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**An empirical investigation on loyalty
The case of packaging industry**

Competitive paper

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Abstract

A lot of research and the earlier developed models in the business to business marketing field aimed to describe and interpret customer loyalty, and many studies have focused on the antecedents and consequences of loyalty. We can observe a huge number of studies on customer satisfaction, customer loyalty and partnership. Most of the earlier studies on loyalty have concentrated on evidence of loyal behaviours, and tried to describe the determinants of switching behaviour. There have been studies of “mental loyalty” which suggested that perceptions, attitudes, and beliefs can determine the different forms of loyalty. While the different contributions on loyalty have deepened knowledge of its forms and determinants, they failed to analyse the development of loyalty over time, not explaining how and why these different forms of loyalty emerge. Oliver suggested defining customer loyalty as a condition of strong involvement in repurchase, and Costabile published a dynamic model of customer loyalty, useful for loyalty management purposes, both in business to business and in business to consumer markets. On the other hand, there are academic sources on proposed methodology for industrial market segmentation based on the value of the customer to the seller, and the value of the seller to the customer (cf. Glynn). As the research area of loyalty was getting wider and wider, the previous – seemingly obvious – statements became increasingly uncertain, and the modelling of loyalty more difficult.

The paper presents a survey carried out on customer loyalty in the corrugated paper industry. The concept of the research project was to test the dynamic model of customer loyalty (the loyalty-building as a process), and to refine the methodology of loyalty-based industrial market segmentation. The methodology used had two stages of qualitative research: the first was an expert focus group with the competent members of the manufacturer, and in the second step there were interviews with customers. After the qualitative explorative phase the project continued with a quantitative loyalty-attitude research. This latter served, on the one hand to test the findings of the qualitative interviews, and on the other to deliver a client-typology on loyalty.

1. THE THEORETICAL BACKGROUND TO LOYALTY

Marketing researchers began to focus on the aspects of loyalty at the end of the nineties, as it became obvious that the more a company is able to retain its customers, the more successfully it can operate. Reicheld-Sasser (1990) and others have called the attention to the profitability of customer retention and to the fact that building up a loyal customer base takes less expense than acquisition (eg Fornell-Wernerfelt 1987). As the scope of the examination concerning the aspects of loyalty expanded, former seemingly unambiguous findings started to be more doubtful and the definition of loyalty became more complicated. Consequently, there is no current agreement among researchers either on how to define loyalty, or on the factors affecting it. In the past few years contradictory research results have been published which propose a number of new ideas for future research (Zeithaml 2000).

1. 1. Attempts to define loyalty

Defining consumer loyalty is rather difficult as it may have a number of aspects. In marketing literature we find comprehensive analyses of brand loyalty, “shop loyalty”, customer loyalty and of repeated purchases (Kandampully 1998). Tellis defined loyalty as an inclination to a repeated purchase, or a relative ratio of buying the same or a similar brand (Tellis 1988), whereas according to Newman and Werbel customers are loyal if they repeatedly buy a brand taking only that one into consideration without searching for information on other brands (Newman-Werbel 1973). R. L. Oliver claimed that these definitions are only concerned with what a consumer does while there are more important processes behind loyalty. He distinguished different levels of loyalty:

1. *Cognitive loyalty*. Based on the information available, a buyer prefers a particular brand to others. This phase is founded on the faith in a brand itself which develops from previous or current experience; at this point it is only loyalty for the brand. This phase does not yet mean

real loyalty because if it is a routine action (eg waste collection, gas supply etc.), the deepness of loyalty is not more than the quality of the service, and it can only shift to the second phase if it is coupled with satisfaction.

2. *Affective loyalty*. On this level some kind of brand loyalty or an attitude to a brand develops as a result of repeated purchases. The extent of loyalty depends on the approach i.e. it changes depending on how much a consumer likes a given brand. But not even this level is sufficient to reach ultimate loyalty since a number of satisfied consumers become brand switchers.

3. *Conative loyalty*. This level of loyalty evolves as a consequence of countless positive effects and involves a strong commitment to a repeated purchase of a specific brand. This sort of loyalty is already motivating and, similarly to all the other good impressions, the demand can be forecast but it is not necessarily met.

