

The Role of Relational Antecedents and the Effect of Experience in the Development of Service Loyalty

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Abstract

This study examines the effect of customer satisfaction, trust, customer delight arousal, delight pleasure, affective commitment, calculative commitment, and involvement on customer loyalty. Recognising that customer-provider relationships transpire over time, the authors also consider the effect of service experience on these relationships for new and repeat purchase customers. Satisfaction, trust, and delight pleasure were ultimately found to generate customer loyalty. In the main, service experience did not influence the interrelationship between the constructs that were examined. These findings have important implications for the management of customer-provider relationships for high involvement services, and for managers who predominantly rely on the measurement of customer satisfaction to monitor customer loyalty.

Keywords: Relationship marketing, Service experience, Customer, Loyalty

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Introduction

Strong customer relationships evolve over time and through repeated encounters (Czepiel, 1990). Through this process both parties learn from and adjust to each other (Altman and Taylor, 1973), commitment and trust develop (Doney and Cannon, 1997), and satisfactory experiences serve to reinforce customer loyalty (Cooil et al. 2007). It is critical therefore that service providers understand how these relationships evolve over the consumption process. In particular, in addition to satisfying experiences, customer loyalty is likely to be earned through other relational mechanisms such as satisfaction, trust, customer delight, commitment (calculative and affective), and involvement.

Hypothesis Development

First, based on relationship theory we develop and test a model of loyalty in the context of a high involvement service. Second, we consider the moderating role of service experience on the effect that satisfaction, trust, delight arousal, delight pleasure, calculative commitment, affective commitment and involvement have on loyalty. The research model is shown in Figure 1.

Satisfaction as a driver of trust, delight, commitment and loyalty

Customer satisfaction, which indicates that a service provider consistently fulfills its service promise (Delgado-Ballester and Munuera-Aleman, 2001), develops in the short-term as a result of the tangible aspects of a service relationship (Geyskens and Steenkamp, 1999). Trust, which is considered to be a generalized expectancy resulting from repeated service episodes (Selnes, 1998), is formed during subsequent phases of relationship development (Dwyer, Schurr and Oh, 1987). *Hypothesis 1:* Customer satisfaction has a significant positive effect on trust.

Delight results from unanticipated experiences that evoke high levels of positive affect, combined with unexpected disconfirmation (Oliver, Rust and Varki, 1997). Oliver, Rust and Varki (1997) suggest that delight involves two causally related forms of positive affect represented by arousal and pleasure. It would be difficult to conceive of a situation in which a delighted customer was not also a satisfied customer. *Hypothesis 2:* Customer satisfaction has a significant positive effect on customer delight arousal.

Customer satisfaction has been strongly linked to the development of commitment (e.g., Hennig-Thurau, Gwinner and Gremler, 2002). Repeated positive reinforcement of satisfying experiences leads to the formation of affective commitment (Hess and Story, 2005), and calculative commitment (Wetzels, de Ruyter and Birgelen, 1998). High levels of satisfaction result in more enduring service-provider relationships (Bolton, 1998). Satisfaction should therefore be considered a significant antecedent in the development of committed customer-provider relationships (Hennig-Thurau and Klee, 1997). *Hypothesis 3:* Customer satisfaction has a significant positive effect on calculative commitment. *Hypothesis 4:* Customer satisfaction has a significant positive effect on affective commitment.

A number of studies report the positive effects of satisfaction on purchase intentions (Garbarino and Johnson, 1999), referrals (Verhoef, Franses, and Hoekstra, 2002), repurchase behaviour (Anderson and Mittal, 2000), retention (Gustafsson, Johnson and Roos, 2005), and relationship duration (Bolton, 1998). The literature suggests that satisfactory service experiences are essential in the development of continuing customer-provider relationships (Bolton 1998). *Hypothesis 5:* Customer satisfaction has a significant positive effect on customer loyalty.

Delight as a driver of customer loyalty

Delight, represents a profoundly positive emotional state (Oliver, Rust and Varki, 1997), and taps into the extent to which customers experience both arousal and pleasure during consumption. Positive affect has been shown to influence service consumption evaluations (Wirtz, Mattila and Tan, 2000). Pleasure has been found to directly influence relational outcomes, whilst arousal acts to intensify the effect of pleasure on relational outcomes (Donovan and Rossiter, 1982). *Hypothesis 6:* Delight arousal has a significant positive effect on delight pleasure. Research also suggests that positive emotional responses such as delight may have important relational consequences, particularly in terms of loyalty (Oliver, Rust and Varki, 1997). Positive affect is argued to be highly correlated with post-encounter service evaluations (e.g., Mattila and Enz, 2002). *Hypothesis 7:* Delight pleasure has a significant positive effect on customer loyalty.

