DETERMINANTS OF CUSTOMER LOYALTY. A THEORETICAL APPROACH
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Abstract
The purpose of the research is to investigate the determinants of customer loyalty.

The research objectives are: (1) to identify the factors that affect customer loyalty; (2) to identify the relations between the determinants of loyalty and loyalty construct.

We used an exploratory research based on a documentary study.

The main determinants of customer loyalty that are identified and studied in past researchers are: satisfaction, trust, commitment, involvement, perceived risk, switching costs and habit. All these factors are positive correlated with loyalty.

Keywords: customer loyalty, satisfaction, trust, habit, perceived risk, commitment, involvement

INTRODUCTION
The concept of loyalty became one of the most investigated concepts both in academic research and in business studies. Consumer behavior is subjective and unpredictable, so it is a real challenge to predict the most important factors that can convinced them to become loyal and to maintain this behavior. Over the time, managers understood the importance of loyal customers and begun to focus on customer relationship strategies in order to keep them loyal to their brands, stores, services or products. Loyal customers are more profitable on the long term and they can attract new clients for the company. In a competitive market, customer loyalty is a great durable competitive advantage that is difficult to be imitated by the other companies.

One of the most cited definitions of customer loyalty is the one presented by Oliver (1999): “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future […] despite situational influences and marketing efforts having the potential to cause switching behavior”. Loyalty is also conceptualized as a customer’s continued patronage (Ladhari et. all, 2011) or a behavioural response expressed over time (Dick and Basu, 1994). Customer loyalty is reflected not only by repeat purchases of the same brand over time, but also by preference for the brand and recommendation of the brand to others (Tam, 2012).

The concept of loyalty was analyzed from three perspectives: behavioral approach, attitudinal approach and a composite approach that combines both attitudinal and behavioral loyalty (Boora and Singh, 2011). Behavioral loyalty involves past and future customer actions (repeating the purchase) while attitudinal loyalty involves a psychological involvement: customers like the company or the brand, they are emotionally attached to them. The composite approach reflects both behavioral and attitudinal actions, the cognitive, the affective and behavioral factors affecting loyalty.

There are a lot of studies in marketing literature investigating loyalty for products – cosmetics, newspapers (Andreassen and Lindestad, 1998), books (Harris and Goode, 2004), clothes, electronic products (Torres-Moraga, et. all, 2008) and for services – airways companies, banks (Ball, et. all, 2006), hotels, traveling, hospitals (Han et. all, 2008), beauty halls (Han et. all, 2008), phone companies (Kuusik, 2007), insurance (Zeithaml, et. all, 1996), pharma (Gustafsson and Johnson, 2004), restaurants (McMullan and Gilmore, 2002).

Also, the researchers are focused on brand loyalty (Quester and, Lim, 2003; Suh and Yi, 2006; Jensen and Hansen, 2006), company loyalty (Taylor, et. all, 2004) or store loyalty (Too, et. all, 2001; Evanschitzky and Wunderlich, 2006).
The research on customer loyalty focused first on brand loyalty, the repeating purchase of a certain brand. This type of loyalty involves a psychological attachment while repeating a purchase could only mean just the frequent acquisition of the same brand. Most of the studies indicate that brand loyalty is “a phenomenon specific to products” (McDonald, 1993, p. 56).

The results of the studies focused on product loyalty cannot be extended on service loyalty. Service loyalty is more strongly connected to a system of interpersonal relations because the interactions between clients and sellers are an essential element in service marketing (Filip and Costantinescu, 2007, p. 102). Also, the level of perceived risk is higher for services than for products and customer loyalty can act like a barrier for switching the supplier.

Store loyalty is a complex phenomenon, involving decisions regarding: (1) the number of the visits in the store; (2) the amount spent for an acquisition; (3) the choice of the products. Choosing the store depends on the buying context (daily shopping, weekend shopping, special shopping, shopping for guests).

The goal of this research is to investigate the main determinants of customer loyalty, as they are presented in previous marketing research studies.

