

A conceptual framework for modelling the antecedents of client loyalty in the advertising industry context

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ABSTRACT

There is no doubt that retention of loyal and committed customers is desirable and profitable in commercial situations. However such relationships are complex and require careful nurturing. This paper develops a model that can be used to determine the key influencers of long term orientation and customer loyalty. In order to contextualise the study, the advertising agency-client relationship has been selected as the focus of the model. A comprehensive conceptual framework is developed which includes variables such as agency offerings incorporating creativity, project management processes and outcome, value, relational bonds, trust, satisfaction, and commitment. All of these are deemed to be important antecedents of loyalty, especially in the business to business context.

Keywords: B2B, buyer-seller relationship, advertising agency, agency offerings, loyalty, project management

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Introduction

Relationships are critical in all aspects of life, especially in business. Sustainable competitive advantage cannot be achieved without trusted networks and strategic alliances (Ganesan, 1994; Morgan and Hunt, 1994). Relationship marketing involves a dynamic process with continuity as a primary goal (Sheth and Parvatiyar, 1995). According to Gronroos (1994) the objective of relationship marketing is to establish, maintain and enhance relationships with customers whilst making a profit. Such relationships provide benefits to both parties (Berry, 1995; Venetis and Ghauri, 2004). Benefits to the provider include barriers against competition through higher satisfaction levels, reduction in price competition and the power to generate more profit, through increased revenue per customer at reduced costs. Longevity of business associations is not necessarily an indicator of a strong relationship especially when customers make purchases predominantly on the basis of price. Such relationships are classified as transactional (Dwyer, Oh and Schurr, 1987; Ghauri, 1999; Jackson, 1985). A more desirable relationship type is relational exchange where a long term orientation is developed (Ganesan, 1994). The key difference between transactional and relational exchange relationships relates not to the purchasing behaviour or frequency but rather to the underlying attitudes and motivations (Dwyer, Oh and Schurr, 1987). Relationship management is particularly important where part of the product offering is intangible, for example in the professional services sector (Harris and Ogbonna, 2008). An understanding of the many and varied factors that are important to the maintenance of a faithful customer base requires careful consideration of the antecedents and their effects on loyalty.

Loyalty – what it is and what is needed to achieve it?

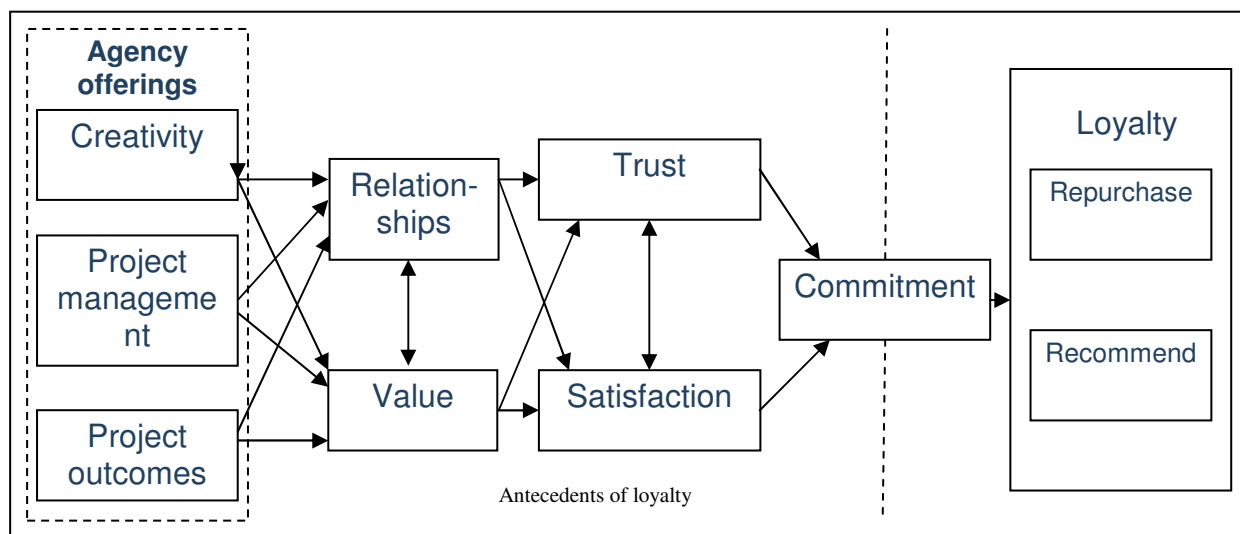
Loyalty may take a variety of forms including brand loyalty and customer loyalty in business to consumer (B2C) environments and business to business (B2B) contexts (Heere and Dickson, 2008; Lacey and Morgan, 2009). It appears that Day (1969) was the first author who consciously identified brand loyalty as more than simply repeat purchase. Subsequently many, authors adopted the two dimensional construct of loyalty, that is the inclusion of both repurchase intention as well as preparedness to recommend (Dwyer, Oh and Schurr, 1987; Sirdeshmukh, Singh and Sabol, 2002; Zeithaml, Berry and Parasuraman, 1996). However, there remain gaps in the understanding of how loyalty is developed and its antecedents particularly in B2B environments (Bolton, 1998; Oliver, 1999; Sirdeshmukh, Singh and Sabol, 2002; Lam et al, 2004).