4. *Action loyalty*. In addition to the features of the previous phase, a motivated intention turns into a real act of buying which helps consumers overcome all the factors hindering the purchase (Oliver 1999. p. 36.).

Thus the ultimate stage is when a consumer maintains his or her intention of repeatedly buying something “under any circumstances and at any cost”, and is ready to make a sacrifice as well. Real loyalty is a deeply rooted commitment to a repeated purchase or to a future or continuous recommendation to others, which leads to repeated purchases even despite occasional negative effects or marketing efforts that encourage switching (Oliver 1999). Examining the different characteristics of switchers and stayers, Jaishankar and others have also come to similar conclusions distinguishing between active and passive loyalty (Jaishankar et. al. 2000).

Recent research has pointed out that loyalty and commitment are not synonymous notions. Pritzhard and his co-authors (Pritzhard et al. 1999) emphasise the differences

between consumer loyalty and commitment, and with brand loyalty they try to analyse the relationship between the two factors. In the authors' opinion a loyal attitude leads to loyal behaviour, and loyalty can be measured by the number of repeated purchases of a brand. They consider commitment, however, something much more than that: it is a strong desire to a steady relationship, and identification of consumers with organisational objectives and values. Investigating loyalty towards physical products and services, Edvardsson and others pointed out that there is a difference between "earned" loyalty and "bought" loyalty. We can attain "earned" loyalty through good quality and a favourable evaluation by consumers, when they take advantage of a product or service again, because they were satisfied with them; "bought" loyalty, on the other hand, is based on being offered some kind of a discount (voucher, price reduction) which results in only a short-term repeated purchase (Edvardsson et al. 2000).

Analysing the phases of a dynamic approach i.e. how loyalty develops, Costabile defined consumer loyalty as the strongest link between a consumer and an organisation. This approach does not simply refer to "real loyalty" as assumed by Jacoby and Chestnut (Jacoby and Chestnut 1978), but rather to a relationship between a consumer and an organisation that is reinforced by reciprocity, maintained by equity and fairness, thus it involves a co-operative attitude and behaviour as well (Costabile 2000).

1. 2. Models of loyalty

Models of loyalty showing a large variety of factors affecting loyalty reveal a varied picture, but empirical research results are not convincing either as for the determinants of the loyalty dimensions. Among these models we find both static and dynamic approaches and, in many instances, empirical results are often contradictory.

1. 2. 1. The correlations between satisfaction and loyalty

According to Oliver, experts agree that the relationship between satisfaction and loyalty is inexplicable and that this relationship is asymmetrical. Even though loyal consumers are usually more satisfied, satisfaction does not turn into loyalty automatically. To explore the interrelation between satisfaction and loyalty, Oliver studied what aspects of consumer satisfaction can influence loyalty and what proportion of loyalty can be attributed to satisfaction components. His conclusion was that satisfaction is a necessary step towards loyalty but still a number of other processes are needed to build up a loyal customer base (Oliver 1999, p. 33.). The question is raised as follows: Why is it that the switching ratio with satisfied customers can even reach 90%? The answer to this question depends on how much satisfaction bears a part in loyalty, what the effect of the factors related to satisfaction are and what their relationship is like. It is certain that there is an unfathomable relation between satisfaction and loyalty and this relation is asymmetrical. Although the majority of loyal consumers are satisfied, the data indicate that satisfaction is an unreliable predictor of loyalty. Oliver explains 6 variations of the possible relationships (Oliver 1999), stating that satisfaction and loyalty are one and the same thing but also pointing out that loyalty can become independent from satisfaction.

1. 2. 2. A dynamic model of consumer loyalty

Among the theoretical models, Costabile's dynamic model is especially remarkable and analyses the phases of development of loyalty (Costabile 2000). According to the author, former analyses (Wind 1977, Jacoby and Chestnut 1978, Wernerfelt 1991, Keaveney 1995) only examined loyal behaviour, that is to say the question why a consumer remains loyal and focussed on possible forms of loyal behaviour (Dick and Basu 1994) without paying close attention to the way in which the different forms of loyalty evolve. Loyalty and this

relationism together form a multidimensional model that sets up a typology of consumers by summarising the process of loyalty and the stages of this relationship.

