Chapter 2

Review of Literature

The past three decades have seen a plethora of studies in the area of loyalty. Early research in loyalty is focused on definitional and measurement issues. Recently research has focused on understanding factors that build and promote loyalty. This chapter is divided into three sections. Section 2.1 reviews literature relating to the measurement of customer loyalty. The next section 2.2 reviews the literature on potential antecedents of customer loyalty that are identified as satisfaction, trust and commitment. Finally, the last section 2.3 focuses studies dealing with the direct and indirect role of switching costs and corporate image in the formation of customer loyalty.

2.1 Studies Related to Measurement of Customer Loyalty

Gremler and Brown (1996) developed a model of service loyalty that included three antecedents – satisfaction, switching costs, and interpersonal bonds. The authors proposed that service loyalty consists of three dimensions – behavioral, attitudinal and cognitive loyalty. It was further proposed that satisfaction, switching costs and interpersonal bonds positively influence customer loyalty. Data for the study was collected in two phases. In the first phase, depth interviews were conducted with 21 customers. The respondents were asked to define what loyalty means to them and what factors lead them to become loyal to service providers. In the second phase of data collection, depth interviews were conducted with 26 organization employees. The emphasis in employee interviews was to confirm factors related to loyalty development identified in the interviews with customers. The results of the qualitative study revealed that service loyalty is a multidimensional construct composed of behavioral, attitudinal and cognitive loyalty. It was also found that satisfaction is necessary for the development of loyalty. Results also revealed that six different types of switching costs (habit/interia,
setup costs, search costs, learning costs, contractual cost, and continuity costs) play a significant role in the development of service loyalty. Interpersonal bonds (familiarity, care, friendship, rapport and trust) were found to have a significant influence on service loyalty. The findings suggested that mangers must focus on development of interpersonal bonds by encouraging the development of friendships between customer-contact employees and customers. The findings further show that mangers can also focus on increasing switching costs to keep customers loyal.

Ganesh, Arnold and Reynolds (2000) examined the attitudinal and behavioral differences among three customer groups – stayers, satisfied switchers and dissatisfied switchers. They investigated the differences among these three customer groups in their overall customer satisfaction with the service, involvement with the firm and loyalty behavior towards the service provider. The authors carried out two studies in retail banking – the first study was carried out on a small sample and second study replicated the findings of first study on large sample obtained from two geographical locations. The second also included the influence of time, prior switching experiences and differences within three customer groups in terms of commitment, dependence and risk aversion. Results revealed that three customer groups differ significantly in terms of their overall satisfaction, purchase and ego involvement process, commitment and loyalty toward the service provider. Dissatisfied switchers were found to be the most satisfied customers and engaged in active loyal behavior. The findings further showed that stayers are more satisfied in comparison to satisfied switchers and exhibit passive loyal behavior. It was also found differences among three customer groups in terms of their overall satisfaction decrease when their tenure switched-to-bank increases. The three customer groups were not found to differ in terms of risk aversion and dependence. The most recent switching experience was found to be strong predictor of customer satisfaction with the current service provider.

Odin, Odin and Valette-Florence (2001) clarified the concept of customer loyalty and proposed a reliable and valid measurement procedure for measuring loyalty. They used levels of brand sensitivity to differentiate loyalty from inertia. The authors defined brand
loyal customer as the one that indulges in repeat purchasing behavior under conditions of strong brand sensitivity. A repeat purchasing behavior under conditions of weak brand sensitivity was referred to as purchase inertia. The authors also studied the influence of two perceived dimensions of risk – risk importance and risk probability on both brand loyalty and purchase inertia. Results showed that two dimensions of perceived risk significantly and positively influence brand loyalty. The findings also suggested that dimensions of risk have no influence on purchase inertia. The authors concluded that it is important to distinguish between brand loyalty and purchase inertia. They further suggested that it is important to focus on degrees of loyalty than on dichotomy based on the loyalty/disloyalty opposition.

**Curran, Varki and Rosen (2001)** provide insights into the nature of relationships between loyalty stages and antecedents. The authors examined whether the relationships between loyalty and its antecedents remain constant as customers pass through loyalty phases. It was proposed that customer experience, price/value, relationship with seller and exit barriers are positively related to both attitude and purchase likelihood. Customer experience was hypothesized to have a stronger influence in the affective/latent and conative/loyalty stages than in the cognitive/spurious stage. It was further proposed that price/value and exit barriers have a stronger influence in the cognitive/spurious stage than in the affective/latent and conative/loyalty stages. The authors also postulated relationship with seller to have a stronger influence in the cognitive/spurious stage than in the affective/latent and conative/loyalty stages. Attitude was hypothesized to be positively related to purchase likelihood. The proposed model was tested using data collected from 605 customers. The authors tested three different structural models for each loyalty stage: conative/loyalty stage, affective/latent stage and cognitive/spurious stage. Results revealed that in the conative/loyalty stage, the sole influence on purchase likelihood both directly and indirectly through attitude is customer experience. The findings revealed that in the affective/latent stage, the paths from experience to attitude, from experience to purchase likelihood, and from attitude to purchase likelihood were significant. It was further found that in the cognitive/spurious stage, customer experience does not have a direct effect on purchase likelihood while exit barriers had a direct effect.
on purchase likelihood, and relationship with seller has an indirect effect on purchase likelihood. The authors concluded that the relationships between loyalty and four antecedent constructs in three different loyalty phases/conditions are not static but rather are dependent upon the loyalty phase/condition. The findings suggested that it is important for any marketers interested in understanding or pursuing loyalty to understand the stage in which customers exist to fully understand the forces that are driving their feelings of loyalty at any particular time.

**Bennett and Rundle-Thiele (2002)** empirically compared two measures of attitudinal loyalty to identify if they are items of a single construct or two distinct constructs. The authors argued that the concept of loyalty (attitudinal or behavioral) to be considered should be dependent on both market types and situations. The study used two measures of attitudinal loyalty: an individual's propensity to be brand loyal, and attitude towards the act of purchasing a specific brand. The authors proposed that propensity to be brand loyal is not related to attitude towards the act. It was also hypothesized that attitude towards the act explains behavioral loyalty better than propensity to be brand loyal. The hypotheses were tested using data collected from 267 small business owner/operators in Gold Coast region of Australia. Results revealed that propensity to be brand loyal is not related to attitude towards the loyal or disloyal act. The results further suggest that there is a relationship between attitudinal and behavioral loyalty. The authors concluded that there is no significant relationship between the two measures in the business services market. The findings suggested that the two measures of attitudinal loyalty (an individual's propensity to be brand loyal and attitude towards the act of purchasing) are not measures of the same concept but two separate concepts. The results further provide that attitudinal loyalty (measured by attitude towards the loyal act) can be to explain or predict purchasing behavior.