The two dimensions of loyalty appear to behave differently and have disparate antecedents. Lam et al (2004) testing the cognitive - affect - behaviour model using value as a measure of cognition, satisfaction as the representation of affect and behaviour is represented by loyalty, found that satisfaction totally mediates recommendation, but only partially mediates repurchase intentions. Lam et al (2004) conclude that 'repeat patronage pertains to customer retention and recommendation to customer attraction' (p.307). Theoretically based and empirically identified precursors or predictors of loyalty include commitment, value, trust, satisfaction, quality, relational bonds, and performance dimensions such as processes and outcomes (Caceres and Paparoidamis, 2007; Chen, 2008; Cronin, et al 2000; La, 2005).

Loyalty in the advertising industry - a conceptual framework

Advertising agencies are usually independent organisations whose primary function is to service the promotional needs of businesses, not-for profits and government agencies. In the twenty first century many advertising agencies see themselves as offering solutions to marketing problems rather than simply providing communication products. Their services can be broadly classified into two components: strategy formation which involves analytical and creative thinking leading to strategy development, and implementation, which involves turning the strategy into a reality. Alternatively one could consider these components as thinking, which is handled by the strategists, and doing, which is the domain of the account managers. The client – advertising agency relationship provides an ideal context for the study of the antecedents to loyalty as all the factors identified appear to be of importance and can be logically linked in this context. Interestingly many previous studies have chosen to focus on switching behaviour and dissatisfaction rather than the reasons behind the continuation of business relationships (LaBahn and Kohli, 1997). According to Beltramini and Pitta (1991) advertising agencies need to focus on understanding their client’s businesses and needs, which can only be achieved through relationship management. Based on the literature the cognitive – affective – conative model is offered as a conceptual framework incorporating the antecedents of loyalty in an advertising agency context (see figure 1).

Figure 1: Conceptual framework



This model has been informed by a variety of authors and is comparable to Dick and Basu’s (1994) theoretical model which distinguished between behavioural and attitudinal aspects of loyalty. Service quality has not been directly incorporated in this model as this is considered by some as a long term attitude developed over several transactions and can be difficult to measure, as well as define (Caceres and Paparoidamis, 2007; Venetis and Ghauri, 2004). Hening-Thurau and Klee (1997) modelled the relationship between customer satisfaction and retention, with customer quality perception as the key mediator. Other authors claim that quality is one dimension on which satisfaction is based including Anderson, Fornell and Lehmann (1994), Dick and Basu (1994). More recently Cronin, Brady and Hult (2000) found that service quality perceptions are important determinants of satisfaction. Rust and Oliver (1994) considered overall perceptions of service quality to be based on the customer’s evaluation of three dimensions of service encounters – customer employee interaction, the

service outcome and the service environment. The first two of these have been incorporated within the model whilst the third is not relevant in B2B exchanges.

