

## **The Moderating Influence of Enjoyment on Customer Loyalty**

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### **Abstract**

As youth use mobile services for utilitarian and hedonic purposes, their evaluations of mobile service providers may relate to cognitive determinants of service quality, value, and switching costs as well as to affective enjoyment. The findings showed that cognitive determinants related significantly to loyalty, but enjoyment did not. A follow-up investigation suggested that enjoyment moderated relationships between these cognitive determinants and loyalty. Service quality and value related more to loyalty when enjoyment was low, implying that youth who used mobile services for utilitarian purposes were mainly concerned with the services' quality and value. Conversely, switching costs related more to loyalty when enjoyment was high. Youth who enjoyed common mobile services with peers perceived barriers to switching because using different mobile service providers might distance youth from their peers. This study extends research on hedonic consumption, particularly with Australian youth and mobile services, and offers future research and managerial implications.

**Keywords:** Loyalty, hedonic consumption, moderating influence, enjoyment, youth, mobile phone services

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### **1. Introduction**

Customer loyalty research often focuses on how cognitive evaluations influence buying behaviour (Gounaris and Stathakopoulos, 2004; Newman and Werbel, 1973; Yang and Peterson, 2004). This approach makes sense for utilitarian products such as toothpaste, but not for hedonic products such as vacations, which offer value through sensory dimensions. Lamenting the lack of research into the hedonic aspects of consumption, Hirschman and Holbrook (1982) contend that consumer behaviour is a complex interaction involving cognitive and affective aspects, and omitting either aspect limits understanding how consumers behave. Similarly, Bagozzi et al. (1979) surmise that marketing studies' failure to predict behaviour might be due to the studies ignoring affective determinants.

Despite calls for considering hedonic aspects of consumption and within this study's context, no published

studies on customer loyalty towards mobile service providers – mobile loyalty – have considered the role of hedonism (for examples, see Caruana, 2004; Gerpott, Rams and Schindler, 2001; J. Lee, Lee and Feick, 2001; Serkan and Göekhan, 2006). In contrast, these studies primarily investigated how cognitive factors such as service quality and value related to mobile loyalty.

Yet, mobile services may be for utilitarian purposes such as emergencies (Aoki and Downes, 2003; Chapman and Schofield, 1998) or hedonic purposes such as swapping jokes (R. Lee and Murphy, 2006; Wilska, 2003). If products comprise hedonic and utilitarian dimensions, then product evaluations should involve both affective and cognitive factors (Chaudhuri, 2002; Homer, 2006; Johnson, Hermann and Huber, 2006). Furthermore, evaluations may be more affective for hedonic products and more cognitive for utilitarian ones (Babin and Darden, 1994; Batra and Ahtola, 1990; Voss, Spangenberg and Grohmann, 2003).

### *1.1 Research Questions*

Youth tend to use mobile services for hedonic purposes, and hedonic consumption appeals to and drives the adoption of mobile services by youth (R. Lee and Murphy, 2006; Scott-Joynt, 2002). Attesting to this appeal, Wajcman and Beaton's (2004) research of mobile services in Australia found that young Australians were more prone to use mobile services for leisure than their older counterparts were. Likewise, a Macquarie University study (2005) revealed that Australian youth often sent sexual, flirtatious, and romantic messages via mobile phones. Against this backdrop of youth's hedonic consumption of mobile services, this research extends studies on mobile loyalty in three areas.

Firstly, to the authors' knowledge no published studies have investigated mobile loyalty with youth. Yet loyalty behaviour and its determinants may differ across age groups (Caruana, 2002; Day and Stafford, 1997; Skogland and Siguaw, 2004). A study of customer loyalty with medical, hairdressing, and travel services, for instance, found younger consumers generally less loyal than older ones were for all three services (Patterson and Prasongsukarn, 2001). Moreover, determinants of loyalty differed across age groups and services; older customers valued familiarity with and trust of their service providers, whereas younger consumers valued benefits such as discounts and special deals. While mobile loyalty studies found cognitive factors of service quality, value, and switching costs predicted mobile loyalty (Gerpott, Rams and Schindler, 2001; J. Lee, Lee and Feick, 2001; Serkan and Göekhan, 2006), would these factors apply solely to youth?