**Back and Parks (2003)** investigated the mediating effects of attitudinal brand loyalty through cognitive, affective, and conative brand loyalty on the relationship between customer satisfaction and behavioral brand loyalty. The proposed relationships were tested on 194 hotel customers in North Carolina. The results suggest that there is a
significant positive relationship between customer satisfaction and cognitive brand loyalty. It was also found that cognitive brand loyalty has a positive effect on affective brand loyalty, which subsequently had a positive influence on conative brand loyalty. The findings further revealed that conative brand loyalty significantly influences behavioral brand loyalty. Results also supported the direct effect of customer satisfaction on behavioral brand loyalty. The findings of study emphasize the importance of measuring both attitudinal and behavioral brand loyalty for identifying and understanding brand loyal customers.

**Harris and Goode (2004)** developed a model of the antecedents of online loyalty that positioned trust as central driver of loyalty, along with the direct and indirect impact of perceived value, satisfaction and service quality on customer loyalty. They also tested a four dimension scale of loyalty which reflected Oliver’s (1997) conceptualization of a sequential loyalty chain. The authors conducted two studies for data collection. In first study, data was collected from 294 online purchasers of books and in second study data was collected from 240 online purchasers of flights. The findings from both studies suggest that there are four sequential levels of loyalty – cognitive, affective, conative and action loyalty. Trust was found to be directly associated with loyalty across both studies. The findings supported the direct impact of trust on satisfaction and perceived quality in case of first study only. Perceived value was found to have an indirect impact on loyalty through trust in both the studies. The authors concluded that trust is a key and central factor influencing loyalty.

**East et al. (2005)** examined how well different measures of loyalty predict loyalty outcomes – customer recommendation, reduced search for alternatives and high customer retention. They compared singular definition of loyalty based on either behavior or attitude with definitions that combine behavior and attitude. The authors tested different definitions of loyalty using three sets of studies on supermarket, car and service categories. The findings revealed that recommendation is significantly predicted by relative attitude in all the three sets. Search was found to be predicted by repeat patronage. Repeat patronage strongly predicted retention in the supermarket and car
cases. It was further found that no single definition of loyalty predicts all three loyalty outcomes. The authors concluded that attitudinal and behavioral measures of loyalty do not have much in common. They moved on to say that recommendation is predicted by relative attitude where as both search and retention is better predicted by repeat patronage. They suggest that combination measures of customer loyalty perform poorly as predictors of loyalty outcomes and prediction of loyalty outcomes is not improved by the inclusion of an interaction term in the model.

Rundle-Thiele (2005) demonstrates how and why customer loyalty develops. The author develops a model of loyalty using dimensions of situational loyalty, resistance to competing offers, propensity to be loyal, attitudinal loyalty and complaining behavior. The proposed five factor model was tested on survey of wine retailers in Australia. Results showed that in addition to behavioral loyalty, there are seven attitudinal loyalty factors – attitudinal loyalty, citizenship behavior, complaints to external agencies, complaints to friends and family, direct to seller complaints, propensity to be loyal and resistance to competing offers. The results provide that there are different types of loyalty and customers can be loyal in different ways. The findings also provided support for superiority of multi-dimensional model of loyalty over a uni-dimensional view of loyalty. The author concluded that multi-dimensional of customer loyalty is important for marketers to develop and reinforce marketing programs to maintain loyalty on the basis of types actually exhibited by customers.

Evanschitzky and Wunderlich (2006) tested Oliver’s (1997) four-stage loyalty, which proposes that loyalty consists of belief, affect, intention and action. They examined the links between cognitive-affective, affective-conative and conative-action loyalty. The authors also investigated the moderating effects of personal characteristics (age, gender, education, income) and situational characteristics (expertise, price orientation, critical incident recovery, and loyalty card membership) on the links in the four-stage loyalty. The study was carried out in a retail setting using a sample of 888 customers of a large do-it-yourself (DIY) retailer in Germany. The findings reveal that links between various forms of loyalty in the four-stage loyalty model are positive and significant. The strongest
relationship was observed between cognitive and affective loyalty while relationship between conative and action loyalty was the weakest. It was also found that personal characteristics of age, income and education except gender are significant moderators of links in the four-stage loyalty model. All the four situational characteristics were also found to be important moderators.

Evanschitzky et al. (2006) examined the relative impacts of two commitment dimensions – affective and continuance on two loyalty dimensions – behavioral and attitudinal. The study focused on the role played by each dimension of commitment in building loyalty in service relationships. The proposed model was tested using data collected on customer relationships to a large Western European mass transit service provider. Results showed that affective commitment has a positive and significant impact on both attitudinal and behavioral loyalty. Continuance commitment was found to have a weak but significant impact on attitudinal loyalty while it had a relatively strong impact on behavioral loyalty. The authors conclude that affective loyalty drives behavioral loyalty. They suggested that providers must build relationships with customers through non-economic means other than economic incentives and switching costs.

