ABSTRACT

Service organizations are continually looking for ways to increase customer loyalty. Although loyalty to tangible goods (i.e., brand loyalty) has been studied extensively by marketing scholars, relatively little theoretical or empirical research has examined loyalty to service organizations (i.e., service loyalty). This study extends previous loyalty research by examining service loyalty and factors expected to influence its development. In particular, a literature review is combined with analysis of qualitative data from over forty depth interviews to develop a model of service loyalty that includes three antecedents—satisfaction, switching costs, and interpersonal bonds.

INTRODUCTION

Academics and practitioners alike agree that loyalty is an integral part of doing business. Few, if any, businesses can survive without establishing a loyal customer following. Surprising, however, in spite of its obvious importance to all businesses, relatively little is known about customer loyalty. Experts have struggled to define precisely what being a loyal customer means, and meager progress has been made in determining what factors lead to customer loyalty. So, although customer loyalty is considered the “back-bone of business,” it has remained a mystery.

Managers whose primary “product” is a service find that their offering is particularly troublesome for customers to evaluate. Customers frequently have a difficult time evaluating something intangible, such as a visit to the doctor, a tuneup on an automobile, or the purchase of life insurance. And, even if the provider does satisfactorily meet a customer’s needs during one encounter, ensuring the identical service will be provided in the next purchase, particularly for services heavily dependent upon the performance of people (e.g., hair stylists, financial advisors, or dental hygienists), may be very difficult. In deciding whether to become a loyal patron, customers must often rely on intangible cues. Yet, little is known as to what factors are important to customers in making such a decision. Thus, a better understanding of customer loyalty, especially to service businesses, is sorely in need.

The purpose of this study is to extend our knowledge by examining customer loyalty to service organizations and factors that lead to its development. The focus of the study is on developing a model of service loyalty, based upon both qualitative research and a review of the literature, that can subsequently be used in managerial actions and follow-up studies of loyalty.

Given the current knowledge of service loyalty, two particular research questions stand out and are addressed in this study:

- What is service loyalty and how should it be measured?
- What factors lead customers to become loyal to service organizations?
A significant gap exists in the marketing literature in explaining what leads customers to become loyal to service organizations. Customer satisfaction is thought to be an important factor, but its relationship with loyalty is inconsistent. This study identifies the role other factors, namely switching costs and interpersonal relationship factors, may play in the development of loyalty. This paper addresses the two research questions stated above. The next section includes a brief review of the literature, followed by a discussion of the methodology and results of the study.

CUSTOMER LOYALTY

Customer loyalty research has mainly centered on the loyalty consumers display towards tangible products and is often termed brand loyalty. In the 1960s and 1970s, considerable research was conducted on brand loyalty and tended to focus on definitional and measurement issues (cf. Jacoby and Chestnut 1978).

The Concept of Service Loyalty

The concept of customer loyalty also extends to service organizations who typically provide somewhat more intangible products. Yet, scholars contend the construct of service loyalty differs from brand loyalty. The case for the distinctiveness of service loyalty has been presented in several discussions: (1) service providers have the ability to create stronger loyalty bonds with their clients than do suppliers of more tangible goods (Czepiel and Gilmore 1987; Zeithaml 1981), (2) loyalty is greater or more prevalent among service consumers than among goods consumers (Snyder 1986; Zeithaml 1981), (3) services provide more opportunities for person-to-person interactions (Czepiel and Gilmore 1987) which, in turn, often provide opportunities for loyalty to develop (Parasuraman, Zeithaml, and Berry 1985; Surprenant and Solomon 1987), (4) perceived risk is often greater when purchasing services than goods (Murray 1991), providing an atmosphere more likely to lead to customer loyalty since loyalty is often used as a risk reducing device (Zeithaml 1981), and (5) with some services, switching between providers may involve certain barriers not present with brand switching for goods (Zeithaml 1981).

Dimensions of Service Loyalty

A review of the literature suggests the service loyalty construct consists of three separate dimensions: behavioral loyalty, attitudinal loyalty, and cognitive loyalty.

Behavioral Loyalty. Early definitions of loyalty focused almost exclusively on its behavioral dimension (cf. Jacoby and Chestnut 1978; Pritchard 1991). In particular, loyalty was interpreted as a form of customer behavior (such as repeat purchasing) directed toward a particular brand over time (e.g., Sheth 1968; Tucker 1964). Although current thought infers that loyalty includes more than just a behavioral dimension, some researchers continue to measure loyalty exclusively on the behavioral dimension.

