CONTRACTS VERSUS RELATIONSHIP INTENTION AS INDICATOR OF CUSTOMER TRUST IN AND COMMITMENT TO CELL PHONE SERVICE PROVIDERS: AN EXPLORATORY STUDY

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Abstract

Social exchange theory postulates long-term customer-company relationships are built on trust and commitment. Cell phone service providers seek to secure the trust and commitment of their customers through service contracts. Relationship intention (RI) is a more precise measure of customer trust and commitment. This paper compares the trust of cell phone service customers and their commitment to cell phone services providers based on customers’ contract status and RI classification. Data from 1,473 cell phone customers from South Africa (n = 589) and the Philippines (n = 884) were analyzed. The study shows for both the South African and Philippine samples that there is no relationship between respondents’ contract status and their trust in or commitment to cell phone service providers and that trust in or commitment to cell phone service providers is significantly higher among high relationship intention (HRI) customers than among low relationship intention (LRI) customers. RI is a stronger indicator of customers’ trust in and commitment to cell phone service providers than contracts in both countries. This makes HRI customers more receptive to relationship marketing strategies than customers with contracts or LRI customers, as HRI customers trust and commit to cell phone service providers significantly more.

Keywords: trust, commitment, relationship marketing, cell phone industry, contract, relationship intention, emerging markets

1. INTRODUCTION

The cell phone industry contributed $4.1 trillion (or 4.7% of GDP) to the global economy in 2019, providing mobile services to more than 5.2 billion users, or more than 67% of the global population (GSMA, 2020). The world’s more than 8 billion mobile connections (GSMA, 2020) exceed the estimated 7.7 billion...
people (World Bank, 2020). According to the World Bank (2016), more households in developing countries own a cell phone than have access to clean water or electricity. Despite the growth and success of the mobile industry, it is predicted that “adding new subscribers is increasingly difficult as markets become saturated” (GSMA, 2020, p. 3). In an industry already characterized by high customer acquisition and retention costs (Min, Zhang, Kim & Srivastava, 2016), it is therefore essential for cell phone service providers to identify the most lucrative customers and focus on relationship-based strategies.

Social exchange theory argues that trust and commitment form the foundation for reciprocally beneficial relationships (Möller & Halinen, 2000; O’Malley & Tynan, 2000). As relational benefits accumulate over time, trust between relational parties (e.g., between companies and customers) also increases, resulting in a more significant commitment of the parties to the relationship (Lambe, Wittmann, & Spekman, 2001). Heide and John (1990) argue that it is impossible to maintain and enhance relationships unless they are characterized by trust and commitment. Trust is critical in customer-company relationships because trust is a precursor of commitment (Jones, Ranaweera, Murray, & Bansal, 2018; Morgan & Hunt, 1994; Ng, Fang, & Lien, 2016). This underlines the importance of establishing trust in service-related customer-company relationships (Akbar & Parvez, 2009; Bennett, McColl-Kennedy, & Coote, 2000).

However, despite the importance of trust in customer-company relationships, GSMA (2020) found that trust in cellular services (and service providers) has been eroded globally due to disinformation campaigns, data breaches, and the monetization of consumer information by service providers. As a result, it is more important than ever for cell phone service providers to identify the customers who trust them (and retain their commitment accordingly).

Most cell phone service providers want to enter into contracts with customers to secure revenue from those customers throughout the contractual agreement (Bisping & Dodsworth, 2019). Moreover, customers demonstrate an apparent commitment (based on implied trust) to cell phone providers by entering into contracts. However, Malhotra and Malhotra (2013) and Seo, Ranganathan, and Babad (2008) warn that contracted cell phone service customers may not necessarily commit to the provider but simply remain in relationships with cell phone service providers due to restrictive contractual obligations. Therefore, cell phone service providers need to find other ways to identify trusting and committed customers with whom they can build profitable long-term relationships.

Kumar, Bohling, and Ladda (2003) point to an alternative approach that companies can use to identify such potential relational customers by focusing more on those customers who intend to enter into a relationship. Conze, Biever, Laesser, and Riklin (2010) and Kumar, Bohling, and Ladda (2003) note that not all customers are relationship-oriented and that it is necessary to distinguish high relationship intention (HRI) customers from low relationship intention (LRI) customers. The advantage of identifying HRI customers is that these customers want to build and maintain long-term company relationships (Conze, Biever, Laesser, & Riklin, 2010; Kumar, Bohling, & Ladda, 2013). However, the question should be asked whether HRI customers show more trust in and commitment to companies?
Mostert, Steyn, and Bautista (2018) pointed out that the distinction between LRI and HRI customers is a more refined segmentation measure than the length of customer-company associations for cell phone service providers. Mostert, Steyn, Rogers, du Toit, and van Niekerk (2020) investigated the relationship between the length of customer-company associations and cell phone customer satisfaction and found no relationship. In addition, Mostert, Steyn, Rogers, du Toit, and van Niekerk (2020) found a direct relationship between customer satisfaction and cell phone customer RI. Thus, the objective of this paper is to build on these studies and expand our understanding of the studied phenomena by introducing RI classification as a superior segmentation variable to contractual status for cell phone customers and determining whether cell phone service customers in two countries (i.e., South Africa and the Philippines) exhibit different levels of trust in and commitment to their cell phone service providers depending on contract status and RI classification.

