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Assessing the Effects of Switching Costs on Perceived Values and Brand Loyalty: The Impact of Customers' Perceived Authenticity in Hotel Sector

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Abstract

Switching costs provide a unique and valid theoretical window into the mechanisms of consumer decision-making process as well as account for the behaviors of dissatisfied customers who still decide to patronize the same product or service. Therefore, switching costs provide a new research paradigm to consumer behavior studies, which are currently dominated by benefit-based articulations. Our study investigates the effects of switching costs on the perceived values and brand loyalty of customers of a luxury hotel in Shanghai, China. Through a structural equation model analysis, we find that switching posts bring about significant effects on perceived values and brand loyalty. The theoretical and practical implications of this study are also discussed.

Keywords: switching costs, perceived values, brand loyalty, luxury hotel, authenticity

1. Introduction

The past few years have witnessed growing research attention directed towards the functions of switching costs in the cultivation and retention of customers in service industries (Patterson & Smith, 2003; Whitten & Wakfield, 2006). Characterized by their latent psychological implications, switching costs can fill the gap in cases where customer purchasing behaviors may not be adequately accounted for by established constructs such as satisfaction and loyalty (Gundlach, Achrol, & Mentzer, 1995; Jones, Mothersbaugh & Beatty, 2002). Especially in scenarios where customer satisfaction is already in place, switching costs can serve as distinguishing indicators that benchmark high and low satisfaction levels (Klemperer, 1987). Switching costs can also provide a buffer zone for the enterprise in compensating for the adverse effects of such factors as high prices, low customer trust, and short-term fluctuations in service quality.

Furthermore, the significance of switching costs is consolidated by their inherent linkages to the re-purchasing behaviors of customers, the realization of which is crucial to the sustainable development of an enterprise (De Ruyter, Wetzels, & Bloemer, 1998). In this sense, Yan and Jia (2003) argued that it is better to fit the nature of an antecedent in terms of its strength in regulating the mechanism of customer decision-making process, particularly in the service industries.

The hotel industry, where a full-fledged competitive environment is in place, has long been plagued by the considerable degree of product homogeneity in terms of both hardware and services, especially in the luxury sector (Bailey & Ball, 2006; Ramanathan & Ramanathan, 2011). The core of a hotel product lies in the experiential values that the customers can perceive, thus posing a challenge to the establishment and maintenance of a solid brand image of the hotel (Cai & Hobson, 2004; Jiang, Dev & Rao, 2002). In addition, under the ongoing effects of industrial clustering and human resource costs, the traditional competitive advantages enjoyed by some hotels in this sector, such as location and labor efficiency, are becoming more and more elusive. Furthermore, the popularity of online purchases has facilitated a platform upon which different hotels can be more conveniently, if not routinely, scrutinized and cross-referenced. Therefore, all these have led to serious challenges to the brand recognition of and brand loyalty to a hotel.

While current research on issues of hotel customer loyalty mostly focused on established branding elaborations, the current study intends to present a unique perspective by integrating the investigation of influences of switching costs. Specifically, the research objectives of this study are two-fold: (1) to delineate and examine the dimensionality of switching costs of hotel customers, and (2) to evaluate the influences of switching costs on the perceived values and brand loyalty of the customers. The five-star sector is designated as the research context of this study.

2. Review of Literature

2.1 Switching Costs

According to Jackson (1985), switching costs is defined as the economic, material, and psychological costs of switching suppliers that a customer has to shoulder. Meanwhile, Porter (1998) regarded switching costs as a concept against the maintenance costs incurred to the customer in keeping the purchasing relationship. In this sense, switching costs can be likened to an exit barrier, which is accumulated through the consumption experiences of the product. Klemperer (1987) emphasized the latency of switching costs as aggregated by several seemingly trivial consumption experiences; it is also the most strongly perceived by the customer when it comes to the exact switching behaviors.

