

“Reasons Why Dissatisfied Customers Exhibit Behavioral Loyalty”

Uraiporn Kattiyapornpong
School of Management and Marketing
Faculty of Business and Law
Deakin University
221 Burwood Highway,
Burwood, Victoria 3125, Australia
+61421958578
ping.kattiyapornpong@deakin.edu.au

Kenneth E Miller
School of Marketing
University of Technology, Sydney
PO Box 123 Broadway, NSW 2007, Australia
+61418402438
ken.miller@uts.edu.au

ABSTRACT

The development of supplier loyalty and its potential application to the business-to-business settings has not been widely explored. Day (1969) cautions that loyalty viewed in terms of purchase decisions may not distinguish between loyalty and spurious loyalty. This study follows the composite loyalty approach providing both behavioral aspects (purchase intentions) and attitudinal loyalty in order to fully explain the concept of supplier loyalty. This framework has not been previously applied in the B2B literature.

The objective of this research is to identify reasons why B2B customers do not show consistency between attitudinal and behavioral loyalty and why dissatisfied customers do not switch suppliers. A survey was conducted during 2006 with a sample of executives from 240 SME companies in a large Asian city. A range of measures was obtained including attitudinal loyalty, behavioral loyalty, satisfaction and open ended responses on nature of current problems. Following Dick and Basu (1994), customers are classified into loyalty groups. Customers having high and low attitudinal loyalty are compared on satisfaction, switching attitudes and problems within the relationship. Constraints to switching by the dissatisfied customers are discussed. A profile of the “Spurious Loyal” customer is provided. This study seeks to better understand the nature of dissatisfaction and loyalty within these long term focal relationships.

Key words: business to business relationships, dissatisfaction, customer loyalty

INTRODUCTION

In a B2B environment, suppliers need to understand the nature and circumstances of their customers because of the unique characteristics of the customers acting as an organization. As business customers purchase large volume of products and services, managing and maintaining loyal B2B customers can secure a supplier greater revenue. The importance and benefits of attracting and maintaining loyal customers has arisen because there is a general acceptance that profitability follows customer loyalty (Reichheld and Sasser, 1990). The economic value of loyalty is discussed by Jone and Sasser (1995) and Reichheld (1996). Complete understanding of the concept of loyalty highlights the need for a balance of value between customers and the firm and the need to develop customer loyalty as a long term investment.

With attempts to fulfill the needs of business customers, many supplying and selling firms engage in relationships with the business customers (Ryssel, Ritter and Gemunden, 2004) and see the importance of the strategic management of supplier and customer relationships (Eng, 2004). Some authors (e.g. Woo and Ennew, 2004) view the quality of the business-to-business relationship as a crucial factor in building success in the market. Retaining customers over the long run yields greater profits. However, the development of supplier loyalty and its potential application to the business-to-business settings should be further explored.

There are three main streams of research in loyalty: behavioral loyalty (e.g. Tellis 1988; Tucker 1964), attitudinal loyalty (e.g. Bennett and Rundle-Thiele 2002) and composite loyalty (e.g. Day 1969; Jacoby 1971; Jacoby and Kyner 1973; Chaudhuri and Holbrook 2001). In an early school of thought, Tucker (1964) argued that behavior (past purchases of the brand/product) completely accounts for loyalty. Consistent with this viewpoint, Jacoby and Chestnut (1978) observed that in behavioral loyalty studies the focus was on interpreting patterns of repeat purchasing in primarily panel data as a manifestation of loyalty. Loyalty in this behavioral manner is believed to be stochastic not deterministic (Uncles and Laurent, 1997). On the other hand, attitudinal concepts can be identified as providing positive word of mouth (e.g. Zeithaml, Berry and Parasuraman, 1996; Andreassen and Lindestad, 1998), recommending the service to others (Zeithaml, Berry and Parasuraman, 1996), and encouraging others to use the service (Bettencourt and Brown, 1997).

A reconciliation of both behavioral and attitudinal components of loyalty was first proposed by Day (1969) as he cautions that loyalty viewed in terms of purchase decisions may not distinguish between loyalty and spurious loyalty. There was a need to extend typical definitions and measurement approaches of loyalty (Baldinger and Robinson 1996). It was suggested that one should study the attitudinal components for additional understanding of the stochastic representation of behavioral loyalty (Jacoby and Chestnut 1978; Uncles and Laurent 1997).