1. 2. 3. Loyalty and commitment dimensions in B2B relationships

Meyer and Allen (1991) split up commitment in inter-company relationships into three components. The first is an input component expressing that the parties make certain investments when giving reciprocal commitment which investments can only be used within the given relationship; the second one relates to the attitude and reflects the emotional commitment of the parties; and the third component is a time dimension concerning that this commitment is only sustainable if both parties think long term. Geyskens and Steenkamp investigate commitment from a different aspect. They designed a two-component model in which the first component reflects how much the parties wish to maintain the relationship, while the second one refers to the reasonableness of this relationship if rational calculations rather than emotions make it necessary to continue this relationship (Geyskens-Steenkamp 1995). There has not been very much empirical research conducted into measuring the dimensions of loyalty between companies and here we can even find dimensions different from consumer loyalty.

1. 3. Findings of the empirical investigation

A great number of empirical surveys have justified that there is a significant relationship between consumer satisfaction and loyalty (Fredericks et al. 1995; Dickey 1998; Gitomer 1998; Martensen et al. 2000, Parasuraman-Grewal 2000). The ECSI model was used in a pilot study involving 12 countries and carrying out almost 55,000 interviews. Based on the results we can conclude that consumer satisfaction greatly affects loyalty. The relationship with 30 companies and in 6 industries proved to be convincingly powerful and a regression analysis

indicated that this relationship was significant (Grönholdt et al. 2000). Yet there are some who question the unambiguity of this relationship. They pointed out that satisfaction is not enough, and even the most satisfied consumers do not inevitably become loyal and that a lot of satisfied consumers turn away from an organisation (Jones-Sasser 1995; Reicheld-Sasser 1990; Reicheld 1996; Oliver 1999; Neal 1999).

The indirect effect of satisfaction is demonstrated for example by the results of an empirical research suggesting that satisfaction alone does not lead to recommendations to others, only through commitment (in literature this is regarded as one of the most important dimensions of loyalty) (Eggert-Helm 2000). We can also find research results indicating that even dissatisfied consumers can be loyal, which strongly questions the unambiguous nature of the satisfaction–loyalty relationship (Vollmer et al. 2000, p. 476.). Furthermore, we can presume that the dimensions of loyalty are sector-, product- and service-specific (Hetesi 2001).

2. EMPIRICAL INVESTIGATION INTO THE LOYALTY DIMENSION IN A BIG COMPANY

Using the above models we conducted a research combined with qualitative and quantitative methods among the customer base of a company in the B2B market of the packaging industry to determine the factors influencing loyalty. An additional aim of this investigation was to work out a loyalty model which considers the factors affecting loyalty as inputs and interprets the product of the efforts made to improve these factors as the outputs of loyalty. For lack of longitudinal investigations this model can only be hypothetical, of course, but it may lay the foundations for further research models.

2. 1. Research concept

The central element of our research model is loyalty which we defined as follows: *a partner is loyal if he or she is committed to a supplier and does not leave this supplier because of minor dissatisfaction or for smaller discounts offered by competitors; he or she recommends the supplier to other customers and co-operates actively.*

In the research we were seeking an answer as to what other factors influence customers' loyalty in B2B relations apart from the known dimensions of consumer loyalty. In the consumer market a consumer can be regarded loyal if he/she does not leave the brand due to a smaller price increase and continues to purchase the product or products. Recommendation to others is also another important dimension. In B2B markets, loyalty does not only appear in repurchasing, but also in striving for co-operation and long-term relations. At the same time, although it exists, recommendation to others is less characteristic.

Empiric studies of consumer loyalty usually proved the effect of quality and satisfaction on loyalty (Grönholdt et al, 2000). Relationism, personal contact and confidence are not featured in consumer models, however, these factors can have an important role in B2B markets and can even result in staying loyal in the long term although dissatisfied in the short term.

During preparation of the research plan the following hypotheses have been set:

- participants of the B2B market accept the quality – satisfaction – loyalty relation
- dissatisfied customers can also be loyal
- the role of personal contacts in loyalty is significant
- advantages provided for partners influence loyalty positively
- confidence is an important factor of loyalty

2. 2. The investigation

The *qualitative research* first of all comprised a focus group discussion with competent members of the company (marketing manager, sales manager, customer service manager, human resource manager, key-account managers, contact personnel for “small purchasers”) about their judgements of loyalty, and then we carried out in-depth interviews with contact

personnel of 20 partner companies. For the sake of comparability, the questions of the focus group analysis and the interviews were similar.