Weiss and Anderson (1992) divided switching costs into two categories: setup costs and takedown costs. The former refers to the search and opportunity costs in selecting a substitute supplier, whereas the latter concerns the investments already expended on the current supplier. Meanwhile, Burnham, Frels, and Mahajian (2003) considered switching costs as comprising procedural, financial, and relational sub-categories. In the classification offered by Klemperer (1987), switching costs comprise six dimensions, namely, learning, transaction, compatibility, contractual, and psychological costs. This classification is consistent with the suggestion made by Whitten and Wakfield (2006) who argued that some parts of switching costs may be too difficult for a normal consumer to perceive in numerical terms, and it would be of great advantage to the product supplier in presenting such costs in an appropriate manner. However, Jones, Mothersbaugh, and Beatty (2002) reported that switching costs can easily be regarded as trade-offs for the quality standards of the products, which would be inimical to the sustainable development of the supplier.

On the one hand, the significance of switching posts emerges out of the recognition that even satisfied customers will still change products and demonstrate disloyal intentions and behaviors (Yang and Robin, 2004). On the hand, there are cases in which unsatisfied customers still choose to patronize the current products and suppliers. Klemperer (1987) offered the concept of a lock-in cycle, which explains the situations above. In such a cycle, as soon as the customer completes the purchase, different stages exist with varying degrees of switching costs arising out of a series of external and internal contexts, thus substantiating some restrictions on the switching behaviors of the customer. Switching costs lower the price-elasticity of customer demand, “lock-in” customer loyalty, and minimize competition among homogenous products. In this sense, switching costs can complement current elaborations on satisfaction and loyalty in better accounting for the purchasing behaviors of customers. However, Yang and Robin (2004) cautioned that switching costs underscore short-term rather than long-term benefits, thus implying potential risks to the supplier. On the one hand, new customers might be neglected by the supplier; on the other hand, the power of switching costs depends on a variety of factors such as the complexity of the product, frequency of the usage of the product by the customer, the expertise of the customer with regards the knowledge about the product, as well as the extent of differences among suppliers. The effects of switching behaviors might well be overwhelmed and even reversed by the effects of some external factors, especially those that can temporarily or permanently alter the psychological traits of the customer.

2.2 Perceived Values

Perceived values are subjective and sole assessments made by customers who buy a product (Petrick, 2002). For service-based products, perceived values are closely related to the experiential values derived from the service process. Perceived values can be defined as the trade-off between price and quality, which can be perceived by the customer (Zeithaml, 1988). This definition underscores the functional perspectives of perceived values with the customers acting as rational value seekers who aim to achieve utility maximization from the consumption experience. According to such rationale, perceived values can be equated with results of cost-benefit analysis in subjective terms, and even be simply represented by the concept “value for money” (Tam, 2004). Tsai (2005) added convenience as another significant functional aspect to the quality-price equation.

More recent and comprehensive discussions by Chen and Hu (2010) further identified emotional, social, and symbolic dimensions as important constructs of perceived values. These constructs correspond to the hedonic, aesthetic, and interactional pursuits of the customer during the consumption experience, thus providing a better explanation for the intrinsic psychological states and processes of the customer in service settings. Moreover, Woodruff (1997) offered a procedural conceptualization of perceived values, which consists of product attributes, attribute performances, and consequences of the usage of the attributes. In a similar vein, Baker et al. (2002)

categorized the dynamics of perceived values into four types, namely, acquisition, transaction, in-use and redemption values, each of which assumes unique salience at a certain stage of the product life cycle.

According to Gallarza and Saura (2006), the "value" of perceived values lies right in their predicting effects on purchase intentions. Petrick (2002) argued that perceived values can better address customer loyalty issues in cases of low satisfaction, while Tsai (2005) considered perceived values as tenable indicators of the competitive edge of the company. In other words, the provision of value-laden products that can be appreciated by the customers would ensure a company's sustainability in the 21st century (Chen and Hu, 2010).