Commitment as a driver of involvement

Calculative commitment is defined as commitment based on switching costs, and an uncertainty of the quality of alternatives (Gustafsson, Johnson, and Roos, 2005), which positively influences customer retention (Fullerton, 2003). Affective commitment is an appraisal of continued patronage driven by an emotional attachment to the service provider (Fullerton, 2003). The extent to which customers positively evaluate service encounters has been found to influence perceptions of relational continuity and involvement with the service provider (Goodman et al. 1995). Additionally, whilst prior research has described involvement as antecedent to commitment, more recent research suggests that commitment may occur without involvement (Feick, Coulter and Price, 2003). *Hypothesis 8:* Calculative commitment has a significant positive effect on involvement. *Hypothesis 9:* Affective commitment has a significant positive effect on involvement.

Involvement as a driver of trust

Involvement signals that the decision to purchase is personally relevant (Mittal and Lee, 1989). Highly involved customers have identified a particular service provider as being the best option in their consideration set and are less prone to switch between service providers (Bennett, Hartel, and McColl-Kennedy, 2005). True loyalty is argued to exist only if there is both commitment to the service provider and a high level of involvement with the purchase (Day, 1969). We hypothesize that highly involved customers will exhibit increased trust in the provider. *Hypothesis 10:* Involvement has a significant positive effect on trust.

Trust as a driver of loyalty

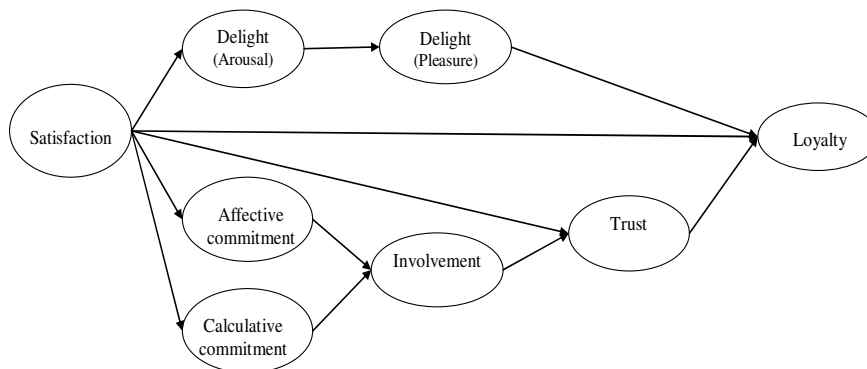
Trust is defined as the level of confidence in an exchange partners reliability and integrity (Morgan and Hunt, 1994). Trust signals that the value that the customer receives from the exchange relationship goes beyond satisfaction with the functional performance of the service (Delgado-Ballester and Munuera-Aleman, 2001). Customer loyalty to the firm is consequently considered to be greater where the customer trusts the firm and believes the

firm has the required capacity to respond to his or her needs (Hennig-Thurau, Gwinner, and Gremler, 2002). *Hypothesis 11*: Trust has a significant positive effect on customer loyalty.

Service experience effects

Our model suggests that customer-provider relationships are not static events, but rather develop over time (Czepiel, 1990). We posit that during relationship development different constructs will be more or less salient in explaining loyalty depending on the customers' service experience. Empirical studies in the relationship marketing literature support this suggestion (e.g., Verhoef, Franses, and Hoekstra, 2002; Mittal, Katrichis, and Kumar, 2001). Thus, we expect that service experience will act as a moderator on the relationships in our research model.

FIGURE 1 Effect of Relational Constructs on Loyalty



Method

A self-administered, cross sectional survey was given to patrons of four, high-end restaurants in a large metropolitan city. A total of 474 participants participated representing a response rate of 43%. Two customer cohorts were developed. These included new customers (cohort 1) visiting the service-provider for the first time and repeat purchase customers (cohort 2). All measures were first subjected to exploratory factor analysis. All construct pairs passed Fornell and Larcker's (1981) stringent tests for discriminant validity. Analysis of the measurement model resulted in good fit and all items retained served as strong measures for their respective constructs ($\chi^2 = 521.23$, $df = 271$, $GFI = 0.92$, $CFI = 0.96$, $IFI = 0.96$, $RMSEA = 0.04$). Satisfaction was measured with the scales provided by Gustafsson, Johnson and Roos (2005). Calculative and affective commitment items were obtained from Mattila (2006) and Mattila (2001). Trust was measured using the scales of Hess and Story (2005), and involvement was measured using Mittal and Lee's (1989) scales. Measures for delight were adapted from Oliver, Rust and Varki's (1997). Finally, loyalty items were based on the work of Johnson, Gustafsson, Andreassen, Lervik and Cha (2001).

Results

The hypothesized relationships in the model were tested using structural equation modeling. Goodness of fit statistics indicated that the model fitted the data adequately ($GFI = 0.91$, $CFI = 0.93$, $IFI = 0.93$, $RMSEA = 0.08$). We found a significant and large effect of satisfaction on trust, delight-arousal, calculative commitment and affective commitment, which supports Hypotheses 1, 2, 3, and 4¹. Satisfaction had a significant positive, medium sized effect on

¹ Cutoffs based on the recommendations of Kline (1998).

loyalty which supports Hypothesis 5. The arousal aspect of delight had a significant, large effect on the pleasure aspect of delight supporting Hypothesis 6. The pleasure component of delight was found to be a significant driver of loyalty which supports Hypothesis 7. Calculative commitment and affective commitment had a small, but significant effect on customer involvement supporting Hypothesis 8 and 9. Involvement was found to significantly drive trust in support of Hypothesis 10. Our results also support trust as significantly influencing customer loyalty. This supports Hypothesis 11. The results are summarized in Table 1.