Secondly and serving as theoretical framework, this study investigates how youth's inclination to consume hedonic mobile services may relate to their mobile loyalty. Does their enjoyment of mobile services influence their mobile loyalty? Furthermore, what are the relationships among cognitive factors of service quality, value, and switching costs, affective enjoyment, and mobile loyalty? These questions further research of hedonic aspects of consumer behaviour, "an important extension of traditional consumer research and a complementary perspective for conceptualizing

many otherwise neglected consumption phenomena" (Hirschman and Holbrook, 1982, p. 100).

Thirdly, this study extends mobile loyalty research to Australia. Employing over 33,000 people and adding A\$6.1 billion to the local economy in 2005, mobile services are important to Australia's economy (AMTA, 2005). Driven by market deregulation, technological development, and innovations, these economic measures underscore the strong industry growth that saw mobile service subscribers climbing steadily since the early 1990s to exceed 20 million subscribers by June 2006 (AMTA, 2006). This represented a penetration rate, mobile service subscribers per 100 people, of 96%. A greater understanding of youth's mobile loyalty would help Australian mobile service providers improve their marketing strategies targeting youth.

## **2. Conceptual Development**

Considerable academic (Chaudhuri and Holbrook, 2001; Johnson, Hermann and Huber, 2006) and managerial (Reichheld, Robert and Hopton, 2000; Reinartz and Kumar, 2002) literature has examined customer loyalty and extolled its economic benefits – enhancing customer loyalty helps firms decrease expenses and improve revenue and profit. Treating mobile loyalty as behavioural intentions to stay with mobile service providers, the following subsections hypothesise the relationships among cognitive determinants of service quality, value, and switching costs, affective enjoyment, and mobile loyalty.

### *2.1 Service Quality*

Service quality, consumers' appraisal of overall quality or service excellence, may influence decisions to remain with or switch service providers (Bitner and Hubbert, 1994; Cronin and Taylor, 1992; Zeithaml, Berry and Parasuraman, 1996). These studies, as well as conventional wisdom, indicate that by improving service quality, firms will satisfy their customers and hence retain them.

For example, customers who perceived high service quality with their banks were more likely to stay with the banks than those who perceived low service quality

were (Caruana, 2002). Likewise, a study across four industries – computer manufacturing, life insurance, automobile insurance, and retail chains – showed positive and negative behavioural intentions related to perceived service quality (Zeithaml, Berry and Parasuraman, 1996). Favourable service quality increased positive intentions such as remaining with the firms and willingness to pay more, and reduced negative intentions such as switching to other firms and complaining. Unfavourable service quality related to negative intentions such as exit and negative word-of-mouth.

For mobile telecommunications, service quality also relates to loyalty. The positive relationship between service quality and mobile loyalty cuts across nationalities including French (J. Lee, Lee and Feick, 2001), Chinese (Wang and Lo, 2002), and German (Gerpott, Rams and Schindler, 2001). Extending these studies to Australian youth:

Hypothesis (H1): Service quality relates positively to mobile loyalty.

## *2.2 Value*

In addition to service quality, value is a key determinant of customer loyalty (Buttle and Burton, 2002; Lam et al., 2004; Ravald and Grönroos, 1996). Defining value as the perceived trade-off of benefits and costs, customers are more (less) loyal to products with higher (lower) perceived value. For instance, a study of retail and airline companies showed that perceived value related positively to future purchases and willingness to recommend the company to others (Sirdeshmukh, Singh and Sabol, 2002).

