

Unlocking behaviors of long term service consumers: The role of action inertia

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Unlocking behaviors of long term service consumers: The role of action inertia

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Abstract

Purpose – The purpose of this study is to examine the antecedents of word-of-mouth (WOM) in long term service settings. Specifically, we examine the moderating role of action inertia in the relationships between satisfaction and repatronage intention, satisfaction and WOM and repatronage intention and WOM.

Design/methodology/approach - The proposed model was empirically tested using survey data from 1,385 telecommunications service subscribers. The data were analyzed using partial least squares path modeling.

Findings - Results suggest that 1) a positive link between repatronage intention and WOM, hereto a neglected relationship in the marketing literature, 2) in contrast to previous literature, the behaviors of long term customers are not predictable, and 3) action inertia strengthens satisfaction - WOM and repatronage intention - WOM links and weakens satisfaction - repatronage intention link.

Research limitations/implications - This study examines customers of a utilitarian service. To further determine the potential of our model, it is desirable to explore the validity of the model in other service settings, particularly those with high hedonic values.

Practical implications - The study provides valuable insights into repatronage intention -WOM link, with particular emphasis on the measurement and analysis of action inertia. This is important in understanding and evaluating inertia influences and identification of the drivers of WOM. These insights can be used by managers to better allocate their resources when investing in customer loyalty building exercises and in generating WOM.

Originality/value - This paper contributes to the literature in three main ways. Firstly, it examines the nuances of customer loyalty in continuous service contexts. Secondly, the study empirically tests the role of repatronage intention as an antecedent of WOM. Thirdly, the study introduces and tests the moderating role of action inertia on positive WOM.

Keywords: Service quality, Perceived value, Satisfaction, Repatronage intentions, Word-of-mouth, Action inertia

Article Classification: Research paper

Introduction

With the decline in traditional advertising, organizations are re-visiting the positive effects of WOM as a marketing tool (Sweeney *et al.*, 2012). This enhanced practitioner interest has been matched by an increase in academic inquiries in WOM (for e.g. Jayawardhena *et al.*, 2016). Research (for e.g. Ranaweera and Jayawardhena, 2014) indicates that the antecedent effects and consequences of positive WOM (Arndt, 1967; Keiningham *et al.*, 2007; Zeithaml *et al.*, 1996) are perhaps more nuanced than perceived wisdom suggests. Confusion also surrounds how loyalty, repatronage and positive WOM are measured. A large proportion of published studies measure loyalty through a combination of repatronage intention and positive WOM. Although repatronage intention and positive WOM are related, the inclusion of WOM, as a measure of customer loyalty, contradicts with both theoretical foundations (Dick and Basu, 1994) and empirical evidence (de Matos and Rossi, 2008; Söderlund, 2006; Watson *et al.*, 2015). Given the above, this study examines positive WOM in continuous service settings. It furthermore treats positive WOM as 1) a focal construct, and 2) a consequence of repatronage intentions. We therefore respond to a specific call by Mazzarol *et al.* (2007, p. 1478), who state that “little research, however, has addressed antecedents of WOM when considering WOM as a focal construct.”

In continuous service settings it has been observed that consumers display vastly different positive WOM behavior in spite of similar patronage intentions (Sabharwal *et al.*, 2010). We suggest action inertia may explain this observation. Oliver (1999) suggested that “inertia” was a deeply held commitment to repatronize a preferred service provider (readiness to act - attitudinal) and as active by ignoring competing offers (overcoming obstacles - behavioral) (Evanschitzky and Wunderlich, 2006; Oliver, 1999). Therefore, action inertia requires that there

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3 is both an attitudinal and behavioral component for it to exist. This indicates that the likely
4 antecedents of WOM between those customers who are merely habitually loyal (behavioral
5 component) and those whose loyalty is built merely on an emotional attachment (attitudinal
6 component) to the service will differ. So whilst the outcome on repatronage activity will be
7 similar, the impact on providing positive WOM may differ. Thus amongst the emotionally
8 attached the effect on WOM is stronger (de Matos and Rossi, 2008). Given the potential
9 implications for marketing research and practice, it is surprising that this view has not been
10 widely embraced in previous studies.
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22 The objectives of this paper are therefore, first, to examine the antecedent role of service
23 evaluation constructs and loyalty on positive WOM, and second, to examine how these
24 relationships may change with action inertia. To reiterate, our research is centered on continuous
25 service settings. These customers, we suggest, have deeper knowledge of the service consumed,
26 which has been gained over a number of years, consequently we would expect their WOM to
27 command greater salience. The evidence indicates that the amount of time a consumer spends in
28 a relationship with a supplier impacts WOM generation (Wirtz and Chew, 2002). Given that
29 such services are highly intangible it makes it difficult for prospective customer to easily
30 evaluate an offering. Getting action inert users to provide positive WOM has clear marketing
31 benefits for the organization.
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46 The remainder of this paper is structured as follows. The following section will provide
47 background information on the constructs under examination. In this section, we will formulate
48 hypotheses and present a conceptual model. The research methodology will then be detailed. The
49 third section presents the analysis and results. Finally, the paper will conclude with a discussion
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3 of study outcomes and their implications for academics and practitioners, limitations of the
4 study, and future research directions.
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10 **Literature review**