TABLE 1 Standardized Path Estimates for Research Model

Relationship		Total Sample N=474	
		β	CR
H1	Satisfaction → Trust	0.760	12.200
H2	Satisfaction → Delight Arousal	0.598	12.006
H3	Satisfaction → Calculative Commitment	0.595	4.853
H4	Satisfaction → Affective Commitment	0.555	10.603
H5	Satisfaction → Loyalty	0.400	5.186
H6	Delight Arousal → Delight Pleasure	0.537	10.930
H7	Delight Pleasure → Loyalty	0.193	5.148
H8	Calculative Commitment → Involvement	0.196	2.412
H9	Affective Commitment → Involvement	0.171	2.755
H10	Involvement → Trust	0.102	2.472
H11	Trust → Loyalty	0.389	5.008

The second research purpose was to understand the effect of service experience on the salience of the constructs investigated. To test the invariance across cohorts, we conducted a multigroup analysis of structural invariance (Byrne, 2004). We established an unconstrained baseline model which had an $\chi^2_{(df)}$ of 537.75₍₂₁₆₎, and a CFI, IFI and RMSEA of 0.92, 0.92 and 0.05. Only one difference in the structural weights between the two cohorts existed (see Table 2). Satisfaction was found to be a more important driver of affective commitment for experienced customers than for newer customers. In the context of this study, service experience does not affect the way in which customers evaluate their service experiences.

Discussion

Our findings suggest that customer satisfaction, trust and delight had a significant and strong influence on customer loyalty. Satisfaction had a significant effect on loyalty in line with prior research (e.g., Gustafsson, Johnson, and Roos, 2005; Hennig-Thurau, Gwinner, and Gremler, 2002). The relationship between satisfaction and affective commitment, calculative commitment, trust and delight was stronger than the direct relationship between satisfaction and loyalty. A central finding therefore, is that satisfaction in, and of itself, may not be enough to create enduring and sustained loyalty. Satisfaction should however, be viewed as a key initiator in the transition to loyalty (Oliver, 1999).

Trust was found to be equally as important as satisfaction in the generation of loyalty confirming the findings of prior research (Geyskens et al., 1996; Garbarino and Johnson, 1999). The strength of the relationship between trust and loyalty further emphasises the need for firms to portray their service as reliable and as having the customers' best interests at heart.

Interestingly, we find a significant effect between customer delight and loyalty. Our analysis suggests that delight, and the positive affective factor of pleasure, is an important driver of loyalty. Certainly, our findings relating to customer delight suggest that future research investigating the loyalty development process should include delight in order to further understand its contribution to loyalty in different services contexts.

A significant but small positive relationship was found between calculative commitment, affective commitment and involvement. This finding supports the suggestion that commitment and involvement are necessary antecedents to loyalty (Warrington and Shim, 2000). Involvement was also found to positively influence perceptions of trust in the service provider. Taken together, these findings suggest that a customer's willingness to psychologically commit to the purchase decision is essential in the formation of loyalty.

In the main, no effect of service experience on the development of customer loyalty is found in our model. Our results suggest that the same relational constructs influenced the development of loyalty for new and repeat purchasers of the service. This is in contrast to Garbarino and Johnson (1999) and Verhoef, Franses and Hoekstra's (2002) findings. This finding may be a consequence of the nature of the context investigated. A confirmation bias has been found to operate where expectations and ego involvement are high, leading customers to interpret performance information as consistent with their prior expectations (Oliver and Burke, 1999). In situations such as these, the salience of relational constructs may not vary much between consumption groups.

Managerial Implications

Our study is one of the few that models the interrelationship of satisfaction, trust, commitment, delight, involvement and loyalty. Our model additionally extends theory by examining the effect of consumption stage on these constructs. A key finding is that customer satisfaction, in addition to being central to the development of loyalty, is also an important preliminary condition in the development of delight, trust, and commitment. Whilst satisfaction alone may be insufficient in creating customer loyalty, satisfaction is necessary in the development of strong and enduring customer-provider relationships. The finding that trust was almost equally as important as customer satisfaction in the development of loyalty is noteworthy. This result suggests that the ability of the firm to inspire confidence in the customer is pivotal in the establishment of customer retention in the specific context investigated. Limited research has investigated the way in which delight operates to attract and retain customers in the service sector. The results of this study confirm the importance of delight in influencing marketing outcomes for new and repeat customers. A compelling finding of this study was that service experience did not influence the salience of relational constructs suggesting that customer segments in this service context have very similar needs.

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