

## Love me or leave me... Customers defecting with salespeople

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### Abstract

This research provides a framework to help businesses understand the loyalty pattern that underlies a supplier-customer relationship. The analysis is couched in terms of the perceived relational benefits received by the customer, and the consequent loyalty attributions made to either the salesperson or the company. Several hundred stock investors provided survey data. Although the hypothesised relationships were mostly justified by the data, the accrual of loyalty favoured salespeople far more than companies for all benefits, against expectations. Senior managers cannot leave key clients purely to account managers, but must also make specific efforts to ensure that clients also develop loyalty to the firm.

Key words: Sales, defection, loyalty, sales benefits

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### Abstract

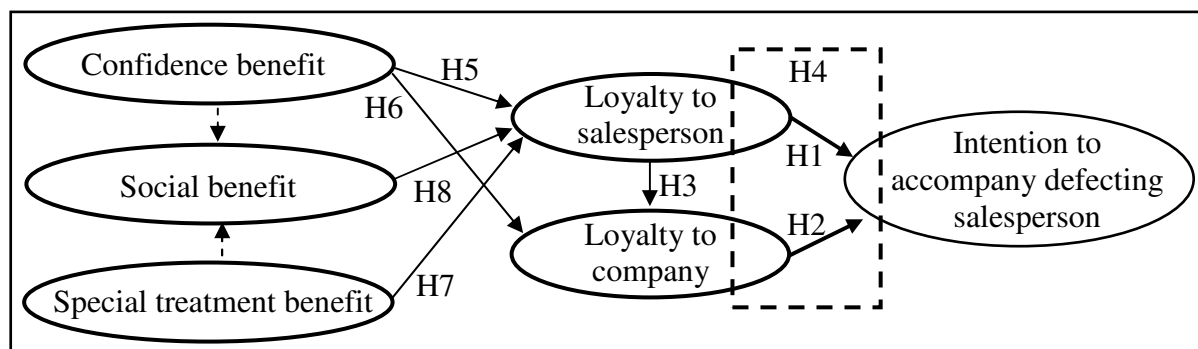
This research provides a framework to help businesses understand the loyalty pattern that underlies a supplier-customer relationship. The analysis is couched in terms of the perceived relational benefits received by the customer, and the consequent loyalty attributions made to either the salesperson or the company. Several hundred stock investors provided survey data. Although the hypothesised relationships were mostly justified by the data, the accrual of loyalty favoured salespeople far more than companies for all benefits, against expectations. Senior managers cannot leave key clients purely to account managers, but must also make specific efforts to ensure that clients also develop loyalty to the firm.

### The Issue

Many studies have focused upon the importance of employees as customer contact points in customer relationships (Czepiel, 1990; Gabbott & Hogg, 1994; Morgan & Hunt, 1994). When salespeople defect, customers loyal to the employee may accompany the resigning salesperson to his or her new company (Beatty, Mayer, Coleman, Reynold, & Lee, 1996; Bove & Johnson, 2000; Butcher, Sparks, & O'Callaghan, 2002; F. Reichheld & Aspinall, 1993). However, Bendapudi and Leone (2001) argue that even though most managers understand this, they have no idea how to prevent such a negative chain reaction because they cannot capture the true reasons the former causes the latter. This study has the objective of developing a conceptual model of the problem and validating the model empirically.

### Model Development

Figure 1  
The Research Model



### Loyalty Relationship and Defection

Clearly, the stronger the relationship a customer has with a salesperson, then the more likely the customer is to defect from the company to retain a continuous transaction relationship with the salesperson. Equally clear is that the stronger the relationship a customer has with a company, the less likely it is that the customer will defect from the company to accompany a defecting salesperson. This leads to the first two, simple, hypotheses:

H1: The stronger a customer's loyalty to a defecting salesperson, the greater will be their intention to accompany him or her.

H2: The stronger a customer's loyalty to a company, the weaker will be their intention to accompany a defecting company salesperson.

The overall picture now becomes a little more complex, as there is also a relationship between a customer's loyalty to a salesperson and their satisfaction and loyalty to the salesperson's company (Bove & Johnson, 2001; Goodwin & Gremler, 1996; Liljander & Strandvik, 1993; Palmer & Bejou, 1994; Reynolds & Beatty, 1999). Thus H3:

H3: The stronger the customer's loyalty to a salesperson, the stronger will be the customer's loyalty to the salesperson's company.

The struggle to capture the client's loyalty is unequal, though, because although a company often tries to contact their client directly, salespeople have the advantage both in terms of quantity of customer contacts (i.e., frequency and time of contacts), and quality (i.e., strength and concreteness of contact). Thus,

H4: Loyalty to salesperson influences customer's intention to accompany a defecting salesperson more than their loyalty to the company does.