Bandyopadhyay and Martell (2007) proposed a conceptual and operational way of segmenting the market on the basis of attitudes that govern behavior. The authors used a modified typology of loyalty and classified customers into three categories according to their attitudinal and behavioral characteristics – single users, multiple users and non-users. They postulated that single users had a strong attitude toward the brand, followed by the attitude of multiple users and non-users. The proposed framework was tested on survey of 1096 consumers of ten major brands of toothpaste. Results revealed strong attitude of single users towards two brands out of ten brands of toothpaste. It was also found that differences in attitude strength of multiple users vs. non-users are stronger that those of single users vs. multiple users. The authors concluded that attitudinal loyalty influence behavioral loyalty. They further said that ‘non-users’ with a strong positive attitude towards the brand are potentially attractive customer segment.
**Russell-Bennett, McColl-Kennedy and Coote (2007)** examined the relationship between attitudinal and behavioral loyalty in a business services context. They also examined the impact of category involvement and satisfaction on loyalty. The authors proposed that both satisfaction and category involvement relate positively with attitudinal loyalty, which subsequently leads to behavioral loyalty. The study was conducted on 1, 331 business buyers who were customers of a leading telephone directory advertising firm. Results supported a positive relationship between attitudinal loyalty and behavioral loyalty. It was further found that relationships between category involvement and attitudinal loyalty and between category involvement and purchase satisfaction are positive and significant. The results also revealed that relationship between purchase satisfaction and attitudinal loyalty is strongly positive and significant. The authors concluded that satisfaction is the key construct in the development of attitudinal loyalty for business services, which in turn, predicts behavioral loyalty. The findings of study also highlighted the potential value of including both attitudinal and behavioral measures of loyalty.

**Blut et al. (2007)** discussed the links between the four loyalty stages as proposed by Oliver (1997). The authors examined the role of switching barriers as moderator variables which affect the links between the adjacent loyalty stages. It was proposed that when perceived social benefits increase, the link between cognitive and affective loyalty will become stronger. The authors further proposed that the link between cognitive and affective loyalty will be stronger under the condition of unattractive alternatives. The link between link between affective and conative loyalty was hypothesized to become stronger, when attractiveness of competing alternatives decreases. It was finally proposed that the link between conative and action loyalty will be stronger under conditions of high perceived switching costs. The proposed hypotheses were tested using data collected from 589 customers of a large do-it-yourself (DIY) retailer. The results revealed that attractiveness of alternatives moderates the link between affective and conative loyalty. Social benefits were found to moderate the link between cognitive and affective loyalty. It was further found that switching costs moderate the link between conative and action loyalty. The authors concluded that examining moderator variables of the links in the
four-stage loyalty model leads to a clearer understanding of how to build loyalty. The findings suggested that moderators exert an influence on the development of the different stages of the loyalty sequence.

*Jones and Taylor (2007)* authors tested a multi-dimensional conceptualization of loyalty based on theory from the interpersonal psychology literature. The researchers examined whether service loyalty is three-dimensional construct (as suggested by recent marketing literature) or two-dimensional construct (as suggested by the interpersonal relationship literature). The paper also tested the dimensionality of service loyalty differ across different types of services. The multi-dimensional conceptualization of loyalty was tested using data from 307 service customers. The authors conducted a number of confirmatory factor analysis at two levels of aggregation to assess the dimensionality of the service loyalty construct. In first model, service loyalty was examined using a disaggregated (i.e. item-level) model. The second model was partially aggregated across two dimensions: behavioral loyalty and a combined attitudinal/cognitive loyalty, consistent with the interpersonal relationships literature from psychology while the third model was partially aggregated across the three dimensions of behavioral loyalty, attitudinal loyalty, and cognitive loyalty as proposed in the marketing literature. Results revealed that eight different consumer responses (loyalty-related outcomes) reflect two dimensions: a behavioral element (consisting of repurchase intentions, switching intentions, and exclusive purchasing intentions), and a combined attitudinal/cognitive element (consisting of consumers’ strength of preference, advocacy, altruism, willingness to pay more, and identification with the service provider). It was further found that two-dimensional conceptualization of loyalty was consistent for all three types of services examined. The authors concluded that that service loyalty is similar to loyalty in interpersonal relationships. The findings suggested that to identify truly loyal customers firms should measure loyalty-related outcomes from both dimensions. The findings further emphasized the importance of developing service provider-consumer relationships shows promise for the understanding of service loyalty.
Li and Petrick (2008) examined the dimensionality of loyalty, and identified measures of loyalty from a multidimensional perspective. The authors proposed brand loyalty as a four-dimensional construct comprising of cognitive, affective, conative, and behavioral loyalty. It was proposed that the three dimensions – cognitive, affective and conative, collectively represent the attitudinal aspect of loyalty. The authors also proposed that attitudinal loyalty leads to behavioral loyalty. The proposed conceptualization of loyalty was tested using data collected from 554 cruise travelers. The results revealed that attitudinal loyalty is not a higher order factor consisting of three dimensions. The authors tested a competing model based on the traditional conceptualization that attitudinal loyalty is a one-dimensional, first-order factor. This model was found to provide a better fit of the data. Results also revealed that attitudinal loyalty significantly influences behavioral loyalty. The authors concluded that loyalty is a two-dimensional construct which has an attitudinal and a behavioral component. The findings that service providers who focus primarily on the technical aspects of their services, should also include affective and conative information in their marketing messages.

2.2 Studies Related to Satisfaction, Trust and Commitment as Antecedents of Customer Loyalty

Morgan and Hunt (1994) developed a key mediating model in which relationship commitment and trust were positioned as mediating variables between five antecedents (relationship termination costs, relationship benefits, shared values, communication, and opportunistic behavior) and five outcomes (acquiescence, propensity to leave, cooperation, functional conflict, and decision-making uncertainty). The model proposed relationship termination costs and relationship benefits to directly influence commitment while communication and opportunistic behavior were proposed to have a direct effect on trust. It was also postulated that shared values would directly influence both commitment and trust. The authors further proposed that acquiescence and propensity to leave are direct outcomes of relationship commitment while functional conflict and uncertainty are direct outcomes of trust. It was also proposed that cooperation arises directly from both relationship commitment and trust.
The key mediating model was tested using data collected from automobile tire retailers. The authors compared their key mediating model with a rival model, in which relationship commitment and trust were not allowed to mediate relationships between antecedents and outcomes. Results for key mediating model supported all hypothesized paths from the antecedents to relationship commitment and trust except the path from relationship benefits to relationship commitment. The findings also revealed that all the paths leading to the five outcomes were significant. The results did not the rival model. The authors concluded that relationship commitment and trust are key variables that mediate successful relationship marketing.