Attitudinal Loyalty. Scholars have questioned the adequacy of using behavior as the sole indicator of loyalty. Day (1969), in particular, criticized behavioral conceptualizations of loyalty and argued brand loyalty develops as a result of a conscious effort to evaluate competing brands. Others have suggested this attitudinal dimension includes consumers’ preferences or intentions (e.g., Jarvis and Wilcox 1976; Pritchard 1991). After Day’s criticism, attitude gained increasing attention as an important dimension of loyalty (e.g., Jain, Pinson, and Malhotra 1987; Monroe and Guiliano 1975). Over time, scholars began to consider customer loyalty as having two dimensions: behavioral and attitudinal (Day 1969; Dick and Basu 1994; Snyder 1986).
Cognitive Loyalty. In addition to the behavioral and attitudinal dimensions, a few scholars include what has been termed a “cognitive” form of loyalty (Lee and Zeiss 1980). Some studies suggest loyalty to a brand or store means it comes up first in a consumer’s mind when the need for making a decision as to what to buy or where to go arises (e.g., Bellenger et al. 1976; Newman and Werbel 1973), while others operationalize loyalty as a customer’s “first choice” among alternatives (e.g., Ostrowski, O’Brien, and Gordon 1993). Similarly, Dwyer, Schurr, and Oh (1987, p. 19) argue that being committed to a relational exchange virtually precludes considering other exchange partners—such customers “have not ceased attending to alternatives, but maintain their awareness of alternatives without ‘constant and frenetic testing’.” This suggests alternative organizations are not seriously considered by truly loyal customers when subsequent purchases are made—a viewpoint supported by other scholars (e.g., Dick and Basu 1994; Reynolds, Darden, and Martin 1975). That is, a customer who is considered extremely loyal does not actively seek out or consider other firms from which to purchase.

Defining Service Loyalty

Based upon the previous discussion, the definition of service loyalty being used in this study includes three distinct, but related, dimensions:

Service loyalty is the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises.

This definition suggests service loyalty is a matter of degree, ranging from the completely loyal customer to one who will never consider using a provider in the future. According to this definition, an extremely loyal customer is one who (a) regularly uses a service provider, (b) really likes the organization and thinks very highly of it, and (c) does not ever consider using another service provider for this service. Conversely, an extremely “non-loyal” person (a) will never use the provider again, (b) has negative feelings toward the organization, and (c) welcomes suggestions about other providers and is willing to try any other provider. This three-dimensional definition is consistent with Zeithaml, Berry, and Parasuraman’s (1996) operationalization of the “loyalty to company” factor in their behavioral-intentions battery. The five items they use to measure loyalty include (1) saying positive things about the company, (2) recommending the company to someone who seeks advice, (3) encouraging friends and relatives to do business with the company, (4) considering the company the first choice to buy services, and (5) doing more business with the company in the next few years. Thus, in effect, their measure includes items from all three dimensions of the proposed service loyalty definition listed above.

Antecedents of Service Loyalty

The marketing literature lacks strong, organizing theoretical frameworks on loyalty, particularly in terms of factors leading to the development of customer loyalty (cf. Czepiel 1990; Jacoby and Chestnut 1978). Based on the literature discussed below, this study attempts to create a framework for examining loyalty by looking at three antecedents to service loyalty: satisfaction, switching costs, and interpersonal bonds.
Satisfaction. One commonly assumed prerequisite for customer loyalty is customer satisfaction. Much of the marketing literature gives the impression satisfied customers automatically are loyal customers. The thinking is a satisfied customer, as a result of his/her satisfaction, will naturally become a loyal customer—and satisfaction is the only catalyst necessary for developing such loyalty. That is, satisfaction is a necessary and sufficient condition for developing service loyalty.

Research, however, provides mixed results in analyzing the relationship between satisfaction and loyalty. Several studies have indeed found satisfaction to be a (and often the) leading factor in determining loyalty (e.g., Anderson and Fornell 1994; Oliver and Linda 1981; Pritchard 1991). Other studies, however, suggest satisfied customers may not be sufficient to create loyal customers (e.g., Cronin and Taylor 1992; Fornell 1992; Oliva, Oliver, and MacMillan 1992). These studies tend to support Reichheld’s (1993) argument that customer satisfaction is not a surrogate for customer retention or customer loyalty, and thus increasing customer satisfaction does not necessarily lead to increased customer loyalty to an organization.