This study follows the composite loyalty approach providing both behavioral aspects (purchase intentions) and attitudinal loyalty in order to fully explain the concept of supplier loyalty. Jacoby (1971), proposed to integrate the two notions of behavior and attitude within the same conceptual definition. Jarvis and Wilcox (1977) argue that true vendor loyalty should not be confused with repurchase activity. True vendor loyalty also includes a psychological bond to the seller. Subsequently, composite loyalty definitions (e.g. Dick and Basu, 1994) and research in this streams (e.g. Chaudhuri and Holbrook, 2001) had arisen. The relationship between attitudinal loyalty and behavioral loyalty is shown in Figure 1.

		Behavior Intention	
		High	Low
Attitudinal Loyalty	High	True Loyalty	Latent
	Low	Spurious	No Loyalty

Figure 1 Relationship between Attitudinal and Behavioral loyalty. Adapted from Dick and Basu, (1994)

This framework has not been previously applied in the B2B literature. Business customers are not typically loyal to one supplier especially in industries such as financial services and banking. However, it would be expected that the majority of business would be provided to the supplier with whom the customer is most satisfied with and who has high levels of attitudinal loyalty. Backhaus and Buschken (1999) develop a model of relationship stability based on transaction cost theory. They argue that relationship satisfaction does not determine relationship stability but rather expectations of returns from relationship-specific investments. However, marketing managers often specify supplier loyalty and brand equity as a marketing goals and seek explanations and consequences of lack of loyalty.

Loyalty measures need to be adapted to the B2B marketplace. Several researchers have suggested that repeat buying behaviour is not always a manifestation of customer loyalty as discussed by Bozzo (2002). These authors suggest other reasons for seemingly inconsistent attitudinal and behavioral loyalty are captivity or strong barriers to switch, inertia. In a B2B study, Rauyruen, Miller and Groth (2009) find that these two types of loyalty are differential predictors of brand equity outcomes. Share of wallet is mainly driven by behavior intentions whereas willing to pay a price premium is mainly driven by attitudinal loyalty. The objective of this research is to identify reasons why B2B customers do not show consistency between attitudinal and behavioral loyalty and why dissatisfied customers do not switch suppliers. Categories of customers are developed based on this framework and underlying buyer behavior is assessed.

METHOD

A survey was conducted during October 2006, using stratified sampling procedures with a sample of 240 small to medium sized companies. (Sales of client companies were between \$3 to \$12 million USD.) The study was conducted in a large Asian city. The sample was randomly selected within industry and location from companies using an online database. The executive who was responsible for banking decisions was interviewed in person by a trained professional interviewer. Banks appoint customer relationship managers to serve their business customers and provide a single point of contact, advice, information and problem resolution. The revenue generated by each business banking customer is very high and justifies tailor made service solutions and individual customer based key account management processes. Larger and more profitable business customers receive more relationship management resources than less profitable customers. In this market, as in many countries, the business banking industry is very competitive. Competing banks strive for excellence in relationship management and seek to add significant value in these aspects. Through relationship management, firms develop mutually beneficial long term relationships with customers (Ravald & Gronroos, 1996). However, business banking customers often utilize the services of between five and seven banks for their needs in cash management, payroll, short and long term

credit, import and export finance and foreign exchange. As a result, business customers deal with many relationship managers from competing suppliers and are well informed about the ideal characteristics of the service providers.

The business executive was asked a wide range of banking and business questions. These included satisfaction with their main banking relationship, second bank and third bank, the importance and performance of specific relationship management activities of their main banks as well as their propensity to recommend each bank. The strength of the banking relationship compared to last year was also assessed. This measure can be described as relationship momentum. The nature and frequency of interactions between the relationship managers was measured. A wide range of questions were used to ascertain customer value captured by each bank. Attitudinal and behavioral loyalty measures were developed. Open ended motivations for business banking behaviour and apparent inconsistencies were collected.

RESULTS

As business banking selection and choice is complicated, measures are derived for attitudinal and behavioral loyalty. This differs significantly from B2C markets where the majority of brand loyalty research has been conducted. Business customers are classified according to attitudinal and behavioral loyalty.

Attitudinal Loyalty. Attitudinal loyalty measurements (ATT_LOY) used in this study is based on the definition of the level of psychological attachment towards the service provider. The eight items capture several attitudinal components of being loyal to the provider, willingness to recommend, positive word of mouth, encouraging others to use the service and regarding the provider as a first choice. The items are:

Is a bank that you say good things about to other people?

Is a bank you'd go out of your way to use?

Is a bank that you know a lot about?

Is a bank that is just right for a company like mine?

Is a bank that you recommend to others?

Is a bank that has rarely disappointed you?

Is a bank you know you can always count on?

Is a bank really understands your company well?

