



# Competitiveness vis-à-vis service quality as drivers of customer loyalty mediated by perceptions of regulation and stability in steady and volatile markets



Chris Baumann<sup>a,b,\*</sup>, Susan Hoadley<sup>c</sup>, Hamin Hamin<sup>d</sup>, Albert Nugraha<sup>e</sup>

<sup>a</sup> Macquarie University, Sydney, Australia

<sup>b</sup> Seoul National University (SNU), Seoul, Korea

<sup>c</sup> University of Technology, Sydney, Australia

<sup>d</sup> Krida Wacana Christian University, Jakarta, Indonesia

<sup>e</sup> Satya Wacana Christian University, Salatiga, Indonesia

## ARTICLE INFO

### Keywords:

Customer loyalty  
Competitiveness  
Competitive productivity  
Service Quality  
Regulation  
Risk

## ABSTRACT

The purpose of this research is to investigate predictors of customer loyalty in order to identify alternatives to customer satisfaction with service quality, which has been traditionally accepted as the primary predictor of customer loyalty, particularly for services. A stratified sample of bank customers was surveyed to collect information on customer perceptions and behaviors in relation to satisfaction with service quality, competitiveness, risk, regulation, stability and loyalty. Partial least squares path modelling (PLSPM) was applied to develop loyalty models for a steady market (Australia) and a volatile market (Greece). This study's empirical findings support theoretical arguments for the inclusion of customer perceptions of competitiveness in loyalty modelling. Perceptions of regulation and stability intervene in the relationship between drivers of loyalty and loyalty itself. For bankers, the study emphasizes the need to move away from customer satisfaction with service quality to explain customer loyalty, towards focusing efforts on achieving relative superiority in competitiveness, namely competitive productivity and products. Profiling customers based on their perceptions of a bank's competitiveness can provide additional explanatory power beyond traditional satisfaction based loyalty models. Services marketing has focused on the service components, and there is no doubt about its crucial role. But given this focus, other factors, such as the actual product component, have been somewhat overlooked in services research. The study makes a unique contribution to understanding and modelling customer loyalty by demonstrating the importance of the inclusion of customer perceptions of other factors as appropriate to market conditions.

## 1. Introduction

The evolution of customer loyalty in terms of how it is predicted and explained has received massive attention in the marketing literature. The focus in explaining loyalty has been on customer demographics, such as age, gender or cultural background, and customer satisfaction, specifically with service quality (Baumann, Burton, Elliott and Kehr, 2007) measured by the SERVQUAL scale (Parasuraman et al., 1991). As a result, the literature is rather 'stuck' in the traditional 'satisfaction leads to loyalty' narrative. However, Kumar et al. (2013) conclude in their literature review of customer loyalty research that many research papers demonstrate that the effect of satisfaction on loyalty is in fact weak, suggesting an exploration into new drivers of loyalty. Further, the services marketing literature has given only minimal attention to

the complexity of the often non-linear relationship (Baumann et al., 2012b) between satisfaction and loyalty; a relationship that also suggests that satisfaction alone cannot fully explain loyalty. For example, in the airline industry, low cost carriers typically have very low satisfaction levels, but repeat purchasing is astonishingly high. At the same time, for full service airlines, satisfaction levels are much higher but these carriers are losing market share.

Such complexity in consumer behavior is not well understood, and we want to shed light on this phenomenon and explore the explanatory potential of factors beyond customer satisfaction with service quality. We argue that customer satisfaction with service quality as measured by SERVQUAL is not a sufficient predictor of customer loyalty because satisfaction with service quality is considered in isolation, as if other factors, such as competitiveness, do not exist (Baumann et al., 2016).

\* Corresponding author at: Associate Professor in Business, Dr Ch. Baumann, Faculty of Business and Economics, Macquarie University, Sydney, Australia.  
E-mail address: [chris.baumann@mq.edu.au](mailto:chris.baumann@mq.edu.au) (C. Baumann).

In extending the modelling of customer loyalty to include competitiveness, this study for the first time combines two separate streams of business literature: the measurement and prediction of customer loyalty from the marketing literature and the Harvard based Porter school of competitive advantage from the business literature (Porter, 1985).

Whilst we primarily examine the association between customer perceptions of competitiveness and customer loyalty, we also explore other factors that have been overlooked in the literature, despite the fact that they have been found to add explanatory power in previous loyalty research (Baumann et al., 2012b). Specifically, we examine the role of customer perceptions of risk, regulation and stability to further explain customer loyalty in the context of retail banking and financial services. By utilizing separate samples of Australian and Greek respondents, we compare the effects of perceptions of these factors in steady and volatile markets to provide an understanding of the role that actual market volatility plays in influencing customer loyalty in this context. These markets were chosen because of the Australian market's demonstrated stability in its resilience to the Global Financial Crisis (GFC) and Greece is a market characterized by high volatility similarly magnified in the GFC (Baumann and Valentine, 2010). The data consist of a stratified sample of bank customers from each market. Given the sample size is 97 from Australia and 109 from Greece the modelling applies Partial Least Squares (PLS) following Helm, Eggert and Garnefeld (2009).