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12 Oliver (1999) defines loyalty as “a deeply held commitment to rebuy or repatronize a
13 preferred product/service consistently in the future, thereby causing repetitive same-brand or
14 same-brand-set purchasing, despite situational influences and marketing efforts having the
15 potential to cause switching behavior” (p. 34). According to his framework, the various stages of
16 loyalty occur in a progressive manner, with action loyalty the ultimate developmental stage of
17 customer loyalty. Customers at the action loyalty phase experience action inertia and have the
18 desire to maintain the highest level of customer loyalty. Researchers have described inertia as a
19 customer’s attitudinal propensity to maintain relationship with the company out of passiveness or
20 inaction (Bawa, 1990; Lee and Neale, 2012; Zeelenberg and Pieters, 2004). Hennig-Thurau and
21 Klee (1997) suggest that high levels of inertia reflect a stable relationship that is built on trust
22 and commitment.
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39 Inertia is often considered as a habit. According to Liu-Thompkins and Tam (2013, p. 22)
40 habit is defined as “a behavioral disposition that is exercised frequently and in which responses
41 are triggered directly by contextual cues.” Action inertia, however, differs from habitual inertia.
42 In part, this is because they are formed differently. Habit is developed through associative
43 learning in which behavioral repetition and stable context induce the automaticity of behavior
44 (Duhigg, 2012; Lally *et al.*, 2010; Liu-Thompkins and Tam, 2013; Wood and Neal, 2009). A
45 habitual attachment is to a large extent unemotional, indifferent, and convenience driven
46 (Gounaris and Stathakopoulos, 2004; Lee and Cunningham, 2001; White and Yanamandram,
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3 2004). Habits are performed without evaluations, intentions, and goals (Ji Song and Wood, 2007;
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5 Tam *et al.*, 2009). Therefore, repeat purchases and consumption driven by habit tend to be more
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7 rigid and will only occur when contextual cues, such as time and location, are present (Ji Song
8
9 and Wood, 2007; Liu-Thompkins and Tam, 2013). Instead, action inertia builds in part on
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11 favorable attitudes (i.e. a deeply hold commitment to repatronage a preferred service provider).
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13 Attitudes can be explicit and implicit (Gawronski and Bodenhausen, 2006; Greenwald and
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15 Banaji, 1995; Wilson *et al.*, 2000). We suggest that action inertia represents mainly an implicit
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17 form of attitudes which involves an automatically activated evaluation.
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22 Loyalty is considered to consist of an attitudinal and a behavioral component (Kumar *et*
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24 *al.*, 2013; Uncles *et al.*, 2003). Attitudinal loyalty can be expressed both as the likelihood to
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26 recommend, and the likelihood to repurchase/repatronage (see Kumar *et al.*, 2013 for a detailed
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28 review). Instead, behavioral loyalty can be considered in terms of customer retention, lifetime
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30 duration, usage, share of wallet, and cross buying (Bolton, 1998; Bolton and Lemon, 1999; Cooil
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32 *et al.*, 2007; Gustafsson *et al.*, 2005; Ittner and Larcker, 1998; Mittal and Kamakura, 2001;
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34 Seiders *et al.*, 2005). This study adopts the loyalty intentions (i.e. repatronage and recommend
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36 intention) perspective rather than a behavioral or repeat purchase perspective. This allows us to
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38 avoid confusing habitually loyal customers (i.e. spurious loyalty) with customers who exhibit
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40 “true” loyalty (Dick and Basu, 1994), and whose loyalty is potentially driven by action inertia
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42 (Oliver, 1999).
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49 In terms of loyalty intentions, prior research often treats repurchase intention and
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51 recommend intention (WOM) as components of loyalty and not as two distinct constructs (see
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53 Boulding *et al.*, 1993; Brady *et al.*, 2002; Dabholkar *et al.*, 2000; Faullant *et al.*, 2008;
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55 Sirdeshmukh *et al.*, 2002; Zeithaml *et al.*, 1996). However, recent meta-analyses of loyalty have
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3 questioned this “cocktail approach” (Söderlund 2006, p. 78). Based on their analyses, both de
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5 Matos and Rossi (2008) and Watson *et al.* (2015) support the argument that repurchase intention
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7 and WOM should be considered as separate constructs and a unidimensional approach should be
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9 avoided. In the line with de Matos and Rossi (2008) and Watson *et al.* (2015), the present study
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11 treats customer loyalty intentions as distinct constructs. In the current study, repatronage
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13 intention refers to a customer’s intent to stay with a company (Zeithaml *et al.*, 1996) and their
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15 overall attachment or deep commitment to a company (Oliver, 1999). Recommend intention
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17 (WOM) is defined as customer’s likelihood to recommend and say positive things about
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19 company X to others (Zeithaml *et al.*, 1996).
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27 **Conceptual model and research hypotheses**

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29 Figure 1 presents the framework of this study. Based on Oliver’s (1999) cognitive-
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31 affective-conative loyalty framework, this conceptual model argues that to understand how
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33 loyalty emerges requires careful assessment of consumers’ cognitive evaluations of a brand,
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35 affective preferences for the particular brand, and conative or behavioral intentions to buy the
36
37 brand. Specifically, customer satisfaction, perceived value, and service quality are postulated to
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39 lead to repatronage intention, which in turn are posited to have direct effects on positive WOM.
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41 Given the strong theoretical and empirical support for the relationships between service quality
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43 and perceived value (Cronin *et al.*, 2000; Sweeney *et al.*, 1999) and service quality and customer
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45 satisfaction (Fornell *et al.*, 1996; Juga *et al.*, 2010; Oliver, 1993; Yen and Lu, 2008), perceived
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47 value and satisfaction (Babin and Kim, 2001; Caruana *et al.*, 2000; Rust and Oliver, 1994),
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49 perceived value and repatronage intention (Pura, 2005; Yang and Peterson, 2004) and
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51 satisfaction and repatronage intention (Espejel *et al.*, 2007; Garbarino and Johnson, 1999; Lin
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3 and Wu, 2011; Shankar *et al.*, 2003), the study does not advance specific hypothesis for these
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5 linkages, but rather provides a test of the model as an overall default hypothesis. The relationship
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7 between service quality and repatronage intention is not hypothesized. This is because prior
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9 research provides strong empirical evidence that satisfaction mediates the effect of service
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11 quality on repatronage intention (Caruana, 2002). The model serves as a platform for assessing
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13 WOM as a focal construct to investigate the relationships between WOM and its relevant
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15 antecedents, especially repatronage intention as well as examining the moderating effect of
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17 action inertia on WOM.
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25 Figure 1 about here.

26 27 *Service quality and WOM*

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29 From the seminal work of Parasuraman *et al.* (1988) leading to the formulation of the
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31 SERVQUAL model, and subsequent critiques (for e.g. Cronin and Taylor, 1992), ample research
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33 in marketing has extensively investigated service quality (Bolton and Drew, 1991; Brady and
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35 Robertson, 2001; Parasuraman *et al.*, 1994). The weight of evidence points towards a
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37 conceptualization of service quality as a construct composed of five dimensions - tangibles,
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39 reliability, responsiveness, assurance and empathy, with perceptions-only measures being seen as
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41 more psychometrically robust (Brady *et al.*, 2002; Cronin and Taylor, 1992; Dabholkar *et al.*,
42
43 2000). Gaining credence is the notion that customers' perceptions of service quality influences
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45 behavioral responses (Sánchez-Pérez *et al.*, 2007), specifically WOM (Hartline and Jones, 1996).
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47 That is to say that when a marketer delivers a high quality of service, particularly over several
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49 consumption experiences, customers are likely to behave in a favorable manner, which may
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51 include spreading positive WOM. Evidence of the positive relationship between service quality
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3 and positive WOM is noted (Harrison-Walker, 2001). For example, Bloemer *et al.*, (1999)
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5 studied four different service industries (entertainment, fast food, supermarkets and health care)
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7 and found a positive relationship between service quality and positive WOM. Similarly,
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9 Boulding *et al.* (1993, p. 24) empirically demonstrated that “the greater customer’s perceptions
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11 of a firm’s overall service quality, the more likely the customers are to engage in behaviors
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13 beneficial to the strategic health of the firm (e.g. generate positive word-of-mouth, recommend
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15 the service, etc.)”. On balance, this study advances the following:
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22 **H1.** Customer perception of the service quality is positively related to positive WOM.
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27 *Perceived value and WOM*