2.3 Brand Loyalty

Brand loyalty is an integral constituent of brand equity, which comprises the components of brand awareness, brand associations, and brand quality (Keller, 2003). Specifically, brand loyalty can be regarded as the trust in and attachment to the brand by the customer (Clifton, 2003). Oliver (1999) viewed brand loyalty as a kind of commitment with perceptional, emotional, intentional, and behavioral implications. O'Neil and Xiao (2006) considered brand loyalty as the consequence of the synergistic effects of the other attributes of brand equity.

Generally, brand loyalty should consist of both behavioral and attitudinal dimensions (Keller & Lehmann, 2006). The former concerns the exact purchase behavior and its peculiarities, such as frequency, amount, repeat purchase and demand elasticity, while the latter explores the psychological judgment and inclination underlying brand loyalty, comprising customers' subjective disposition and appraisal of a brand (Taylor, Celuch & Goodwin, 2004). The attitudinal dimensions have been well integrated into the tourism and hospitality contexts (O'Neil & Xiao, 2006).

Brand loyalty is beneficial in terms of saving costs incurred while recruiting and retaining customers, and can be used in measuring the success of a company's marketing strategies (Keller, 2003). On the one hand, recruiting new customers has become increasingly cost-prohibitive as a result of the fierce competitions at the market place; on the other hand, loyal customers can be retained at much smaller costs, and have also been found to be more likely to communicate positive word of mouth about the company to others. Furthermore, brand loyalty has pronounced effects on the higher end segments (Li & Petrick, 2008). Thus, brand loyalty has become the focus of customer relation management (Keller & Lehmann, 2006).

2.4 Significance of Switching Costs in the Hospitality Industry

While the hospitality industry has long ago focused on satisfaction and behavioral intentions that can be derived from the hotel experience (Cai & Hobson, 2004; Kim & Kim, 2005; O'Neil & Xiao, 2006), few extant studies have examined the role of switching costs in influencing the values perceived by customers of a hotel product and in arousing the brand loyalty of the customer. Yet, given the significance of switching costs in delineating the customer decision-making process and their relevance to current market peculiarities, any efforts to investigate re-purchase issues in the hospitality industry without considering switching costs would not be able to address the full picture.

In reality, switching costs have been implicitly referred to by previous deliberations on the hotel experience and its consequences, all of which have lent weight to the examination of switching costs in the hospitality industry. For instance, the inclusion of both tangible and intangible aspects in typical hotel experiences serves as an ideal platform upon which switching costs can be initiated and nurtured, concomitant with the perception and knowledge accumulation process experienced by the customer. Moreover, a number of studies have identified frequent guest programs as comprising a key component in evaluating the quality of hotel services (Bailey & Ball, 2006; Jiang, Dev & Rao, 2002). Such programs that correspond to the contractual branch of switching costs, can be manipulated by the hotel to achieve the status of reverse protection without impeding the utilities perceived by the customer (Farrell & Shapiro, 1988). Switching costs are also relevant to aspects of hotel service qualities with trust, involvement, and relation features (Yan & Jia, 2003).

With regards brand loyalty dimensions, Zeithaml, Berry, and Parrsuraman (1996) examined the behavioral intentions of customers and proposed that switching costs are parallel to the concept of loyalty. Chakravarty, Feinberg, and Rhee (2004) also recognized the function of switching costs in regulating the manner of response by the customer to problems, which is another crucial dimension of behavioral intentions. Moreover, in the hierarchy of brand loyalty proposed by Aaker (1991), switching costs are incorporated into a medium level of brand loyalty that, though already satisfied, would still be possibly swayed. At the higher end market segment, brand loyalty in the form of willingness to pay more reflects strong resonance with propensity to switch in monetary terms (Lee & Feick, 2001). Hence, switching costs must be considered in establishing and maintaining brand loyalty because brand equity is the most precious asset of any hotel (Cai & Hobson, 2004).