This paper offers several contributions. First, despite their ubiquity, very little academic research has addressed cell phone service contracts (Bisping & Dodsworth, 2019). This paper, therefore, helps us understand the relationship between cell phone service contracts and customer trust and commitment (as anchored in social exchange theory and relationship marketing). Second, the paper extends previous research that establishes a relationship between RI and satisfaction (Mostert, Steyn, Rogers, du Toit, & van Niekerk, 2020) by examining the connection of customer RI to the concepts of customer trust and commitment. The concepts of satisfaction, trust, and commitment are widely regarded as the constituent elements of the construct of relationship quality (Mostert, Steyn, Rogers, du Toit, and van Niekerk, 2020). Third, the paper offers to discriminate RI as an alternative approach to assessing whether cell phone service providers should engage in building long-term relationships with customers rather than having customers sign a cell phone service contract. Finally, the results offer valuable insights to cell phone service providers in two middle-income emerging markets about which customers they should focus on (and which they should avoid) with relationship marketing initiatives.

Next, we provide an overview of relevant literature, explain the methodology, and report the research results. The paper elaborates on the findings and offers managerial implications, lists the study’s limitations, and makes suggestions for future research.

2. LITERATURE REVIEW

2.1. Social exchange theory

Social exchange theory (Homans, 1958) holds that economic exchange implies social behavior. Such social behavior complements the economic act of exchanging tangible goods with the exchange of intangible goods such as symbols of approval, friendship, or status. These exchange interactions evolve, and reciprocal obligations emerge in which the parties’ actions are interdependent and depend on mutual rewards. Such reciprocal obligations are referred to as social exchange relationships (Blau, 1964; Emerson, 1976; McDonald, 1981).

Social exchange relationships become valuable when the parties involved view the resulting economic and social benefits as more significant than the costs associated with establishing and maintaining
the relationships (Cropanzano & Mitchell, 2005; Homans, 1958). As the relational benefits accrue, so does the trust between the parties and the parties’ commitment to the relationship (Lambe, Wittmann, & Spekman, 2001). Therefore, trust and commitment are essential to maintain and enhance relational exchange (Heide & John, 1990).

Social exchange theory rejects the notion of universal opportunism in economic exchange and proposes that relationships rather determine such exchange (Hawkins, Wittmann, & Beyerlein, 2008). Therefore, the trust and commitment foundations of social exchange theory underpin the reciprocally beneficial principles of relational exchange as advocated in relationship marketing (Möller & Halinen, 2000; O’Malley & Tynan, 2000).

2.2. Trust

Trust is a psychological state in which the trusting party intends to be vulnerable to a trusted counterpart, expecting that the counterpart will exhibit positive intentions or behaviors (Rousseau, Sitkin, Burt, & Camerer, 1998). As a fundamental element of social exchange theory, trust presupposes subsequent, mutually beneficial social interactions between exchange parties (Blau, 1964; Ferro, Padin, Svensson, & Payan, 2016). For parties to establish and maintain a trusting exchange relationship, they accept each other’s goodwill, honesty, integrity, reliability, and competence because they trust that their respective promises and exchange commitments will be kept (Agustin & Singh, 2005; De Wulf, Oderkerken-Schroder, & Iacobucci, 2001; Solomonson, 2015). Such honored promises and exchange commitments imply interdependent actions by the parties to strive for positive outcomes and avoid adverse outcomes for the other party (Anderson & Narus, 1990; Rousseau, Sitkin, Burt, & Camerer, 1998).

When an exchange party trusts a counterparty, the trusting party assumes risk and uncertainty by making itself vulnerable to opportunistic behavior by the trusted party (Bennett, McColl-Kennedy, & Coote, 2000; Moorman, Zaltman, & Deshpande, 1992). Accordingly, trust reduces risk perception by predicting future behavior (Abosag & Lee, 2013; Morgan & Hunt, 1994). Consequently, the complexity and uncertainty of exchanges are reduced as opportunistic behavior is prevented (Sirdeshmukh, Singh, & Sabol, 2002). This ultimately reduces transaction costs (Rousseau, Sitkin, Burt, & Camerer, 1998; Zanini & Migueles, 2013).

In addition, Chow and Holden (1997) and Smith and Barclay (1997) suggest that the presence of trust increases the parties’ satisfaction in a relationship. This increased satisfaction encourages the parties to maintain the relationship, which also increases the commitment of the relationship parties (Abosag & Lee, 2013; Bennett, McColl-Kennedy, & Coote, 2000). Referring to the theory of planned behavior (TPB), the positive feelings generated by trust anchor behavioral intentions (Ajzen, 1991) such as future cooperation (Morgan & Hunt, 1994), customer repurchases (Amoako, Kutu-Adu, Caesar, & Neequaye, 2019; Zboja & Voorhees, 2006), and customer loyalty (Karjaluoto, Jayawardhana, Leppäniemi, & Pihlström, 2012).

Trust is a desirable concept because it presupposes continuity, the realization of future goals, and positive expected outcomes, rather than exposure to the risk of opportunistic behavior by a counterparty (Chiou & Droge, 2006). As an antecedent to commitment (Jones, Ranaweera, Murray, & Bansal, 2018; Morgan & Hunt, 1994; Ng, Fang, & Lien, 2016), trust is considered integral to establishing, maintaining, and
developing collaborative exchange relationships – particularly in the service industry (Akbar & Parvez, 2009; Bennett, McColl-Kennedy & Coote, 2000).

2.3. Commitment

Another essential component of social exchange theory is commitment. Commitment is a motivational orientation based on emotional ties – i.e., affective commitment (Kemp & Poole, 2017; Palmatier, Jarvis, Beckhoff, & Kardes, 2009), economic calculations due to lower prices, or a perceived lack of alternatives – i.e., continuance commitment (Jones, Ranaweera, Murray, & Bansal, 2018; Kemp & Poole, 2017) or obligation – i.e., normative commitment (Gustaffson, Johnson, & Roos, 2005; Kemp & Poole, 2017). Affective commitment is a more enduring motivator than continuance commitment and is more favorable to relational exchange concepts such as repurchase intention and loyalty (Amoako, Kutu-Adu, Caesar, & Neequaye, 2019).