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29 Value judgments have an effect on satisfaction and customer loyalty (c.f. Cronin *et al.*,
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31 2000). Zeithaml (1988, p.8) defines customer value as “the consumer’s overall assessment of the
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33 utility of a product based on the perceptions of what is received and what is given”. This “get-
34
35 versus-give” perspective builds on the early work of Dodds and Monroe (1985) which possesses
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37 the merit of simplicity, but fails to reflect the complexity of consumers’ perceptions of value
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39 (Sweeney and Soutar, 2001). Perceived value combines utilitarian (price/value ratio,
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41 performance quality) and hedonic responses (including emotional and social aspects of value) in
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43 the consumption experience (e.g. Babin and Kim, 2001; Diep and Sweeney, 2008). When a
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45 marketer delivers desirable utilitarian benefits and elicits hedonic responses from their customers
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47 through consumption experiences over time, these customers will engage in positive WOM. This
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49 notion is in line with Hartline and Jones (1996), who argue that customer’s perceptions of value
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51 have an important relationship to their behavioral responses, particularly WOM. Prior studies
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3 provide empirical evidence of the positive effect of perceived value on WOM in service settings
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5 (Durvasula *et al.*, 2004; Gruen *et al.*, 2006; McKee *et al.*, 2006). A similar relationship should
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7 exist in continuous consumption settings. Therefore,
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12 **H2.** Customer perceptions of perceived value are positively related to positive WOM.
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15 16 17 *Satisfaction and WOM* 18

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20 Customer satisfaction research distinguishes two types of evaluations: transaction-specific
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22 satisfaction and cumulative satisfaction (Johnson *et al.*, 1995). Transaction-specific satisfaction
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24 is customers' evaluation of their experience with, and reactions to, a particular product
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26 transaction or service encounter. Thus, transaction-specific research focuses on satisfaction with
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28 a product or service on a given occasion or transaction, or over a limited period of time. In
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30 contrast, the cumulative approach defines satisfaction as a customer's overall experience
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32 overtime with a product or service provider (Johnson and Fornell, 1991). Customer satisfaction
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34 is a cumulative, global evaluation based on experience with a firm over time (Homburg *et al.*,
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36 2005; Seiders *et al.*, 2005). While transaction-specific satisfaction may provide specific
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38 diagnostic information about a particular product or service encounter, cumulative satisfaction is
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40 a more fundamental indicator of the firm's past, current, and future performance (Rust and
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42 Oliver, 1994). Given that this study is conducted within the context of long term service
43
44 consumption, it addresses cumulative satisfaction. Much of early research reports a positive and
45
46 linear relationship between satisfaction and WOM (Brown *et al.*, 2005; Ranaweera, 2007; Saha
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48 and Theingi, 2009; Verhoef *et al.*, 2002; Wangenheim and Bayón, 2007). Therefore:
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3 **H3.** Customer satisfaction is positively related to positive WOM.
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8 *Repatronage intention and WOM*
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10 As alluded to earlier, the majority of past research has considered repatronage intentions
11 and WOM intentions as a unidimensional construct of loyalty (c.f. Boulding *et al.*, 1993; Brady
12 and Robertson, 2001; Brady *et al.*, 2002; Cronin *et al.*, 2000; Dabholkar *et al.*, 2000; Ganesh *et*
13 *al.*, 2000; Sirdeshmukh *et al.*, 2002; Zeithaml *et al.*, 1996). Exceptions to this aggregated
14 approach include studies conducted by de Matos and Rossi (2008), Gruen *et al.* (2006), Jones
15 and Reynolds (2006), Maxham and Netemeyer (2002), Sweeney *et al.* (2012), and Söderlund
16 (2006). Consequently, there have been very few studies examining the unidirectional effect of
17 repatronage intention on WOM (de Matos and Rossi, 2008). The exceptions include studies
18 conducted by Carpenter and Fairhurst (2005), Gounaris and Stathakopoulos (2004), Reynolds
19 and Arnold (2000), Sichtmann (2009), and de Matos and Rossi (2008). Specifically, in a meta-
20 analysis, de Matos and Rossi (2008) found that loyalty is significantly positively correlated with
21 WOM ($r = .39$). Sichtmann's (2007) study set in a telecommunications service setting reported
22 that the customer's intention to stay with an existing service provider was positively related to
23 positive WOM. Gounaris and Stathakopoulos (2004) found support for a positive relationship
24 between loyalty and WOM communication. Carpenter and Fairhurst's (2005) work in retail
25 clothing noted the positive and significant relationship between loyalty and WOM
26 communication. Whilst Reynolds and Arnold (2000), demonstrated that store loyalty, within
27 retail clothing, positively related to positive WOM communication. Based on the above
28 discussion, we expect that customers who are more loyal to a product, service, brand, or
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3 organization are more likely to spread positive WOM about this product, service, brand, or
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5 organization. This leads us to hypothesize that:
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10 **H4.** Repatronage intention is positively related to positive WOM.
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12 *The moderating effect of action inertia*
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15 Oliver (1999) contends that the various stages of loyalty (cognitive-affective-conative-
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17 action) occur in a progressive manner, with action loyalty, the ultimate developmental stage of
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19 customer loyalty. Customers at the action loyalty stage experience action inertia and have the
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21 desire to maintain the highest level of loyalty. Thus, action inertia is expected to involve a strong
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23 attitude that “will endure, will resist attempts in contrary directions, will exert influence on the
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25 formation of related perceptions and beliefs, and will predict behavioral decisions with the
26
27 highest fidelity” (Converse, 1995, p. ix). In contrast to this view, research often describes inertia
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29 as a habitual behavior (Anderson and Srinivasan, 2003; Liu-Thompkins and Tam, 2013; Rust *et*
30
31 *al.*, 2004) and as passive service patronage without true loyalty (Huang and Yu, 1999; White and
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33 Yanamandram, 2004). Habit is often interpreted as the multiplication of behavioral stability and
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35 action frequency (Ji Song and Wood, 2007; Wood *et al.*, 2005).
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42 Prior research has examined the relationship between inertia and customer loyalty, with
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44 most studies demonstrating positive effects of inertia on customer loyalty (Vogel *et al.*, 2008;
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46 Wu, 2011; Yanamandram and White, 2006). Effects of inertia on the relationship between
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48 satisfaction and loyalty have also been examined, with mixed results. For example Anderson and
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50 Srinivasan (2003) and Han *et al.*, (2011) report a significant positive effect, but Anderson and
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52 Swaminathan (2011) indicate a negative moderating effect.
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3 In continuous consumption settings, customers are involved in complex evaluations of
4 service offerings. After forming a favorable service perception, customers discriminate among
5 competing offerings and repatronize superior offerings. Because of a deeply held commitment to
6 repatronage a preferred service provider action inertia makes the customer less interested in
7 alternative offerings and less susceptible to the effects of dissatisfying service experiences. We
8 therefore contend that increasing levels of inertia will reduce the sensitivity of satisfaction and
9 repatronage intention links. In contrast, when there has been less of an opportunity for inertia to
10 develop, a customer's choice to leave or stay with their service provider is likely to be based on
11 the level of satisfaction (service experience). We therefore wish to explore the notion that the
12 relationship between satisfaction (service experience) and customer loyalty erodes away with
13 increasing customer inertia. Consequently:
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30 *H5a. Action inertia weakens the positive relationship between satisfaction and*
31 *repatronage intention.*
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37 As noted earlier, prior research suggest that loyalty leads to referrals, endorsements and
38 positive WOM (Carpenter and Fairhurst, 2005; de Matos and Rossi, 2008; Gounaris and
39 Stathakopoulos, 2004; Reynolds and Arnold, 2000; Sichtmann, 2009; Srinivasan *et al.*, 2002).
40 WOM commonly refers to the informal communications among consumers about product and
41 services (Westbrook, 1987). Following Nyer and Gopinath (2005), we treat WOM as a public
42 commitment which binds customers to their prior evaluations.
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51 By engaging in WOM, customers adopt a public position that guides their behavior. For
52 instance, after providing negative WOM, a customer may find it difficult to repatronize a
53 particular service (Davidow, 2003). According to Garnefeld *et al.* (2013) the pressure to behave
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3 in a particular way, i.e. not to contradict recommendations (WOM) is consistent with a
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5 commitment. This is in line with the commitment–consistency principle which suggests that
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7 people who feel committed to a particular behavior, especially when the commitment is active,
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9 public, and freely chosen tend to behave consistently with that commitment (Aronson, 1992;
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11 Cialdini, 1993). As Cialdini, (1993) explains “once we make a choice or take a stand, we will
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13 encounter personal and interpersonal pressures to behave consistently with that commitment.” (p.
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15 51).
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20 To date, little research exists on the effects of action inertia to satisfaction-WOM and
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22 repatronage intention-WOM links. When viewed through the principle of commitment-
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24 consistency, strong action inertia suggests conditions for consumers to engage positively with
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26 WOM would exist. This is because the customer has made their choice and is both committed to
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28 a superior offering (internal consistency), and to appear consistent to others (external
29
30 consistency). Thus, if action inertia is strong, the commitment-consistency principle would
31
32 predict that both repatronage intention and satisfaction relate more strongly to WOM because of
33
34 the expected gains in reputation, influence of others and commitment to the preferred offering. In
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36 contrast, when action inertia is weak, the customer has not yet taken a stand and social pressure
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38 drives them to make more effort to process information and evaluate alternative services to form
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40 a favorable attitude. Therefore, even satisfied and loyal customers are less likely to engage in
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42 positive WOM. Based on this discussion we wish to test the following hypothesis:
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51 **H5b.** Action inertia strengthens the positive relationship between satisfaction and WOM.

