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To be or not to be (loyal): Is there a recipe for customer loyalty in the B2B context?☆

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ABSTRACT

The article investigates how firms can achieve high levels of customer loyalty under different configurations of perceived switching costs, returns management, customer value, and customer satisfaction.

In order to better explain the sources of customer loyalty within the B2B context, researchers have already introduced various antecedents and developed several models, however past studies concentrated exclusively on the main 'net effects' of these antecedents. Because of the complex reality in which the phenomena of interest manifests itself, complexity theory tenets can provide a more accurate understanding of what generates customer loyalty. Applying this theory, the current article seeks to determine all the possible "recipes" that build strong customer loyalty in the B2B context.

To address this research question the study employed qualitative comparative analysis (QCA) which assumes that the influence of attributes on a specific outcome (customer loyalty in a B2B context) depends on how the attributes are combined.

Future research can consider other possible combinations and explore how the impact of these antecedents on customer loyalty changes when other variables are considered.

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1. Introduction

Business scholars have long proposed that firms with a good understanding of the sources of customer loyalty can gain market advantages (Nathanson & Twitmyer, 1934; Wind, 1970; Womer, 1944) such as increased revenues, lower costs, and increased profitability, to name a few (Lam, Shankar, Erramilli, & Murthy, 2004; Rauyruen & Miller, 2007). Successful firms have realized the importance of customer loyalty, and are investing significant resources toward customer retention. However, customer loyalty can be elusive to understand and create. For example, a recent Bain & Company survey of executive-level managers in business-to-business (B2B) industries throughout 11 countries shows that 68% of respondents believe customers are less loyal than they used to be. Moreover, the same survey reveals that earning loyalty in B2B markets poses unique challenges, often involving complex channel structures, concentrated buyer communities or large accounts, and continuous shifting of perceived value (Michels & Dullweber, 2014). Achieving customer loyalty seems to increasingly require tailored solutions. This highlights the challenges that even top firms have when trying to determine the best "recipe" for customer loyalty.

In order to better explain the sources of customer loyalty within the B2B context, researchers have introduced various antecedents and developed several models. For example, Blocker, Flint, Myers, and Slater (2011) and Blocker (2011) explore the intricate relationship between customer value, customer satisfaction and customer loyalty. Similarly, Lam et al. (2004) and Picón, Castro, and Roldán (2014) investigate the relationship between these variables and perceived switching costs. In addition, the link between customer satisfaction and loyalty is highly variable depending on the industry, the nature of the variables, and the presence of several factors (Kumar, Dalla Pozza, & Ganesh, 2013). The supply chain management literature has also provided evidence that in a B2B context, service attributes such as having a robust product returns management process can play an important role in predicting customer loyalty (Manuj, Esper, & Stank, 2014; Mollenkopf, Rabinovich, Laseter, & Boyer, 2007).

Although the extant literature helps identify various predictors of customer loyalty, past studies concentrate exclusively on the 'net effects' of these antecedents. Yet, there are theoretical reasons to suggest that these effects may be more complicated than they first appear. According to complexity theory, in the real world "Relationships between variables can be non-linear, with abrupt switches occurring, so the same 'cause' can, in specific circumstances, produce different effects" (Urry, 2005, p. 4). Because of the complex reality in which the phenomena of interest manifests itself, complexity theory tenets can help provide a more accurate understanding of what generates customer loyalty. As such, instead

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of analyzing the main effects of certain predictors, the current article seeks to determine configurations (i.e., combinations of antecedents) that help explain customer loyalty in the B2B context.

In line with this theorizing, we investigate how firms participating in B2B markets can achieve high levels of customer loyalty under different configurations of perceived switching costs, returns management, customer value, and customer satisfaction. Specifically, the following question is put forth: What configurations of perceived switching costs, returns management, customer value, and customer satisfaction lead to high customer loyalty? In order to address this research question we employ qualitative comparative analysis (QCA) (Chang, Tseng, & Woodside, 2013; Wu, Yeh, & Woodside, 2014). This method uses Boolean algebra rules to identify which of the attributes combinations, if any, act as sufficient or necessary conditions for the outcome (Fiss, 2007). The QCA method assumes that the influence of attributes on a specific outcome (customer loyalty in a B2B context) depends on how the attributes are combined.

2. Applying complexity theory to customer loyalty within the B2B context

Complexity theory provides a useful theoretical lens for exploring the relationships among the variables of interest. This theory can better drive data analysis because it guides the investigator to account for contrarian cases and go beyond simply pointing out the main effects observed in multiple regression analysis (MRA). Contrarian case analysis indicate that although the data might provide adequate statistical support that X is positively associated with Y, the same data set can include cases of high X and low Y and cases of low X and high Y. As such, complexity theory helps researchers move beyond the dominant approach of using MRA to examine net effects and interaction terms. Accounting for contrarian cases can provide novel and insightful perspectives on the relationships between the variables of interest (Woodside, 2014). The tenets of complexity theory and QCA indicate that multiple possible paths can lead to the same outcome. Different combinations of indicators can help predict an outcome variable, but no combination alone is sufficient for accurately predicting customers' behavior (Wu et al., 2014). The use of asymmetric tools in theory construction and testing allow researchers to create formal, accurate and useful models in B2B marketing (Woodside, 2015).

