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Service Loyalty in Literature: A Retrospect

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INTRODUCTION

Despite the extant literature on customer loyalty, it is recognized that the psychological processes behind customer loyalty are still ill understood. In today's highly competitive environment, organizations should protect the long-term interest of the customers and hence should seek the ways through which the customer loyalty toward the organizations could be forged. Marketers opine that these long-term relationships with the customers would enhance their profitability (Dick and Basu, 1994), increased sales, lower costs and other tangible benefits (Terril and Middle-Brooks, 2000).

The time has come for the firms to consider this customer loyalty as a source of competitive advantage (Bharatwaj *et al.*, 1993). It has been established that the customers will not be impressed only by the core product attributes since other firms also provide similar offerings. The study of customer loyalty and business performance are fore grounded in the customer relationship management (Reichheld and Sasser, 1990; Sheth and Parvatiyar, 1995). Numerous research articles on brand loyalty appearing in journals betoken the development and conceptualization of the service loyalty models. Many banks across the world waking up to the realisation are apart from introducing innovative products and services, are also beginning to focus the energy on retaining a customer rather than on acquiring a new one all the time since the latter strategy is less expensive and more valuable. The longer the customer stays with an organisation, the more positive outcome he generates which include increase in the value of purchase, increase in the number of purchases and the customers' better understanding of organisation and vice-versa and, more positive word-of-mouth (Trubik and Smith, 2000).

The aim of this study is to identify, describe and analyse factors that have an impact on customer loyalty. In line with this aim, the literature review is done to clarify the underlying concepts in customer loyalty and to unearth the factors that have been found to affect customer loyalty.

Review of Empirical Studies on Service Loyalty

Early studies of customer loyalty mainly focused on the behavioural aspects of customer loyalty. Typical behavioural measures of loyalty include proportion of purchase, purchase sequence and probability of purchase. This study contains the parsimonious list of empirical research conducted in this area, presented in a chronological order.

Churchill (1942) was the first to collect panel data in order to determine customers total buying behaviour, their brand loyalty and switching between brands. This pioneering work on loyalty set proper direction for further study in this arena.

Brown (1952), who used behavioural approach, focused primarily on a sequence-of-purchase measurement. On the downside, Brown paid only a scant attention to the reasons

or customer loyalty and hence the popularity of his postulate on loyalty gained very little momentum. However, this seminal work on loyalty provided the right platform for subsequent research efforts concerning loyalty.

Cunningham (1956), in his study on loyalty formation sequence, introduced the concept of market share or proportion-of-purchase index as an indicator of loyalty. According to this, a family was typically considered loyal to a brand if it allocated more than 50% of its purchases within a product category to one brand and thus popularizing the concept of behavioural loyalty as the major form of loyalty.

Jacoby and Chestnut (1978) counted over 50 definitions of brand loyalty and the number has grown since then. According to them, brand loyalty as a concept emerged during times when brands and physical goods were the only focus of interest, but the research is relevant also for analysing loyalty in relational and service settings.

According to Dick and Basu (1994), customer loyalty can be viewed as strength of relationship between individual's relative attitude and repeat patronage rather than focusing on behavioural aspects alone. Their study also established that relationship between attitude and patronage is mediated by social norms and situational factors. Three different forms of loyalty antecedents, namely, cognitive, affective and conative loyalty were also identified through substantial revision of literature and redirection in loyalty measurement orientation. The conceptional framework developed by the researchers outlined four specific conditions related to loyalty viz. no loyalty, spurious loyalty, latent loyalty and true loyalty.

In trying to figure out the implications of service loyalty to service providers, Javalgi and Moberg (1997) have analysed Dick and Basel Model of loyalty in depth through an empirical analysis. Their research in essence focused on the types and forms of loyalty viz. spurious, latent and no loyalty in various sectors and found out that loyalty is high for services that are highly customized and involved high level of judgment exercised by service providers. They have also emphasized that marketers with loyal customers cannot be satisfied but must always work at maintaining the loyalty they have attained with their customers by closely working with employees and sprucing up the method of service delivery.