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53 **H5c.** Action inertia strengthens the positive relationship between repatronage intention
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55 and WOM.
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Control variables

Customers' repatronage intention and WOM may also depend on individual and consumption characteristics (Yang and Peterson, 2004). With respect to individual characteristics, the model includes the effects of gender (Mittal and Kamakura, 2001), age (Homburg and Giering, 2001), and income (Seiders *et al.*, 2005). Prior studies suggest that customers' consumption characteristics are important determinants of customer loyalty in consumer markets (Rust *et al.*, 2004; Vogel *et al.*, 2008). Thus, the effects of relationship length (Verhoef, 2003) and usage level (Bolton and Lemon, 1999) also serve as controls.

Methodology

Sample

To test the hypotheses, a survey of mobile telecommunication users in Finland was conducted. The competitive landscape in the Finnish telecom industry is intense but stable. Three telecom companies dominate the market. Because the mobile penetration rate in Finland is over 100% (many people own more than one mobile phone), systematic random sampling was used. The sampling frame contains all necessary information for selection purposes (e.g. personal identification, birth date, gender, marital status, citizenship, addresses). The sorting of sampling frame is based on the domicile code and thus yields implicit stratification according to geographical population density. The sample was drawn from the database of Finnish Population Register Centre. The majority of the respondents are in the 35-49 (31%) and 50-64 (36%) age groups, and the gender balance is reasonable (females 56% and males 44%). Thirty-five percent of respondents had been a customer of their current mobile operator for two to four years, and 31% for over four years. Forty-four per cent reported having a monthly mobile phone bill

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3 between €21 and €40 per month, while 40% reported a bill of less than €20 per month. All
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5 survey respondents had monthly-paid contracts.
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8 In total, of 6,000 questionnaires, accompanied by a cover letter and a prepaid return
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10 envelope, were mailed. The cover letter explained the purpose of the study, assured
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12 confidentiality of data, and thanked the prospective participant for their assistance. To increase
13
14 response rates, participation was encouraged by inclusion in a prize draw for a mobile phone. A
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16 total of 1,385 usable responses were received, for a response rate of 23.1%. The sample mirrors
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18 well the Finnish adult population. Nonresponse bias was evaluated by a comparison of early
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20 respondents and late respondents, in accordance with Armstrong and Overton (1977) procedure.
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22 No significant differences (at $p < 0.05$) were found on any of the constructs considered in the
23
24 study and thus nonresponse bias does not appear to be a problem.
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32 *Measures*

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34 Several steps were taken to enhance the content validity of the measures. First, an intensive
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36 study of the relevant literature to identify valid measurements for the related constructs was
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38 conducted. Wherever possible, existing measures were adopted. Second, three managers
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40 (representing different mobile service providers) and four academics individually reviewed the
41
42 questionnaire and assessed the suitability, readability, and ambiguity. The questionnaire was
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44 iteratively revised according to the feedback received. Third, a pilot test was conducted with 33
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46 graduate students at a large university in Finland. The questionnaire was further revised on the
47
48 basis of inputs from the pilot test.
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53 Service quality is measured with an adapted version of Cronin and Taylor's (1992) 22-item
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55 scale (see also Harris and Goode, 2004). A directly assessed importance weight was needed for
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3 each attribute. However, because of the large number of attributes, weighted average
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5 SERVPERF score computation, as Cronin and Taylor proposed, was not an option. Thus, the
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7 respondents were asked to evaluate the importance of each attribute on a Likert scale anchored
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9 by 1 (*not at all important*) and 7 (*extremely important*). In line with the conceptualization of
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11 perceived value, the functional value element (price/value ratio, performance quality) was
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13 measured with the six items from Sweeney and Soutar's (2001) perceived value scale
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15 (PERVAL). The emotional value element was also adapted from the PERVAL scale. This
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17 measure consists of six items that assess the perceived value derived from the affective states
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19 that a service usage generates and services' ability to enhance one's social self-concept.
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25 The five satisfaction measures come from the scales of Chiou *et al.* (2002), Cronin *et al.*
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27 (2000), and Harris and Goode (2004). The repatronage intentions scale is constructed to measure
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29 customers' intention to maintain the relationship with their current telecom service provider. The
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31 scale is adapted from the scales of Maxham and Netemeyer (2002) and Pritchard *et al.* (1999). In
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33 line with the advanced definition of WOM as customers' self-reported recommendation intention
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35 rather than their recommendation behavior, WOM is measured with a two-item scale (Zeithaml
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37 *et al.*, 1996).
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41 Action inertia is measured from an action control perspective (Kuhl and Beckmann, 1985),
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43 though recent studies appear biased towards switching costs or habitual behavior (i.e. behavioral
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45 stability and action frequency of consumers) (Anderson and Srinivasan, 2003; Colgate and Lang,
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47 2001; Kuo *et al.*, 2013; Vogel *et al.*, 2008). In this regard, extant measures of inertia are not able
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49 to fully capture the meaning of action state of inertial rebuying in a way that Oliver (1999, p.36)
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51 conceives as an "action inertia". As detailed previously, the arguments and view of Oliver are
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53 both compelling and convincing. Thus, in line with Oliver, the three items that gauge action
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3 inertia serve to evaluate customers' commitment to re-buy a preferred service provider and to
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5 ignore competing offers (see Appendix A).
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8 In addition, the study included five control variables: gender, age, income, relationship
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10 length and usage referring to monthly service consumption. Relationship length was measured
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12 by asking respondents to evaluate how long (in years) they have maintained relationships with
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14 their current telecom service provider? The monthly consumption construct was operationalized
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16 by asking, "How much is your average monthly bill for cellular services?" The survey was
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18 administered in Finnish. The questionnaire was professionally translated using back translation,
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20 which is a common form of proving the accuracy of translations in marketing studies.
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24 The hypotheses were tested with SmartPLS 2.0 (Ringle *et al.*, 2005). Our decision to use
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26 PLS is based on two primary considerations (see Hair *et al.*, 2014, p. 19). First, PLS-SEM is
27
28 recommended when the focus is on prediction as factor indeterminacy makes CB-SEM
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30 unsuitable for prediction purposes. Thus, our focus is on predicting the relationships between the
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32 target constructs and variance of the outcome variables. Second, PLS-SEM allows the estimation
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34 of complex models with many indicators, constructs, and structural model relationships to ensure
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36 convergence. In CB-SEM complex models often do not converge or produce improper results,
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38 particularly when the data is non-normal.
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46 **Results**