Other than customers’ perceived quality of or satisfaction with the product, researchers who have studied tangible goods have had little success in identifying factors antecedent to brand loyalty. However, with services there are other aspects of the “product” offering consumers might consider in their evaluation and decision to become a loyal customer. The literature provides a strong case for the argument that services have unique characteristics that distinguish them from goods. Thus, it is quite possible customer loyalty to a service provider may be based on service-related factors, factors not typically included in brand loyalty research. To gain further insight into the development of customer loyalty toward service providers, this study also looks at two factors particularly salient to service customers: switching costs and customer-service provider relationship issues.

Switching Costs. One factor often influencing service loyalty is switching costs—those associated with changing from the use of one product or provider to another (Guiltingan 1989; Klemperer 1987; Zeithaml 1981). Switching costs include investments of time, money, or effort, perceived by customers as factors that make it difficult to purchase from a different firm (Guiltingan 1989). Switching costs can affectively strengthen service loyalty by making it difficult for the customer to go to another provider. Scholars contend the costs of switching providers may be more critical (1) to services than to goods (Zeithaml 1981) and (2) in relational exchanges (Guiltingan 1989).

Interpersonal Bonds. Another factor typically not considered in brand loyalty studies is interpersonal relationships. The relationship marketing literature implies that interpersonal relationships are particularly important in the development of loyalty to services (e.g., Berry 1983; Crosby, et al. 1990; Czepiel 1990). That is, with services an additional important component of the product offering can be the interpersonal interaction between employees and customers (Surprenant and Solomon 1987). Three characteristics of services—intangibility, heterogeneity, and interaction intensity—provide opportunities for person-to-person interactions (Czepiel and Gilmore 1987). Unlike goods, many services are almost exclusively based upon person-to-person interactions (e.g., beauticians, interior decorators, gynecologists).

In summary, the literature seems to suggest that, in addition to satisfaction, switching costs and interpersonal relationships may influence the development of customer loyalty to service providers. Thus, a goal of this study is to determine the role these three factors play in determining whether a customer becomes (or remains) a loyal patron.
THE STUDY

Data were collected for this study in two phases. In the first phase, depth interviews were conducted with twenty-one customers in order to gain a better understanding of service loyalty and to identify salient factors affecting its development. In the second phase of the study, twenty service organization employees were also interviewed. Analysis of the data was combined with an extensive literature review to develop a model of service loyalty.

Methodology

The emphasis in the semi-structured depth interviews during the first phase was on having respondents discuss their relationships, as customers, with a variety of service organizations. A theoretical sample of customers was chosen to include both men and women with a wide range of ages and from a variety of occupations. During the depth interviews a list of 34 services, including several from each of the three categories in Bowen’s (1990) taxonomy, was provided to stimulate discussion. Respondents were asked to discuss what is it about each particular service provider that persuades them to continually return for service. In the interviews, which averaged 48 minutes in length, respondents (1) defined what loyalty means to them and (2) discussed what factors, in general, lead them to become loyal to service providers.

In the second phase of the study, twenty employees from service organizations were interviewed. Employees from companies representing each of Bowen’s (1990) three categories of service providers were included in the sample in order to increase the likelihood of variation of customer-service provider relationships. These respondents were asked to discuss customer loyalty from the point-of-view of the organization. The emphasis in these interviews was on (1) confirming factors related to loyalty development identified in the depth interviews of customers, and (2) determining if the same factors leading to customer loyalty are identified by those providing the service. The service provider interviews, which averaged 35 minutes in length, were similar in nature to the customer interviews. Rather than discuss customers’ loyalty to a wide range of services, however, employees were asked to focus specifically on their customers and customers of similar service organizations.

Data Analysis

With permission of the respondents, all interviews were tape recorded; the resulting transcription included over 120 single-spaced pages of text. Data analysis proceeded following the guidelines of Lincoln and Guba (1985). As a result of this iterative process, data were organized into similar categories from which themes were developed.