The motivational orientation that emerges from commitment implies a promise and tacit intention to continuously engage in a particular behavior (Bhagat & Williams, 2008; Brehm & Cohen, 1962). In essence, commitment is the belief by a party involved in an exchange that the relationship with a counterparty is significant and beneficial enough to warrant determined efforts to maintain and enhance the relationship (Morgan & Hunt, 1994; Ng, Fang, & Lien, 2016; Solomonson, 2015).

Commitment in an exchange relationship directs the behavior of the committed exchange party toward continuing the relationship (Solomonson, 2015). Commitment to an exchange relationship implies the committed party has calculated a positive relational value for the relationship, i.e., that the benefits of current and future relational exchanges are more significant than the costs of establishing, maintaining, and enhancing the relationship (Agustin & Singh, 2005).

Accordingly, a committed exchange party is willing to accept short-term disadvantages (e.g., making relationship-specific investments or resisting lucrative but opportunistic alternatives) to enjoy long-term benefits (Anderson & Weitz, 1992). Affective relationship commitment, therefore, signals advanced relational bonding which, as a prerequisite for customer repurchase intention (Amoako, Kutu-Adu, Caesar, & Neequaye, 2019) and loyalty (Kaya, Behravesh, Abubakar, Kaya, & Orus, 2019), is critical for successful relationship marketing (Ndubisi, 2007). Consistent with social entropy theory – the notion that social connections decline when not actively nurtured (Bailey, 2006) – commitment is also critical to maintaining relationships (Solomonson, 2015).

2.4. Relationship intention

Relationship intention (RI) refers to customer inclination to cultivate relationships in their dealings with companies (Kumar, Bohling, & Ladda, 2003). The significance of RI for reciprocally beneficial social commercial exchange relationships (Morgan & Hunt, 1994) is anchored in the theory of reasoned action (TRA) (Ajzen & Fishbein, 1974). According to the TRA, behavioral intentions predispose individual volitional behavior (Ajzen, 1991; Fishbein & Ajzen, 1975). The theory of planned behavior (TPB) complements TRA and states that stronger intentions increase the likelihood of intended behaviors occurring (Ajzen, 1991, 2012; Bosnjak, Ajzen, & Schmidt, 2020). Consequently, TRA and TPB imply that customers’ relationship behaviors are influenced by their RI (Kumar, Bohling, & Ladda, 2003).
HRI customers tend to form long-term relationships with companies (Conze, Bieger, Laesser, & Riklin, 2010), while LRI customers instead engage in short-term transactional and opportunistic exchanges with companies (Grönroos, 1997; Kumar, Bohling, & Ladda, 2003). LRI customers are less attractive targets for corporate relationship-building efforts because their resistance to such efforts impairs corporate efforts and wastes corporate resources (Tai & Ho, 2010). HRI customers must be distinguished from LRI customers, as these groups exhibit different relationship behaviors (Conze, Bieger, Laesser, Riklin, 2010; Kumar, Bohling, & Ladda, 2003). The five RI sub-dimensions of involvement, expectations, feedback, forgiveness, and fear of relationship loss can be used to distinguish HRI and LRI customers.

2.4.1. Involvement

Customer involvement refers to interaction, engagement, communication, and collaboration between the customer and the company (Saldanha, Mithas, & Krishnan, 2017; Tih, Wong, Lynn, & Reilly, 2016). Customers who are more involved show stronger emotional attachment (i.e., affective commitment) to the companies they deal with (Glovinsky & Kim, 2015), are more open to relational approaches initiated by companies (Ashley, Noble, Donthu, & Lemon, 2011), and consequently are more likely to enter into long-term relationships with those companies (Moore, Ratneshwar, & Moore, 2012). Therefore, customer involvement is considered a sign of RI (Kumar, Bohling, & Ladda, 2003).

2.4.2. Expectations

Involved customers have high expectations of companies (Kumar, Bohling, & Ladda, 2003). Expectations are benchmarks or standards by which customers measure service delivery (Zeithaml, Bitner, & Gremler, 2018). Meirovich, Jeon, and Coleman (2020) empirically find that customer satisfaction is proportional to predictive and normative expectations. Customer service satisfaction positively affects behavioral intention (Yim & Byon, 2018), and customer satisfaction is significantly and positively related to RI (Menidjel, Benhabib, Bilgihan, & Madanoglu, 2019; Mostert, Petzer, & Weideman, 2016). In line with the concepts of TRA (Fishbein & Ajzen, 1975) and TPB (Ajzen, 1991, 2012; Bosnjak, Ajzen, & Schmidt, 2020), it can be argued that customer service expectations are positively related to customer (behavioral) RI. Since customer expectations are an indicator of RI, customers who expect more from companies engage more with companies and are more likely to engage in company relationships than customers who expect less from companies (Kumar, Bohling, & Ladda, 2003).

2.4.3. Feedback

The focus of communication between customers and companies to build relationships has changed from one-way persuasion of customers by companies to two-way interaction between customers and companies (Hughes & Fill 2017). The two-way interaction depends on customers’ company feedback to encourage dialogue and build relationships (Richey, Skinner, & Autry, 2007). HRI customers are more willing to provide positive feedback and endure the likely unpleasant consequences of negative feedback (Lovelock, Wirtz, & Chew, 2009; Nasr, Burton, Gruber, & Kitshoff, 2014). Customers who share positive feedback with companies tend to build relationships with those companies (Erickson & Ecktich, 2001). Strongly connected customers who provide negative feedback to companies experience stronger loyalty to those companies (Umashankar, Ward, & Dahl, 2017).
Motivated by a strong desire to help companies improve their operations, affectively engaged customers are more likely to give negative feedback when that feedback is not used to evaluate employees. They are also more likely to give positive feedback (Liu & Matilla, 2015). Because highly involved customers expect more from companies, HRI customers are generally more likely to provide feedback than LRI customers (Kumar, Bohling, & Ladda, 2003).