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48 Figure 2 depicts the structural model. All constructs draw on a reflective measurement
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50 model set-up (47 items in total). Service quality and perceived value are modeled as second-
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52 order factors; all other constructs are first-order factors.
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Figure 2 about here.

Measurement model assessment

Convergent validity requires a factor loading greater than 0.70 and an average variance extracted (AVE) no less than 0.50 (Hair *et al.*, 2014, p.103). As Appendix A shows, all standardized factor loadings were greater than the minimum acceptable level of 0.5, and only one item had a loading lower than the preferred level of 0.7 (Bagozzi and Yi, 1988; Hair *et al.*, 2006). The AVE values exceeded 0.50, thus indicating convergent validity for all constructs. Composite reliabilities were also high (ranging from 0.87 to 0.96). Furthermore, the square root of the AVE of each construct is larger than its correlations with the other constructs (Hair *et al.*, 2014, p.106), indicating discriminant validity. Table 1 shows the square root of the AVE and the inter-construct correlations.

Table 1 about here.

Podsakoff *et al.*'s (2003) proposed test examined the potential for common method bias. In line with Liang *et al.*'s (2007) recommendations, a common method factor test showed that the average variance explained (AVE) by the indicators is 0.775, whereas the average method-based variance is 0.028. These results indicate that common method bias is not a serious concern in the study.

Structural model assessment

The R^2 and Q^2 values provide support for the model's predictive accuracy. The literature suggests that R^2 values of 0.75, 0.50 and 0.25 may be considered substantial, moderate and weak,

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2
3 respectively (Hair *et al.*, 2011; Henseler *et al.*, 2009). The examination of the endogenous
4
5 constructs' predictive power (Figure 2) shows that WOM, the primary outcome measure of the
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7 model, has a moderate R^2 value 0.467. Prediction of repatronage intention is higher with an R^2
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9 value of 0.505. Satisfaction added the highest prediction power to the model with an R^2 value of
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11 0.593.
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18 Figure 2 about here.
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23 Another means to assess model's predictive relevance is the Q^2 . According to Sarstedt *et*
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25 *al.* (2014) the Q^2 builds on the blindfolding procedure, which omits a part of the data matrix,
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27 estimates the model parameters and predicts the omitted part using the previously computed
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29 estimates. Q^2 values larger than zero for a particular endogenous construct indicate that the path
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31 model's predictive accuracy is acceptable for that particular construct (Sarstedt *et al.*, 2014).
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33 Running the blindfolding procedure with an omission distance of seven yielded cross-validated
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35 redundancy values for all four endogenous constructs are well above zero (WOM: 0.422;
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37 repatronage intention: 0.402; satisfaction: 0.382), providing support for the model's predictive
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39 relevance.
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44 To test the hypotheses, the direct and indirect relationships between the predictors and
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46 WOM were examined. As Figure 2 shows, service quality has no significant direct effect on
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48 WOM ($\beta = 0.032$, *ns*), suggesting rejection of H1. Further analysis on H1 showed that the
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50 relationship between service quality and WOM is more indirect (through perceived value,
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52 satisfaction, and repatronage intention) than direct. The total effect of service quality on WOM is
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54 slightly higher than the total effect of satisfaction on WOM ($\beta = 0.237$, $p < 0.01$ vs. $\beta = 0.206$, p
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3 < 0.01), underscoring the important role of service quality in driving WOM. The results provide
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5 support for H2 and H3; both perceived value and satisfaction are positively related to WOM,
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7 with path coefficients of 0.342 ($p < 0.01$) and 0.162 ($p < 0.01$), respectively. In support of H4,
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9 repatronage intention has a positive, though small, effect on WOM ($\beta = 0.089, p < 0.01$). With
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11 respect to the non-hypothesized relationships, we find that service quality is positively associated
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13 with perceived value ($\beta = 0.356, p < 0.01$) and satisfaction ($\beta = 0.114, p < 0.01$) and that
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15 perceived value has a positive effect on both satisfaction ($\beta = 0.722, p < 0.01$) and repatronage
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17 intention ($\beta = 0.213, p < 0.01$). The relationship between service quality and repatronage
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19 intention was not significant ($\beta = -0.027, ns$). Similarly to WOM, the effects of service quality on
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21 repatronage intention are indirect through perceived value and satisfaction.
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27 Of the controls, only two of the effects are statistically significant ($p < 0.01$): relationship
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29 age \rightarrow repatronage intention ($\beta = 0.157$) and consumption level \rightarrow WOM ($\beta = 0.055$).
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32 To test H5a–H5c, a product indicator approach proposed by Kenny and Judd (1984) was
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34 employed. This is appropriate for partial least squares models with reflective scales (Henseler
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36 and Fassott, 2010). First, we find that the moderator action inertia is positively associated with
37
38 the outcomes, repatronage intention ($\beta = 0.172, p < 0.01$) and WOM ($\beta = 0.144, p < 0.01$).
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40 Second, the three moderating effects tested are all statistically significant. Specifically, action
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42 inertia weakens the link between satisfaction and repatronage intention ($-0.070, p < 0.01$) and
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44 strengthens the links between satisfaction and WOM ($\beta = 0.043, p < 0.05$) and repatronage
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46 intention and WOM ($\beta = 0.057, p < 0.01$), in support of H5a, H5b and H5c.
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53 Discussion