How to create loyalty

Usually businesses turn to advertising agencies to create, plan and implement their promotional campaigns in order to achieve desired results. Thus the services that an agency offers its client can be categorised as creativity, and project planning and implementation which in turn lead to project outcomes.

The key to advertising agency success is creativity

Creativity is the core business of advertising agencies and a key success factor (El-Murad and West, 2004). In the 1980s there were several studies that purported the importance of creativity in determining satisfaction with advertising agencies, supported more recently by Hill and Johnson (2004). Henke (1995) in a longitudinal study on agency-client relationships found that 76% of respondents identified creativity skills as very important but it was found that satisfaction with creative skills was less important than other performance dimensions once the agency relationship has been established. LaBahn and Kohli (1997) suggest that a construct such as agency performance can be used to incorporate both the quality of the agency's creative work as well as campaign implementation. They found that quality working relationships were important for client satisfaction, and that productive interactions led to better creative quality (Karantinou and Hogg, 2009). Agencies that are able to achieve good working relationships found that their creative quality and implementation improved (Karantinou and Hogg, 2009; LaBahn and Kohli, 1997; Moeran, 2009). This may suggest a two way relationship.

The difference between and importance of project management and project outcomes

Previous studies of customer loyalty within the advertising agency context have identified the importance of processes and deliverables (Caceres and Paparoidamis, 2007; Patterson and Spreng, 1997). These dimensions are closely related to project management and outcomes. One can easily envisage the link between successfully managed projects and loyalty, although the author is unable to locate literature pertaining to this topic. Account management in an advertising agency incorporates project management especially when one considers Turner's (1996) definition of project management as 'the art and science of turning a vision into reality' (p.6). Traditional project management requires coordination and cooperation of diverse team members to achieve the desired outcome. Similarly account managers need to coordinate various employees and service providers such as photographers, printers, creatives working in a variety of media, production crews and so on, to deliver the end product for the client. Project management may appear to be quite a linear process however this is rarely the case especially in the current context. Although an agency might feel they have identified the solution and creative that a client is seeking and met the criteria stipulated in the brief, the client may not be satisfied with the agency solution and seek significant revisions and changes prior to approval. Most substantial projects undertaken by agencies will have large unpredictable elements, requiring unique solutions for clients making the development of formalised and uniform procedures difficult. It appears to be uncommon for agencies to have formal project management procedures, although project schedules are often mapped out in detail so as to meet targets and deadlines. In the advertising industry flexibility as well as discipline is important, since creatives are rarely able to produce 'on demand'. The structure cannot be too rigid as it needs to cope with the vagaries of the industry and its clients. Whilst

formal processes are important and can reduce uncertainty and stresses, the creative needs to remain the priority.

De Wit (1988) differentiated between project management success and project success. Project management success is about efficiency and is operationally focussed whilst project success relates to achieving effective project outcomes and is strategically oriented. Some agencies are prepared to cut costs and provide discounts to get jobs done for clients who are interested in short term results. Such an approach may be tempting when marketing expenditure comes under the limelight and marketing return can be difficult to assess but is unlikely to be an effective long term investment. In order to deliver reliably effective outcomes agencies need to establish ongoing relationships with clients and develop a deep understanding of their industry. Through the planning and implementation of various projects agencies are able to develop and strengthen relationships with clients. Project processes facilitate the development and maintenance of relationships between the service provider and its clients. Hence it is deemed to be an important antecedent of loyalty as together with the project outcome it will influence both value perceptions and the strength of the relationship.

Customer value perception and agency value creation

Clients are unlikely to maintain a relationship with an agency that cannot provide value. Value can be conceptualised as a cognitive variable and is commonly thought of as a sacrifice – benefit construct, that is a tradeoff between total benefits received and total sacrifices taking into consideration the available suppliers' offerings (Cronin, Brady and Hult, 2000; Patterson and Spreng, 1997). In this model value perception is created through the agency offerings including the project outcome.