2.4.4. Forgiveness

Forgiveness is the decision by an aggrieved party not to attack or shun an offending party for indiscretions and instead reconcile with the guilty party despite their troubling behavior (Casidy & Shin, 2015; McCullough, Fincham, & Tsang, 2003). Customers who engage in corporate relationships are more likely to forgive companies for disappointed expectations resulting from service failures (Kumar, Bohling, & Ladda, 2003) because they want to restore harmony in the social relationships they see themselves as part of (Sinha & Lu, 2016). Such forgiveness mitigates the negative emotions associated with service failures and encourages customers to continue relationships with the companies that offended them (Tsarenko & Tojib, 2011). Emotionally attached customers (i.e., involved customers with high expectations who are willing to provide feedback) are more forgiving of service failures because they understand the challenges companies face in providing quality service (Sengupta, Balaji, & Krishnan, 2015). Consequently, some customers value relationships more than disappointed expectations (Kumar, Bohling, & Ladda, 2003). Willingness to forgive indicates customer RI, with customers who are more likely to forgive maintaining HRI (Kumar, Bohling, & Ladda, 2003).

2.4.5. Fear of relationship loss

Shi (2013) considers switching costs as one-time costs incurred by customers when switching between alternative service providers. Switching costs are offset by the benefits of the customer relationship, as customers do not have to fear switching costs if they remain in the customer-company relationship. However, customers who fear relationship loss fear that they will lose the benefits associated with relationships or incur switching costs due to the loss of those relationships. Such switching costs associated with the loss of relationships refer to psychological or emotional anxiety resulting from a diminished sense of happiness, comfort, or security following the loss of relationships (Hennig-Thurau, Gwinner, & Gremler, 2002). These include costs associated with loss of personal relationships (e.g., friendships), loss of brand relationships, loss of social ties (e.g., familiarity), or loss of unique treatment benefits (e.g., customized, preferential treatment, expedited service, or discounted prices) (Hennig-Thurau, Gwinner, & Gremler, 2002). Customers are reluctant to incur switching costs if they benefit from an established business relationship (Leverin & Liljander, 2006). To secure such benefits, customers tend to exhibit higher RI as they seek to minimize the potential switching costs associated with relationship loss (Kumar, Bohling, & Ladda, 2003). Thus, a greater fear of losing a relationship motivates a higher RI (Kumar, Bohling, & Ladda, 2003).

2.5. Contract versus non-contract cell phone service options

Customers have two main options for accessing cell phone services. Long-term post-paid contracts between customers and cell phone service providers are most popular in developed markets, while pre-paid
no-contract options dominate emerging and developing markets (Bisping & Dodsworth, 2019). Contracts for cell phone services are divided into month-to-month contracts, where customers pay monthly for the service without committing beyond one month, and fixed-term contracts, where customers pay a set fee for a predetermined number of months – usually 24 months (Bisping & Dodsworth, 2019).

Often, cell phone service providers also offer a mix of relational benefits (e.g., subsidized handsets on installment plans, free call minutes/messages to select numbers, the ability to upgrade handsets and service plans easily, better customer service, network priority options, and better network coverage) and switching costs (e.g., penalties for early termination, non-portability of numbers, and restrictive renewal mechanisms at contract expiration) for fixed-term contracts to retain customers (Bisping & Dodsworth, 2019; Tesfom, Birch, & Culver, 2018).

In the mid to late 2010s, increasing competition prompted South African cell phone service providers to relax switching costs and allow customers more flexibility at a lower cost. This led more customers to replace their cell phone contracts with no-contract prepaid options (Olufemi & Strydom, 2018). In the Philippines, substitution was less intense than prepaid, and no-contract connections were already prevalent over contract connections (Fitch Solutions, 2020). However, the cell phone service industry is characterized by high costs of customer acquisition and retention (Min, Zhang, Kim, & Srivastava, 2016). Therefore, it is in the best interest of cell phone service providers to retain customers, even more so under conditions of substitution.

3. METHODS

Data were collected from South Africa and the Philippines as two middle-income economies (World Bank, 2017). The two countries share several economy-related characteristics, including value-added by services and its contribution to GDP, literacy rates, and internet and technology use patterns (Poushter, 2016; World Bank, 2017). The study populations in both countries included adult cell phone service customers living in metropolitan areas (Gauteng, South Africa; Manila, Philippines). All construct items used in the structured questionnaire were measured on five-point Likert scales (where 1 = strongly disagree and 5 = strongly agree). The wording of the items and the sources of the items are shown in Table 1.

It should be noted that most of the scale items used in the questionnaire were adopted and adapted from Mostert, Steyn, Rogers, du Toit, and van Niekerk (2020), who studied the relationship between relationship intention and customer satisfaction in a developed country and a developing country. After the pilot test, minor changes were made to the questionnaire to address minor misunderstandings by some Filipino respondents related to the terminology used. Despite the use of pre-existing scale items, we conducted exploratory factor analyses (EFA) due to the study’s exploratory nature. The validity and reliability of the RI measure have never been tested by including additional construct items related to commitment and trust. The use of existing scale items in the EFA is also not unusual. In factor analysis, “variables to be included in the analysis should be specified based on past research” (Malhotra, Nunan & Birks, 2017: p. 730). However, to increase the credibility of the validity and reliability of the measurement used, we also calculated the average variance extracted (AVE) and
the composite reliability (CR), which are usually associated with confirmatory factor analyses (CFA).