2.5 Authenticity

The concept of authenticity has been widely discussed as crucial in the academic literature (Cohen, 1988; MacCannell, 1973). Authenticity may convey its definition from different disciplines, for example, anthropological (Handler, 1986; Bruner, 1994; Chambers, 2010), sociological (Schudson, 1979; Bagnall, 1979; Cohen, 1988), geographical (Waitt, 2000; Xie, 2003); tourism (McIntosh & Prentice, 1999; Medlik, 2003), etc. However, a consensus regarding the definition of authenticity is still missing. A trend is observed that scholars have noticed that and have developed different forms or degrees of authenticity. There are three main existing categories of authenticity—objective, constructed, and existential. There are a detailed explanation and considerable discussion for each type of authenticity. Bruner (1994) suggested four types of authentic reproduction which include: verisimilitude (means credible and convincing), complete simulation, original, and certified. Meanwhile, Jokilehto (1994) explained four aspects of authenticity which are related to design, materials, workmanship, and setting.

3. Hypothesis and Methodology

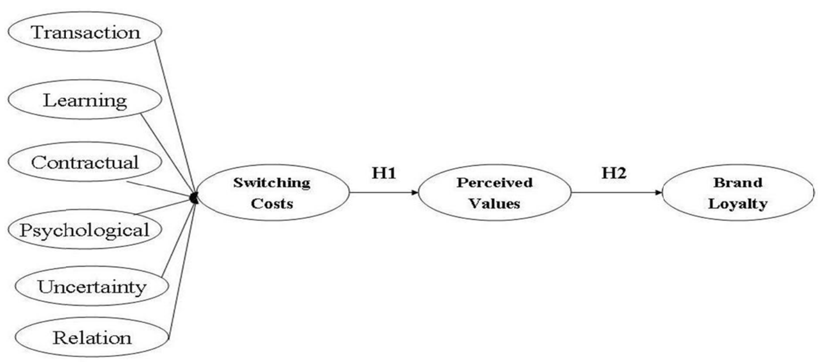
3.1 Hypothesis and Measures

This study aims to investigate the influences of switching costs on perceived values and brand loyalty. The conceptual relationships between the factors examined, as well the hypotheses derived, are indicated in Figure 1. We hypothesize that switching costs exert a positive effect on perceived values, which will then have a positive impact on brand loyalty.

The dimensionality of switching costs used in our work was based on and adapted from elaborations by Gundlach, Achrol and Mentzer (1995); Jones, Mothersbaugh and Beatty (2002); Whitten and Wakfield (2006); as well as Yang and Robin (2004). Special attention was given to the peculiarities of the hotel context. Altogether, eight items were selected, which included the transaction, contractual, learning, uncertainty, relation, and psychological aspects of switching costs. Specifically, the eight items were as follows:

- "I will lose money if I switch to another hotel,"
- "I would have to invest a lot of time and effort to find another hotel of equal standard,"
- "Switching to another hotel is not worth the effort,"
- "In general, it would be inconvenient to switch to another hotel,"
- "I am not sure if another hotel will be of equal or better standard,"
- "I will not switch to another hotel because I already have good relations with this hotel,"
- "I will lose sense of membership of this hotel if I switch to another one," and
- "I will lose emotional attachment to this hotel if I switch to another one."

With regards the measurement of perceived values, four items from Petrick (2002) were included, namely, "Gives me pleasure," "Has a good reputation," "Provides good service at a reasonable price," and "Offers good value for money." These four items resonate with the symbolic and functional branches of perceived values, respectively. In terms of brand loyalty, four items were derived from Cai and Hobson (2004), which were "I will stay at the hotels of this brand next time," "I have a sense of belonging to this hotel brand," "I would say positive things about this hotel brand to other people," and "I would recommend this hotel brand to someone who seeks my advice."



A self-administered survey was developed to collect the values of the factors above, in addition to the section on demographic features and consumption experiences of the customers. For the factors of switching costs, perceived values and brand loyalty, a seven-point Likert scale was used, in which 1=strongly disagree and 7=strongly agree were used as the anchors.