**Doney and Cannon (1997)** examined how trust develops and how it influences industrial buying behavior. The authors identified five cognitive processes through which industrial buyers can develop trust of a supplier and its salesperson. Buying firm’s trust in the supplier was hypothesized to be positively related to the characteristics of supplier firm (reputation and size) and characteristics of the supplier firm relationship (willingness to customize, confidential information sharing and length of relationship). It was further proposed that the buying firm’s trust of the salesperson is positively related to the characteristics of the salesperson (expertise and power) and characteristics of the salesperson relationship (liability, similarity, frequent business contact, frequent social contact and length of relationship). The authors also proposed a reciprocal causal relationship from buying firm’s trust in the supplier’s salesperson to trust in the supplier firm and vice versa. It was further proposed that buying firm’s trust in supplier firm and trust in salesperson is positively related to the buying firm’s selection of that supplier. The proposed model of trust was tested using data collected 210 members of the National Association of Purchasing Management. The results revealed that supplier size and the supplier’s willingness to customize have a positive impact on buying firm trust. The supplier’s willingness to share confidential information and length of relationship were found to be unrelated to buying behavior. The trust of the supplier’s salesperson was found to have a positive effect on the trust of the selling firm. Results also showed the positive effect of salesperson expertise on the buying firm’s trust of the salesperson. The findings further indicated that three characteristics of the salesperson relationship
(liability, similarity, frequent business contact) have a positive effect on buying firm’s trust of the salesperson. The buying firm’s trust of the supplier was found to have a positive effect on its trust of the salesperson. Finally, the results revealed that trust of the selling firm plays an important role in anticipated future interaction with the supplier. The authors concluded that trust of the supplier firm and trust of the salesperson influence a buyer’s future anticipated future interaction with the supplier.

Selnes (1998) examined the relative importance of trust and satisfaction on relationship enhancement and relationship continuity. It was proposed that satisfaction is a key determinant of relationship continuity while trust is a key driver of the motivation to enhance the scope of relationship. The authors also proposed that competence, communication, commitment and conflict handling drive both trust and satisfaction. The study was carried out on 177 customers of a food supplier supplying food for cafeterias and restaurants. The findings revealed strong effect of satisfaction on both relationship enhancement and relationship continuity. Trust was found to have significant effect on motivation to enhance the scope of the relationship. The results also suggested that satisfaction is a strong antecedent of trust. Communication, commitment and conflict handling were found to have strong effects on satisfaction. The findings further revealed that trust is influenced only by communication and neither by commitment and complaint handling. The authors concluded that both satisfaction and trust are important in order to achieve relationship continuity and enhancement. The study provides useful insights regarding relationship behaviors that are likely to produce satisfied customers and develop trust in the supplier.

Blackwell et al. (1999) developed a conceptual model of the moderating and direct-effect components that constitute and influence customer loyalty in the service context. The authors proposed that value component has a direct effect on repeat patronage for an initial service encounter. It was also hypothesized that benefit, sacrifice, personal and situation components directly influence the value component for an initial service encounter. Situation component was hypothesized to have a direct effect on the personal, benefit and sacrifice components for an initial service encounter. The conceptual model
also proposed a direct effect of the situation component on the repeat patronage for an initial service encounter. The authors carried out a pilot study with 299 customers to refine and validate the measures used in the study. The proposed model was tested in the community pharmacy setting. Data was collected through probability sampling procedure from 526 U.S. customers. The findings revealed that a customer’s perceived situation has a direct effect on customer loyalty. Perceived situation was also found to have an indirect effect on customer loyalty via value. It was also found that customer’s assessment of value is influenced by benefit, sacrifice, personal preference and the perceived situation. The results supported the role of value in mediating the relationship between antecedent processes and repeat patronage. The results further showed that situational and personal preferences have no direct or indirect effect on sacrifice. The authors concluded that a customer’s perceived situation is an important determinant of customer loyalty. The findings highlighted the importance of identifying relevant antecedents of customer loyalty in a given market context.

Garbarino and Johnson (1999) studied the different roles of satisfaction, trust and commitment in predicting future intentions of customers with different relational orientations in their exchange behavior. The authors developed two models – one for high relational customers and other for low relational customers. In the model for high relational customers, trust and commitment were as proposed as mediating constructs between component attitudes and future intentions. In the model for low relational customers, overall satisfaction was hypothesized to have a mediating role in relationships between component attitudes and trust, commitment and future intentions. The proposed models were tested using data collected from customers of a professional nonprofit repertory theatre company in New York City. The customers were segmented into three categories on the basis of their relational orientation – subscribers, occasional subscribers and individual ticket buyers. Results showed that for high relational customers trust and commitment act as mediators between component attitudes and future intentions. The findings also revealed that overall satisfaction of highly relational customers has no significant influence on future intentions. For low relational customers, results indicated that overall satisfaction mediates the effects of component attitudes on trust, commitment
and future intentions. The authors concluded that satisfaction, trust and commitment play different roles in the prediction of future intentions for high and low relational customers.

Pritchard, Havitz and Howard (1999) examined the underlying cognitive mechanisms that define commitment. The authors also examined how commitment influences loyalty. The study identified three antecedent processes of commitment – informational, identification and volitional processes. The authors proposed three models to examine the effect of commitment on loyalty. The mediated effects model proposed that informational, identification and volitional processes will have an indirect effect on loyalty through resistance to change. The direct effects model proposed that there is direct link between commitment processes and loyalty. The authors first carried out a pilot study with 421 customers to develop the psychological commitment instrument (PCI). The proposed relationships were tested using a convenience sample of 681 customers. The findings supported the mediated effects model. It was found that antecedent processes have a significant effect on resistance to change. The findings also revealed that resistance to change has a significant effect on loyalty. The authors concluded that the tendency to resist changing preference is a key precursor to loyalty. The findings suggested that managers should focus on both behavioral and attitudinal loyalty to identify truly loyal customers. Managers can use the PCI to distinguish between customers who buy services because of habit or convenience and those whose repeat purchase behavior is based on genuine attachment.

