Creating Ultimate Customer Loyalty Through Loyalty Conviction and Customer-Company Identification

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Abstract

Why do customers' attitudinal loyalty fail to predict their behavior? More importantly, what creates such latent loyalty? We attempt to answer these questions by examining the antecedents and outcomes of loyalty conviction, which represents the inherent strength/uncertainty in a customer's attitudinal loyalty. For deep attitudinal loyalty (i.e., conative loyalty), the findings suggest that customer satisfaction creates loyalty held without conviction. In contrast, customer-company identification creates loyalty held with conviction. Importantly, attitudinal loyalty without conviction loses its ability to predict behavior when situational and competitive barriers are present whereas loyalty with conviction maintains a predictive relationship with behavior despite the same barriers.
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"*The sobering reality is that 'tried and true' strategies for customer acquisition, loyalty and retention are struggling to keep pace with consumers who are perpetually in motion, more technologically savvy than ever and increasingly unpredictable.*" *Robert Wallon, Global Managing Director, Accenture Sales and Service* (Smith 2012)

Introduction

Customer loyalty is a cornerstone of many well-known marketing models such as the service-profit chain (Anderson and Mittal 2000), customer equity (Rust, Zeithaml, and Lemon 2000), service recovery (Orsingher, Valentini, and de Angelis 2010), and brand equity (Yoo and Donthu 2001). In fact, reviewing research in the *Journal of Retailing* alone reveals that nearly 40 articles have been published on loyalty in the last decade. Yet, as the epigraph exemplifies, customer loyalty is on the decline despite the attention of marketers and prevalence of loyalty programs. Some have blamed the most recent recession while others blame smartphones (Krasny 2011). Even if this blame is well placed, two questions remain: (1) what kind of loyalty is so easily disrupted and (2) what creates such loyalty?

An answer to the first question is latent loyalty, understood as when a customer's psychological (also referred to as attitudinal) loyalty does not translate into loyalty behaviors (Dick and Basu 1994; Ngobo 2017). Latent loyalty is a recognized problem in customer retention strategies. For example, Reichheld (2003) notes that many defecting customers are in fact satisfied. Moving beyond satisfaction, Gupta and Zeithaml's (2006) review of customer metrics suggests customer loyalty intentions often do not predict actual behavior. Importantly, latent loyalty is "a serious concern to marketers" (Dick and Basu 1994, p. 102) because creating an even more favorable attitude may be very "expensive and unlikely to ensure loyalty behaviors." Thus, a potentially rewarding endeavor is to understand what leads to latent loyalty or, conversely, what creates true loyalty, where attitudes translate into behavior even in the presence of situational, competitive, and financial barriers (Bove and Johnson 2009; Ngobo 2017).

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The objective of the current research is to develop and test a framework that predicts the creation of true versus latent loyalty. This objective is accomplished by conceptualizing attitudinal loyalty as a construct held with different levels of conviction (i.e., strength). Consistent with literature suggesting that the conviction of an evaluation attenuates the effect of that evaluation on behavioral outcomes (Chandrashekaran, Rotte, and Grewal 2005), we find that attitudinal loyalty with and without conviction acts as a form of true and latent loyalty. As such, a deeper understanding of loyalty can be obtained by examining what creates loyalty with or without conviction.

To understand how latent and true loyalty are created, two customer-based constructs are examined for their effect on loyalty conviction, satisfaction and customer-company identification (CCI, i.e., "a psychological sense of oneness with an organization", Bhattacharya and Sen 2003, p. 77). While attitudinal loyalty has a rich array of antecedents (Toufaily, Ricard, and Perrien 2013; Watson et al. 2015), scholars deem satisfaction and CCI as "two of the most important relationship constructs" (Haumann et al. 2014, p. 95). In addition, a growing number of scholars' voice concern with considering customer satisfaction as the sole or primary determinant of loyalty (Agustin and Singh 2005; Garbarino and Johnson 1999). In agreement with this concern, the scant research comparing satisfaction and CCI reveal that the positive effects of satisfaction dissipate sooner than those of CCI (Haumann et al. 2014; Huang and Cheng 2016). Importantly, in our investigation we control for trust, a key driver of attitudinal loyalty (Agustin and Singh 2005; Watson et al. 2015), and after doing so, we continue to find effects of satisfaction and CCI on the magnitude and conviction of customers' attitudinal loyalty.