Value is also a main reason why subscribers stay with their mobile service providers (Gerpott, Rams and Schindler, 2001; Pura, 2005). Furthermore, a Chinese study suggested consumers rated value higher than service quality when determining their choice of and intentions to stay with mobile service providers (Wang and Lo, 2002). That value features highly in customers' reasons to stay with their mobile service providers may reflect the commodity nature of mobile services (R. Lee and Murphy, 2005). Therefore for youth:

Hypothesis (H2): Value relates positively to mobile loyalty.

## *2.3 Switching Costs*

Unlike service quality and value, which entice customers to stay by enhancing loyalty, switching costs deter customers from leaving via inconveniences and penalties (Burnham, Frels and Mahajan, 2003; Jones, Mothersbaugh and Beatty, 2007). The efficacy of switching costs in deterring switching occurs across industries including online brokerage (Chen and Hitt, 2002), travel, medical, and hairstyling services (Patterson and Smith, 2003). Similarly, a survey of UK bank customers revealed that dissatisfied customers remained because they perceived time, effort, and uncertainty costs as higher than the potential benefits from switching banks (Panther and Farquhar, 2004).

Switching costs are also effective deterrents with mobile services (Caruana, 2004; Gerpott, Rams and Schindler, 2001). To reduce switching, thereby enhancing loyalty, mobile service providers often erect barriers such as disallowing number portability (Haucap, 2003) – retaining one's phone number when switching mobile service providers – and committing subscribers to long-term contracts with punitive penalties for premature termination (Valletti and Cave, 1998). These switching costs may even be more critical than price, service quality, and loyalty programs in retaining mobile service subscribers (R. Lee and Murphy, 2005). Thus for youth:

Hypothesis (H3): Switching costs relate positively to mobile loyalty.

## *2.4 Enjoyment*

People consume products for hedonic gratification and utilitarian functions (Chaudhuri and Holbrook, 2002; Childers et al., 2001). Utilitarian products are typically tangible, objective, and functional. Hedonic products produce pleasure and enjoyment, and relate to the senses. Consumers, however, may not dichotomise products as hedonic or utilitarian (Batra and Ahtola, 1990; Childers et al., 2001). Rather, products have hedonic and utilitarian dimensions that need not be mutually exclusive or evaluated consistently. Illustrating this dual dimensionality across 24 products, a hedonic/utilitarian scale classified automobiles as high in both hedonic and utilitarian dimensions, paper clips as high

utilitarian and low hedonic, and plastic fruits as low in both dimensions (Voss, Spangenberg and Grohmann, 2003). Similarly, people use mobile services for utilitarian purpose such as emergencies or to stay in touch, as well as for hedonic purposes such as swapping jokes or downloading ringtones (Carroll et al., 2002; R. Lee and Murphy, 2006; Ling, 2000).

Research suggests affective determinants may be important for hedonic products (Babin and Darden, 1994; van der Heijden and Sørensen, 2003; Voss, Spangenberg and Grohmann, 2003). Among the affective determinants, perceived enjoyment is a key determinant of customer loyalty. An empirical study on intentions to use a Dutch movie website, for instance, found perceived enjoyment (structural path  $\beta = .25$ ,  $p < .001$ ) was stronger than perceived usefulness ( $\beta = .15$ ,  $p < .001$ ) in predicting intentions to use the hedonic website (van der Heijden, 2004).

In another website study, subjects rated their perceptions of and attitudes towards two shopping websites (Childers et al., 2001). One website had hedonic features such as humorous product information, high graphics, and entertainment. The second website centred on grocery purchasing via a simple text-based interface. As hypothesised, perceived enjoyment ( $\beta = .46$ ,  $p < .05$ ) was stronger than perceived usefulness ( $\beta = .3$ ,  $p < .05$ ) in predicting attitude towards hedonic shopping sites. Conversely for utilitarian grocery shopping, enjoyment ( $\beta = .3$ ,  $p < .05$ ) was weaker than usefulness ( $\beta = .47$ ,  $p < .05$ ) in predicting attitude towards the site.