Our approach is based on seminal work on customer loyalty measurement that utilizes both current behavioral loyalty and future intentions (e.g. Baumann et al., 2007, Baumann et al., 2011). In terms of predictors, for customer satisfaction with service quality we use the classic SERVQUAL scale as originally introduced by Parasuraman and his colleagues (see, e.g. Parasuraman et al., 1991). For competitiveness predictors, we distil the competitiveness concept into two distinct dimensions, the first being the newly introduced competitive productivity paradigm (Baumann and Pintado, 2013) evaluated through customer judgment of firm performance in the key areas of competitiveness and the second being the price point competitiveness represented by competitive products offered by service providers (Edvardsson et al., 2000). We also test perceived risk of the firm's bankruptcy as a predictor of customer loyalty. In addition, we explore the role perceptions of regulation and stability at industry and country level (Northcott, 2004). Our work offers a new perspective in researching and achieving customer loyalty by understanding the interplay between service quality, competitiveness and other factors and how this interplay varies depending on whether the market is steady or volatile.

In the literature review following this section, we summarise the historical trajectory of customer loyalty modelling, including the origins and use of SERVQUAL. We also present evidence from the literature to support the inclusion of other factors in loyalty modelling, particularly competitiveness, leading to the presentation of the hypothetical model and hypotheses for this study. Subsequent sections describe and present our methodology and results. The final two sections of the paper discuss the extent to which the hypotheses are supported, including variations between the two markets, and draw some final overall conclusions, particularly in relation to future research and business practice.

## 2. Literature review

Customer loyalty theory has developed over many years of researching consumer behavior such as shopping habits or tenure for services. The theory endeavors to determine what drives loyalty in customers. If predictors of loyalty are well understood, this can be a powerful tool for establishing and maintaining customers. While the

common practice is to measure consumer perspectives of service and product quality as predictors of customer loyalty, few studies have empirically examined perceptions of performance *relative* to competitors. Thus whilst, the marketing literature implies there is a link between competitiveness and customer loyalty, it does not generally provide empirical evidence. In addition, other contextual factors have been overlooked in the literature, despite the fact that they have been found to add explanatory power in previous loyalty research (Baumann et al., 2012b, 2012a). In the following sections, we review the literature on conceptualization and measurement of customer loyalty, potential drivers of customer loyalty, as well as the role of perceptions of regulation and stability as potential mediators in the formation of customer loyalty.

### 2.1. Customer loyalty

The marketing literature has come to conceptualize measures of customer loyalty as either behavioral or attitudinal (Dick and Basu, 1994; Oliver, 1999). These two dimensions of loyalty were first introduced by Day (1969), who recognized that purchase patterns (behavioral loyalty) cannot distinguish between true loyalty and spurious loyalty resulting from lack of choices or mere convenience. What seems to have emerged from this debate within the literature is that both behavioral and attitudinal measures of loyalty are valuable and pertinent. Recent studies use both attitudinal and behavioral measures to successfully extract meaningful indicators of customer loyalty (Baumann et al., 2007; Kassim and Abdullah, 2010; McMullan, 2005). A new perspective has been offered by conceptualizing these two dimensions of loyalty as current behavioral loyalty and future intentions (Baumann et al., 2011) and this study follows this approach. For the purpose of this paper, the two dimensions of loyalty are modelled independent of one another, because the aim is to probe the effects of the predictors on the two dimensions separately (Raza et al., 2012; Um et al., 2006; Zeithaml et al., 1996).

#### 2.1.1. Behavioral loyalty

The concept of behavioral loyalty primarily refers to continuous, repeat purchases by a customer (Dick and Basu, 1994). However, some authors have found that behavioral loyalty has additional measures; for example, Kumar et al. (2013) include relationship duration, cross-buying, word of mouth (WOM) and share of wallet (SOW). SOW is often used as a measure of current behavioral loyalty in the retail banking literature and Keiningham et al. (2007) define SOW for the banking industry as the stated percentage of the customer's total assets held by the bank. Baumann et al. (2005) first used SOW as a measure of behavioral loyalty while exploring the predictors of behavioral loyalty and behavioral intentions. Cooil et al. (2007), Foscht et al. (2009), Baumann et al. (2012a) and Hamin et al. (2016) follow Baumann et al.'s (2005) use of SOW to measure behavioral loyalty in retail banking. Overall, SOW is a widely proven and accepted measure of behavioral loyalty. For behavioral loyalty in this study, we use percentage SOW measured separately for assets (savings account, mutual funds etc.) and debts (credit card, mortgage, loans etc.) and hypothesize that this will be a dependent variable affected by the factors we are investigating.

#### 2.1.2. Future intentions

Reichheld (2003) states that customers' future intentions in relation to repurchasing are effective predictors of customer loyalty and growth. Other literature has recognized customers' future intentions, in terms of the likelihood to recommend or repurchase, as a form of attitudinal loyalty (Agustin and Singh, 2005; Cronin et al., 2000; Anderson and Sullivan, 1993). In this study, for future intentions we

Download English Version:

<https://daneshyari.com/en/article/5111295>

Download Persian Version:

<https://daneshyari.com/article/5111295>

[Daneshyari.com](https://daneshyari.com)