Data were analyzed using IBM Statistical Package for Social Sciences (SPSS) (version 26). In addition to testing for statistical significance \( (p \leq 0.05) \), we also calculated effect sizes (using eta-squared values interpreted as follows: 0.138 = large effect; 0.06 = medium effect; and 0.01 = small effect) to determine the practical significance of the results (Cohen, 1988; Field, 2016). To ensure that we could compare the results of the two samples, we first conducted Kolmogorov-Smirnov tests for the demographic characteristics of the two samples (Basfirinci & Mitra, 2015). From these results, we concluded that the two samples were comparable, as respondents in the two countries did not differ significantly in terms of gender \( (p = 0.340) \), marital status \( (p = 0.166) \), length of relationship with their cell phone service providers \( (p = 0.552) \), cell phone service options \( (p = 0.390) \), and monthly cell phone expenses.

4. RESULTS

4.1. Sample profile

A total of 1,473 respondents participated in the study (South Africa = 589; Philippines = 884). More women participated in both countries (South Africa = 53.7%; Philippines = 55.3%). Most respondents in each sample were 24 years old or younger (South Africa = 30%; Philippines = 32%). The next largest age groups in the Philippine sample were 41-50 years old (25.9%) and 51 years and older (20.5%), while the South African sample included 31-40 years old (18.9%), 25-30 years old (18.6%), and 41-50 years old (18.2%). Most respondents in both samples were either single (South Africa = 55.1%; Philippines = 49.4%) or married (South Africa = 39.1%; Philippines = 45.7%). In terms of the length of their relationship with cell phone service providers, most respondents used their providers between 5 and 10 years (South Africa = 35.4%; Philippines = 31.3%), ten years or longer (South Africa = 25.6%; Philippines = 29.9%), or between 3 and 5 years (South Africa = 16%; Philippines = 17.3%). In terms of cell phone service options, most South African respondents were contract customers (52.7%), while most Filipino respondents were non-contract customers (52.4%). The average monthly cell phone expenses for both samples, broken down by cell phone service options, were similar in both countries (contract customers - US dollar (USD) equivalent: South Africa = USD 37.47; Philippines = USD 39.31; non-contract customers USD equivalent: South Africa = USD 20.67; Philippines = USD 19.12).

4.2. Validity and reliability

Exploratory factor analyses (EFAs) were performed on the data from the two countries to determine the validity of the measurement instrument. Data from both samples were suitable for factor analyses because Bartlett’s tests of sphericity were significant \( (p < 0.0001) \), and Kaiser-Meyer-Olkin (KMO) measures of sampling adequacy (MSA) were greater than 0.5 (South Africa = 0.843; Philippines = 0.869). Using Principal Axis Factoring with Varimax rotation (Hair, Black, Babin, & Anderson, 2019), the identical seven factors (eigenvalues > 1.00) were extracted from both datasets. Table 1 contains the scale items, the sources from which the items were obtained, and the factor loadings for each extracted factor.
Table 1. Factors, scale items, item sources, and factor loadings

<table>
<thead>
<tr>
<th>Factors and related items</th>
<th>Factor loading</th>
<th>South Africa</th>
<th>Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment (Morgan and Hunt, 1994)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The relationship that I have with the cell phone service provider I use is something I am very committed to.</td>
<td>.708</td>
<td>.699</td>
<td></td>
</tr>
<tr>
<td>The relationship that I have with the cell phone service provider I use is something that I intend to maintain indefinitely.</td>
<td>.736</td>
<td>.660</td>
<td></td>
</tr>
<tr>
<td>The relationship that I have with the cell phone service provider I use deserves my maximum effort to maintain it.</td>
<td>.608</td>
<td>.574</td>
<td></td>
</tr>
<tr>
<td>Trust (Morgan and Hunt, 1994)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The cell phone service provider I use can be counted on to do what is right.</td>
<td>.909</td>
<td>.791</td>
<td></td>
</tr>
<tr>
<td>The cell phone service provider I use can be trusted at all times.</td>
<td>.694</td>
<td>.773</td>
<td></td>
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<tr>
<td>The cell phone service provider I use has high integrity.</td>
<td>.686</td>
<td>.639</td>
<td></td>
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<tr>
<td>RI sub-dimensions</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Involvement (Kruger and Mostert, 2012; Mostert, Steyn, Rogers, du Toit, &amp; van Niekerk, 2020)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>I care about the image of my cell phone service provider.</td>
<td>.745</td>
<td>.688</td>
<td></td>
</tr>
<tr>
<td>I am proud when I see my cell phone service provider’s name or advertising materials.</td>
<td>.688</td>
<td>.670</td>
<td></td>
</tr>
<tr>
<td>Expectations (Kruger and Mostert, 2012; Mostert, Steyn, Rogers, du Toit, &amp; van Niekerk, 2020)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I expect my cell phone service provider to offer me value for my money.</td>
<td>.659</td>
<td>.736</td>
<td></td>
</tr>
<tr>
<td>I expect my cell phone service provider to offer me more value for my money than other cell phone service providers.</td>
<td>.878</td>
<td>.829</td>
<td></td>
</tr>
<tr>
<td>I expect my cell phone service provider’s service to be better than other cell phone service providers’ service.</td>
<td>.643</td>
<td>.675</td>
<td></td>
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<tr>
<td>Feedback (Kruger and Mostert, 2012; Mostert, Steyn, Rogers, du Toit, &amp; van Niekerk, 2020)</td>
<td></td>
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<td></td>
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<tr>
<td>I will tell my cell phone service provider if their service is better than what I expect.</td>
<td>.840</td>
<td>.832</td>
<td></td>
</tr>
<tr>
<td>I will tell my cell phone service provider if their service meets my expectations.</td>
<td>.821</td>
<td>.833</td>
<td></td>
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<tr>
<td>I will tell my cell phone service provider about their service so that their service will improve.</td>
<td>.514</td>
<td>.570</td>
<td></td>
</tr>
<tr>
<td>Forgiveness (Kruger and Mostert, 2012; Mostert, Steyn, Rogers, du Toit, &amp; van Niekerk, 2020)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>I will forgive my cell phone service provider if the quality of their service is sometimes below the standard I expect from them.</td>
<td>.851</td>
<td>.777</td>
<td></td>
</tr>
<tr>
<td>I will forgive my cell phone service provider if the quality of their service is below the standard of other cell phone service providers.</td>
<td>.690</td>
<td>.876</td>
<td></td>
</tr>
</tbody>
</table>
I will forgive my cell phone service provider if I experience bad service from them. | .673 | .725