Foster and Cadogan (2000) examined the direct and indirect linkages between the customers’ relationships with the firm at two distinct levels: the specific relationship with their salesperson and the general relationship with the firm in terms of key relationship outcomes – attitudinal loyalty, future purchase intentions and recommendation giving. They developed a model of the role played by salespeople in developing strong relationships between supplier firm and the customers. The authors proposed that customers’ trust in the supplier firm, their attitudinal loyalty and aspects of their relationship with salesperson are antecedents to customers’ future purchase intentions, their price loyalty and recommendation giving behavior. The study was carried out on a
sample of 250 business customers of a large New Zealand office products firm. Results showed that direct relationship between trust in the salesperson and trust in the firm is mediated by customer’s satisfaction with their salesperson and their perceptions of the supplier firm’s service quality. Loyalty behaviors were found to be directly influenced by attitudinal loyalty to the firm, customer’s trust in the firm, and the quality of customers’ relationship with the salesperson. The authors concluded that customer-salesperson relationships are important in the development of customers’ overall evaluations of the supplier firm. They further said that both types of relationship – customer-salesperson and customer-firm have a positive impact on behavioral loyalty.

**Hening-Thurau, Gwinner and Gremler (2002)** developed an integrated model, in which customer satisfaction and commitment as dimensions of relationship quality were positioned as mediators in the relationship between relational benefits and relationship marketing outcomes. They studied three relational benefits – confidence benefits, social benefits and special treatment benefits and two relationship marketing outcomes – customer loyalty and positive word-of-mouth communications. The study was carried out on 336 customers of three different service firms. The results revealed that satisfaction and commitment have a significant and direct effect on both customer loyalty and positive word-of-mouth communications. Confidence benefits had a strong relationship with satisfaction but it had an insignificant impact on commitment. It was also found that social and special treatment benefits have significant impact on commitment and insignificant influence on satisfaction. Satisfaction had the strongest direct impact on loyalty followed by commitment, social benefits and confidence benefits. The authors suggested that service companies should create and communicate market offerings that satisfy customer needs and serve as the foundation for strong relationship commitment. They further said that firms should create confidence benefits and non-price related benefits as they are important tactics for building customer loyalty.

**Srideshmukh, Singh and Sabol (2002)** studied consumer trust, value and loyalty in relational exchanges. They developed a framework for understanding the behaviors and practices of service providers that build or deplete consumer trust, which subsequently
leads to value and loyalty. The authors conceptualized consumer trust as a multifaceted construct consisting of two dimensions – frontline employees (FLE) and management policies and practices (MPP). Value was proposed to be a key mediator of the trust-loyalty relationship. The proposed model of interrelationships among trustworthiness, trust, value and loyalty was tested using data collected from two service contexts – retail clothing and nonbusiness airline travel. Results supported a tripartite view of trustworthiness evaluations along operational competence, operational benevolence and problem-solving orientation. The findings further showed that trustworthy behaviors and practices have asymmetric effects on trust. It was also found that value completely mediates the effect of frontline employees trust on loyalty in the retailing sample whereas value was a partial mediator of the effects of management policies and practices trust on loyalty in the airlines sample.

Anderson and Srinivasan (2003) studied the impact of satisfaction on loyalty in the context of electronic commerce. They also investigated the moderating effects of consumer’s individual level factors and firm’s business level factors on satisfaction-loyalty relationship. The authors focused on three individual level variables – inertia, convenience motivation, and purchase size and two firm specific variables – trust and perceived value offered by the firm. The study was carried out on 1211 customers of e-retailing firm. Results revealed that e-satisfaction is positively related to e-loyalty. With respect to individual level factors, it was found that both convenience motivation and purchase size accentuate the impact of e-satisfaction on e-loyalty whereas inertia reduced the impact of e-satisfaction on e-loyalty. The findings further revealed that both business level factors of trust and perceived value significantly accentuate the impact of e-satisfaction on e-loyalty.

Fullerton (2003) examined the direct and interactive effects of affective commitment and continuance commitment on customer’s switching intentions, advocacy intentions and willingness to pay more. A 2(affective commitment) X 2 (continuance commitment) longitudinal experimental design was used to examine the hypothesized relationships. The participants were 108 undergraduate students. Results demonstrated that affective
commitment has a significant negative effect on customer switching intentions and a significant positive effect on both advocacy intentions and willingness to pay more. Continuance commitment was found to have a significant negative effect on both customers’ switching intentions and advocacy intentions and an insignificant on willingness to pay more. The results also confirmed the interactive effects of affective commitment – continuance commitment for all the three consumer relational intentions. The findings of study suggested that both affective and continuance commitment have a positive impact on customer retention but it is the type of commitment present in relationship which significantly influence customer’s behavior. The study further provided that impact of affective commitment on customer loyalty depends on the level of continuance commitment present in the relationship.

Verhoef (2003) examined the effects of customer relationship perceptions (CRPs) – satisfaction, payment equity and affective commitment and relationship marketing instruments (RMI) – loyalty program and direct mailings on customer retention and customer share development. The author also investigated the differential effect of CRPs and RMI on customer retention and customer share development. Both survey data from customers of a financial services company and data from company customer’s database were used to test the conceptual model. Results revealed that affective commitment and loyalty programs positively affect both customer retention and customer share development. Satisfaction and payment equity were found to have no effect on customer retention and customer share development. It was also found that direct mailings positively affect customer share development. The author concluded that CRPs do not directly influence customer share development where as RMI directly influence both customer retention and customer share development. The findings useful insights for creating affectively committed customers through use of loyalty programs and sending direct mailings. The author suggested that firm can use same strategies to affect both customer retention and customer share development.

Bansal, Irving and Taylor (2004) developed a three component model of commitment that positioned affective, continuance and normative commitment as mediators in the
relationship between switching predictors and switching intentions. They studied five predictors of service provider switching – subjective norms, satisfaction, trust, switching costs and alternative attractiveness. The authors tested a comparison model which included direct paths from predictors of service provider switching to switching intentions along with mediating role of three dimensions of commitment. The hypothesized relationships were tested on 356 auto-repair customers. Results showed that both normative and continuance commitment are negatively related to switching intentions but affective commitment was found to have no effect on switching intentions. The findings also revealed that relationship between subjective norms and switching intentions is moderated by normative commitment. It was also found that both affective and normative commitment mediate the relationship between trust and switching intentions. The results further suggested that continuance commitment mediates the relationship between switching costs and switching intentions. The authors concluded that customers’ commitment to the service provider affects their intentions to switch. They suggested that it is important for service providers to recognize that consumers stay loyal for different reasons because they want to, they feel ought to and they feel they have to and accordingly develop tactics based on type of commitment displayed.