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55 The study makes two important contributions to the loyalty literature. The first contribution
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57 pertains to WOM and its relationship to repatronage intentions. Following Sweeney *et al.* (2012)
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3 and Wien and Olsen (2012) we model repatronage intention and positive WOM as distinct
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5 constructs, and confirm that repatronage intention is an antecedent of positive WOM (de Matos
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7 and Rossi, 2008; Watson *et al.*, 2015). When customers are loyal to a given provider, they are
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9 more likely to (1) give positive recommendations of the company to friends and relatives, (2)
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11 have greater motivation for processing new information about the company, and (3) have
12
13 stronger resistance to being persuaded by conflicting information (Dick and Basu, 1994). These
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15 findings offer support to the separation of loyalty intentions into two distinct construct and
16
17 provide a strong argument for modeling repatronage intention as an antecedent of positive
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19 WOM.
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25 In a continuous service context, the present study illustrates that service quality has no
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27 direct effect on WOM. Service quality, does however, indirectly influence WOM through
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29 perceived value, satisfaction, and repatronage intention. Without value, satisfaction, and
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31 repatronage intention, service quality is an important but insufficient antecedent to generate
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33 positive WOM. The results provide evidence to the importance of service quality to WOM when
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35 complemented by two other service evaluation variables (value and satisfaction) and repatronage
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37 intention. This highlights the importance of perceived value and, and so corroborates other
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39 empirical evidence that identifies perceived value as an immediate antecedent in the prediction
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41 of WOM (Gruen *et al.*, 2006; McKee *et al.*, 2006). Thus the power of service quality to act as a
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43 service differentiator in certain circumstances is diminished. For example, infrastructure
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45 investment by mobile phone service suppliers combined with enhanced phone functionality,
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47 removes conditions that can diminished service quality. Thus for utilitarian type services,
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49 maintaining sufficient quality of service appears to be taken for granted by customers.
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3 The second objective of the study was to examine how these relationships may change with
4 action inertia. This study illustrates the importance of action inertia, a construct that has received
5 little attention in marketing literature. Through the examination of action inertia, this research
6 reinforces that customer loyalty behaviors are complex, requiring a more nuanced explanation.
7 Specifically, how loyal customers may react to an enhanced product and service offer from their
8 suppliers is not entirely predictable. When action inertia is strong it desensitizes the relationship
9 between satisfaction and repatronage intention i.e. customers desire to remain loyal is relatively
10 more dominant than their perception of satisfaction. Such customers have reached a stage where
11 they want to stay with their current service provider. This is in line with the commitment-
12 consistency principle, where expected reputation gains, and the influence of others support
13 commitment development, provided that past service experience had been positive. Whereas,
14 when action inertia is weaker, satisfaction based on service experience becomes more dominant.
15 Weak action inertia indicates the customer has not made a commitment to the service provider,
16 even though they may be satisfied and through continued usage of the offering could be viewed
17 as loyal. Such customers may be more active in their search for information to support their
18 continued use of the service or to identify alternative suppliers.
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41 The holy grail of loyalty appears to be creating the ideal conditions for customers to
42 develop inertia, and perhaps, more controversially, our findings appear to show that simple
43 maintenance of these standards appears to be sufficient for customers to renew their subscription.
44 The finding that service subscribers with longer relationships have stronger repatronage
45 intentions and that those with higher levels of consumption are more likely to spread positive
46 WOM adds weight to the benefits of maintaining on-going customer relationships. Action
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3 inertia therefore acts as tool to differentiate between genuinely loyal customers and those not so
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5 when in a long term consumption relationship with their service providers.
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10 **Managerial implications**

14 This study provides several valuable insights for marketing practitioners. First, the study
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16 contributes new knowledge to customer loyalty behaviors, especially factors that lead to positive
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18 WOM. The results confirm that perceived service quality and value, satisfaction, and repatronage
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20 intentions positively influence WOM. This reinforces the need not only to deliberately manage
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22 each of the four constructs as separate entities but also to develop awareness within service
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24 provider organizations of how they support and influence one another. These insights can lead to
25
26 better allocation of resources when investing in customer loyalty-building exercises and in
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28 generating WOM. The results suggest that managers should pay attention to the factors that
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30 influence customers' WOM activities but also consider the distinction between repatronage
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32 intention and WOM when attempting to fine-tune marketing and service efforts to ensure the
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34 generation of positive WOM. Thus, service providers should invest in programs that foster the
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36 repatronage intention of existing customers to achieve higher retention rates and stimulate WOM
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38 to facilitate the acquisition of new customers. As Schmitt *et al.* (2011) note, such referred
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40 customers (1) have a higher contribution margin, (2) exhibit a higher retention rate, and (3) are
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42 more valuable in both the short and long run.
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49 Second, the results suggest that action inertia plays an important role in generating WOM
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51 among service subscribers. However, action inertia potentially presents a conundrum for service
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53 providers. On the one hand, loyal customers may well continue to re-buy the service offering,
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55 providing revenue certainty and perhaps requiring less marketing spend to maintain. Indicating
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3 that a low-level maintenance of customer relationships may well be a viable business strategy.

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5 On the other hand, the supplier can actively manage customers through up-sell or cross-sales
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7 techniques in the hope that a stronger relationship will occur as well as a corresponding increase
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9 in income. Such active marketing may run the risk that customers will revert back to the
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11 cognitive stage and evaluate other firms' offerings, thus increasing the potential for switching or
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13 generating negative WOM. Therefore, identifying the numbers and types of customers who exist
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15 in an action-inert state should be a precursor before managers create activities to manage them.
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18 Furthermore, such strategies need to be created with full knowledge of the potential negative
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20 consequences that might result from their implementation. Consequently, service providers
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22 should establish instruments to identify action loyal customers and implement customer
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24 relationship-building strategies (e.g., loyalty programs) that reinforce their commitment to
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26 repatronage. Loyalty can be increased through offerings that bolster customers' overall value
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28 perceptions, including both functional and emotional aspects of value, and by signaling the
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30 superiority of benefits to those of main competitors.
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37 Third, it is notable that service quality has no direct effect on positive WOM but has a
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39 direct and significant influence on both perceived value and satisfaction, which in turn influence
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41 WOM. Thus, consistent delivery of service quality based on an understanding of which
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43 dimensions are relatively important to the consumer, as well as of performance criteria (core and
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45 ancillary), is critical; while delivery might not generate positive WOM directly, failure may
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47 result in negative WOM. As the findings show, perceived value is the most significant
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49 antecedent of telecommunications service subscribers' positive WOM. Therefore, products and
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51 services offered to telecommunications service users, including calls, data, value-added services,
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53 messaging, and so on, should be priced competitively (functional elements) and appeal to the
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3 audience (hedonic elements). Service subscribers who perceive the service as reasonably priced
4 and have received superior net value for their service usage are more likely to generate positive
5 WOM. Therefore, attempts to stimulate positive WOM among existing customers should
6 emphasize service quality and, more important, the superior value customers receive from their
7 relationship with the provider.
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16 **Research limitations and implications for future research**