The questions of the quantitative survey were based on the conclusions of the previous qualitative research and the dimensions of measuring were refined accordingly. We measured the dimensions of loyalty as defined above *through an interpretation of loyalty and the quality–satisfaction–loyalty–profitability chain and through the dimensions of relationism, trust and attachment in spite of dissatisfaction.*

Taking the different theoretical approaches and the limitations of standardisation into consideration, we examined a big company in 2003 as to:

- how a supplier interprets and how partners define loyalty;
- how the partners of the organization under examination interpret the relationship of the quality–satisfaction–loyalty chain;
- what role relationism plays in loyalty;
- what kind of a role trust plays in loyalty;
- whether a dissatisfied partner can be loyal (if yes, then why)?

In the operationalisation of the measurement dimensions we searched for the reasons of loyal behaviour in the case of stated dissatisfaction. In the questionnaire - with the help of 5-points scales - we analysed what a role can factors like, for instance, “the partner has no other choice”, “uncertainty regarding the performance of the new partner”, “the good old relation is binding”, “it is more comfortable to stay with the present partner”, etc. have on the loyalty of the dissatisfied business partners. We measured the factor of relationism with the frequency of personal meetings, the flexibility and empathy of the contact person and the perceived importance of meetings organised by the supplier for the partners, while the dimension of confidence with confidentiality, honesty, and keeping promises.

The basis for the measuring was how much interviewees agree with a modular series of statements. The questionnaire analysis involved 105 partner companies for which our selection criteria included the location of a company’s plant as well. The interviews were conducted by phone.

3. RESULTS OF THE QUALITATIVE AND QUANTITATIVE RESEARCH

3. 1. Who is a loyal partner?

As a rule, empirical researches examine repeated purchases, price sensitivity and recommendations to others but, based on theoretical approaches, we used other elements in our research as well (eg relationism, trust, why can a dissatisfied partner be loyal?).

An interesting result of our qualitative research was that the employees of the supplier company seem to be sceptical about loyalty: they think that loyalty is an outdated category and the decisive factor in choosing a supplier is the price (*“... as the world is changing now, loyalty is pushed to the background in all areas, not just in commerce. Therefore I think that loyalty must be redefined. This kind of loyalty should be re-phrased somehow and we ought to come up with something else, because this is an outdated category, in both business and everyday life, unfortunately.”*). On the other hand, commitment plays a very important role in terms of the customer base. *“Who is a loyal partner? Someone who is not ready to break off and destroy long-standing and healthy business relationships for temporary but from a certain point of view more advantageous, yet dubious business opportunities if these lasting relationships have a solid background, good prospects and have a past, a present and a future.”*

Some very slight differences of opinion: Some of the respondents defined loyalty with relationism and attached fundamental importance to general satisfaction, sympathy, habit, stability and to co-operation (eg in product planning). The above factors are similar to certain phases of the dynamic model worked out by Costabile (2000).

In the *quantitative research* the ranking, including the aspects of loyalty, which we obtained based on the mean values, sheds light on very interesting correlations. The participants in the focus group discussion agreed that “recommending to others” is not a

common practice in this particular industry and, therefore, it is not worth measuring (*“The question is whether there is any point in measuring it? Today it is no longer typical that we are recommended to others. Where should anyone tell others that we are good at something, and it is not in their interest at all.”*). However, it turned out already during the interviews that it indeed is a common practice in this industry; moreover, big companies frequently recommend the examined company to others, while the results of the questionnaire survey clearly indicated that according to the respondents one of the most important characteristics of loyal partners is that they recommend their supplier to others.

On top of this ranking we find attachment to a supplier despite minor dissatisfaction and cross-buying, whilst in its second half we find prices. These findings support the statements made in the interviews, according to which price plays a crucial role in becoming disloyal to a partner but, what is also remarkable, indices of dispersion with questions concerning prices are higher.