Results

Analysis of the data suggests customers and service providers have remarkably consistent views of service loyalty, with very little differences noted. At least five prominent themes are suggested from the analysis, including:

1. Service loyalty is a multidimensional construct, composed of at least three dimensions (behavioral loyalty, attitudinal loyalty, and cognitive loyalty). The service loyalty definition proposed in the present study thus received strong support (i.e., face validity).
(2) Generally speaking, service loyalty begins only after a certain level of customer satisfaction has been achieved.

(3) At least six different types of switching costs (habit/inertia, setup costs, search costs, learning costs, contractual costs, and continuity costs) can play a significant role in the development of customer loyalty to service organizations. This finding reinforces the work of Guiltinan (1989) and Klemperer (1987).

(4) Although the relationship marketing literature suggests personal relationships can be influential in service contexts, the specific components or dimensions of these relationships of most importance to customers had not been identified previously. In this study five specific relationship dimensions (familiarity, care, friendship, rapport, and trust) were found to have significant influence on service loyalty. A new construct, interpersonal bonds, was formed to describe these dimensions.

(5) Customers perceive they receive several benefits for being a loyal customer. These benefits can include a feeling of optimal satisfaction, a knowledge of what to expect from the service provider, confidence in the provider, friendship with employees, time savings from not having to search for a provider, and various types of special treatment.

The page limitations of the paper prevent a detailed discussion of each of these themes. However, Table 1 presents a sampling of issues related to each theme and provides illustrative comments from both customers and service provider employees that support the theme.

MANAGERIAL IMPLICATIONS

The results of this study have important managerial implications. Johnson (1982, p. 52) has stated, “people stay in relationships for two major reasons: because they want to and because they have to.” This study supports Johnson’s statement and suggests service loyalty is influenced by satisfaction and interpersonal bonds (customers “want to” be loyal) and switching costs (customers “have to” be loyal).

Organizations who focus on the interpersonal relationship aspects of the exchange can keep customers in the relationship because they “want to.” The development of interpersonal bonds may be a way for a service organization to differentiate itself from others. Thus, managers might consider ways they might facilitate the development of interpersonal bonds, including encouraging the development of friendships between customer-contact employees and customers, reducing employee turnover so that familiarity with customers can be developed, and (whenever practical) encouraging self-disclosure by both customers and employees. Selective employee recruitment and proper training of personnel may also help to strengthen the interpersonal relationships an organization can have with its customers.

Managers might also consider increasing the switching costs in changing to a new provider as a means to keeping customers loyal because they “have to.” This might include increasing the perceived effort required on the part of the customer to switch service providers, developing learning costs by “teaching” the customer a service routine, or creating special programs, rewards, or discounts (similar to some airlines’ frequent flier miles or some hotels’ frequent guest programs).
FUTURE RESEARCH

As a result of the present study, two follow-up studies are currently underway involving the authors. In one of these studies, a cross-sectional survey is being employed to empirically test relationships hypothesized in the service loyalty model. Data have been collected from over 2,000 respondents from two different service providers, a dental office and a retail bank. New scales have been developed for measuring several constructs, including service loyalty, three dimensions of switching costs (effort, continuity costs, and contractual costs), and four of the five elements of interpersonal bonds (familiarity, care, friendship, and rapport). Data analysis (e.g., confirmatory factor analysis and path analysis) is currently in progress to evaluate the measurement and structural models.

A second study is also in progress which looks at the benefits a customer may receive from being in a long-term relationship with a service organization. Although the benefits to the service organization of having developed strong relationships with their customers are fairly well documented, benefits to the customer for being loyal to a service provider have received considerably less attention. This second study investigates relational benefits, defined as those benefits resulting from long-term relationships that accrue separate from delivery of the core service performance. In this second study, a cross-sectional survey of 300 respondents (customers of a variety of service organizations) is being undertaken to validate the benefits identified in the present study and to explore how such benefits might vary by type of service. Data analysis for this second study is also currently in progress.

CONCLUSION

This study examines service loyalty and factors affecting its development. In so doing, the study extends previous loyalty research in several respects. First, this study proposes a model of service loyalty that includes three antecedents—satisfaction, switching costs, and interpersonal bonds. Few loyalty studies attempt to address factors leading to the development of customer loyalty. Second, unlike previous research on customer loyalty, which has concentrated almost exclusively on tangible goods, this study focuses on products high in services characteristics. By examining loyalty in services contexts, this study expands knowledge of customer loyalty to a product by considering two factors, namely switching costs and interpersonal bonds, typically not thought to be as important in goods contexts.