3.2 Sample and Data Analysis

The surveys were distributed and collected at the lobby of a five-star international brand hotel in Shanghai, China for 10 days in early 2013. The examined hotel brand is at the luxury level of an international hotel group with nine sub-brands. Only guests above 18 years old were approached and requested to answer the survey. The survey was designed to be bilingual, with both English and Chinese versions for the interviewee to choose from. However, our study did not explore the nationality of the respondents given its specific research purposes. To better capture the familiarity of the sample with loyalty issues, the survey asked the respondents to indicate their experiences of staying at similar brand hotels. During the interview process, trained interviewers assisted with the survey completion if necessary. Out of 300 copies of surveys distributed, 267 were returned and 254 were determined to be valid for further analysis after initial examination. The final response rate was 84.7%.

The data analysis consisted of two steps. First, a confirmatory factor analysis (CFA) was conducted to investigate the internal validity and reliability of the proposed scale. This stage included the examination of dimensionality as well as the convergent and discriminant validities (Anderson and Gerbing, 1988). Second, the structural equation model (SEM) was utilized to test the fitness of the proposed model and the hypotheses developed early. The computer software SPSS 15.0 and AMOS 17.0 were employed in data categorization and model evaluation, respectively.

Our hypotheses are stated below.

H1. Switching costs have a positive effect on perceived values.

H2. Perceived values have a positive effect on brand loyalty.

4. Results

4.1 Profiles of Respondents

Out of the 254 respondents, 172 were male, taking up 67.7% of the total. The dominant age group was 25 to 44 years (43.2%), followed by 45 to 60 years (31.7%), 18 to 25 (15.4%), and above 60 years (9.7%). The majority of respondents reported holding a bachelor's degree (54.5%), followed by graduate degree holders (22.6%), secondary school graduates (16.2%), and those who reached below secondary school (6.7%). With regards annual income, the interviewees were distributed quite evenly, with categories in descending order being USD 20,000 to 39,999 (36.5%), below USD 9999 (33.4%), USD 10,000 to USD 19, 999 (25.3%), and above USD 40,000 (4.8%).

In terms of purpose of stay, 53.8% noted that they were there for business, 34.6% mentioned sightseeing, while only 11.6% referred to visiting friends and relatives. When it came to the consumption experiences of the respondents, 72.8% (185) stayed more than once at the examined brand, while 30.7% (78) experienced staying at the same hotel for over three times. The respondents were also quite sophisticated in luxury hotel experiences, with 61.4% (156) having stayed at a hotel brand of the same level as the examined one, and 31.9% (81) indicating prior experiences at another brand right in Shanghai.

4.2 CFA

For data analysis, we first conducted CFA to assess the internal validity and reliability of the proposed dimensions of switching costs. With the reliabilities of the eight dimensions ranging from 0.72 to 0.92, the internal consistency of each of the proposed dimensions can be established at a satisfactory level. This was corroborated by the examination of standardized factor loadings; if the indicated values were greater than 0.5, these were regarded as significant, excluding the possibility of cross-loading (Byrne, 2010). The goodness-of-fit indices were reported as follows: x^2=767.245, *df* = 284, p<0.001, GFI=0.934, CFI=0.911 and RMR=0.060, thereby establishing a sound fit according to the criteria proposed by Hu and Bentler (1998). The proposed scale of switching costs was uniquely related to the respective dimensions, and a satisfactory level of convergent validity was obtained.

Next, we assessed the discriminant validity of the scale to further verify the proposed scale of switching costs. Here, we adopted average variance extracted (AVE) analysis (Fornell and Larcker, 1981), and the results showed that the square root of the average variance for each of the proposed dimensions was greater than any of the inter-correlations of the dimensions. This analysis, therefore, gave additional support for the discriminant validity of the proposed scale. The CFA results are listed in Table 1.