Consistent with these studies, fun and usefulness both related to attitude towards using mobile internet devices, but fun (structural path  $\beta = .38$ ,  $p < .05$ ) was over twice as strong as usefulness ( $\beta = .17$ ,  $p < .05$ ) in determining attitude (Bruner II and Kumar, 2005). Consumers viewed such devices as serving hedonic rather than utilitarian needs, and hence based their attitude on how much they enjoyed using the devices.

Enjoyment may accentuate customer loyalty for hedonic products. Supporting this view, a study of stock-out situations found consumers were more likely switch stores for hedonic brands than for utilitarian brands (Sloot, Verhoef and Franses, 2002). When a hedonic brand,

such as a favourite beer or cigarette, was unavailable in a store customer would rather switch stores in order to locate the brand than to buy another brand. Moreover, consumers were more willing to switch brands than to forego consuming a hedonic product. The authors termed this double loyalty, a situation where consumers were brand loyal for hedonic products, and product loyal for hedonic rather than for utilitarian products. Double loyalty was due to consumers' reluctance to forego their desired enjoyment for hedonic consumption. Hence, given youth's tendencies to consume mobile services for hedonic purposes:

Hypothesis (H4): Enjoyment relates positively to mobile loyalty.

### **3. Research methodology**

#### *3.1 Sample and Measures*

The study involved 263 Australian undergraduates with mobile phones and active accounts. After data cleaning, the remaining 244 records comprised 116 males and 128 females, ranging in age from 18 to 24 years and with a mean age of 20. For comparison, the Australian government classifies youth as between 15 and 24 years (ABS, 2004). This study adapted scales from relevant studies and used confirmatory factor analyses to operationalise the model constructs. The participants gauged their mobile service providers by reporting their perceptions of service quality, value, enjoyment, switching costs, and loyalty on a 7-point Likert scale, anchored on strongly disagree and strongly agree.

Service quality, perceived inferiority/superiority of a mobile service provider (Bitner and Hubbert, 1994; Cronin and Taylor, 1992), was operationalised using a three-item scale adapted from Taylor and Baker (1994).

In line with conceptualising value as a trade-off of cost and benefits (Ravald and Grönroos, 1996; Zeithaml, 1988), value referred to perceived benefits obtained from relative to the price paid for a mobile service. A four-item battery adapted from Lassar, Mittal, and Sharma (1995) measured value of a mobile service.

Enjoyment was respondents' perceived enjoyment for mobile services such as interactive games and swap-

ping jokes. The four items in this study came from two sources (Chaudhuri and Holbrook, 2001; Childers et al., 2001).

Drawing on Jones, Mothersbaugh, and Beatty (2000), switching cost was a three-item construct assessing respondents' perceived barriers in switching mobile service providers.

Loyalty was a single-item measure of intentions to stay with mobile service providers (Mittal and Lassar, 1998; Van Trijp, Hoyer and Inman, 1996). As loyalty is a straightforward concept, the use of a single-item measure can avoid psychometric problems and increase predictive efficiency (Bergkvist and Rossiter, 2007; Drolet and Morrison, 2001; Rossiter, 2002).

All scale items showed good reliability. Cronbach's alphas were greater than 0.8 for all four factors, suggests that the factors possessed adequate convergence (Hair et al., 2006; Nunnally, 1978). Factor loadings ranged from 0.75 to 0.91, well above the minimum of 0.35 for a sample of 244 (Hair et al., 2006). Testing for multicollinearity, correlations among the independent factors ranged from .181 to .611 (all  $p < .001$ ), all below a threshold of .9 (Hair et al., 2006). Moreover, the factors' tolerances – the amount of a factor explained by all other factors – ranged from .517 to .967, all above a threshold of .1. Compared with their thresholds, these two tests affirmed no multicollinearity among the independent factors (Hair et al., 2006).