### **The perceived confidence benefit (PCB) and loyalty**

Gwinner (1998) divides relational benefits into three different benefit types; confidence, social, and special treatment benefits. A confidence benefit is one that alleviates the risk related to purchasing, or enhances trust in the service provider. Social benefits include individual recognition, intimacy, and friendship, whilst special treatment benefits include financial benefits such as price discounting and non-financial benefits such as timesaving or supplementary favour/care.

Berry (1995) insists that consumers want to maintain a relationship with service providers because they think that such relationship might alleviate relevant risks. Other authors agree (Bendapudi & Leone, 2001; Crosby, Evans, & Cowles, 1990), and some have even found direct evidence that the greater the perceived confidence benefit customers receive from a salesperson, the more their reliance on the salesperson and greater their subsequent loyalty (Gwinner, et al., 1998; Hennig-Thurau, Gwinner, & Gremler, 2002). The opposite side of this coin is that customers may consider the salesperson merely as a product of the firm's sales programme. Thus, customers attribute confidence benefits not only to salespeople but also to their companies.

H5: As the customer's perception of the confidence benefit received from a salesperson increases, their loyalty to the salesperson also increases.

H6: As the customer's perception of the confidence benefit derived from a salesperson increases, their loyalty to the company also increases.

### **The perceived special treatment benefit (PSTB) and loyalty**

Salespeople sometimes offer a special treatment benefit, such as special late-ordering provisions or some individualized service, to facilitate relationship marketing. It seems to follow that the more customers recognize special treatment benefits that emanate from a salesperson, the more they tend to strengthen their loyalty toward that salesperson (Yen & Gwinner, 2003). However, in view of the personal nature of most special treatments the

authors can conceive of, it seems unlikely that a special treatment benefit would influence customer loyalty to the company.

H7: The more customers recognize a special treatment benefit from a salesperson, the stronger their loyalty to the salesperson will become.

### **Perceived social benefits (PSB) and loyalty**

Many relevant prior studies mention social ties with a service provider as a major reason that customers maintain relationship with a specific service provider (Bendapudi & Berry, 1997; Gwinner, et al., 1998; Price & Arnould, 1999; Reynolds & Beatty, 1999). Customers often regard a service provider who holds a long-term relationship as a friend or partner, well beyond a simple service deliverer (Bitner, 1995). Other studies provide empirical evidence of positive correlation and causality, respectively, between a consumer's social benefit and a consumer's loyalty to the service provider (Gwinner, et al., 1998; Hennig-Thurau, et al., 2002). However, a social benefit is not likely to influence a customer's loyalty to the salesperson's company because it does not relate strongly to either the company's infrastructure or policy.

The suggestion in the relationship marketing literature, though, is that a functional relationship will gradually morph into a social relationship over time (Beatty, et al., 1996). It follows logically that a close social relationship between customer and salesperson will only occur with the intention and capability of the salesperson to provide the functional benefits having been demonstrated first. Indeed, research shows clearly that confidence and special treatment benefits often do directly change loyalty patterns. It is thus unlikely that social benefits always have to intervene between these benefits and loyalty; it seems more likely that both things happen together. Thus,

H8: A perceived social benefit will at least partially moderate the effects of special treatment and confidence benefits on loyalty to the salesperson.

## **Research method**

### **Sample**

Stock investors, who trade with salespersons of a security company, provided survey data to validate the hypotheses. The 'snowball' selection process was convenient, and consisted of an interview-survey of 283 offline stock investors who trade indirectly through a salesperson in Korea. Since this study focuses on the personal relationship with salesperson, online stock investors using the Internet were not included in the sample.

### **Scales**

Except for the "customer's intention to accompany a defecting salesperson" construct, all constructs and scales draw from prior research, although some words have been changed from the original scales to suit the stock investor context. The "Loyalty to salesperson scale" consists of three items (Hennig-Thurau et al. (2002)), and "Loyalty to the company" similarly consists of three items (Reynolds and Beatty (1999)). Both "Confidence benefits" and "Social benefits" are measured by four items (Reynolds & Beatty, 1999). "Special treatment benefits" also consists of four measurable items (Hennig-Thurau, et al., 2002; Reynolds & Beatty, 1999).

## Analysis

The confirmatory factor analysis, conducted by structural equation modelling, suggests that the constructs hold together well. Model fit is satisfactory (GFI = .98, AGFI = .921, RMR = .021), Cronbach's Alpha reliability coefficients lie between a low of .76 and a high of .84, and the average variances extracted all exceed the benchmark .5.