Fear of relationship loss (Kruger and Mostert, 2012; Mostert, Steyn, Rogers, du Toit, & van Niekerk, 2020)

I am concerned to lose the services of my cell phone service provider by switching to another cell phone service provider. | .891 | .848

I am concerned that I might lose special privileges of my cell phone service provider by switching to another cell phone service provider. | .778 | .834

I am concerned to lose my relationship with my cell phone service provider by switching to another cell phone service provider. | .563 | .657

The total variance explained by the seven factors was 63.47% for the South African sample and 66.62% for the Filipino sample. The means, percent of variance extracted by each factor (VE%), AVE, Cronbach’s Alpha (CA), and CR for each factor, by country, are shown in Table 2.

<table>
<thead>
<tr>
<th>Factor</th>
<th>South Africa</th>
<th></th>
<th>Philippines</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>VE%</td>
<td>AVE</td>
<td>CA</td>
</tr>
<tr>
<td>Trust</td>
<td>3.51</td>
<td>11.15</td>
<td>.6</td>
<td>.9</td>
</tr>
<tr>
<td>Feedback</td>
<td>3.33</td>
<td>9.51</td>
<td>.6</td>
<td>.8</td>
</tr>
<tr>
<td>Commitment</td>
<td>3.07</td>
<td>9.26</td>
<td>.5</td>
<td>.8</td>
</tr>
<tr>
<td>Fear of relationship loss</td>
<td>2.90</td>
<td>9.21</td>
<td>.6</td>
<td>.8</td>
</tr>
<tr>
<td>Forgiveness</td>
<td>2.45</td>
<td>9.04</td>
<td>.6</td>
<td>.8</td>
</tr>
<tr>
<td>Expectations</td>
<td>4.44</td>
<td>8.36</td>
<td>.5</td>
<td>.8</td>
</tr>
<tr>
<td>Involvement</td>
<td>3.43</td>
<td>6.94</td>
<td>.5</td>
<td>.8</td>
</tr>
</tbody>
</table>

**Note:** VE% = percentage of variance explained; AVE = average variance extracted; CA = Cronbach’s Alpha; CR = composite reliability

Although the Cronbach’s Alpha for involvement met the required level of 0.7 for both samples, it did not reach the required composite reliability value of 0.7 for the Philippine sample (see Table 2). We, therefore, calculated the Spearman-Brown coefficient as this is the “most appropriate reliability statistic for a two-item scale” (Eisinga, te Grotenhuis, & Pelzer, 2013, p. 641), resulting in an acceptable reliability value of 0.76. This suggests that the measures used in the study were reliable for both samples. Since all items loaded on only one factor (convergent validity) and no items loaded on multiple factors (discriminant validity), the validity of the measures could be confirmed. When calculating the AVE for all factors as an additional validity check, it was found that only one factor, commitment in the Philippine sample, did not reach the required value of 0.5 (see Table 2).

### 4.3. Common method variance

Common method variance (CMV) or common method bias (CMB) is of concern in most research studies that use a single (self-reported) questionnaire in a cross-sectional design because relationships between
constructs may be biased. Researchers, therefore, suggest the use of procedural remedies (before data collection) and statistical techniques (after data collection) to combat the potential adverse effects of CMV (Hulland, Baumgartner & Smith, 2018; MacKenzie & Podsakoff, 2012; Rodríguez-Ardura & Meseguer-Artola, 2020). We took several procedural a priori measures, including conducting a pilot test in both countries, ensuring the wording of the questionnaire was precise and clear, and ensuring respondent anonymity and voluntary participation in the study (Cooper et al., 2020; Hulland, Baumgartner, & Smith, 2018; MacKenzie & Podsakoff, 2012; Rodríguez-Ardura & Meseguer-Artola, 2020).

Based on the pre-test and the realization that some Filipino respondents had difficulties, we changed the wording of the questionnaire to make it more understandable for them. Regarding post-hoc statistical techniques, we used Harman’s single-factor test as a “simple and widespread statistical tool that detects CMV” (Rodríguez-Ardura & Meseguer-Artola, 2020: p. ii). Harman’s single-factor test is widely used in prominent marketing journals to detect CMV. More than 75% of articles published between 2006 and 2015 in the Journal of the Academy of Marketing Science, Journal of Marketing, and Journal of Marketing Research used this test (Hulland, Baumgartner, & Smith, 2018). Harman’s single-factor test, performed separately for each country’s data (Steenkamp & Maydeu-Olivares, 2021), indicated that CMV was not detected in the data of this study.