Behavioral Loyalty. Behavioral loyalty is measured using share of wallet (SOW) and is defined as the percentage of total customer's purchases of products and services from a particular service provider out of the customer's total purchase of banking services from all service providers. The method of measuring share of wallet for this study follows Keiningham and Perkins-Munn (2003) and Verhoef (2003). Respondents are asked to report the percentage of their total spending on banking services with each of the service providers they are using. Overall SOW is determined from spend on all B2B business banking products including check collection facilities, check payment to suppliers, check clearing, payroll services, E banking collections via ATM, Internet banking or telephone, short and long term loans, import and export trade finance, foreign exchange service and derivative products.

Customers were asked to indicate their loyalty to their three top banks using attitudinal and behavioral loyalty measures. Table 1 shows the loyalty of customers for their top three banks. Categorization was achieved by examining the mode and mean response on each variable. Table 2 shows the loyalty of customers for the bank which they indicate is their main bank. Table 3 shows the customer's attitudinal loyalty and behavioral loyalty scores for their main bank.

	Frequency	Percent
True Loyalty	199	38
Spurious Loyalty	105	20
Latent Loyalty	109	21
No Loyalty	117	22
Total	530	100

Table 1 Categorization of Customers for their top 3 banks

	Frequency	Percent
True Loyalty	157	67
Spurious Loyalty	46	20
Latent Loyalty	22	9
No Loyalty	9	4
Total	234	100

Table 2 Categorization of Customers for their main bank

	ATT_LOY	SOW
True Loyalty	67	0.90
Spurious Loyalty	48	0.91
Latent Loyalty	67	0.55
No Loyalty	44	0.51
Total	62	0.85

Table 3 Mean SOW and ATT_LOY for Loyalty Groups.

Customers who are “True Loyals” exhibit both attitudinal and behavioral loyalty. SOW is high. Over 90% percent of their banking business accrues to their main bank. The attitudinal loyalty score is also high being 67 out of a possible 80. 20% of the sample exhibit spurious loyalty to their main bank. The SOW is over 90%, however attitudinal loyalty is much lower. Some of these customers are hostages whereby they maintain their main bank relationship despite low attitudinal loyalty. Head Office might also dictate choice of bank yet local managers may not have a good relationship with this bank. The main bank relationship for latent loyal customers is one where attitudes to the bank are high but SOW of wallet is low. A small percentage of customers provide their main banking relationships with low scores on both behavioral and attitudinal loyalty.

Customers were asked a range of questions concerning their relationship with their main bank. These include relationship satisfaction, relationship momentum, and existence of problems with the main banking relationship, the nature of these problems and probability of switching banks within the next twelve months. Table 4 shows the level of satisfaction, years with the main bank and probability of switching. As expected, it is found that Spurious Loyals are less satisfied and are more likely to switch their main bank (Sig. $p < .05$). They are more critical of the performance of their banks in the core day-to-day banking areas of check collection and check clearing. However, in general, the probability of switching is low. There are significant barriers to switching banking services including existence of loan collateral held by banks, location convenience and investment in the personal relationships. All companies did have a long term relationship with their main bank (greater than 9 years). Table 5 shows that Spurious Loyals are more likely to have current problems with their main bank. These relate to bank employees not caring or not responding, high fees, slow service and long queues. This could also be due to the implementation of relationship management

strategy whereby higher value customers receive high attention and better levels of service. As the relationship is very important to the customer, it is likely that expectations for performance are higher.

	Satisfaction	Years With Main Bank	Probability of Switching Main Bank
True Loyalty	6.0	11.9	1.9
Spurious Loyalty	5.0	9.7	2.9
Latent Loyalty	6.2	13.9	2.1
No Loyalty	5.3	9.0	2.6
Total	5.8	11.5	2.1

Table 4 Satisfaction with Relationship with Main Bank across Loyalty Groups (1= Very Dissatisfied and 7= Very Satisfied), years with Main Bank and Probability of Switching Main Bank (1= Very Low and 7= Very High)

	Have Problems with Main Bank	
	No	Yes
True Loyalty	59.9%	40.1%
Spurious Loyalty	37.0%	63.0%
Latent Loyalty	68.2%	31.8%
No Loyalty	55.6%	44.4%
Total	56.0%	44.0%

Table 5 Existence of Current Problems with Main Bank across Loyalty Groups

CONCLUSION

There is limited research on customer loyalty frameworks in a B2B market where supplier choice is complex and business customer behavior is often allocated to multiple parallel suppliers. Loyalty measures need to be conceptualized and measured differently to B2C markets. In a B2B environment, suppliers need to understand the nature and circumstances of their customers because of the unique characteristics of the customers acting as an organization. Spurious Loyals are more likely to have current problems with their main bank. The problems relate to bank employees not caring or not responding, high fees, slow service and long queues. This could also be due to the implementation of relationship management strategy whereby higher value customers receive high attention and better levels of service. As the relationship is very important to the customer, it is likely that expectations for performance are higher. The “Spurious Loyal” or “Hostage” may be forced to deal with this main banking partner including head office requirements and restrictions, pre-existing collateral over large investments and lack of alternative banking convenient to the company. . This study examines relationships which actors indicate are the most important banking relationship to them. This study seeks to better understand the nature of dissatisfaction and lack of attitudinal loyalty in these long term focal relationships.

