In turn, social switching costs did not affect satisfaction. So, the hypothesis 1 was not supported.

The effects of lost benefits costs on loyalty and WOM are significant, although weaker. Therefore, our results support hypotheses 7 and 8. Instead, the hypotheses 3 and 4 were not supported, because social switching costs didn't have a positively influence on loyalty and WOM. Blut, Frennea, Mittal and Mothersbaugh (2015), Lopez-Miguens and Vazquez (2017) and Ngo and Pavelková (2017) demonstrated that positive switching costs are antecedents of loyalty. However, Thuy, Hau and Evangelista (2016) studied two sectors, the banking sector and the health-care sector. They found that relational barriers affect loyalty in the health-care sector only, but, in the banking sector, only economic barriers affect loyalty. As happened in our study of insurance, social switching costs, in the banking sector, did not have impact on loyalty. Perhaps, in financial markets, customers are not interested in establishing relationships. In these markets, economic switching costs seem to be more important.

Lost benefits costs have positive influence on satisfaction, loyalty and WOM, contrary to social switching costs. Social switching costs only have a direct effect on relational commitment. Thus, in insurance companies, the priority to retain the car insurance holders is to focus on the lost benefits costs, because the social costs are not a priority for the car insurance holders. In the insurance markets, Duijmelinck, Mosca and van de Ven (2015) identified one of the switching costs, lost benefits costs, as the main reason for customers not switching insurer.

In turn, satisfaction has a direct influence on relational commitment, loyalty and WOM. The relationship between satisfaction and loyalty is the strongest, followed by

commitment and WOM. Therefore, the hypotheses 9, 10 and 11 were supported. Several studies support the positive impact of satisfaction on relational commitment (Fang, Shao & Wen, 2016; Lee & Wong, 2016; Wästerlund & Kronholm, 2017; Giovanis & Athanasopoulou, 2018). In turn, Cambra-Fierro, Pérez and Grott (2017), Koklic, Kukar-Kinney and Vegelj (2017), Leppäniemi, Karjaluoto and Saarijärvi (2017) demonstrated that satisfaction influences loyalty and WOM.

As we expected, relational commitment has a strong direct effect on loyalty. Thus, our results support hypothesis 12. Relational commitment has a significant effect on WOM, although weaker. Thus, our results support hypothesis 13. For Fang, Shao and Wen (2016), Su, Swanson, Chinchanchokchai, Hsu and Chen (2016) and Wästerlund and Kronholm, (2017), commitment has a positive influence on loyalty and WOM.

Finally, loyalty has the strongest direct effect on WOM. Thus, our results support hypothesis 14. Akbari, Kazemi and Haddadi (2016), Casidy and Wymer (2016), Fang, Shao and Wen (2016), Harris and Kathami (2017) and Rialti, Zollo, Pellegrini and Ciappei (2017) demonstrated this relationship.

However, we must look at both direct and indirect effects, because the consideration of the total effects will give us a more rigorous assessment about the relationships between the variables under analysis.

The strongest total effects (direct and indirect) on relational commitment come from lost benefits costs, followed by satisfaction. Lost benefit costs have a strong indirect effect on commitment. Social switching costs have a weaker total effect (direct and indirect) on relational commitment.

In turn, the strongest total effects (direct and indirect) on loyalty come from satisfaction, followed by lost benefits costs. Relational commitment has a total effect (direct and indirect) weaker on loyalty. Finally, the strongest total effects (direct and indirect) on WOM come from satisfaction, followed by lost benefits costs and loyalty. Relational commitment has a weaker total effect (direct and indirect) on WOM.

In conclusion, in the insurance industry, lost benefits costs have a very significant indirect effect on achieving customer loyalty and WOM. Therefore, the insurance company must not forget to provide discounts to loyal customers, because this is very important to them. They prefer to be distinguished because they are loyal to the insurance company, and not just because they did not have car accidents.

6. IMPLICATIONS AND LIMITATIONS

The results of the study have a number of important implications for both theory and practice, because there was a lack of such research in Portuguese insurance context.

6.1 Theoretical Implications

This study is the first to investigate the impact of positive switching costs on customer satisfaction, relational commitment, and loyalty and WOM in the context of the Portuguese insurance companies.

The current study proposes and tests a framework for understanding the underlying relationships between the potential costs of consumers switching from one service provider to another, satisfaction, relational commitment, loyalty with a service provider and WOM. This is an important contribution as no previous study, to the best of the authors' knowledge, has provided such a perspective. While the moderating effect of SC on loyalty has been explored before, this study adds to current knowledge by providing an understanding of the mediating effect of satisfaction and relational commitment on the relationship between switching costs and loyalty and WOM.