3. 2. Partner judgement on the quality–satisfaction–loyalty chain

Empirical investigation into loyalty above all examines quality and satisfaction, being results of loyalty but the correlations we found are contradictory. We had already pointed out the doubts when we outlined foreign research findings, so now we only wish to add a few points.

Quality–Satisfaction. According to former research, a comparison of perceived and expected performance elicits emotional responses from consumers and reflects a feeling of satisfaction or dissatisfaction with a product or a service (Lewis-Booms 1983; Parasuraman et al. 1985; Zeithaml et al. 1988; Grönroos 1992; Fisk et al. 1993). These approaches suggest that the consumer evaluation of quality is based on comparing expectations and experience. Where this comparability is obvious, a consumer is regarded as satisfied but in the majority of the cases this is not sufficient for a competitive advantage.

Most recent research has found that consumers judge quality by comparing present experience with what they think a product or service should be like. These approaches were new in the sense that they did not consider providing an ideal service sufficient for an actual advantage, and pointed out that there is an increasing need for excellent quality, just like our expectations need to be overcome to give customers pleasure i.e. not just fulfil their needs (Kandampully 1998; Grönholdt 2000; Martensten 2000; Zeithaml 2000).

Satisfaction–Loyalty. By the end of the nineties, the limitations of the satisfaction model became evident. Some people thought it was time for a change, so that loyalty could come into focus. Jones and Sasser affirmed that “purely satisfying a consumer who has a freedom of choice is not enough to achieve loyalty” (Jones-Sasser 1995, p. 91.), and then Stewart underlined that the assertion that “satisfaction and loyalty move in tandem” was simply not true (Stewart 1997, p. 112.). Other authors as well have stressed that the relationship between satisfaction and loyalty must be handled carefully.

Loyalty–Profitability. The majority of researches have proved that loyalty increases the profitability of a company. To keep existing consumers, companies have to do defensive marketing because loyal buyers generate high income for companies, whilst the costs of selling to them are by 20% lower than the selling costs pertaining to new customers who are very difficult to acquire. That is to say the longer customers stick with a particular company, the lower the costs for serving them, the higher the value to which they buy goods, the better they tolerate price increases and the more they are likely to speak well to others about this company. Thus the majority of the researches demonstrate that loyalty is profitable; it increases a company’s market share and leads to competitive advantages (Zeithaml 2000).

In the second half of the nineties the general opinion about the loyalty–profitability relationship was expanded by new elements. Acknowledging the positive effect of loyalty on profits, some authors drew attention to the fact that from among a loyal consumer base forces

should only be concentrated on the most profit-yielding customer groups and that it is expedient to establish close and lasting relationships with these key consumers (Reicheld 1996; Keenan 2000). At the same time it has also become uncertain whether loyalty can lead to profitability in any branch of industry. The findings of a Swedish research, which pointed out the interesting correlations of how consumer satisfaction and loyalty affect profits, showed that in the case of physical products loyalty can have a negative effect on performance, whereas with services this effect is positive (Edvardsson et. al. 2000).

In spite of the contradictory research findings above, the logic of a “quality–satisfaction–loyalty–profitability” chain is still widely accepted and even the present survey confirms this hypothesis. From the interviews made with the partners, we can notice a clear trend that quality and satisfaction have a central part in loyalty. (*“The choice is not only a question of price but a question of quality as well. Good quality is worth a lot.”; “Price is a terribly important thing, especially these days, ... there is only one thing more important than that: quality.” We stay with them because we are satisfied with our suppliers and would not change for any reason, because what has proved to be good and works well, should stay as it is”*).

Also the quantitative research confirms the faith of partners in the quality–satisfaction–profitability chain. Our interviewees agreed on the assumed correlations in high mean values.

It is interesting to note that agreement among the partners in connection with quality–satisfaction–loyalty is better than with loyalty–profitability, while based on focus group discussions suppliers find possibilities for cost saving with loyal consumers *“Smaller price differences simply leave customers unaffected, which means that there has to be a striking difference in price to make buyers think and encourage them to switch. But here rather the*

costs incurred are of importance. Because there are costs that incur with new customers but not with old ones.” and additional expenses to acquire a new consumer.

3. 3. Can a dissatisfied partner be loyal and why?