REFERENCES:

- Andreassen, A., Wallin, T. and Lindestad, B (1998), "Customer loyalty and complex services," *International Journal of Service Industry Management*, Vol 9 No 1, pp 7-23.
- Backhaus, K. and Buschken, J. (1999), "The paradox of unsatisfying but stable relationships – a look at German car suppliers", *Journal of Business Research*, Vol 46 No 3, pp 245 – 257
- Baldinger, A. and Robinson, J. (1997), "The jeopardy in double jeopardy. (brand loyalty measurement)," *Journal of Advertising Research*, pp 37.
- Bennett, R and Rundle-Thiele, S. (2002), "A comparison of attitudinal loyalty measurement approaches," *Journal of Brand Management*, Vol 9 No 3, pp 193-209.
- Chaudhuri, A. and Holbrook, M. (2001), "The chain of effects from brand trust and brand affect to brand performance: The role of brand loyalty," *Journal of Marketing*, Vol 65 No 2, pp 81-93.
- Day, G. (1969), "A two-dimensional concept of brand loyalty," *Journal of Advertising Research*, Vol 9 No 3, pp.
- Dick, A. and Basu, K. (1994), "Customer Loyalty: Toward an Integrated Conceptual Framework," *Journal of the Academy of Marketing Science*, Vol 22 No 2, pp 99-113.
- Eng, T. (2004), "Does customer portfolio analysis relate to customer performance? An empirical analysis of alternative strategic perspective," *The Journal of Business & Industrial Marketing*, Vol 19 No 1, pp 49.
- Jacoby, J. and Chestnut, R. (1978), *Brand Loyalty: Measurement and Management*. New York: John Wiley and Sons.
- Jacoby, J. and Kyner, D. (1973), "Brand loyalty vs. repeat purchasing behavior," *Journal of Marketing Research*, Vol 10 No 1, pp 1-9.
- Jarvis, L. and Wilcox, J, (1977), "True vendor loyalty or simple repeat purchase behavior", *Industrial Marketing Management*", Vol 6 No 1, pp 9.
- Jones, T. and Sasser, E. (1995), "Why satisfied customers defect," *Harvard Business Review* Vol 75 (Nov-Dec), pp 88-99.
- Rauyruen, P. Miller, K. and Groth, M. (2009), "B2B services: linking service loyalty and brand equity", *Journal of Services Marketing*, Vol 23 No 3, pp 175 – 186.
- Ravald, A. and Gronroos, C. (1996), "The value concept and relationship marketing", *European Journal of Marketing* Vol 30 No 2, pp 19-30.
- Reichheld, F. (1996), "Learning from customer defections," *Harvard Business Review*, Vol 74 No 2, pp 56.
- Reichheld, F. and Sasser, W. (1990), "Zero Defections: Quality Comes to Services," *Harvard Business Review*, Vol 68 No 5, pp 105.

Ryssel, R., Ritter, T. and Hans Gemunden, G. (2004), "The impact of information technology deployment on trust, commitment and value creation in business relationships," *The Journal of Business & Industrial Marketing*, Vol 19 No 3, pp 197.

Tellis, G. (1988), "Advertising exposure, loyalty and brand purchase: a two stage model of choice," *Journal of Marketing Research*, Vol 25 No 2, pp 134-44.

Tucker, W (1964), "The development of brand loyalty," *Journal of Marketing Research* Vol 1 No 3, pp32.

Uncles, M. and Laurent, G. (1997), "Editorial," *International Journal of Research in Marketing*, Vol 14, pp 399-404.

Woo, K. and Ennew, C. (2004), "Business-to-business relationship quality: an IMP interaction-based conceptualization and measurement," *European Journal of Marketing*, No 38 No 9/10), pp 1252.

Zeithaml, V. Berry, L. and Parasuraman, A. (1996), "The behavioral consequences of service quality," *Journal of Marketing*, Vol 60 No 2, pp 31-46.