Discriminant analysis reveals a potential problem, however. The AVE values do not exceed the squares of the correlation coefficients in several instances; showing that full discrimination may not have been attained between the three types of benefit. In fact, this is to be expected, as there must be a halo effect present between perceived benefits, as most clients will hold a general, favourable or unfavourable, attitude toward the salesperson that would be expected to have some reflected effect upon the perception of specific benefits delivered. The AVE values are only marginally exceeded, though, so there still may be sufficient discrimination to allow further analysis.

## Testing the Hypotheses

Table 1  
Path analysis shown to address the Research Hypotheses

	Path Coefficient	Path coeff.	SE	CR	<i>p</i>
H1	Loyalty to s'person → Intention to accompany	2.39	0.51	4.67	< .001
H2	Loyalty to company → Intention to accompany	-1.88	0.54	-3.47	< .001
H3	Loyalty to s'person → loyalty to company	1.03	0.12	8.75	< .001
H5	PCB → Loyalty to s'person	0.34	0.13	2.62	= .009
H6	PCB → Loyalty to company	-0.24	0.07	-3.22	= .001
H7	PSTB → Loyalty to s'person	0.08	0.14	1.70	= .089

The structural model displays good fit (GFI = .915, AGFI = .883, RMR = .037, NFI = .901 and CFI = .948). Table 1 shows the path coefficients from the SEM analysis, linked to the appropriate hypotheses each path analysis addresses.

Hypothesis 4 suggests that loyalty to the salesperson is a more important predictor of the likelihood of a customer defecting with a salesperson that is their loyalty to the company. An inspection of the path coefficients reveals an absolute difference (of .508) in the expected direction. A *t*-test (allocating the difference between the path coefficients to numerator and the sum of standard errors to denominator) shows support for the hypothesis ( $p < .001$ ). Hypothesis 6 suggests that the company receives a spill-over loyalty effect from a confidence benefit, but the path coefficient here is negative.

Hypothesis 8 concerns the loyalty to a salesperson and a company generated by a Perceived Social Benefit, and this analysis requires separate consideration. Table 2 shows a series of regression analyses. Inspection of the data confirms the hypothesis, as the effects of both the special treatment and the confidence benefits on loyalty to the salesperson are clear both directly and indirectly through the Perceived Social Benefit, but in neither case does the social relationship spill over to increase the client's loyalty to the company. That is, that the

development of a social relationship does sometimes increase loyalty to the salesperson, but does not strengthen the clients' relationship with the company.

Table 2  
Statistics for the mediation regression equations

Model	$R^2$	$p$	VIF
1) Loyalty to Salesperson from PCB mediated by PSB			
PCB → Perceived Social Benefit	.39	< .001	
PCB → Loyalty to Salesperson	.31	< .001	
PCB + PSB → Loyalty to Salesperson	.37	< .001	2.1
2) Loyalty to Company from PCB mediated by PSB			
PCB → Perceived Social Benefit	.39	< .001	
PCB → Loyalty to Company	.33	< .001	
PCB + PSB → Loyalty to Company	.11	< .001	1.6
3) Loyalty to Salesperson from PSTB mediated by PSB			
PSTB → Perceived Social Benefit	.43	< .001	
PSTB → Loyalty to Salesperson	.30	< .001	
PSTB + PSB → Loyalty to Salesperson	.36	< .001	2.2
4) Loyalty to Company from PCB mediated by PSB			
PSTB → Perceived Social Benefit	.43	< .001	
PSTB → Loyalty to Company	.09	< .001	
PSTB + PSB → Loyalty to Company	.10	< .001	1.6

## Discussion

The key contribution of this study pertains to the revelation of a strategy to assist firms from losing their customers when one of their salespeople defects. Previous research has suggested the importance attached to companies formulating strategies to prevent this, but mainly by hiring loyal salespeople (F. F. Reichheld, 1993), or by spreading the sales function out to many rather than a single key account manager (Bove & Johnson, 2000; Reynolds & Beatty, 1999; Sheth & Parvatiyar, 1994); generating “service loyalty” as against “salesperson loyalty.” However, it seems to us that many of the advantages of having a single key account manager are lost if this happens.

Our suggestion is more direct. There seems no reason why the firm, in the guise of the sales manager, perhaps, or even general management, should not extend specific confidence and special treatment benefits directly to the client, which would surely have a direct impact on the loyalty a client feels toward to the firm, rather than the salesperson. This does not undermine the key account manager employee but, instead, provides visible support to the salesperson as well as building direct bridges to the client and thus enhancing firm loyalty. Even activity as easy as including the client on the circulation list of company newsletters will add tangibility to the corporate entity, personalize the firm, and give the customer confidence that the company is a stable organization that has the customer in its purview. The CEO sending a personal invitation to key clients to Company functions, golf competitions or even a small dinner party, may well be construed by the customer as special treatment on the part of the company, and result in a direct boost to their loyalty to the firm.

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