Agustin and Singh (2005) developed a model for the mechanisms of loyalty intentions that examines simultaneously the differential curvilinear effects of multiple determinants (transactional satisfaction, trust and value) for relational exchanges. The authors proposed that all the three determinants have a positive linear effect on loyalty intentions. Transaction satisfaction was hypothesized to have a negative quadratic effect on loyalty intentions while consumers’ trust was proposed to have a positive quadratic effect on loyalty intentions. Consumers’ perception of relational value was hypothesized to have no quadratic effect on loyalty intentions. The study was carried out in two service industries – retail clothing purchases and nonbusiness airline travel. Results showed that transaction satisfaction had a weak positive linear effect on loyalty intentions in both service contexts. It was further found that satisfaction had a negative quadratic effect on loyalty intentions only in case of retail clothing purchases industry. The proposed positive linear and quadratic effects of consumer’s trust in the service provider were
found significant support across both service industries. Value was found to have a significant negative quadratic effect on loyalty intentions across both samples. The authors concluded that satisfaction affects both trust and value judgments. They moved on to say that trust and value have direct effects on loyalty intentions and trust plays a direct role in shaping consumers’ perceptions of relationship value.

Gustafsson, Johnson and Roos (2005) developed a conceptual model of the effects of customer satisfaction, affective commitment and calculative commitment on customer retention. The authors also investigated the potential for situational and reactional trigger conditions to moderate the effect of satisfaction on retention. The authors conducted the research using customers of telecommunication services. It was found that customer satisfaction and calculative commitment has a consistent negative effect on customer churn. Affective commitment was found to have no effect on churn. Situational and reactional triggers were found to have no moderating effect on satisfaction-retention relationship. The authors concluded that customer relationship managers should include both evaluations of performance and the viability of competitive offerings in periodic survey to predict customer retention. It was suggested that if customer satisfaction is found to be key driver of retention, managers should focus on improving satisfaction. If calculative commitment is key driver of retention, then focus of managers must shift to improving the aspects of the value proposition that are unique to offering.

Chiou and Droge (2006) proposed an integrated framework explaining loyalty responses in high-involvement, high-service luxury product markets. They proposed facility service quality, interactive service quality and attribute satisfaction as antecedents to trust and overall satisfaction. The authors further proposed that trust positively impacts overall satisfaction, attitudinal and behavioral loyalty. The study also explored the relationships among satisfaction, asset specificity and attitudinal versus behavioral loyalty. The authors also tested a competing model in which attitudinal loyalty was modeled as mediator of the impacts of trust and satisfaction on behavioral loyalty. The study was carried out on 300 customers of a premium cosmetics company. Results showed that both attribute satisfaction and interactive service quality have direct effects on satisfaction and trust and
indirect effects on attitudinal and behavioral loyalty through trust, overall satisfaction and asset specificity. Trust was found to positively impact overall satisfaction. The findings further revealed that both trust and overall satisfaction affects attitudinal loyalty. Consumers with more product-market expertise were found to be less behaviorally loyal. The authors concluded that trust and satisfaction build behavioral loyalty by increasing attitudinal loyalty and persuading the customer to invest in specific assets. They suggested marketing managers to devise creative marketing programs that permit and encourage customers to make specific asset investments.

Donio, Massari and Passiante (2006) examined the links between customer loyalty attitude, customer loyalty behaviors and profitability. They developed a dynamic model of customer loyalty at the customer level. The model proposed purchase behavior, customer satisfaction, trust and commitment as antecedents to customer loyalty and profitability as an outcome of loyalty. The proposed framework was tested in agri-food sector in Italy. Results showed that both purchase behavior and customer loyalty attitude are positively and significantly associated with profitability. Customer satisfaction was found to be positively related to customer loyalty attitude. The findings further revealed that satisfaction, trust and commitment are positively and significantly associated with purchase behaviour. The authors concluded that it is customer’s purchase behavior which affects firm’s performance and not their attitude. They moved on to say that firms must measure and manage customer loyalty using both attitudinal and behavioural measures in order to obtain cost savings from loyal customers. The findings provided managers useful insights on development of Loyalty Index for market segmentation.

Cooil et al. (2007) carried out the first longitudinal analysis of the impact of changes in customer satisfaction on changes in share of wallet. They also investigated the moderating effects of demographic characteristics (age, income, education) and situational characteristics (expertise and length of relationship) on satisfaction-share of wallet relationship. The authors proposed that there is a positive relationship between a change in customer satisfaction and a contemporaneous change in current share of wallet. It was also proposed that positive relationship between changes in share of wallet and
changes in customer satisfaction depends upon baseline satisfaction level and this relationship differs across customer segments. Data for the study was collected from 4319 Canadian bank customers over a five year period. The results of empirical study showed a significant positive relationship between change in customer satisfaction and change in share of wallet. The relationship between satisfaction and share of wallet was found to differ by baseline satisfaction level. It was further found that income and length of relationship negatively moderated the relationship between changes in satisfaction and share of wallet. The findings also suggested that demographic and situational variables other than income and length of relationship had no moderating effect. The authors concluded that managers should design their efforts to improve satisfaction in such a way that customer reach satisfaction levels that correspond to higher share of wallet.