Sheedy (1997) made an attempt to describe the conceptualization of relationship banking and advocated its positive implications on loyalty. Drawing samples from derivatives market, the researcher tried to establish the importance of relationship banking in the development of mutual trust between the customers and financial service providers which in turn result in sustenance of loyalty.

Bloemer *et al.* (1998) investigated the drivers of bank loyalty in retail bank setting at the global construct level as well as the level of construct dimensions. The results of their empirical study showed that image is indirectly related to bank loyalty whereas satisfaction and service quality are both directly and indirectly related to loyalty. The results also reiterated the assertions in the literature that quality and satisfaction are key drivers of loyalty.

Mittal And Lassar (1998) conducted a study on the dynamics of satisfaction versus loyalty in USA among the customers of health care services and car repair services. They posited that an overall defection rate of customers is as high as 50% in many industries and through their empirical study they found that service delivery process varies according to the mood of the provider and perception varies according to the mood of the customers. Consequently the evaluative criteria become less articulated and much more subjective. The researchers also stressed that the different components of SQ (such as functional and technical quality) influence satisfaction differently than they influence loyalty.

Bloemer *et al.* (1999) argued that the relationship between perceived service quality and service loyalty is an issue which requires conceptual and empirical elaboration. Focusing on the refinement of a scale for measuring service loyalty dimensions and the relationship between dimensions of service quality and service loyalty, the research was carried out in a set of service industries. The results of their empirical study suggest that there are four clear dimensions of service loyalty, namely, purchase intention, word of mouth communication, price sensitivity and complaining behaviour. Their research also established the relationship between service quality and service loyalty at dimensional level with notable difference across industries.

Lassar *et al.* (2000) endeavored to examine the service quality perspectives and satisfaction in private banking. Operationalising SQ via two different measures, SERVQUAL and technical/functional quality, the authors studied the impact of SQ on SS and further assessed potential utility of SS. The results of their empirical studies suggested that the current models on SQ and conceptualization of SS have severe limitations in delineating the relationship between them and in outlining the utility of these two contrasts in banking services.

Analysing the variables, attitudes, satisfaction, switching behaviour and loyalty, Moutinho and Smith (2000) concluded that attitudes are positively related to satisfaction. Drawing from a sample of 250 bank customers, they analysed the data using intercorrelation and further found out that perceived satisfaction is positively related to switching and loyalty. A linear structural relations methodological approach is used for establishing this model of attitude satisfaction-loyalty process.

Pedersen and Nysveen (2000), in their attempt to analyze customer loyalty in on-line banking services, identified that the rational buying behaviour has often led to reduced customer loyalty. They have outlined a basic condition for the existence of loyalty that loyalty is a valid concept only in situations when customers have several options to choose from. As the online banking services fulfill this basic condition, their study on the on-line banking customers, further unearthed four types of loyalty in a sequence, namely, cognitive, attitudinal, conative and behavioural forms. What constituted these loyalty forms and which loyalty factors contributed significantly to switchers and non-switchers were also researched using switch over scale developed exclusively for this study.

Rowley and Dawes (2000), breaking away from the tradition of analyzing the loyalty, have researched on the disloyalty and the characteristics of non-loyals. They had initially resituated the loyalty on the loyalty-ladder proposed by Dick and Basu and adopted analytical approach to gain more insight on loyalty behaviours. It was claimed that analyzing the other side of loyalty, termed as 'disloyalty' would certainly contribute to widening the base of loyalty customers. Through an empirical approach they have proposed four types of disloyals: disturbed, disenchanted, disengaged and disruptive. They also suggested that these four categories can be mapped on to a grid with attitudinal and behavioural dimensions.