Relationships develop through close contact between the client and the agency

Working on projects involves multiple contacts between the agency staff and the client organisation, through which the agency staff develop an understanding of the client, their industry and their needs. These interactions facilitate the development of interpersonal and professional relationships (Venetis and Ghauri, 2004) which are multifaceted. Relationship bonds incorporates aspects which do not easily fit in other identified constructs and includes components such as a genuine enjoyment of the working interactions, conflict and communication (La Bahn and Kohli, 1997). It is possible that not all interactions are harmonious, and functional conflict can in fact improve and strengthen business relationships (Anderson and Narus, 1990). Timely, open and honest communication is critical to the development of trust, and such communications are an integral essence of successful business relationships fostering trust and satisfaction.

Agency offerings forge the path to satisfaction

Satisfaction is fundamental in channel relationships and satisfied customers are less likely to favour transactional relationships. There is little consensus regarding the conceptualisation, measurement, antecedents and consequences of satisfaction, in fact it has been replaced or merged with other constructs such as trust, commitment, quality and value (Eggert and Ulaga, 2002; Hening-Thurau and Klee, 1997). Geyskens, Steenkamp and Kumar (1999) define satisfaction in B2B as a positive affective state resulting from appraisal of all aspects of a firm's working relationship with another firm. They claim that satisfaction, commitment and trust are separate constructs, with conflict and satisfaction developing early in a relationship, which may be followed later by trust and ultimately commitment in the long term. This view is supported by Caceres and Paparoidamis (2007) and informs the proposed model. It is

difficult to imagine commitment and loyalty existing between business partners where satisfaction is not apparent.

Trust is developed through interactions and leads to long term relationships

Trust is a firm's belief that another party will perform actions that will lead to positive outcomes for the firm as well as not take unexpected actions that can lead to negative outcomes (Anderson and Narus, 1990). Trust is thus a social construct with economic implications (Halinen, 1996; Venetis and Ghauri, 2004) and is defined by Ganesen (1994) as having the confidence in another's *ability* and *intention* to act. It is an important behavioural dimension as it reduces uncertainty and risk which are vital to relationship success (Morgan and Hunt 1994). Halinen (1997) found that specific trust, which is developed through personal experiences, is crucial for the maintenance of business relationships. It appears reasonable to surmise that efficiently delivered promotional and communication campaigns that achieve the desired outcomes and objectives would facilitate the development of trust.

Commitment and loyalty: aren't they the same?

Commitment and loyalty are often used synonymously (for example see, Lam et al, 2004; Morgan and Hunt, 1994) however clear distinctions apply. Moorman, Zaltman and Deshpande (1992) defined commitment as 'an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it' (p. 23). Commitment is an affective state (Halinen, 1997) and is analogous to long term orientation (Ganesan, 1994) whilst loyalty has two components, repurchase intention or repeat patronage and recommendation or word-of-mouth (Dick and Basu, 1994). The exact role of commitment in the current context is unclear, but it is developed through business interactions and appears to be a precursor of loyalty (Caceres and Papariodamis, 2007; La, 2005).

Conclusion

Relationship marketing is particularly important where the product offering is intangible, for example in services sectors. Professional organisations that offer a variety of services need to understand how to maintain existing relationships with their client base. The importance of the agency offerings, including creative, project management processes and outcomes has to date not been overtly studied or published. Further insight into the antecedents of loyalty and their effects on loyalty is needed as previous studies have been inconclusive. The comprehensive conceptual framework in figure 1 has been developed based on literature. This model may be applied in a business to business service provider setting, particularly the client-advertising agency context to seek answers to the following questions:

- What is the role of the agency offerings, including project management processes and outcomes, in the development and maintenance of loyalty in the advertising industry?
- What are the other antecedents of loyalty in this context?
- What are the relationships between the antecedents?
- How can these antecedents be used to predict client loyalty?

The identified constructs will be operationalised using validated items from the literature and also data gathered from qualitative research. It is anticipated that empirical data will be collected and analysed in due course.

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