4.4. Trust and commitment per RI level and cell phone service option

We first computed composite scores for the RI sub-dimensions to determine an RI score for each respondent (Kumar, Bohling, & Ladda, 2003) and then used the scores to group respondents as follows: HRI (South African sample: 285 respondents; mean score = 3.76; Filipino sample: 427 respondents; mean = 3.75); and LRI (South African sample: 304 respondents; mean = 2.86; Filipino sample: 457 respondents; mean = 2.81). Independent samples t-tests confirmed that the respective RI groups were statistically and practically significantly different from each other (South African sample: t = -32.852; p <.000; eta-squared = 1.7; Filipino sample: t = -37.036; p <.000; eta-squared = 1.5) and were accordingly used in further analyses to determine whether differences existed between these groups. Next, we conducted independent-samples t-tests to compare the mean scores of HRI and LRI respondents and for contract customers to those of non-contract customers for trust and commitment. The results of these analyses are presented in Table 3.
Table 3: T-test results per RI level and per cell phone service option

<table>
<thead>
<tr>
<th>Factor</th>
<th>RI level</th>
<th>df</th>
<th>t-value</th>
<th>p-value</th>
<th>Eta-squared (effect size)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>LRI</td>
<td>HRI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust (South Africa)</td>
<td>3.16&lt;sup&gt;a&lt;/sup&gt;</td>
<td>3.87&lt;sup&gt;b&lt;/sup&gt;</td>
<td>587</td>
<td>-10.60</td>
<td>.000&lt;sup&gt;*&lt;/sup&gt;</td>
</tr>
<tr>
<td>Trust (Philippines)</td>
<td>3.07&lt;sup&gt;c&lt;/sup&gt;</td>
<td>3.75&lt;sup&gt;d&lt;/sup&gt;</td>
<td>881</td>
<td>-12.76</td>
<td>.000&lt;sup&gt;*&lt;/sup&gt;</td>
</tr>
<tr>
<td>Commitment (South Africa)</td>
<td>2.62&lt;sup&gt;e&lt;/sup&gt;</td>
<td>3.54&lt;sup&gt;f&lt;/sup&gt;</td>
<td>587</td>
<td>-12.53</td>
<td>.000&lt;sup&gt;*&lt;/sup&gt;</td>
</tr>
<tr>
<td>Commitment (Philippines)</td>
<td>2.92&lt;sup&gt;e&lt;/sup&gt;</td>
<td>3.59&lt;sup&gt;f&lt;/sup&gt;</td>
<td>881</td>
<td>-12.40</td>
<td>.000&lt;sup&gt;*&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Note: *n = 304; b = 285; c = 456; d = 427; e = 308; f = 278; g = 416; h = 462; *Statistically significant (p < 0.05)

Table 3 shows that the HRI and LRI groups in both the South African and Philippine samples differ significantly in their trust in and commitment to their cell phone service providers. The HRI groups in both countries had significantly more trust in (South African sample: p < 0.05; eta-squared = 0.19; Filipino sample: p < 0.05; eta-squared = 0.18) and commitment to (South African sample: p < 0.05; eta-squared = 0.20; Filipino sample: p < 0.05; eta-squared = 0.17) their cell phone service providers than the LRI groups.

Table 3 also indicates the mean scores of contract customers are not statistically different from those of non-contract customers for either trust (p = 0.53; eta-squared = 0.00) or commitment (p = 0.228; eta-squared = 0.00) for the Filipino sample. However, despite statistically significant differences between contract and non-contract customers in trust (p = 0.003) and commitment (p < 0.05) for the South African sample, these results are not practically significant (trust: eta-squared value = .02; commitment: eta-squared value = 0.03). Thus, it can be concluded that in both the South African and Filipino samples, contract customers do not differ from non-contract customers in terms of their trust in or commitment to their respective cell phone service providers.

The differences in the mean scores between the HRI and LRI groups and between contract and non-contract customers in terms of trust in and commitment to their cell phone service provider are evident in Figure 1.
5. DISCUSSION AND MANAGERIAL IMPLICATIONS

Social exchange theory follows that trust and commitment form the basis for building and maintaining relationships between companies and their customers (Möller & Halinen, 2000; O’Malley & Tynan, 2000). However, it is difficult for companies to identify factors that promote customer trust and commitment. Due to the high acquisition costs that characterize the industry (Min, Zhang, Kim, & Srivastava, 2016), cell phone service providers typically combine favorable relational benefits that lure customers into longer-term service contracts with unfavorable switching costs that discourage customers from switching after the contract expires (Bisping & Dodsworth, 2019; Tesfom, Birch, & Culver, 2018). Consequently, these practices also explain the high customer retention costs prevalent in the industry (Bisping & Dodsworth, 2019; Tesfom, Birch, & Culver, 2018). The maintenance of contracts and resulting customer loyalty due to cell phone service providers’ “carrot-and-stick” practices may be misinterpreted as indicating that customers trust and are committed to their service providers. This study aimed to determine if contract customers differ from non-contract customers in terms of trust and commitment. If there are no differences between contract and non-contract customers, the effectiveness of contracts as a mechanism for building trust and commitment, and thus relationship-building initiatives, could be questioned. The study also examined whether HRI and LRI customers differ in their trust in and commitment to their cell phone service providers. If
differences exist between HRI and LRI customers, RI can be proposed as an alternative approach to distinguish customer trust and commitment. Relationship marketing initiatives can then be more effectively targeted to HRI groups.

The first finding of our study shows that there is no relationship between respondents’ contract status and their trust in cell phone service providers in both the South African and Filipino samples. Thus, regardless of whether respondents were contractually bound to a cell phone service provider or not, this had no impact on whether they trusted their provider. Similarly, the results showed that there was no relationship between respondents’ contractual or non-contractual status and their commitment to their cell phone service providers for both the South African and Filipino samples. This finding is interesting because, despite attempts by cell phone service providers to retain customers using (often lengthy) contracts, contract customers did not show greater commitment to their cell phone service providers than non-contract customers.