Table 1. Confirmatory factor analysis of dimensions of examined factors (N = 254)

Construct	Dimensions	Standardized Dimension loading	Composite Reliability	Average Variance Extracted
Switching Costs	1. I will lose money if I switch to another hotel	0.68	0.80	0.66
	2. I would have to invest a lot of time and effort to find another hotel of equal standard	0.72	0.82	0.58
	3. Switching to another hotel is not worth the effort	0.78	0.75	0.53
	4. It would be inconvenient to switch to another hotel	0.68	0.77	0.66
	5. I am not sure if another hotel will be of equal or better standard	0.69	0.85	0.70
	6. I will not switch to another hotel because I already have good relations with this hotel	0.74	0. 77	0.68
	7. I will lose sense of membership of this hotel if I switch to another one	0.67	0.77	0.54
	8. I will lose emotional attachment to this hotel if I switch to another one	0.70	0.72	0.72
Perceived values	Perceived Values		0.77	0.85
	This hotel gives me pleasure.	0.73		
	This hotel has a good reputation.	0.72		
	This hotel provides good service at a reasonable price.	0.78		
	This hotel offers good value for money.	0.87		
Brand Loyalty	Brand Loyalty		0.78	0.80
	I will stay at the hotels of this brand next time.	0.73		
	I have a sense of belonging to this hotel brand.	0.76		
	I would say positive things about this hotel brand to other people.	0.82		
	I would recommend this hotel brand to someone who seeks my advice.	0.80		

Note. Goodness-of-fit indices: x^2= 767.245, *df* = 284, $p < 0.001$, GFI = 0.934, CFI = 0.911, RMR= 0.060.

4.3 SEM Results

Following the establishment of the dimensionality of the proposed scale to measure switching costs, SEM was conducted to determine the relationships between switching costs, perceived values and brand loyalty. In doing so, the external validity of the proposed model can be verified. The goodness-of-fit indices were as follows: x^2= 876.545, *df* = 262, p< 0.001, GFI=0.921, CFI= 0.908, and RMR= 0.051. Hence, the proposed scale of switching costs and its relationships with perceived values and brand loyalty showed good fit to the data, and the hypothesized paths could all be endorsed. Specifically, switching costs had a significant effect on perceived values (β= 0.775, t= 6.121, p< 0.001), which in turn exerted a significant impact on brand loyalty (β= 0.742, t= 5.912, p< 0.001). The proposed scale of switching costs explained 70.3% of the variance in perceived values and 65.7% of the variance in brand loyalty, respectively. Therefore, the switching costs predicted the perceived values and brand loyalty of the hotel customers in a reliable manner. Results of SEM are presented in Table 2.

To gain a better understanding of the hierarchal interrelationships among the factors and dimensions evaluated, multiple regression analysis was completed to further depict the respective effects of the derived dimensions of switching costs on the perceived values of hotel customers. The regression results showed a satisfactory level of predictability for all of the dimensions, with all coefficients of determination R^2 being statistically significant at 0.001. Among the dimensions, "I would have to invest a lot of time and effort to find another hotel of equal standard" had the largest effect on perceived values (β= 0.56), followed by "I am not sure if another hotel will be of equal or better standard" (β= 0.46), and "I will lose money if I switch to another hotel" (β= 0.42). The dimensions of "I would have to invest a lot of time and effort to find another hotel of equal standard" and "I am not sure if another hotel will be of equal or better standard" both determined 42.3% of the perceived values of hotel customers.

Table 2. Hypotheses testing from SEM

Hypothesized Path	Standardized path Coefficients	t-value	Results
Switching costs → Perceived values	0.775	6.121***	Supported
Perceived values → Brand loyalty	0.742	5.912***	Supported
R^2 (Perceived values)	0.703		
R^2 (Brand loyalty)	0.657		
Goodness-of-fit indices: x^2= 876.545, *df* = 262, p < 0.001, GFI = 0.921, CFI = 0.908, RMR= 0.051			

Note. *** $p < 0.001$.