**Rauyren and Miller (2007)** studied the impact of relationship quality on composite measure of customer loyalty – behavioral loyalty and attitudinal loyalty. They proposed that relationship quality as a determinant of loyalty is a higher level construct comprising two levels of trust (trust in employee and trust in supplier), two levels (commitment in employee and commitment in supplier) and two dimensions (affective and calculative) of commitment, overall satisfaction, and perceived service quality. The proposed model was tested using data collected from 306 business customers of Small to Medium Enterprises in the courier service delivery industry in Australia. The findings showed that only two dimensions of relationship quality – overall satisfaction and perceived service quality influence behavioral loyalty. The results also revealed that trust in the supplier, affective commitment to the supplier, overall satisfaction and perceived service quality significantly influence attitudinal loyalty. The authors concluded that both overall satisfaction and perceived service quality strongly influence purchase intentions and attitudinal loyalty in the B2B context. The study suggested that an excellent delivery system of courier service and package delivery is a crucial factor in building a supplier’s customer base. The findings also provided useful insights about the importance of brand management and portraying a good image of an organization as a whole.
Chiou and Pan (2009) examined the moderating effects of heavy versus light shoppers on antecedents of customer’s satisfaction and loyalty toward an internet retailer. The authors proposed that customer’s evaluations of website encounter quality, website format quality, website content quality and service quality will positively affect their overall satisfaction with the internet retailer. It was also hypothesized that customer’s perceived price/value that website offers will have a positive influence on overall satisfaction. They further proposed that perceived service quality will positively affect customer’s trust of the internet retailer. It was further proposed that overall satisfaction and customer’s specific asset investment will positively affect loyalty. To examine the moderating effects of shopping level, it was hypothesized that the strength of the relationship between price/value and satisfaction will be greater among light shoppers than heavy shoppers. It was further proposed that the strength of the relationship between trust and satisfaction will be greater among heavy shoppers than light shoppers. The strength of the relationship between asset specificity and loyalty was hypothesized to be greater among heavy shoppers than light shoppers. The proposed was tested using data collected from 375 users of Internet bookstores in Taiwan. The results showed that for heavy shoppers, website format, price/value and service quality had a significant positive influence on overall satisfaction. For light shoppers, the results revealed that price/value and service quality have a significant influence on overall satisfaction. For both heavy and light shoppers, service quality was found to significantly affect trust perception of the website and trust, in turn was found to significantly overall satisfaction. It was further found that overall satisfaction and asset specificity affect loyalty response for both heavy and light shoppers. The findings supported the moderating effect of shopping level on the relationship between price/value and overall satisfaction. It was also found that the strength of the relationship between trust and overall satisfaction is stronger for heavy users. The authors concluded that price/value, service quality, and perceived trust are important for gaining customer satisfaction. The findings demonstrated that the role of price/value and trust in influencing overall satisfaction is different between heavy and light shoppers.
Davis-Sramek et al. (2009) investigated the impact of retailer’s evaluations of technical and relational dimensions of a manufacturer’s order fulfillment service quality on retailer satisfaction, commitment and loyalty. The authors proposed both technical and relational service quality has a positive effect on satisfaction. It was also hypothesized that satisfaction has a positive effect on both affective and calculative commitment. They further proposed that both affective and calculative commitment has a positive effect on loyalty behavior. Affective and calculative commitment was proposed as complete mediators of the relationship between satisfaction and loyalty behavior. The proposed relationships were tested on a sample of 389 independent retailers. Results revealed that both technical and relational dimensions of service quality positively influence satisfaction. The findings further indicated that satisfaction has a significant influence on both affective and calculative commitment. Affective commitment was found to have a positive and direct influence loyalty behavior. Calculative commitment was found to have an indirect effect on loyalty behavior through affective commitment. Results further indicated that satisfaction has an indirect effect on loyalty behaviors through both affective and calculative commitment. The findings suggested that managers should use affective and calculative commitment along with behavioral loyalty to understand customer types. Such segmentation can help to identify and track those customer segments who are likely to respond to relationship marketing efforts.

Dawes (2009) examined the impact of actual price increases on customer in a service context. The author also investigated how the effect of a price increase is moderated by both tenure and breadth of the customer’s relationship. It was proposed that relationship tenure and breadth has a positive effect on retention rates. The author further proposed that longer relationship tenure with a service provider leads to reduced insensitivity to price increases. The study used two competing hypotheses to examine the effect of relationship breadth on price increases. Two studies were used to examine the hypothesized relationships. Study 1 used data on 70,191 customers supplied by a large Australian provider of motor vehicle insurance. In Study 2, data was collected from 897 customers using telephone survey. The results revealed that tenure is associated with lowered customer sensitivity to price increases. Both relationship tenure and breadth
were found to have a favorable direct effect on customer retention rates. The findings further indicated that relationship breadth is associated with heightened customer sensitivity to price increases. The author concluded that long-tenure customers are less sensitive to price increases. The findings suggested that marketers must pay extra attention to short-tenure and broad-breadth customers when implementing price increases.

Canniere, Pelsmacker and Geuens (2010) examined the link between perceived relationship quality, buying intention and behavior. The authors also investigated moderating role of relationship strength on the impact of relationship quality on buying intention and of buying intention on buying behavior. They proposed that a positive perception of relationship quality has a positive impact on buying intention and buying behavior. It was further proposed that a stronger relationship has a positive impact on buying intention and buying behavior. A stronger relationship was hypothesized to lead to a more positive impact of relationship quality on buying intention. It was also proposed that the impact of buying intention on buying behavior is stronger for customers with a stronger relationship. The study used actual purchase data and survey data gathered from 634 customers of a Belgian apparel retailer to test the proposed relationships. The results revealed that relationship quality has a significant impact on both buying intention and buying behavior. Relationship strength was found to have a significant positive effect on both buying intention and buying behavior. The findings confirmed the moderating role of relationship strength on the relationship between buying intention and buying behavior. Results did not support the moderating role of relationship strength on the impact of relationship quality on buying intention. The authors concluded that better relationship quality leads to stronger buying intention for customers with a weak relationship, whereas stronger intention leads to more buying behavior for customers with a strong relationship. The findings suggested that marketers should approach high relationship strength customers differently from low relationship strength customers.
Castaneda (2010) examined the relationship between satisfaction and loyalty. The study proposed a four-way classification of the relationship between satisfaction and loyalty. The linear model proposed that satisfaction is positively related to loyalty. In the non-linear model, it was proposed that satisfaction is positively to loyalty. This model further proposed that coefficient of the relationship between satisfaction and loyalty is stronger for little satisfied customers. The operative definition model proposed that satisfaction is positively related to loyalty whereas dissatisfaction is negatively related to loyalty. In the moderating and mediating variables model, it was proposed that trust is complete mediator of the satisfaction-loyalty relationship. The model also proposed that relationship between satisfaction and loyalty is moderated by involvement. This model further hypothesized that trust is a partial mediator of the satisfaction-loyalty relationship. The proposed models were tested using data collected from 400 online buyers. The comparison of the competing models revealed that the relationship between satisfaction and loyalty on the Internet is moderated by involvement and partially mediated by trust. The author concluded that the model that best explains the relationship between satisfaction and trust is the ‘moderating and mediating variables’. The findings suggested that marketers must remember that similar rates of satisfaction obtained for different customer segments are not equally effective in generating customer loyalty. The findings further provided that for individuals with high involvement, satisfaction is good predictor of loyalty, whereas for individuals with low involvement the effect of satisfaction in generating loyalty is smaller. The findings suggested that firms should rely more on enhancing service quality, perceived value and customer satisfaction for increasing customer loyalty. Switching costs can be used to increase retention rates only to a limited extent.