18 Notwithstanding theoretical and practical contributions, we acknowledge limitations of this
19 study. The use of cross-sectional data is noted as a limitation. The cross-sectional nature of the
20 study along with the use of survey data allows for an understanding of directional relationships
21 amongst the constructs but does not allow causal inferences. That said, the current findings do,
22 however, shed new light on our understanding of the dynamics of loyalty behaviours.
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30 We acknowledge the place of data collection, Finland, a country with one of the highest
31 mobile phone penetration rates and mobile data usage in the world may be viewed as an extreme
32 example, consequently, any generalization must be taken with caution and in a manner that
33 respects the complexity of differences and similarities in a national context. Replication of the
34 study in countries where telecommunications service usage patterns are different from those in
35 Finland would be desirable. On a similar note, our findings would benefit from inquiries in other
36 (continuous) service industry settings. For example, financial services would provide the
37 opportunity to examine how very long term customer relationships (sometimes measured in the
38 life length of the customer) impact the relationships identified in this study. Our study was
39 undertaken in what can be considered as a utilitarian type of service. Yet, other services are
40 based on higher levels of company – person face-to-face interactions, and perhaps underpinned
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3 by hedonistic purchasing motivations e.g. gym membership. It is useful to note that controlled
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5 experiments or a longitudinal design could enhance our understanding of certain relationships.
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8 Whilst our model contains a number of constructs and moderators, it would be useful to
9
10 incorporate other factors that may exert an influence on a customer's willingness to provide
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12 positive WOM. Future studies could include a wider range of constructs thus broadening the
13
14 scope of the model, and helping to distinguish associations between constructs both conceptually
15
16 and empirically. For example, possible factors which may significantly influence positive WOM
17
18 may include commitment, trust and switching barriers. The last research limitation pertains to the
19
20 operationalization and measurement of action inertia. Specifically, the factor loading for the third
21
22 item was relatively weak (0.667). We thus recommend that researchers further develop the
23
24 operationalization of action research construct. In developing the measurement, it is suggested
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26 that qualitative studies are also encouraged. In addition, the joint analysis of action inertia, habit
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28 and loyalty deserves the attention of future research efforts, as a more in-depth understanding of
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30 the dynamics of these two constructs is beneficial.
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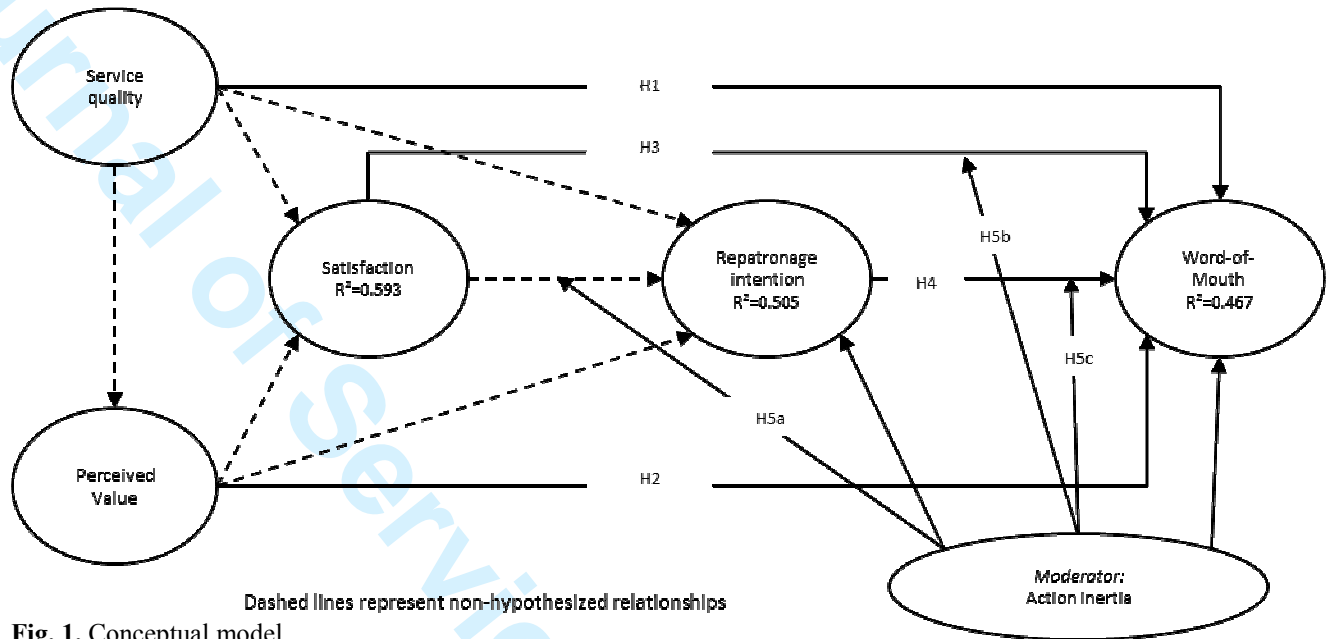


Fig. 1. Conceptual model.

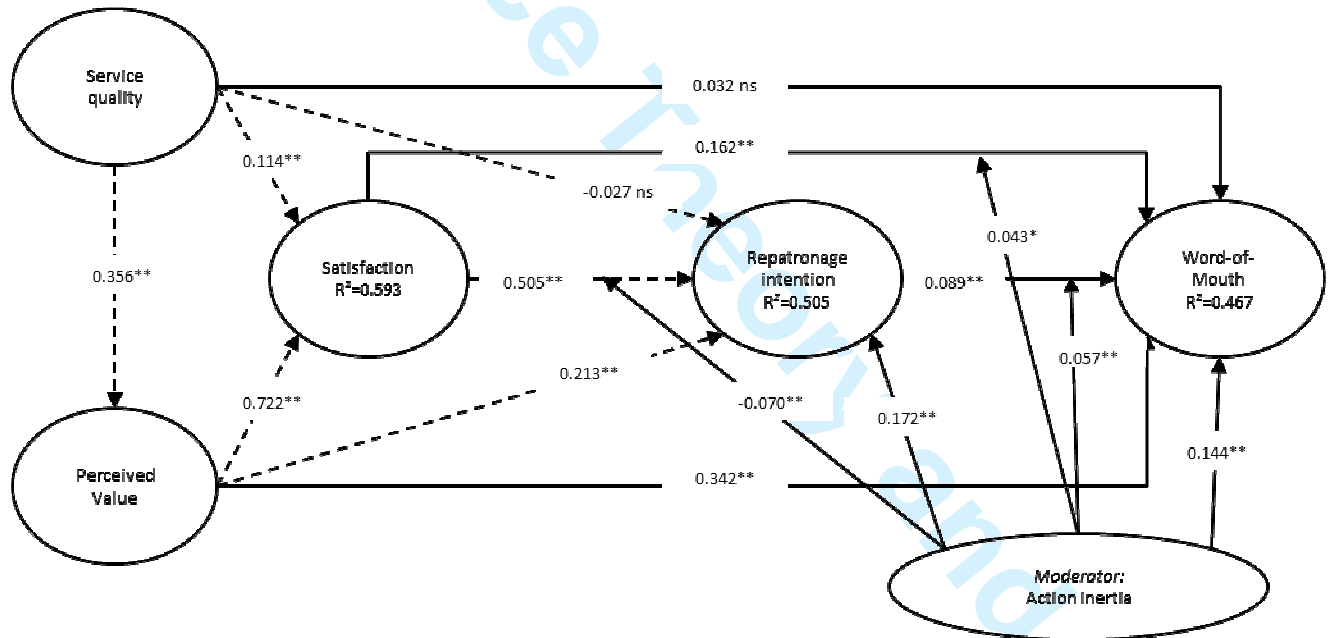


Fig. 2. Path model and PLS-SEM estimates. Dashed lines represent non-hypothesized relationships. ** $p < 0.01$, * $p < 0.05$; ns = non-significant.