In summary, both H1 and H2 were supported by the results. The proposed refined scale proved to be a valid measurement for evaluating switching costs. Moreover, a positive relationship was established between switching costs and the perceived values of hotel customers, thus positively influencing customers' loyalty to the hotel brand.

5. Conclusion and Implications

This study uses an SEM approach to confirm the positive relationships between switching costs and perceived values and brand loyalty in the luxury hotel context. Research results not only reveal the intense level of cost-benefit tabulations among survey respondents toward the hotel product they "consumed," but also provide a unique theoretical window into the mechanism behind the decision-making process of hotel customers. The information obtained can complement established paradigms on customer satisfaction and behavioral intentions in the hospitality sector. In view of the fierce market competitions in the luxury sector and growing costs in soliciting and maintaining customers, the findings of this study may also serve as tenable references in both theoretical and practical terms.

As has been suggested by Klemperer (1987), perception of switching costs would be most salient roughly approaching the exact switching behaviors. Therefore, switching costs would be of greater validity in accounting for the purchasing decisions and behaviors of customers than satisfaction (Yang and Robin, 2004; Zeithaml, Berry and Parrsuraman, 1996). The current study, one of the earliest to demonstrate the significant effects of switching costs on perceived values and brand loyalty of customers of luxury hotels, makes its due contributions to the comprehensive understanding of consumer behaviors in the hospitality industry.

As rational individuals making self-informed choices, hotel customers hold ingrained preferences for products that necessitate benefit and cost minimization. While established elaborations mostly focus on the benefit end, the findings of this study suggest that the cost end should not be neglected. By contrast, switching costs can go some steps further than currently examined cost-related concepts, such as perceived constraint and socio-economic status, in better scrutinizing the inner psychological processes regulating the behavior of hotel customers (Patterson and Smith, 2003). As has been discovered by our study, perceptions of switching costs frame and even "disturb" the perceptions of customers on the values provided by the hotel, subsequently influencing the level of their brand loyalty to the hotel. On this account, switching costs create an effect that is no less significant than those from more established concepts such as service performance, quality, and brand equity constructs. This may correspond with the findings of Yan and Jia (2003) who report that switching costs reinforce the level of commitment of service industry customers and can be duly illustrated by the considerable word-of-mouth in brand loyalty, which has been aroused by switching costs in the findings of this study. Moreover, with the sophistication of the potential customers, which is partly facilitated by the Internet and social network services (Tsai, 2005), the influence of switching costs can increasingly permeate new customers, thereby initiating lasting impacts on their "consumer career."

In addition, the findings of this study reveal that the particular mechanism through which switching costs functions can be tentatively addressed. This concurs with the view held by Jones, Mothersbaugh, and Beatty (2002) that switching costs serve as a powerful exit barrier. This can be best manifested by the high salience recorded for the perceived values dimensions of "This hotel provides good service at a reasonable price" and "This hotel offers good value for money."

It seems that switching costs have availed an adjusted benchmark upon which the customers' evaluations of perceived values are re-tabulated. In other words, switching costs can both set up a cross-reference point of substituting providers and take down the expectations of value levels of customers with regards the existing product/service provider. Hence, customers are rendered either more receptive to the current product quality or less sensitive to the current price, although a previous study (Lee and Feick, 2001) questioned the long-term effects of such manipulation of price elasticity. Nevertheless, all these may be strengthened by the peculiarities of the hospitality industry, which is known for homogenized products and services in open competition, as well as plenty of switching barriers such as frequent customer programs and intra-band bundling. On the one hand, hotel customers always have easy access to information of competing service providers ready for cross-reference; on the other hand, the customers are being constantly courted and "crippled" by all kinds of terms and conditions offered by the current hotel. The dual effects thereafter would possibly contribute to the scenario that the more switching costs there are, the greater the value that can be perceived from the hotel.