Studying the motivations of customers who are loyal despite their dissatisfaction, Vollmer and others came to the conclusion that psychological factors play a significant role in the behaviour of such customers. In their model based on Hirschman’s work (Hirschman 1970), they emphasise that the trust of dissatisfied but loyal buyers in a company is more deeply rooted; consequently they are inclined to look for the reasons for defects and then to forgive these, but they also consider the costs of switching more carefully (Vollmer et al. 2000).

Our quantitative research results concerning the loyalty of dissatisfied customers are in accordance with the theoretical models: buyers are willing to forgive one or two defects but in the long run a dissatisfied partner is unlikely to be loyal. Although only a few people thought that a dissatisfied partner would remain loyal to a supplier, still it might be interesting to take a look at the explanations for such loyalty:

Table 1.

The mean values relating to why customers stay with a supplier despite their dissatisfaction are low, which also reflects that in our respondents’ opinion this supplier attitude is not very frequent. Supposing we do find some examples, then they can be accounted for by a good relationship with the contact personnel, by necessity – there is no other choice – and by the risks and costs involved in switching.

The results of the qualitative research make the possible reasons why a dissatisfied customer stays subtler and confirm the above assumptions. Reciprocity and the importance of

co-operation came up in the focus group discussions as well (*“Loyalty entails the partner’s tolerance too. I’ll stay, but until what point am I ready to endure different annoyances? Our company has helped him enough to tolerate our deficiencies, and every time we need help, he is tolerant as well”*) The size of the defect and the perception of reciprocity, equality and fairness may substantially influence the decision of a customer to continue to stay with a supplier despite dissatisfaction. (*“Sometimes there are some defects but the same thing can happen to us, too. We will not switch, just because of occasional defects in delivery. We’ve also had bad times and yet our suppliers have remained loyal to us.”*). The feeling of dissatisfaction can be reduced by positive experience from a lasting and long-term relationship as well (*“I’ve got a pair of scales: in one scale I put the positive experience of the many years’ relationship ..., now I see it weighs a lot. In the other one I put the problems and then we can weigh up the situation. Of course, it is not all the same how serious the defect is.”*), but, according to the partners, a permanently dissatisfied customer can only remain loyal, if he or she has no other choice. (*“It cannot be that a customer stays loyal, even though the performance is continually bad. In production it cannot be allowed. If defects are not corrected, customers change supplier”*)

3. 4. The role of relationships in loyalty

The so-called “classical” models measuring consumer loyalty do not place great importance on relationships in keeping a loyal customer base (Grönholdt et al. 2000; Parasuraman-Grewal 2000) but according to the advocates of relationship marketing, this is the basis for loyalty, and relationships play a special role in B2B loyalty as well (Hakansson and Osteberg 1975; Ford 1980; Morgan and Hunt 1994).

The qualitative results of our research support that in a B2B market, relationism does have a very important role. In the focus group discussions we heard somebody say that *“Personal relationship is the most important thing; anything else helps very little”*. But we

found a number of references to the relationship dimension in the interviews as well. (*“We are loyal because of the personal relationship and the service”*; *“A lot depends on personal relationships. Factors like personal relationships, sympathy or antipathy surely play a role in this, just like flexibility and quality. If these three things work well, then we stay loyal.”*) Also the results of the questionnaire survey confirm the significance of relationships in loyalty.

A result of flexible responses to our partners’ needs can be loyalty and both the means and the dispersion reflect its importance. Although our focus group discussions proved that partner meetings with suppliers, annual programmes and excursions are useful, still some of the respondents had ambivalent feelings about them. But the data in the above table support the assumption that these meetings can have a really favourable effect on a partner’s loyalty, while the person of the contact partner is less relevant. The explanation for the latter might be that – as the participants in the focus group discussion said – fluctuation among contact personnel virtually equals zero, so partners generally do not have to experience big changes. Meetings and reunions can allow insight into how a company operates or into its organizational culture, and partners can get an idea of norms and values which can boost trust in the company and reinforce identification with the firm.