Our framework moves on to posit satisfaction and commitment as critical mediators between two different types of positive switching costs and loyalty and WOM. This study supports the view that lost benefits costs influence satisfaction and relational commitment. Lost benefits costs also influence loyalty and WOM. However, social switching costs are not the priority in the insurance industry. Therefore, in the insurance industry, it is very important to distinguish between positive switching costs, because one of the positive switching costs, lost benefits costs, are crucial in this sector. Car insurance holders would like to be distinguished for being loyal customers.

Recent researches on the conceptualization of switching costs suggest that switching costs in several markets represent a multi-dimensional construct consisting of dimensions. More specifically, we identified two positive switching costs (financial switching costs) and relational aspects (personal relationships) as important and relevant dimensions of switching costs in insurance settings. According to Jones, Reynolds, Mothersbaugh and Beatty (2007), positive switching costs refer to relational and financial switching costs derived from positive losses that add value to customers (e.g. losing a relational bond or benefits).

With regard to the relative effect of switching costs on actual purchase behavior, results show that the two dimensions of financial and relational positive switching costs affect

key marketing outcomes to a different extent. In the insurance industry, the financial switching costs are more significant. Particularly, we find lost benefits costs to be the most important type of switching cost for securing relationships between car insurance holders and insurance companies, since it influence satisfaction, relational commitment, loyalty and WOM. Social switching costs only impact on relational commitment. These findings underscore the need to differentiate between the diverse dimensions of the switching cost construct. Additionally, these findings underline the attractiveness of switching costs as a retention strategy for many markets.

With respect to the differential effects of switching costs, this study deepens our understanding of the nature of the two positive switching cost dimensions. This confirms that findings from one market cannot be completely generalized to another market, as some of the findings here differ from those of earlier studies.

6.2. Managerial Implications

The primary aim of this research is to evaluate the principal outcomes of positive switching costs between insurance companies and car insurance holders. This study is one of the first to be conducted in the context of insurance in Portugal. Therefore, the results of the current study have clear implications for insurance companies, because they allow them to perceive the results of a good switching costs policy, which can help managers to anticipate a customer's decision to switch to another insurance company.

We will defend that, both from a theoretical and managerial viewpoint, it is essential to explicitly differentiate between positive switching barriers, which are related to wanting to be in relationship, and negative switching barriers reflecting having to be in a relationship. Psychologically, it should make a great difference whether one maintains a relationship because a perception that the supplier is superior in services and products (a positive reason), or because it is too expensive to leave the supplier, there is a monopoly on the market or the supplier is powerful (negative reasons).

The findings of the current study have some implications for service providers and managers. First, managers should realize the different impacts of each type of switching costs. From the findings in this paper, the two positive switching cost have very different impacts. Each type of positive switching costs will lead to different way of affecting customer satisfaction, commitment, and customer loyalty and WOM. Managers should realize the type of customer groups to apply the right type of switching costs. Insurance manager should consider to develop and adopt positive

switching costs such as provided value-added benefits as prioritized treatments. Offering more value-added benefits might increase cost but if insurance managers consider the benefits of keeping satisfied, committed and loyalty customers, it will be worthy in the long-term. In this case, the actions of service providers to build specific positive switching costs, such as financial benefits, might dramatically increase customer satisfaction and loyalty. The car insurance holders do not only want lower insurance premiums because they did not have accidents. They want lower insurance premiums because they are loyal to the insurance company. However, car insurance holders do not seem appreciate interpersonal relationships.

Lost benefits costs are very important in foster customer satisfaction, as we expected. The insurance companies can not continue to ignore this evidence. Satisfaction is crucial to foster loyalty in the insurance industry. Therefore, lost benefits costs have the effect of directly increase loyalty and indirectly, via satisfaction and commitment.

For managers, our findings provide important guidance whether and how, to make use of switching costs in the insurance industry. Our study indicates that insurance managers being responsible for customer management should consider lost benefits costs as major drivers of purchase behavior.

6.3. Limitations and Future Research

The findings from the current research should be interpreted with certain limitations. Future studies could examine other outcomes of positive switching costs. In the current study, the focus was on customers in the context of the insurance industry, more precisely car insurance. Although this method enhances the generalizability of the findings, future research aimed at replication should examine the model when used with different types of service firms (*e.g.* banks) or in different insurance contexts (*e.g.* life insurance).

Given that the current study used cross-sectional data, it would also be useful for future research to investigate a set of customers longitudinally. This longitudinal research could investigate the nature of the communication over time.

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