The research objectives are:

(1) to identify the factors that affect customer loyalty;

(2) to identify the relations between the determinants of loyalty and loyalty construct;

The research method is the documentary study, an exploratory research based on the study of the articles identified in the literature review.

1. CUSTOMER LOYALTY DETERMINANTS

Marketing literature identifies different loyalty determinants, explaining and investigating them from a theoretical and practical point of view. Loyalty dimensions can be divided in two different categories: perceptual factors (such as satisfaction and trust) and behavioral factors (such as the number of purchased articles). The study of Rai and Medha (2013) framed a classification of antecedents of customer loyalty: evaluative judgments (service quality, customer satisfaction), relational outcomes (trust, commitment) and company dynamics (corporative image, communication, switching costs).

Ball et. all (2004) present a classification of loyalty determinants:

(1) Characteristics of the environment – competition amenity, perceived switching costs, technological, legal, economical and natural changes;

(2) Client- company relation characteristics– flexibility, complaints solving, the duration of the relation;

(3) Consumer characteristics- his desire to maintain the relation with the company, involvement;

(4) Consumers’ perceptions about the company – satisfaction, trust, communication, brand image, the quality of the relation

Figure 1 presents the most important factors that influence loyalty, commonly investigated in marketing research literature, as we identified them in the documentary study.
2. SATISFACTION

The most common factor in loyalty models is customer satisfaction, an important step from spontaneous, casual buying to rational, planned and wittingly purchasing (Giese and Cote, 2000).

Satisfaction can be viewed both as an emotional or cognitive consumer’s response regarding his fulfillment level (Oliver, 1997). Satisfaction is a “global evaluation of one offer’s performance” (Johnson and Fornell, 1991, p. 268), an opinion that is build based on personal consumer’ experience with a product or a service.

Satisfaction manifestations are different from a person to another, from one product to another and the feeling of satisfaction depends on specific psychological and physical variables and it is correlated with different behaviors such as recommending the products or repeating the purchase. Satisfaction is a global construct, including the evaluation of the company, the situational elements, the product characteristics and the salesman (Alturas, 2003). In the specific case of direct selling, the seller has a great influence on the level of customer satisfaction, especially that this type of marketing refers to “obtaining orders and delivering products to the consumers, in other locations then the stores, during the transactions initiated by the salesman ” (Berry , 1997, p. 21). Also, the direct interaction between the client and the seller reduces the perceived risk during the purchasing experience (Alturas and Santos, 2009).

Satisfaction is also viewed as a result of comparing the expectation with the reality. Before making the purchase, the consumer’s mind creates some expectations regarding the performance he will receive (Datculescu, 2006). There are two types of expectations that consumers can manifest: normative expectations that precisely define the way a products must act and predictive expectations that refers to the effects consumer thinks he will fell using the product (Alturas, et. all, 2005). The theory argues the fact that when product performance doesn’t fit the expectations, the consumer will feel tension. In order to release this tension, he will adjust either his expectations or his perceptions on actual product performance (Peyton, et. all, 2003). The confirmation of customer expectations contributes to their loyalty for the company or for the brand. Positive disconfirmation is a strong step to loyalty whereas negative disconfirmation reduces the level of brand attachment and leads to brand switching (Iliescu and Petre, 2004).

The content customers are more willing to repeat the purchase, to recommend the others to buy the products (Reynolds and Arnold, 2000, p. 90) and are less interested in competitor’s offers.
to the market research studies for more industries, 98% of unsatisfied customers don’t make official complaints and they just change the company they work with. On the other hand, fully satisfied clients are six times more willing to repeat the purchase then the clients that declare they are almost satisfied with the offer they received (Galbreath and Rogers, 1999, p. 163).