3. 5. The role of trust in relationships and in loyalty

Organizations attract consumers with promises, whilst consumers decide based on the trust that a given company will satisfy their needs. For commitment to develop, trust is needed, the first step of which is “advanced trust” founded on perceived factors (Singh - Sirdeshmukh 2000; Vollmer et al. 2000). Human relationship throughout the servicing process usually consolidates trust, thus the relationship as well and when consumers’ trust is not abused, then they long to establish and maintain a long-term relationship, which leads to loyalty (Evans-Crosby 1988; McKenna 1991; Vollmer et al. 2000). Dwyer, Schurr and Oh (1987) treat trust as a critical factor of the transition from discrete market transactions to steady relationships.

The trust factor plays a determining role in Costabile's (2000) dynamic model as well and according to him neither monadic nor dyadic loyalty can develop without trust.

Relationism play a part in loyalty, trust in relationships and long-term relationships have a role in trust respectively; i.e. we can say that these variables determine loyalty interdependently (cyclically). In the course of our qualitative research we found references in the interviews to the role of trust as well (*"Our loyalty is mutual and involves openness too, except for trade secrets, of course. Trust is very important: we confide in each other and share information" ... "It's much easier to work in an environment in which I know that I won't be cheated. So I know that once we've made an agreement, they'll keep their promise."*) and also quantitative research findings confirm the significance of trust in loyalty.

Also the high means of the responses concerning trust indicate that the trust factor plays a crucial role in loyalty, but the low values of standard deviation show as well that respondents more or less agree about the question of trust. The difference between the highest and the lowest mean score does not even reach 0.3 i.e. respondents give almost all trust factors extreme importance. In spite of the deviation of data, we can say about trust that for certain reasons those partners who have been co-operating with a supplier for more than 10 years consider the trust factor more important than "new customers". These reasons are the following: "they never let us down if we are in trouble", "we can go to them with any problem", "no matter how impossible things we ask for, if they undertake to do it, they'll surely do it", "no matter what we agreed on, we can always count on over-fulfilment, if needed".

4. A FACTOR ANALYSIS OF LOYALTY DIMENSIONS

An analysis of all the dimensions of the quantitative research shows how much the individual variables are different from one another. All in all we asked 31 questions in order to measure

loyalty as we had conceptualised it. In the dimensions of the variables described above (relationism, trust, motivations of dissatisfied customers, interpretation of loyalty) a factor analysis revealed the following results:

The factor analysis of response variables given to 31 assertions showed 12 major factors among the explanations for loyalty, out of which we found the following 8 worth analysing:

- Personal contacts (*their atmosphere and frequency, empathy, flexibility*)
- History of the relationship (*good relationship with managers and contact personnel, emotional attachment, risks in a new partner*)
- Unconditional trust (*truthfulness, secrecy, keeping promises, fulfilling impossible requests*)
- Unlimited loyalty (*customers do not switch because of minor discounts, they do not change their partner for several years*)
- Confidence (*readiness to help, sympathy in troubles, they will not abandon us, we can always count on over-fulfilment*)
- Active loyalty (*they stay in spite of dissatisfaction, recommend the supplier to others, buy other things too*)
- Meetings as relationship episodes (*useful, intimate, enhance trust*)
- Passive loyalty or “inertia” (*risk, cost of switching, comfort*)

The joint explicative force of the factors that we could easily interpret in terms of content equals 61%, i.e. this shows how much the first eight factors explain customer loyalty. It is interesting to note that the first five factors involving relationships, trust, empathy and understanding account for half the explanation for loyalty, which means that in fierce competition – besides prices – these factors have a significant role in building up a loyal clientele.

The last four factors are contradictory in content: in some cases their factor weights are negative and their explicative force is low. With the ninth factor, the relationships between loyalty and profitability and between satisfaction and loyalty are represented with high factor scores, but long-time attachment of a dissatisfied partner is indicated with a negative value within this factor. Thus we could also say that this factor represents rational loyalty, whereas the last three factors are inconsistent in content.

Based on this factor analysis we can see that the original assumptions of the questionnaire have proved to be too narrow regarding the dimensions determining loyalty, since the opinions of respondents have turned out to be subtler in certain cases. The definition of loyalty and the issue of trust have raised further factors; the question of relationships is also subtler than previously assumed and passive loyalty has come up as a separate factor.