Third, the “bonding” that frequently occurs in customer-service provider employee relationships is conceptualized as the construct interpersonal bonds. The data suggest conceptualizing these bonds as a higher-order construct with five dimensions: familiarity, care, friendship, rapport, and trust. The data also suggest potential measures of several dimensions of this construct that may assist in their operationalization in subsequent empirical verification of the model.

Finally, the topic of this study, service loyalty, is very relevant to the current rethinking of what marketing really is. The discipline is in the midst of a paradigm shift that is now focusing on relationship issues (e.g., relationship marketing, relationship management, relationship quality). Yet, this stream of research has not addressed precisely how relationship marketing and customer loyalty are related. The present study attempts to address this gap in the literature and contributes to our understanding of the importance of building relationships with customers.
<table>
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<tr>
<th>Theme</th>
<th>Illustrative Customer Comment</th>
<th>Illustrative Service Provider Comment</th>
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<tbody>
<tr>
<td>The service loyalty construct is multidimensional. (cognitive dimension of service loyalty)</td>
<td>“In a circumstance where you have a number of choices, [loyalty means] you would choose to go back to that place without looking elsewhere.” (JN; 49, M, married, manager)</td>
<td>“A loyal customer uses me as the first source for work or advice. Obviously, there are times when a customer can’t come in because they are out of town or it’s a holiday or something. But, if my customers use me as a first source, I consider them a loyal customer.” (GS; 45, M, Owner--automotive repair)</td>
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<td>Satisfaction influences service loyalty.</td>
<td>“Satisfaction is an important factor in loyalty. I am not easily satisfied. If they can meet standards, I will give them my business.” (BG; 36, M, married, distribution manager)</td>
<td>“A loyal customer is satisfied and comfortable with the service they are getting...[this] means that their questions are answered, completely and totally, and they feel comfortable with the answer...They must also consistently have good results when they come in.” (JJ; 48, F, Nurse--medical services)</td>
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<td>Switching costs influence service loyalty. (continuity costs)</td>
<td>“For my son, I use the same barber because I don’t have to explain what kind of haircut we want each time we go in—they know what kind of haircut to give.” (HD; 45, M, married, manager)</td>
<td>“Once people feel comfortable, they don’t want to switch to another dentist. They don’t want to train or break a new dentist in. I think there is a little bit of comfort in ‘the routine’ or ‘the rut.’ When you get established with a physician or dentist, you don’t want to go in and see somebody new every time. They [patients] don’t want to have to start from square one every time. They don’t want to have to reinvent the wheel every time they go in.” (JS; 38, F, Dental Hygienist--dental services)</td>
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<td>Interpersonal bonds influence service loyalty. (rapport)</td>
<td>“I think friendliness is important. It’s nice when they get to know you personally--to gain rapport and trust. I think this is important because I think people tend to be loyal to someone they know a little bit rather than a stranger. It’s nice to go to someone with whom you have a relationship with.” (VP; 52, F, married, secretary)</td>
<td>“We socialize with our customers--there is a comradery there. I think that’s important to customers because people still want a sense of community, and it’s just pleasant to go somewhere...with this type of atmosphere.” (MH; 34, M, Assistant Manager--independent book store)</td>
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<td>Benefits are received for being a loyal customer. (special treatment)</td>
<td>“I think you get special treatment [by being a loyal customer]. My pediatrician allowed me to use the back door to the office so my daughter could avoid contact with other sick children. Other times I have been in a hurry and they take me right back.” (KR; 33, F, married, homemaker)</td>
<td>“Loyal customers get preferential treatment from our service department. We will service our loyal customers, in general, before we service customers who have cars they did not buy from us. That is our commitment to our customers, and we make no bones about that. We will not refuse to work on these other guys, because you are also developing a relationship with them, too. But, the guy who has remained loyal doesn’t have to wait.” (LC; 34, M, Salesman--new car sales)</td>
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*Note: Each customer’s initials, age, gender, marital status, and occupation are included in *italics* after quote. Similarly, service provider employees’ initials, age, gender, current position, and industry are included in *italics*.
REFERENCES


QUIS 5

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