#### 4. Results and Follow-Up Investigation

The results of a linear regression (see Table 1) showed that service quality, value, and switching costs related significantly and positively to loyalty, thereby supporting H1, H2, and H3. Furthermore, value related to mobile loyalty more than service quality and switching costs did. Enjoyment, however, was insignificant and failed to support H4. Overall, the model predicted 31% of youth's mobile loyalty.

The failure to support H4 was surprising in that enjoyment, an affective factor, should be pertinent with hedonic mobile services. To shed light on the enjoyment hypothesis, two tests examined an alternative relationship between enjoyment and mobile loyalty.

##### 4.1 Follow-Up Test: Enjoyment as a Moderator of Loyalty Determinants

Rather than acting as a direct determinant of loyalty, enjoyment may moderate the relationships of service quality, value, and switching costs with loyalty. That is, the strength of the relationships among mobile loyalty and the three cognitive factors may depend on youth's enjoyment of mobile services. Particularly, service quality and value tend to be strong when consumers view products as mainly functional tools (Ahtola, 1985; Batra and Ahtola, 1990; Voss, Spangenberg and Grohmann, 2003). In contrast, consumers who enjoy using products as hedonic toys tend to be less concerned with cognitive factors such as service quality and value.

**Table 1.** Linear Regression with Loyalty as Dependent Variable

Model R <sup>2</sup> = 0.306	Unstandardised Coefficients		Standardised Coefficients	t-value	Sig.
	$\beta$	Std. Error	$\beta$		
Service Quality (H1)	.350	.099	.241	3.525	.001
Value (H2)	.473	.103	.325	4.593	< .001
Switching Costs (H3)	.242	.080	.166	3.037	.003
Enjoyment (H4)	.017	.084	.012	.204	.839

In support of this supposition, a series of three experiments showed that the more (less) consumers viewed products or behaviours as serving utilitarian functions, the more (less) they based their evaluations on cognitive factors (Batra and Ahtola, 1990). In the first two experiments, attitude towards a hedonic brand such as Pepsi related more to a hedonic dimension, whereas attitude towards a utilitarian brand such as Comet cleanser related more to a utilitarian dimension. The third experiment replicated these results for the hedonic experience of test-driving a Mercedes and the utilitarian chore of doing laundry. Across the three experiments, the hedonic dimension formed from affective factors such as beauty and pleasantness, whereas the utilitarian dimension was due to cognitive factors such as safety and cleanliness.

Likewise, customers evaluated utilitarian banks on cognitive factors such as convenience and efficiency rather than on affective factors (Chiu et al., 2005). Furthermore, the cognitive factors consistently predicted loyalty across three customer groups: those who stayed with the banks, those who switched out of dissatisfaction, and those who switched despite satisfaction.

Finally, cognitive evaluations such as functionality drove utilitarian battery brands more than they did for choice of hedonic beers (Voss, Spangenberg and Grohmann, 2003).

Hedonic users would tend to use mobile services for fun or to socialise with friends (Beaton and Wajcman, 2004; Ling and Haddon, 2001), whereas utilitarian users would tend to use mobile services to save time or accomplish business tasks (Aoki and Downes, 2003; Chapman and Schofield, 1998). Hence, cognitive determinants such as service quality and value may take on greater importance with utilitarian mobile service users:

Propositions 1 and 2:

*Compared with hedonic mobile services users, utilitarian users should show more mobile loyalty based on their perceptions of (P1) service quality and (P2) value.*

In contrast, hedonic mobile service users may show greater loyalty based on switching costs. As youth swap jokes and play interactive mobile games, peer interactions underpin the experience (Spero and Stone, 2004). Youth also tend to coordinate and select the same mobile service provider, who does not charge or charges minimal for calls and messages within its network (Birke and Swann, 2005). Moreover, coordination may be stronger among youth who interact frequently than among those with infrequent interactions.