According to Colgate and Lang (2001), switching in retail banking services occur due to three main problem areas; service failures, pricing problems and denied service. In their perspective, the studies in respect of defection in retail banking have been very few and such studies also have not made any attempt to understand the complete process of defection. Empirical evidence was drawn from 694 banking customers in two different countries and the results of the study indicated that problems with pricing had the most important impact on switching behaviour. In contrast, customers tended to complain more often about service failures prior to exiting the firm.

Lee and Cunningham (2001) examined the determinants of service loyalty in their empirical research on Cost benefit approach to understanding service loyalty. The study was carried out under the assumption that consumers perform cost-benefit analysis while deciding whether or not they choose to be regular customers. With survey data collected from the customers of retail banks, an attempt was made to ascertain the influence of service quality and transaction cost on service loyalty. The results of the study indicated that the transaction/switching cost factors have significant influence on customer loyalty in addition to service satisfaction.

Lee *et al.* (2001) studied the impact of switching costs on the customer satisfaction-loyalty link in mobile phone market in France. Their empirical effort yielded fruit in binging out the importance and the paramount impact of switching costs, which indeed deters any customer from contemplating defection without a very strong reason.

A study on contribution of emotional satisfaction to customer loyalty was conducted by Yu and Dean (2001) using customer satisfaction and service loyalty scales. They concluded that there is a significant relationship between service satisfaction and service loyalty when the customers deploy affective component in deciding upon their course of action. This study included cognitive element but focused more on affective component of satisfaction. It explored the role of emotions in satisfaction and then compared the predictive ability of cognitive and affective elements. Key findings of the study suggest that both positive and negative emotions correlate with loyalty. Regression analysis used by the researchers indicated that the affective component served as a better predictor of loyalty and proved to be the most reliable dimension of loyalty. The role of positive word of mouth is also extensively discussed in customer retention.

Caruana (2002), in his study on the effects of SQ on SL and the mediating role of customers satisfaction, called for the need for better attention on SL. The empirical study conducted by him started with the delineation of SQ from SS and then proceeded to distinguish the SQ and SS concepts. Deploying postal survey method for collecting data from over 1000 bank customers, he proposed a mediational model that links SQ to SL via SS. The results of the study indicated that SS does play a mediating role between SQ and SL in a bank setting.

Dean (2002), in his study on the service quality implications for customer loyalty conducted among the call centers, suggested that the characteristics such as customer orientation, service priorities and quality will have a strong impact on loyalty building. Focusing on these issues, the study conducted by Dean through the data collected from individual customers in insurance industry confirmed that perceptions of quality mediated the customer orientation to loyalty relationship.

Fullerton and Taylor (2002) examined a number of different hypotheses about the relationship between SQ and SS and some important loyalty related consequences of these constructs. Their study confirmed the general position in the SQ literature that satisfaction mediates the relationship between SQ and switching intentions, advocacy intentions and willingness to pay more for service. The study also found a good support for the existence of non-linear relationship between satisfaction and loyalty. The nature of non-linear relationship is such that effect of satisfaction on these loyalty related intentions is more positive at higher levels of satisfaction than it is at lower levels of satisfaction.

Clement Sudhahar and Israel (2004) have tried to ascertain the status of relationship marketing. They argue that while companies, managers and academics advocate for relationship marketing claiming that it is on the rise, there is an increased realisation that the relationship is quite one-sided. A closer look at the phenomenon reveals a forced

participation of the customers instead of a desirable voluntary acceptance of the relationship by them, as it happens in banking sectors. Hence it is up to the management of services firm to pursue it in full throttle and in the bargain earns loyalty of customers.

Clement Sudhahar and Israel (2005) made an attempt to determine the factors that contribute to brand loyalty in the hospitality industry through application of Correspondence Analysis. Upon outlining the importance of loyalty in the services sector, he had listed out the importance of factors that influence the level of loyalty, viz, awareness, reputation, image, innovation, perceived quality and satisfaction and tried to prove their extent of influence on loyalty increase via empirical grounding. They supported the hypothesis that loyalty does not guarantee satisfaction but vice-versa through quantitative results.

