Modeling Loyalty Intention and Word-of-Mouth Behavior towards Fast Moving Technology Products (FMTP)

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ABSTRACT

Fast moving technology products (FMTP), for instance mobile applications, have been characterized as a category which has a high churning rate. This makes customer loyalty one of the major concerns for FMTP marketers. The current study develops and validates an integrated model of loyalty intentions and word-of-mouth (WOM) behavior towards FMTPs using the theories of TAM, planned behavior, social diffusion and satisfaction–loyalty links. The models have been tested in two datasets. Android-based mobile applications (apps) have been used as a sample product from the FMTP category. While SEM has been used to build the structural model of loyalty intention using a survey dataset, 3SLS analysis has been performed on a dataset of consumers’ actions obtained from web-scrapping to model loyalty behavior in terms of WOM. The results suggest the comparative importance of various design and marketing aspects of an app that impacts consumer loyalty intentions and WOM behavior.

KEYWORDS

Empowerment, Fast-Moving, Loyalty, Mobile Applications, Social Diffusion, Technology

INTRODUCTION

Fast moving consumer product (FMCG) is a well-established and well-defined product category with properly defined characteristics: non-durability, short consumption period and frequently purchased. Based on a similar understanding, we have defined fast moving technology products (FMTP) as such technology products which have very small lifecycle and face rapid growth along with early maturity and decline or obsolesce. This may be due to high speed innovation in the technology market and/or tough competition from existing or new products. Mobile applications, with high average growth rate and short average life span, are one of the major examples of FMTPs in the current technology market scenario.

With increasing attitudinal and motivational influences from hedonic and utilitarian mobile devices and applications, the usage of mobile computing and services has seen a steep growth in the last few decades (Nysveen et al., 2005; Wakefield and Whitten, 2006). Moreover, the low cost of mobile devices along with the low cost of data plans have induced a sense of perceived control in the consumers which led to further adoption of mobile services, mostly related to internet (Nysveen et al., 2005). For instance, a study by a US-based internet researcher organization have found that 90% of the adult Americans have a cell phone and 63% of them are going online through the phone (PewResearch Internet Project, 2014). This has made the mobile internet domain one of the most attractive networks for reaching the masses. Moreover, with 58% of the American adults using a smart
phone, the product and service managers find the development of various utilitarian and hedonic applications to be a highly effective and efficient way of serving the customers’ needs, wants and desires (PewResearch Internet Project, 2014). In 2012, the average number of launches of mobile applications was around 8 per day (Khalaf, 2014).

However, this huge market, though seems to be highly attractive, has its own negatives too. With a large portion of the youngsters being the biggest section of the smart phone and mobile applications user group, this market can be characterized as impatient, variety seeking and adventurous (PewResearch Internet Project, 2014). While this results in a large number of trials, the average life cycle of the mobile applications is very low. Research says only 35% of the consumers retain to be a user of a mobile app 90 days after installation (Farago, 2012). This means, the 90-day retention rate of an average mobile application has been found to be only 35%. With this very high churning rate and low product life cycle, it is very important to understand why some mobile applications live long and why others do not. Studying what makes the consumers loyal to a mobile application in the presence of low switching cost and huge competitive influences from other substitute applications is an inevitable first step for the same. What makes them refer the products in the social circle and online world more is also important. Similar questions can be important for the other FMTP products as well. We try to answer the above questions in the current study, keeping mobile applications as an example of FMTP.

The main objective of this study is to develop an integrated model of loyalty intention and loyalty behavior of the consumers towards FMTP such as mobile applications. The study tries to focus on two important aspects in the context of FMTPs, namely, consumer empowerment and social diffusion of new product developments. The study also shows that convenience obtained from the FMTPs is more valued than functional or hedonic utility by the consumers.

In the next part of the article, we shall discuss about the research gap and develop the structural model systematically. Later, we shall discuss about the methodology and the results of empirical study, followed by discussions about the theoretical and managerial implications of the study and its limitations.

LITERATURE REVIEW

Why Is It Important?

Loyalty is a very important aspect of performance of the products and services. As acquiring new customers is always costlier than catering to the existing set of customers, service managers are more interested in ensuring loyalty (Dick and Basu, 1994). Moreover, in the context of new technology where the cost of product development is high, loyalty of the consumers plays a very important role not only in further diffusion of the product or the service, but also in breaking even the cost of development (Ruyter et. al., 2011). Hence, given the high churning rate of the consumers in the context of FMTPs, the antecedents of both of the attitudinal and behavioral loyalty intentions of the consumers is an important area of research.

Extant literature has extensively studied the antecedents of both attitudinal and behavioral loyalty intentions of the consumers (Dick and Basu, 1994; Bandhopadhyay and Martell, 2007). Loyalty intention towards technology products has also been studied by earlier researchers. For instance, Anderson and Srinivasan (2003) have tried to predict e-loyalty of the consumers from e-satisfaction and have also highlighted the moderating role of trust and value. Chiou (2004) has developed a value–satisfaction–loyalty model for consumer loyalty towards internet service providers. Cyr et al. (2004) have used enjoyment and aesthetics along with technology acceptance
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