The current research suggests that though satisfaction is sufficient for creating cognitive loyalty with conviction, it is insufficient for creating conative loyalty with conviction, which is the best predictor of continuous behavior in the presence of barriers-to-purchase. In contrast, CCI fosters conative loyalty with conviction. Thus, as shown in Fig. 1, companies attempting to create "ultimate" loyalty, in which customers pursue a company "against all odds and at all costs", must not only satisfy customers but also engender CCI (Oliver 1999, p. 35).

Conceptual Development

Defining Customer Satisfaction, CCI, Customer Loyalty, and Conviction

Customer Satisfaction

The type of satisfaction currently considered is cumulative satisfaction (Oliver 2009), which we formally define as a customer's "stored evaluation of his or her purchase and consumption experience to date with a product or service provider" (Olsen and Johnson 2003, p. 187). This form of satisfaction, also referred to as global or summary satisfaction, is not the same as transaction-specific satisfaction, which represents a pleasurable fulfillment response to a specific consumption experience. Instead, cumulative satisfaction represents a customer's perception of the accumulated "samplings of the same [consumption]

experience" (Oliver 2009, p. 10). We focus on cumulative satisfaction because loyalty is a cumulative evaluation across a customer's transaction history with an organization. Thus, attitudinal loyalty and cumulative satisfaction are at the same level of abstraction (Olsen and Johnson 2003).

Customer-Company Identification

Customer-company identification derives from research on the psychology of group formation (Bhattacharya and Sen 2003; Lam 2012). The underlying theory, the social identity perspective, suggests people identify with a group to increase their self-esteem and reduce social uncertainty by allowing that group to become self-defining (Hornsey 2008). Identification in a customer-context exists when a customer recognizes that a company represents one or many parts of their own identity and can be used to satisfy self-motives (e.g., self-expression). Though some research conceptualizes identity as having multiple dimensions, varied definitions and measures are used resulting in no clear consensus as to which is more appropriate (Lam 2012). Thus, the current research primarily focuses on identity's role as a cognitive construct (although this view is expanded in Study 2). Following this approach, which is common in CCI research, identification is defined as the extent to which a customer perceives overlap between his or her identity and an organization's identity (Bhattacharya and Sen 2003; Brown et al. 2005; Einwiller et al. 2006; Netemeyer, Heilman, and Maxham 2012).

Customer Loyalty

Customer loyalty comprises attitude and behavior components (Dick and Basu 1994; Oliver 1999). As a behavior, loyalty refers to ongoing behavioral actions towards the object of interest. Loyalty as attitude represents a predisposition to engage in behaviors based on favorable evaluations of the loyalty object (Oliver 1999). The attitude component transitions through a series of cognitive and affective states ending in a conative state as a "deeply held commitment to rebuy or repatronize a preferred product/service consistently" (Han, Kwortnik, and Wang 2008; Oliver 1999, p. 34). We primarily focus on this last state because it is what companies desire when loyalty is a marketing goal. For a more complete picture, though, we also examine cognitive loyalty in Study 2, which is of a "shallow nature" based on "attribute performance" and the preference of a brand or company "to its alternatives" (Oliver 1999, p. 35). Interestingly, even conative loyalty, which is akin to a "good intention", does not necessarily mean situational influences and marketing efforts that cause switching behavior are resisted (Oliver 1999, p. 35). Thus, if sufficient barriers to purchase are present, a customer's behavior is seemingly unpredictable no matter the type of attitudinal loyalty.

Conviction in Attitudinal Loyalty

A reason why many customer judgments do not translate into behavior is because the judgment is weakly held (Bassili 2008; Chandrashekaran, Rotte, and Grewal 2005). In other words, judgments can be held at different levels of strength or con-