Our results further show significant differences between HRI and LRI customers and their trust in cell phone service providers for South African and Filipino samples. HRI respondents trusted their service providers significantly more than LRI respondents. Similarly, HRI respondents differed significantly from LRI respondents regarding their commitment to their cell phone service providers. HRI respondents were significantly more committed to their cell phone service providers than LRI respondents in both the South African and Filipino samples.

Our results have several implications for the management of cell phone service providers. First, although contract customers provide cell phone service providers with greater revenue certainty for the duration of the contractual agreement (Bisping & Dodsworth, 2019), service providers should not be under the illusion that customers who contract with them necessarily trust them. Our finding thus supports the GSMA (2020) report, which points to an erosion of customer trust in the cell phone service industry. Cell phone service providers should also note that customers who contract with them are not necessarily committed to them. Therefore, customers are likely to stay with cell phone service providers out of contractual obligation (i.e., high switching costs) rather than out of a desire to establish (or remain in) a relationship with the providers (Malhotra & Malhotra, 2013; Seo, Ranganathan, & Babad, 2008). Thus, our results indicate that cell phone service providers’ relationship marketing efforts may be misguided if they focus exclusively on contract customers. Many non-contract customers may trust the provider more and become (even more) committed to the provider than some contract customers. It also drives up the cost of customer acquisition and retention and wastes relationship marketing resources on those contract customers who neither trust nor are committed to the provider.

Therefore, it is recommended that instead of targeting their relationship marketing initiatives to all contract customers, cell phone service providers prefer to identify the RI of their customers and target only those customers who exhibit HRI, as these customers have greater expectations of the provider, are more forgiving of service-related errors, are more committed to the provider, are more likely to provide positive and negative feedback to improve the provider’s products and service, and show greater concern (fear) of losing their relationship with the provider (Kumar, Bohling, & Ladda, 2003). Due to their greater trust in
and commitment to the provider, cell phone service providers may also benefit from HRI customers in terms of higher customer satisfaction, as HRI customers are more likely to be satisfied with providers due to the direct positive relationship between trust and satisfaction (Mysen, Svensson, & Lee, 2011; Rindell, Mysen, Svensson, & Billström, 2013) and between commitment and satisfaction (Jap & Ganesan, 2000; Mysen, Svensson, & Lee, 2011; Rindell, Mysen, Svensson, & Billström, 2013).

In summary, cell phone service providers that focus on customers who exhibit HRI can better build and maintain long relationships with those customers. As a result, they can potentially reap the benefits associated with long-term customer relationships, such as improved competitive advantage (Gilaniinia, Almani, Pournaserani, & Javad, 2011), positive word-of-mouth (Hoffman & Bateson, 2011), higher customer satisfaction (Gilaniinia, Almani, Pournaserani, & Javad, 2011), increased customer lifetime value (Gamble, Stone, Woodcock, & Foss, 2006), and improved profitability (Hoffman & Bateson, 2011).

6. LIMITATIONS AND SUGGESTED FUTURE RESEARCH

The use of convenience sampling limited the results of the study. Although the study was conducted in two middle-income countries (World Bank, 2017) and in metropolitan areas, the findings cannot be generalized. Second, the study did not consider how often respondents renewed their contracts with the cell phone service providers. The results could differ for respondents who repeatedly renewed their contracts with their service providers.

Given the positive relationship between RI and trust and commitment in the cell phone service industry discovered in this study, future studies may consider replicating the study in other emerging markets in Africa or Asia to determine the generalizability of the findings in regional contexts. Future studies could also replicate the study in developed countries or other service industries such as food service, insurance, banking, or airlines. Future studies could also examine the direct effects of RI on customer satisfaction and loyalty and the nomological network between trust, commitment, satisfaction, and loyalty based on customers’ RI.

REFERENCES


UGOVORI NASUPROT NAMJERE ODRŽAVANJA ODNOSA KAO INDIKATOR POVJERENJA I OSJEĆAJA OBVEZE PREMA PRUŽITELJIMA MOBILNIH TELEKOMUNIKACIJSKIH USLUGA: EKSPLORATORNA STUDIJA

Sažetak

Teorija društvene razmjene tvrdi da se dugo-ročni odnosi kupca i poduzeća grade na temelju povjerenja i osjećaja obveze. Pružatelji mobilnih telekomunikacijskih usluga žele osigurati povjerenje i osjećaj obveze korištenjem ugovora. Namjera izgradnje odnosa je preciznija mjera povjerenja i osjećaja obveze kupca. U ovom se radu uspoređuju povjerenje korisnika mobilnih telekomunikacijskih usluga i njihov osjećaj obveze prema pružatelju usluge, na temelju ugovornog statusa i klasifikacije namjere izgradnje odnosa. Analizirani su podaci 1,473 korisnika mobilnih usluga iz Južne Afrike (N=589) i Filipina (N=884). U radu se pokazuje da se, kako na uzorku iz Južne Afrike, tako i s Filipina, ne može utvrditi odnos između ugovornog statusa i povjerenja, odnosno osjećaja obveze pružatelju mobilnih telekomunikacijskih usluga. Nadalje, povjerenje ili osjećaj obveze su značajno veći kod kupaca s visokom namjerom održavanja odnosa nego kod kupaca s niskom namjerom. Namjera održavanja odnosa je mnogo jači pokazatelj povjerenja i osjećaja obveze kupca, negoli ugovor, i to u obje države. Navedeno čini kupce s visokom namjerom održavanja odnosa pogodnijim za marketing strategije održavanja odnosa od onih s niskom namjerom, s obzirom na povjerenje i osjećaj obveze.

Ključne riječi: povjerenje, osjećaj obveze, marketing odnosa, mobilne telekomunikacije, ugovor, namjera održavanja odnosa, tržišta u nastajanju