Since switching to a mobile service provider different from their peers distances one from their peer group, hedonic mobile service users may be less inclined to switch. Furthermore, mobile service providers often provide hedonic content to deter youth from switching (Barnes, 2001); youth can use the content only if they stay with that provider. Hence for youth:

Proposition (P3):

*Compared to hedonic mobile services users, utilitarian users should show less mobile loyalty based on their perceptions of switching costs.*

To examine these three propositions, the sample was segregated into low (utilitarian) and high (hedonic) enjoyment using the first and fourth quartiles of the enjoyment factor. Similar to procedures adopted by other researchers, the middle quartiles were discarded (Price, Nir and Cappella, 2006; Schofield et al., 2001). Next, two multiple regressions, one with low enjoyment cases and the other with high enjoyment cases, yielded the results in Table 2.

The findings in Table 2 supported the three propositions. Enjoyment might have moderated the relationships among mobile loyalty and the cognitive factors of service quality, value, and switching costs. Service quality related significantly to loyalty with both low and high enjoyment, although the relationship was stronger for utilitarian users, supporting P1. Similar to service quality, value related significantly to loyalty with both low and high enjoyment, and was stronger for utilitarian users; this supported P2. In contrast to service quality and value, switching costs were insignificant when enjoyment was low, but significant with high enjoyment, hence supporting P3.

## 5. Conclusions

This study extends mobile loyalty research in several ways. Firstly, it concerned Australia, a market that to the authors' knowledge no published mobile loyalty studies have explored; mobile services are an important industry in Australia. Secondly, while research shows that cognitive factors of service quality, value, and switching costs may relate to mobile loyalty intentions across age groups (Gerpott, Rams and Schindler, 2001; J. Lee, Lee and Feick, 2001), this study found that these cognitive factors also applied to just youth.

Finally, unlike mobile loyalty studies using only cognitive determinants, this study explored the role of an affective determinant, enjoyment. The results suggest that enjoyment may influence mobile loyalty by moderating cognitive determinants rather than relating directly to mobile loyalty. In doing so, this study reinforces the importance of affective factors with hedonic products such as mobile services for youth.

As market competition lowers switching barrier, mobile service providers strive to deter subscribers, including youth, from leaving by enhancing their loyalty. Knowing what determines youth's loyalty may help mobile service providers develop strategies to enhance

youth's loyalty.

### 5.1 Future Research

Questions remain in several areas, which future research should investigate. The study used full-time students. Future studies should include working youth; income may change hedonic consumption and loyalty behaviours. Studies should also compare youth and older consumers. Would hedonic consumption change with age, thereby impacting the relationships among loyalty and its determinants? In a related manner, how would older hedonic users differ from younger hedonic ones in their enjoyment of and loyalty towards mobile service providers?

This study also failed to consider whether youth acted on their intentions. Although some researchers showed that intentions predicted behaviour (Dulany, 1968; Smetana and Adler, 1980; Trafimow and Fishbein, 1994), others indicated otherwise (Blair and Burton, 1987; Fishbein et al., 2003). A longitudinal approach to determine actual behaviour and relate it to intentions would shed light mobile loyalty.

Future research operationalising loyalty with multiple measures would enable sophisticated analysis such as structural equation modeling and address this study's limitation of operationalising loyalty as a single item. While this study measured enjoyment as a self-report

**Table 2.** Moderating Influence of Enjoyment on Loyalty Relationships

<b>Low Enjoyment</b>		Switching Costs	Value	Service Quality
Loyalty	Standardised $\beta$	.161	.508	.529
	Sig.	.108	<b>&lt; .001</b>	<b>&lt; .001</b>
	n	61	61	61
<b>High Enjoyment</b>		Switching Costs	Value	Service Quality
Loyalty	Standardised $\beta$	.269	.440	.221
	Sig.	<b>.016</b>	<b>&lt; .001</b>	<b>.039</b>
	n	64	64	64

variable, future studies could measure behavioural enjoyment such as time spent on mobile games or the number of jokes swapped. Finally, this study concerns hedonic consumption of mobile services. Further research could replicate the study in other industries such as the Internet, where youth may be hedonic consumers.

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