5. A CLUSTER ANALYSIS OF LOYALTY DIMENSIONS

We performed a cluster analysis to identify loyalty groups in several steps and, in the end, we found three distinct clusters based on the variables that we had examined. A fundamental principle of the analysis was to include in the examination only those respondents who gave an answer to all the questions. After performing the analysis, we found three easily separable clusters: in the first cluster there are 14 partners, which is 33% of the survey sample; the second one with 17 customers accounts for 41% of all the partners; and the third one includes 11 customers representing 26 per cent. The cluster characteristics were compared based on the factors and we examined how the individual cluster means differ from factor means.

Table 2.

1. *“The devoted loyal” (33%)*

This segment includes partners whose factor scores are higher in terms of the following: history of relationship; unconditional trust; unlimited loyalty; confidence; active loyalty.

2. *“The moderate loyal” (41%)*

Members of this segment are represented with values higher than the factor scores in terms of the following: personal contacts; history of relationship; unconditional trust; confidence. Their attitude to loyalty is more moderate than in the previous cluster because their factor values are in some cases lower than the average (active loyalty, meetings, confidence).

3. *“The relationship management oriented” (26%)*

From the point of view of their loyalty attitude, partners belonging to the third segment attach great importance to maintaining and improving relationships (relationship management) i.e. they have higher mean factors in the following dimensions: personal contacts; history of the relationship; unconditional trust; confidence; meetings as relationship episodes.

6. CONCLUSION

Our research findings partly seem to support the hypotheses of theoretical loyalty models, but they are also in accordance with part of the conclusions of empirical investigations. In addition to the uncertainties over the interpretations of loyalty, the information obtained in the qualitative part of our examinations refers to the relevance of the psychological factors behind motivations of behaviour and the behaviour itself as well. The results of the cluster analysis confirm the dynamic approach to loyalty and direct attention to the different levels of loyalty and commitment. The limitation of the present research lies in the investigation carried out with a single sample and a single selected supplier-clientele relation. However, the results we obtained can form a good basis for applying this investigation to several industries but, to this end, the research design needs to be refined.

As for the managerial potential of the findings based upon the characteristics of the partners in the loyalty-clusters (e.g. manufacturing profile, registered site, price revenues) the supplier has the opportunity to devise different relationship management strategies for the different segments and to apply differentiated loyalty-increasing tools at key partners endangered from the point of view of loyalty.

6.1. Possibilities for future research

Sources reporting on the practice of corporate relationship management very rarely mention measuring customer loyalty and incorporating loyalty into decisions of customer relationship managers. Of course, to some extent, CRM systems cover loyalty as a desirable state; there have been measures of loyalty for business purposes recently; and there have also been methodological suggestions regarding processes supporting loyalty from several researchers, but loyalty as a segmentation criterion is still not in use. This is seriously hindered by the fact that companies are loath to measure customer loyalty.

Our factor analysis has pointed out that input and output dimensions of loyalty are subtler than we assumed and the variables need further refinement. The nature of relationships and the forms of trust are probably more varied in business-to-business markets than to simplify the problem as we did, and the motivations behind the loyalty of dissatisfied consumers can also be different. These results call for a subtler model than the current one. But, first of all, it seems expedient to test a model in which the input factors of loyalty are the following:

- quality (flexibility, speed, empathy, reliability)
- satisfaction
- relationism (work of contact personnel, client meetings)
- trust (secrecy, sincerity, “we can count on them”)

- reduction of factors of dissatisfaction (compensation, discounts)

Among the outputs of loyalty we can include the following:

- enduring attachment
- commitment
- giving a chance
- forgiving minor defects
- recommendation to others (positive word-of-mouth)
- profitability (reduction of costs)
- reduction of price sensitivity
- repeated purchase
- enhancing a company image

The subject of future research can be to refine and test this input-output model.

Table 1.
Possible reasons for the loyalty of a dissatisfied partner

Assertions	Means	Scale: 1-5 Standard deviations
V40 They have a good relationship with the contact personnel	3,56	1,18
V38 They have no other choice	3,38	1,58
V45 They are uncertain about the performance of a new partner	3,35	1,10
V41 The costs of changing supplier would be high	3,21	1,25
V43 They have a good relationship with the management	3,07	1,25
V39 They are emotionally attached to the company	2,72	1,22
V42 It is more convenient to stick with the current partner	2,56	1,31
V44 History of the relationship is binding	2,55	1,25

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