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Original Article

Proposal and validation of a theoretical model of customer retention determinants in a service environment

Proposição e Validação de um Modelo Teórico de Determinantes da Retenção de Clientes em um Ambiente de Serviços

Giancarlo Dal Bó*, Gabriel Sperandio Milan, Deonir De Toni

Universidade de Caxias do Sul, Caxias do Sul, RS, Brazil

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Abstract

Customer retention is an imperative for competitiveness within organizations, with important reflexes in their profitability and income. Although studies of customer retention determinants have been conducted for at least three decades, the constructs employed in the elaboration of the models have gone through few changes throughout this time. In this sense, a new Theoretical Model has been developed and tested. Such model contemplates the constructs of Value Proposition, Operand Resources, Operant Resources, Value Facilitation, Value Co-creation and Value in use as determinants in the Customer Retention. The study was conducted via a survey, with a pooling of 273 clients of a banking institution. The result analysis used the Modeling of Structural Equation to analyze and understand the relations which make up the proposed Theoretical Model. The results show that the proposed Theoretical Model has shown satisfactory adjustment indexes, taking into account their originality.

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Keywords: Proposition; Resources; Value; Co-creation; Retention

Resumo

A retenção de clientes é um imperativo para a competitividade das organizações, com reflexos importantes em sua lucratividade e rentabilidade. Embora estudos relacionados aos determinantes da retenção de clientes venham sendo realizados há pelo menos três décadas, os construtos utilizados na elaboração dos modelos teóricos analisados sofreram poucas alterações ao longo deste período. Neste sentido, foi desenvolvido e testado um Modelo Teórico que contempla os construtos Proposição de Valor, Recursos Operados, Recursos Operantes, Facilitação de Valor, Cocriação de Valor e Valor de Uso como determinantes da Retenção de Clientes. O estudo foi conduzido por meio de uma *survey*, realizada junto a uma amostra de 273 clientes de uma instituição financeira (Banco). A análise dos resultados utilizou a Modelagem de Equações Estruturais para analisar e compreender as relações que compõem o Modelo Teórico proposto. Os resultados apontaram que o Modelo Teórico proposto apresentou índices de ajuste satisfatórios, considerando sua originalidade.

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Palavras-chave: Proposição; Recursos; Valor; Cocriação; Retenção

* Corresponding author.

E-mail: gdbol@ucs.br (G. Dal Bó).

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Introduction

Clients are vital to any organization, for, without them, there are no revenues, profit, profitability or market value (Gupta & Zeithaml, 2006). Logically, commercial relationships may vary in their intensity (Gremler & Gwinner, 2015, chap. 3) and have a positive repercussion in customer retention (Lin & Wu, 2011; Wu, 2011). However, clients will only establish a relationship with a specific supplier when they experience a sense of identity and perceive value in the relationship (Nikhashemi, Paim, Haque, Khatibi, & Tarofder, 2013). In the specific case of financial institutions, clients, in general, make a commitment in establishing, developing and keeping relationships with banks that offer higher value benefits, originating precisely from the continuity of the existing relationship (Liu, 2006).

Evidences suggest that the assessment clients make about the relationship value, as well as the following decision of keeping the service provider, is critically influenced by the dynamic of service experiences with said company (Bolton, Lemon, & Bramlett, 2006; Gupta & Zeithaml, 2006). Therefore, it is essential for companies to know in what way a service may be managed throughout time, so as to garner the highest possible value from each relationship with the clients (Aflaki & Popescu, 2013) and transform them into better outcomes for both parties (Kumar & Shah, 2015).

It follows then, that focusing on customer retention has relevant economical and financial implications. By retaining clients, companies are able to better service their current roster of clients, instead of spending resources to acquire new ones. Retained clients normally spend more, make positive remarks to third parties and are less costly in terms of service. Besides, they are less sensible to the competitors' actions and respond better to cross-selling and up-selling efforts, resulting in increased revenues and bottom lines (Coussement, 2013).

Although countless papers have already been published, a consensus about customer retention determinants has not been established (Guo, Jian, & Tang, 2009; Kumar & Shah, 2015; Toufaily, Ricard, & Perrien, 2013). Therefore, this paper investigated the determinants of Customer retention, including the following constructs: Value Proposition, Operand Resources, Operant Resources, Value Facilitation, Value Co-creation and Value in use, starting from the proposal of a Theoretical Model, aiming at understanding the relation between a service provider and its clients.

The main contribution of this paper has been to fill a perceived theoretical void in marketing and service literature. Such literature is inherent to the proposal and validation of an original Theoretical Model, aimed at broadening the understanding of the value creation process from the client's point-of-view – the service user – and its relation to the proclivity of maintaining the relationship with the current service provider, resulting in a positive repercussion for customer retention. To achieve this, the central research question that guided this paper and that must be answered to fill the aforementioned theoretical void is as follows: what is the relation between the constructs of value proposition,

resource configuration (operand and operant, value facilitation, value co-creation and value in use as customer retention determinants) in the context of financial services rendered to a retail bank?

Theoretical references and hypothesized relations

Value Proposition

Value Proposition is acknowledged as an important element in the process of creating value in the area of client management, who have their needs, desires, expectations and demands. The process of value creation involves transforming the results of the organizational strategy into programs aimed at delivering value to the company clients (Payne & Frow, 2014a). It is important to highlight that the value the client gets from the company resides in the concept of the benefits that increase the supply to the clients, who may be integrated via a Value Proposition (Lanning & Michaels, 1988).

In most of the first discussions related to Value Proposition concepts, a goods-dominant logic – or G-D Logic – was implied, assuming the Value Propositions wouldn't be co-produced, but pre-packaged and inputted into supplier-offered products, with focus on its trade value (Truong, Simmons, & Palmer, 2012). To Ballantyne, Frow, Varey, and Payne (2011), it becomes more and more clear that the historical emphasis in G-D Logic – associated to the emphasis on the market component management – limits the potential to create retention or client loyalty, as well as understanding the life cycle of relationship with them. To the authors, such G-D Logic predominance on marketing thinking eventually resulted in a reformist agenda, especially regarding service marketing. Out of the resulting theoretical contributions from this agenda, two alternative viewpoints to G-D Logic have been more productive in terms of publications and quotations and – because of these reasons – will be described next.

According to the purported perspective of the S-D Logic – Service-dominant Logic, companies cannot create value, but can only establish Value Propositions (Vargo & Lusch, 2004a). Such thesis has rekindled the long ongoing discussion among researchers about the nature of value in services. Service companies do not fill what they sell with any form of intrinsic value, as industrial companies usually see their own products. They, instead, make Value Propositions to their clients – which, may or may not be accomplished (Corvellec & Hultman, 2014). Vargo and Lusch (2008a) highlight that clients have the power to either accept or decline the Value Propositions, and that acquiring an offer is an explicit indication of acceptance of a Value Proposition. It represents that the anticipated Value in use, at least, meets the expectations that the sacrifices – financial or otherwise – done at the offer acquisition would be acceptable to the client. Clients experience and assess Value Propositions in an idiosyncratic way, that is, subjectively in each specific context of value integration. It is context that provides shape to the resource integration, and the latter are more valuable in some contexts than others (Chandler & Vargo, 2011).

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