Satisfaction is theoretical positive correlated with loyalty but this relation is difficult to prove because many satisfaction studies are based only on behavioral intention and not on the actual behavior (Mittal and Kamakura, 2001). Bamfo (2003) identifies a strong connection between dissatisfaction and lack of loyalty: disloyal customers were displeased with the company’s services and only a small percent of them would maintain a future relation with the company. There are studies that advocate the idea that in spite of the feeling of dissatisfaction, they continue to purchase products or services from the company due to habit, big switching costs or the belief that all the companies in that industry have the same level of performance (Buttle, 2001, p 218). There is also a clear positive relation between satisfaction and „mouth to mouth” recommendations, a loyalty effect and support for attracting new clients (Buttle, 2001, p 219).

Fornell (1992) considers that the most important variables in loyalty equation are satisfaction and switching barriers. “Switching barriers” is a moderator variable that characterizes the psychological phenomenon that stumble the consumer to use another different brand, even though he is not very satisfied with the actual brand he uses (Iliescu and Petre, 2004, p. 153). Examples of switching barriers are: costs for searching another solution, transactional costs, costs related with learning how to use a new product, habit, emotional and cognitive aspects (Fornell, 1992, p. 8).

Satisfaction is an evaluation of a past performance and doesn’t consider external factors, which means that satisfaction rather predicts intentions then loyalty expectations (Pirc, 2008, p. 39). Satisfaction reflects the qualitative nature of previous behavior as an evaluation of consumer experience, so it has both direct and indirect effect on purchasing intentions (Suh and Yi, 2006).

Many researches indicate a strong positive relation between loyalty and satisfaction (Tuu et.all, 2011). Customer satisfaction is appreciated as a key factor responsible for the long-term association between suppliers and buyers (Geyskens et. all, 1998) The study of Noordhoff et. all, (2004) showed that satisfaction is an important factor that affects customer loyalty.

Satisfied customers tend to be loyal with or without other mediating variables (Rowley, 2005). There are studies indicating that satisfied clients became disloyal (Musa, 2005). Hart and Johnson (1999) explain that the lack of faith in the company might be a possible cause of this behavior.

3. TRUST

A key factor for the success of relationship marketing is consumer trust in the seller (Too et. all, 2001, p. 293). Trust is “the belief that one part’s promise is serious and the other part fulfills his obligations in the selling relationship” (Schurr and Ozanne 1985, p. 940), “customers expectations regarding the suppliers’ validity, the assurance that the company will keep its promises” (Morgan and Hunt, 1994, p. 22), “a willingness to rely on an exchange partner in whom one has confidence” (Moorman et. all, 1992, 315). Morgan and Hunt (1994, p. 22) consider that trust is generated by sharing the same values between the seller and the buyer, by communication and the lack of opportunistic behavior. Trust represents faith in partner’s openness and truthfulness in business communication (Kumra and Mittal, 2004) and reflects the degree the involved parts can foretell each other’s behavior and are convinced that the other part will continue to behave as he promised (Zaltman and Moorman, 1988). Trust appears as an expectation of honest and cooperative behavior, based on common values shared in a community or a culture (Young and Albaum, 2003) and depends on the context a relation is developed. When customers are asked about the level of trust they feel regarding a company, usually they think about future events and the way the company will respect its promises or will solve the problems that might occur. Trust is an evaluation of future performance and includes factors that cannot be controlled by people. Trust is generated by the perception that the seller and/or the company are credible and honest (Morgan and Hunt 1994, p. 30).
There are studies that identify a difference between “to be worth one’s trust” (a belief) or “to be reliable” (this involves the desire of involvement by relying on a partner), two strong correlated aspects of trust (De Wulf, et. al., 2001, p. 36; Smith and Barclay, 1997, p. 4). Some definitions consider both of these aspects (Moorman et al., 1993, p. 85) while others claim that “to be worth one’s trust” is necessary and sufficient condition for manifesting trust (Anderson and Narus 1990, p. 43).