List of Tables

Table 1

Discriminant validity.

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
| 1. Service quality | 0.725 | | | | | | | | | | |
| 2. Perceived value | 0.355 | 0.756 | | | | | | | | | |
| 3. Satisfaction | 0.372 | 0.749 | 0.815 | | | | | | | | |
| 4. Repatronage intention | 0.247 | 0.608 | 0.677 | 0.897 | | | | | | | |
| 5. WOM | 0.278 | 0.645 | 0.611 | 0.509 | 0.953 | | | | | | |
| 6. Action inertia | 0.293 | 0.735 | 0.747 | 0.604 | 0.585 | 0.836 | | | | | |
| 7. Consumption | -0.056 | -0.107 | -0.110 | -0.094 | -0.028 | -0.090 | n.a. | | | | |
| 8. Gender | -0.176 | -0.026 | -0.041 | -0.034 | -0.026 | -0.031 | -0.032 | n.a. | | | |
| 9. Age | -0.046 | 0.095 | 0.056 | 0.084 | 0.072 | 0.071 | -0.031 | 0.067 | n.a. | | |
| 10. Income | -0.094 | -0.159 | -0.095 | -0.067 | -0.121 | -0.077 | 0.117 | 0.236 | 0.257 | n.a. | |
| 11. Relationship age | 0.038 | 0.045 | 0.046 | 0.190 | 0.078 | 0.036 | 0.067 | 0.014 | 0.151 | 0.063 | n.a. |
| M | 5.73 | 4.93 | 5.09 | 5.42 | 4.39 | 4.79 | - | - | - | - | - |
| SD | 1.32 | 1.93 | 1.32 | 1.51 | 1.75 | 1.35 | - | - | - | - | - |

Note: The square root of the AVE is on the diagonal (in bold). Inter-construct correlations are off-diagonal. n.a: not applicable.

1
2
3 **Appendix A. Construct measures and indicator loadings**
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6

| Measures ^a | Loadings |
|---|----------|
| <i>Service quality</i> (CR = 0.961; AVE = 0.525) | |
| Please indicate how important each of the following is when buying telecommunications services: | |
| Providing services as promised | 0.879 |
| Dependability in handling customers' service problems | 0.826 |
| Performing services right the first time | 0.834 |
| Providing services at the promised time | 0.824 |
| Keeping customers informed about when services will be performed | 0.812 |
| Prompt service to customers | 0.879 |
| Employees who are always willing to help customers | 0.848 |
| Employees who are not too busy to respond to customer request promptly | 0.890 |
| Employees who are trustworthy | 0.801 |
| The feeling that you are safe when conducting transactions with the company | 0.834 |
| Employees who are polite | 0.887 |
| Employees who have the knowledge to answer customer questions | 0.827 |
| Individual attention | 0.834 |
| Employees who give you personal attention | 0.895 |
| A firm that has your best interests at heart | 0.916 |
| Employees who know what your needs are | 0.901 |
| Visually appealing pages are used | 0.823 |
| Modern design and graphics are used | 0.801 |
| The website is well designed and has a professional appearance | 0.914 |
| The website is visually appealing | 0.885 |
| The website is easily accessible | 0.879 |
| Website provides useful information to answer customer questions | 0.838 |

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3 *Perceived value* (CR = 0.941; AVE = 0.571)

4 Please indicate your level of agreement with the following statements:

| | | |
|----|--|-------|
| 5 | | |
| 6 | | 0.773 |
| 7 | Services are reasonably priced | |
| 8 | | |
| 9 | Services are value for money | 0.845 |
| 10 | | |
| 11 | Are good services for the price | 0.820 |
| 12 | | |
| 13 | Services would perform consistently | 0.843 |
| 14 | | |
| 15 | Services are of high quality | 0.850 |
| 16 | | |
| 17 | Services have consistent quality | 0.846 |
| 18 | | |
| 19 | Would make me want to use services | 0.822 |
| 20 | | |
| 21 | Is one that I would feel relaxed about using | 0.853 |
| 22 | | |
| 23 | Would make me feel good | 0.795 |
| 24 | | |
| 25 | Would improve the way I am perceived | 0.907 |
| 26 | | |
| 27 | Would make a good impression on other people | 0.921 |
| 28 | | |
| 29 | Would give its user social approval | 0.913 |
| 30 | | |
| 31 | | |

32
33 *Satisfaction* (CR = 0.908; AVE = 0.665)

34 Please indicate your level of agreement with the following statements:

| | | |
|----|--|-------|
| 35 | | |
| 36 | | 0.826 |
| 37 | I like using the services. | |
| 38 | | |
| 39 | The services have met my expectations. | 0.826 |
| 40 | | |
| 41 | Overall, I am satisfied with the services. | 0.847 |
| 42 | | |
| 43 | When using the services I feel surprised, amazed, or astonished. | 0.758 |
| 44 | | |
| 45 | My choice to start using the services was a wise one. | 0.814 |
| 46 | | |
| 47 | | |

48
49 *Repatronage intentions* (CR = 0.925; AVE = 0.804)

50 Please indicate your level of agreement with the following statements:

| | | |
|----|---|-------|
| 51 | | |
| 52 | I consider myself a loyal customer of company X. | 0.865 |
| 53 | | |
| 54 | I intend to remain a customer of company X. | 0.949 |
| 55 | | |
| 56 | I have no intention of changing to another company. | 0.912 |
| 57 | | |
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Action inertia (CR = 0.873; AVE = 0.699)

Please indicate your level of agreement with the following statements:

| | |
|---|-------|
| I have repeatedly found company X is better than others. | 0.906 |
| Repeatedly, the performance of company X is superior to that of competitor firms. | 0.912 |
| I would always continue to choose company X before others. | 0.667 |

Positive WOM (CR = 0.952; AVE = 0.804)

Please indicate your level of agreement with the following statements:

| | |
|--|-------|
| Say positive things about company X to other people | 0.955 |
| Recommend company X to someone who seeks your advice | 0.951 |

^aService quality was measured on 7-point Likert scale (1 = *not at all important*; 7 = *extremely important*). Perceived value, satisfaction, repatronage intentions, action inertia, and positive WOM were measured on 7-point Likert scales (1 = *strongly disagree*; 7 = *strongly agree*).

Note: CR = composite reliability.