Popular discussions of complexity theory provide that, “if a system passes a particular threshold with minor changes in the controlling variables, switches occur such that a liquid turns into gas, a large number of apathetic people suddenly tip into a forceful movement for change” (Gladwell, 2002). Such tipping points give rise to unexpected structures and events (Urry, 2005, p.5). This highlights the complexity of the relationship between an antecedent and an outcome variable, and the possibility that the relationship would change based on different configurations. This perspective is supported by the network theory, which is part of complexity theory (Gummesson, 2008). A network is made up of modes (e.g., individuals, firms) and relationships and interaction among the modes. Within a network, numerous variables interact without the constraint of limited unique situations, change is ordinary, and processes are not linear but iterative (Woodside, 2014). Thus, complexity theory provides a more robust tool for assessing customer behavior by accounting for the dynamic and complex relationships among the variables under investigation. Next, we introduce and describe the variables of interest in our model.

3. A configuration model of customer loyalty using perceived switching costs, returns management, customer value, and customer satisfaction

We define B2B customer loyalty consistent with prior literature, as a buyer's intent to repurchase from a given supplier (Oliver, 1999). Operationalized this way, customer loyalty has been previously linked to switching costs (Chebat, Davidow, & Borges, 2011; Lam et al., 2004; Picón et al., 2014). Switching costs represent those costs involved in changing from one supplier to another (Heide & Weiss, 1995), and have traditionally entailed both monetary and non-monetary costs (Dick & Basu, 1994). B2B buyers follow rational buying criteria and have lower commitment to a supplier. B2B buyers also typically invest more in a relationship that lasts longer, which leads to higher switching costs and lower switching rates (Pick & Eisend, 2014). As a result, positive switching costs are foregone benefits from the current relationship when switching to a new supplier, whereas negative switching costs denote actual losses associated with the switching process (Nagengast, Evanschitzky, Blut, & Rudolph, 2014).

Switching costs can also include loyalty benefits that a customer no longer enjoys when the relationship with the service provider is interrupted. When transaction-specific investments have been made in a buyer–supplier relationship, customers are motivated to stay in a relationship to avoid incurring switching costs (Lam et al., 2004; Pick & Eisend, 2014; Picón et al., 2014). When a customer is dissatisfied with the products or services received it would need to establish a new relationship, which would require an investment of time, effort, and money. These required investments constitute a barrier to moving to another supplier. Research has consistently positioned switching costs as a powerful mechanism for influencing customers' actions by deterring them from changing to another supplier (Klemperer, 1995) and encouraging repeat purchase behavior (Weiss & Heide, 1993). Lam et al. (2004) found empirical evidence that switching costs have a positive effect on customer loyalty. Blut, Beatty, Evanschitzky, and Brock (2014) augment prior research that suggests that switching costs represent a viable strategy for retaining customers. Moreover, their findings indicate a stronger effect of switching costs on customer loyalty compared to the findings of Pick and Eisend (2014). However, any single ingredient is insufficient to fully explain the final outcome. For example, switching costs may prevent a customer from switching when satisfaction and customer value are low, so they could be less important for customer loyalty at high levels of satisfaction and value.

In order to enlarge the spectrum of variables that impact customer loyalty, we also examine the role of returns management. Research has increasingly recognized returns management as a strategically important firm process related to loyalty (Griffis, Rao, Goldsby, & Niranjan, 2012; Petersen & Kumar, 2009). Mollenkopf, Frankel, and Russo (2011) found that return policy can affect marketing and operations, enhance customer value and increase supply chain efficiencies. Returns management is a cross-functional and cross-organizational supply chain management process which includes activities such as return organization, reverse logistics, gatekeeping, avoidance, product recovery, disposition and processing, and crediting. At an operational level it involves the physical flow of product, information and finances, while at a strategic level it entails establishing policies, processes and structures to handle these activities (Rogers, Lambert, Croxton, & García-Dastugue, 2002). Moreover managing return product flow is becoming progressively more important to the success of supply chain firms due to high volume of returned products, their value to customers, and the signaling effects of quality such programs implicitly suggest (Huscroft, Hazen, Hall, Skipper, & Hanna, 2013). Although returns management can entail significant operational challenges and high cost, it also represents an often-missed opportunity to manage customer relationships and strengthen customer loyalty (Mollenkopf et al., 2007).

Developing a competency in handling product returns can be an important part of a firm's supply chain strategy and can help transform returns into a profit center just because through improved returns management suppliers can better address customer complaints (Jayaraman & Luo, 2007; Rao, Rabinovich, & Raju, 2014). In industrial marketing there are few studies focusing on the impact of complaint handling when managing product returns. In addition,

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