Trust is a positive determinant of loyalty, deeply investigated in the last years (Rai and Medha, 2013). Macintosh and Lockshin (1997) investigate the connection between the trust in the seller, the trust in the store and repeating the purchase. They identify a direct relation between trust and loyalty. On retail market, relations have multiple facets, for instance the level actions people-store and people-people. In case that there is no connection between the buyer and the seller, the trust in the store is the factor that indirectly leads to loyalty (Macintosh and Lockshin, 1997, p. 498).

Some researchers considered trust to be a better predictor of loyalty than satisfaction (Pirc, 2008, p. 40). There are authors suggesting that satisfaction and trust can be combined and compose one single construct that reflects cumulative evaluation made by the customer. Crosby et al., (1990) combined trust and satisfaction and generated a new latent construct measuring the quality of the relation. Garbarino and Johnson (1999) empirically proved that satisfaction and trust have a different impact on future buying intentions. The study of Ranaweera and Prabhu (2003) showed that even satisfied customers are hard to keep as clients if their level of trust in the company is rather small. Taking into consideration these aspects, it is clear that companies must develop global strategies to grow the level of client’s satisfaction and their trust.

Lau and Lee (1999) investigate the connection between brand trust and loyalty and they argue that the two variables are significant positive related. This relation is confirmed also by Chaudhuri and Holbrook (2001) both for attitudinal loyalty and behavioral loyalty. The study of Delgado and Munuera (2005) sustains the positive relation between satisfaction, brand trust and loyalty. Brand trust involves a great probability that the brand offers positive benefits to the consumer. It is an expectation based on the belief that the brand holds certain qualities that makes her competent, honest and caretaker. A reliable brand is a brand that keeps her promises through the way the products are developed, promoted and sold (Delgado-Ballester and Munuera-Alemán, 2005).

The case of direct selling is particularly interesting due to the very important part of the seller and because trust is a key ingredient of a good relationship between the seller and the buyer. The study of Young and Albaum (2003) show that trust is very important in direct selling and that this factor acts together with satisfaction in consolidating intentional and actual loyalty. The role of trust is that important in this case because the involved parts usually develop personal relationships, called “commercial friendships” (Luk, et. al, 1999).

4. INVOLVEMENT

Involvement is approached as the result of the “goodness relationship interactions” (Dwyer et. all, 1987, p.13) or as consumer desire to continue the relation with one retailer, his availability to make efforts to maintain the commercial connections (Moorman et. all, 1993; Morgan and Hunt 1994, p. 25). Lowenstein (1997, p. 34) introduces the concept of commitment in the relational paradigm and identifies companies that base on commitment in their relations with the customers. There are companies applying a proactive approach to create value for the customers and to manage loyalty by identifying specific strategies to build commitment and by a permanent focus on anticipating and fulfill clients needs (Too et. all, 2001, p. 292).

While involvement is specific to a relation with one company, loyalty aligns attitudes and behaviors connected with the company or the brands (Too et. all, 2001, p. 296). Gundlach (1995) identifies three components of involvement: (1) instrumental component, when one of the involved parts initiates actions in order to prove the commitment; (2) attitudinal component, where one part’s intentions to maintain the relation are revealed; (3) temporal component, in which the involvement is manifested during time. The higher the level of mutual involvement is, the greater the level of customer loyalty is
Involvement is a factor that is mostly included in loyalty models for companies’ services.

5. COMMITMENT

Commitment represents a psychological state where a client has plans to continue the relationship with his existing supplier (Morgan and Hunt, 1994) and is a significant factor that affects customer’s loyalty (Rai and Medha, 2013).

Dick and Basu (1994) presents two types of commitment, as factors affecting loyalty: (a) affective commitment, referring to the fact that customers like to maintain a relation with a supplier; (b) calculative commitment, describing customers’ necessity to maintain the commercial relation. Trust has a more powerful impact on affective commitment than on calculative commitment. In marketing theory, affective, emotional commitment is defined as customers’ pleasure to buy from a certain company, to belong to company’s partners group (Sui and Baloglu, 2003). There are studies indicating a positive relation between commitment and behavioral loyalty effects: repeating the purchase, recommendations, cooperation (Morgan and Hunt, 1994).