When it comes to the particular dimensions of switching costs, which are examined by this study, the dimension of "I would have to invest a lot of time and effort to find another hotel of equal standard" (β=0.56), which reported the greatest salience in accounting for the perceived values of hotel customers, fully reveals the mentality of cost minimization held by hotel customers in pondering the switching option. Such a mentality can also be observed in the dimension of "I will lose money if I switch to another hotel" (β= 0.46). These two dimensions, which correspond to the learning and financial aspects of switching costs, respectively, reflect the dynamics of the decision-making process of hotel customers, with the switching costs inhibiting the switching intentions. In a similar manner, the perception of substituting providers is also being constantly regulated by switching costs, as indicated in the dimension of "I am not sure if another hotel will be of equal or better standard" (β= 0.42).

Our findings imply that close linkages may exist between switching costs and other established concepts, such as service quality, performance, perceived risks and trust, which are relevant to consumer behavior in the service industry. For instance, switching costs in emotional and relationship embodiments can echo the intangible attributes of hotel service quality, whereas the dimensions concerning the convenience and uncertainty aspects of switching costs can be related to the perceived risks of hotel customers (Kim and Kim, 2005; Yan and Jia, 2003). It could be possible that switching costs enhanced the service quality perceived by the hotel customers in the first hand—albeit from a reverse angle—which then exerted effects on their perceived values and brand loyalty. While it is not the purpose of this study to dissect such linkages, a preliminary conclusion can be made that switching costs are assuming broader—if not more synergistic—influences on the purchase behaviors of customers in the hospitality industry.

From a practical perspective, the results of this study may offer some valuable insights for hotel practitioners on how to better integrate switching costs into their operating and marketing practices. Doing so can help them establish a favorable image of the hotel to the customers, enhance the values customer gain from their visits, as well as maintain customer loyalty. To begin with, there are positive links between switching costs and perceived values and brand loyalty of the hotel customers; thus, hotel practitioners would be best advised to initiate effective strategies to necessitate switching costs in real terms on the one hand, and facilitate accurate and comprehensive appreciation of the switching costs by the customers on the other hand.

It seems that efforts from both push and pull angles can be launched. For instance, current membership with frequent guest schemes can be enriched to increase the preference of the customer for the hotel products. Intra-brand coordination seems outstanding in this regard. Moreover, necessary exit barriers and even penalties can be established to counter the attractiveness of competing hotels. In addition, the demographics of customers may moderate their sensitivity to switching costs (Whitten & Wakfield, 2006). Thus, more market segmentation and research efforts should be promoted to identify the switching costs aspects that would be most effective for the targeted customer groups. Last but not least, although switching costs would compensate for the loyalty of dissatisfied customers, the hotel should still spare no effort in perfecting service quality and performance in both hardware and software terms. In doing so, the hotel can differentiate itself from its competitors in this highly competitive industry.

Notwithstanding the valuable contributions of this study, it remains subject to various limitations pending further refinement and improvement in several aspects. First, there must be room for improving the eight-dimension scale of switching costs proposed and examined in the current study. There might be redundant dimensions that should be disposed of, and the eight dimensions of the instrument as it currently stands may not be exhaustive. Therefore, future research is needed to make the current scale more rigorous, succinct, and comprehensive. A mixed methodology approach can be selected by gathering inputs from hotel managerial professionals and the customers, and then triangulating the data to generate new insights into switching costs in the hospitality industry.

Second, as has been discussed previously, switching costs can be linked with other significant concepts in consumer behavior studies. Therefore, our study only avails a partial examination of the effects of switching costs. Future research may incorporate such concepts as service quality, performance, perceived risks, and satisfaction in the investigation, thus facilitating a thorough understanding of the mechanism through which switching costs influence the purchasing and switching behaviors of customers.

Third, because this study only focuses on the section of luxury hotels, there exists the inherent issue of generalizability. Future studies that encompass a broader range of hotels and other hospitality businesses—preferably with intra- or inter-brand comparisons—would definitely contribute to a more in-depth understanding of the functions of switching costs in the hospitality sector.

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