Analysing the variables, attitudes, satisfaction, switching behaviour and loyalty, Clement Sudhahar and Selvam (2006a) concluded that satisfaction is positively related to loyalty intentions. Drawing from a sample of 450 bank customers, they analysed the data using SEM and further found out that perceived satisfaction is positively related to loyalty. This model corroborated the quality-satisfaction-loyalty process.

Clement Sudhahar (2005), upon examining the relationship between customer loyalty and customer satisfaction in his review on the extant literature of service quality, argue that identification of proper attributes of service product would increase customer loyalty. The study made use of the rich literature drawn upon quality – loyalty literature to derive conclusions. The results of the study have clearly indicated that the relationship between SS and SL is non-linear.

Clement Sudhahar (2006), through his conceptual framework analysis on service quality, stressed the role of trust as a key factor in the establishment of loyalty relationship between service provider and customers. His conceptual research focused on the two fold factors of service loyalty determinants, namely, person-related (e.g., empathy, politeness) and offer-related (e.g., customisation, competence, reliability and promptness) and effort was on to find out the importance of these characteristics. The results showed that the direction of relationship of these trust determinants with service quality and loyalty varied across industries but remained largely positive.

Clement Sudhahar and Selvam (2006b) investigated behavioural consequences, antecedents and moderating effect of trust on devotion or relationship and found that service quality and customers bonding as antecedents of trust and this trust as a component of long (loyal) relationships. Deriving from the empirical data collected from banking sector, the findings presented a view that time element and history of past service are also critical in developing favourable perceptions on SQ and eventual trust worthiness.

Britto *et al.* (2006), in their attempt to measure service loyalty identified seven dimensions of loyalty, namely, behavioral, attitudinal, cognitive, conative, affective, trust and commitment. Using Confirmatory Factor Analysis, they have empirically tested the fitment of these dimensions of loyalty and had obtained a perfect fit and thereby reassuring that these dimensions are the reflectors of service loyalty in Indian bank setting.

Clement Sudhahar (2007) argue that although many factors such as switching costs and learning costs are considered as underlying dimensions of service loyalty, a lack of consistency and clarity exists regarding the appropriate conceptualization and measurement of this critical strategic construct. To address this deficiency, he proposed different dimension of loyalty, that is, Service Involvement (SI) as to the decisive factor in determination of loyalty antecedents. He argued on the fact that, depending upon the involvement level only the customers allocate due importance to quality and further consequences.

Clement Sudhahar and Selvam (2007) had a relook at the literature on service quality and strove to bring to light some of the attributes which had been overlooked in the past in services literature. The data for the study has been collected from Indian banking customers. The study presented a corner stone subject for discussions and establishing linkages between quality and satisfaction, which of course proved to be a guiding light for developing later on the quality-satisfaction-loyalty models.

Clement Sudhahar (2008), in an attempt to investigate the influence of quality on satisfaction, developed a complete model framework on the relationship among these constructs. He conducted the survey with hospital customers who are significantly involved in continuous purchase setting and through a holistic approach studied the combined effect of SQ and SS on SL. The results revealed, contrary to some assertions in the literature that the effect of trust on loyalty is weaker than satisfaction and trust is an indicator of loyalty rather than a predictor.

CONCLUSION

In summary, as found in this literature review, loyalty is a multi-faceted phenomenon formed through umpteen numbers of dimensions which may merit further in-depth study. Most of the research thus far, on the one side, have been conducted to assess the determinants or antecedents of service loyalty and on the other hand focused on finding out the key components or reflectors of loyalty. No study yet on revealing the combination of key determinants and indicators of loyalty together so as to bring out the underlying framework of service loyalty. Having identified this gap in the literature, the present study endeavours to filling up this void.

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