6. SWITCHING COSTS

Switch costs are connected to the replacement of the actual supplier or to the barriers build to retain clients (Dick and Basu, 1994) and have a positive influence on loyalty (Jones et al., 2000). They are defined as “the perception about time costs and efforts associated with changing one company with a competitor one” (Sui and Baloglu, 2003, p. 473). In marketing literature, there are presented different aspects of this determinant: procedural, psychological, financial, relational and legal forms. In the study of Barroso and Picón (2012), the dimensions of switching costs were identified: economic risk costs, monetary loss costs, benefits loss costs, personal relationships loss costs, cost of searching evaluation and set-up costs.

In the conceptual models, switch costs or the motivations based on constrains are directly correlated with involvement and behavioral loyalty (Dick and Basu, 1994).

7. PERCEIVED RISK

Any action of the consumer generates consequences that can not be exactly anticipated. The level of risk depends on the dimensions of the incertitude and of the buying effects. Perceived risk represents consumers’ perceptions of uncertainty and adverse consequence of buying a service (Dowling and Staelin, 1994).

More types of losses associated with risk are mentioned in the research literature: financial (losing or wasting income), performance (does not meet the need), social (image issues, status issues), physical (injury or health risk), and psychological (emotional, affective) losses (Jacoby and Kaplan, 1972; Tuu et al., 2011). Perceived risk is also approached as a “sum of the products of subjective probability of negative consequences by the judged importance of corresponding negative consequences” (Tuu et al., 2011, p. 365; Goodwin, 2009). The level of consumers’ perceived risk may depend on their knowledge, past experiences and acceptable risk level (Dowling and Staelin, 1994). In the study of Tuu et al. (2011), the construct of perceived risk is measured using as dimensions: health, performance, psychological and financial elements. Their research confirmed the hypothesis that perceived risk has a negative moderating effect on the satisfaction-loyalty relation. In other words, a higher perceived risk reduces the level of customer loyalty. Tam (2012) confirmed that perceived risk moderates the effect of satisfaction on loyalty. The effect of customer satisfaction on loyalty is stronger under high perceived risk conditions than under low perceived risk conditions.
8. HABIT

The force of habit dictates a part of behavioral intentions, from the moment people have gained some experience in buying or consuming products or services (Lin, 2007). Previous research indicated that habit generates the reiteration of the same type of behavior (Gefen, 2003). The study of Lin (2007) indicates the fact that once a behavior became a habit, it converts into an automatism. According to Beatty and Smith (1987), 40%-60% of the consumers buy from the same store because they are used to do this. The attitude theory claims that behavioral intentions are the result of attitude, social norms and habit. There are studies suggesting that the impact of habit is more significant than the one of attitude and social norms (Trafimow, 2000). The study of Lin (2007) confirms the hypothesis that habit has a positive effect on customer loyalty.

In spite of many studies focused on loyalty determinants, there is still no a deeply understanding of the way the antecedents influence loyalty and of the main loyalty determinants the managers should focus on (Pirc, 2008, p. 37) in order to manage strong and efficient customer relationships strategies.

CONCLUSIONS

The main determinants of customer loyalty that are identified and studied in past researchers are: satisfaction, trust, commitment, involvement, perceived risk, switch costs and habit. All these factors are positive correlated with loyalty. Identifying and analyzing factors affecting loyalty is a very important step for every company that implements customer relationship management strategies and loyalty programs, no matter what industry they work in. Using the results of this documentary research, managers can gain a better perspective of the importance of loyalty determinants. Knowing and understanding the factors with the greater impact on customer loyalty, the sellers can adjust their relational programs, for every target group or marketing segment.

Loyalty determinants and their effect on loyalty construct are different in each field, that is why a deeply investigating must be done for each industry. Many researchers argue the importance of satisfaction in generating loyalty but it is also necessary to include other variables in loyalty models, other determinants of loyalty, besides satisfaction, in order to understand the barriers and the arguments to explain loyalty.

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