Fullerton (2011) developed a conceptual model of the relational drivers of advocacy for consumer services. The study examine the extent to which advocacy is a consequence of marketing relationships in service organizations. It was proposed that satisfaction will positively affect advocacy intentions and affective commitment. Trust was hypothesized to positively affect both affective and normative commitment. Scarcity of alternatives was proposed to be positively related to continuance commitment. It was further
hypothesized that affective and normative commitment are positively related to advocacy intentions. Continuance commitment was proposed to have a negative affect on the advocacy intentions. The proposed model was tested using data collected from three service settings: hairstyling (252 customers), auto-repair service (203 customers) and banking (207 customers). The findings revealed that the effect of satisfaction on advocacy intentions and affective commitment was significant and positive in all the three service settings. Trust was also found to be significantly and positively related to both affective and normative commitment in all the three service settings. Results also revealed that scarcity of alternatives is significantly and positively related to continuance commitment. Affective commitment was found to have a strong and positive effect on advocacy intentions in all three service settings. The negative impact of continuance commitment on advocacy intentions was confirmed in two of three service settings (banking and auto-repair service). The results further showed that normative commitment was significantly and positively related to advocacy intentions in two of three service settings (hairstyling and auto-repair service). The author concluded that satisfaction, trust and customer perceptions about the scarcity of alternatives are significant determinants of various components of customer commitment. The findings showed that customer affective and normative commitment are key positive drivers of the consumer willingness to give favorable recommendations to other customers. The findings further provided that continuance commitment destroys the potential for advocacy. The author suggested that marketers should take care not create continuance commitment through relationship management efforts. Marketers should focus on building affective commitment by making and meeting promises, and thus creating and satisfied and trusting customers.

2.3 Studies Related to Role of Switching Costs and Corporate Image in Formation of Customer Loyalty

Keaveney (1995) examined the determinants of customer’s decisions to switch service provider. The author used critical incident technique and collected data from 526 customers. The research identified 838 critical incidents that caused customers to switch.
Customer’s reasons for switching services were classified into eight categories. The pricing category included critical behaviors related to high price, price increase, unfair pricing and deceptive pricing. Pricing category was the third largest category mentioned by 30% respondents. Inconvenience category reflected the critical incidents, in which the consumer felt inconvenient because of service provider’s location/time, wait for appointment and wait for service. More than 21% cited inconvenience as the only reason for switching. Core service failures were the largest category of service switching mentioned by 44% respondents and included service mistakes, billing errors and service catastrophes. Service encounter failures category reflected some aspects of service employee’s behavior or attitudes like uncaring, impolite, unresponsive and unknowledgeable. This category reflected second largest category of service switching mentioned by 34% respondents. The response to failure category reflected critical switching incidents in which customers switched because of failure of service provider to handle the situation appropriately. This category was mentioned by just 17% of respondents. The attraction by competitors category was mentioned by 10% respondents and included critical switching incidents in which customers switched to a better service. More than 7% respondents mentioned ethical problems as the reason for switching. The ethical problems category included illegal, unsafe, unhealthy and immoral behaviors of service providers that deviated widely from social norms. The involuntary switching category included switching incidents in which customers switched because of factors largely beyond the control of either the customer or the service provider. The research also identified the consequences of service switching. Customers engage in post-switching behavior by spreading negative word-of-mouth and take action to switch service providers. The results of the study provided a model of customer switching in service industries. The proposed model can be used by mangers to understand customer defections. The findings further suggest that six of the eight service switching factors are controllable from a service’s firm’s point of view. So managers can develop customer retention strategies by controlling for critical incidents.

Andreassen and Lindestad (1998) explored the effects of corporate image in the formation of customer loyalty. They proposed that customer loyalty is based on an
attribute performance evaluation path and an image path. They further hypothesized that for goods industries, the attribute evaluation path will dominate in predicting customer loyalty while for services the image path will strongly predict customer loyalty. Corporate image was proposed to be positively correlated with core service, disconfirmation, customer satisfaction and customer loyalty in goods as well as service industries. The study was carried out using data collected from 792 newspaper subscribers and 300 policy holders of casualty insurance. The findings showed that corporate image is positively correlated with both core service and customer satisfaction in both newspaper and insurance industries. The positive relationship between corporate image and disconfirmation found support only in the insurance industry. Results revealed strong impact of attribute evaluation path on customer loyalty in the insurance industry while the image path was strong predictor of customer loyalty in the newspaper industry. The authors concluded that corporate image has a significant impact on loyalty. They moved on to say that for services, corporate image assumes the role of a predictive expectation while for product categories, corporate image affects the satisfaction judgment. The findings stressed the importance of building a good corporate image in high-involvement industries.

**Bloemer, Ruyter and Peeters (1998)** investigated relationship between image, perceived service quality, satisfaction and loyalty in a retail bank setting. They studied the impact of determinants of loyalty at two levels – global construct level and level of construct dimensions. The authors tested the proposed model on 2,500 customers of a major bank in The Netherlands. The findings revealed that image has an indirect effect on loyalty through quality. Satisfaction had a direct positive effect on loyalty. The findings further showed that quality had both a direct as well as indirect influence on loyalty through satisfaction. The authors conducted an additional analysis to examine the dimensional distinctiveness of image and quality constructs. The findings of additional analysis revealed that the major determinants of loyalty in terms of importance are reliability and position in the market followed by satisfaction, efficiency, customer contacts, empathy and society driven. The authors concluded that reliability (a quality dimension) and position in the market (an image dimension) are important drivers of retail bank loyalty.
They suggested that banks should train employees to make a trustworthy impression on the customers and make use of corporate advertising creating the perception of a strong financial institution offering innovative products and services and modern facilities.

**Bloemer and Ruyter (1998)** studied the relationship between store image, store satisfaction and store loyalty. They identified two types of store satisfaction – manifest satisfaction and latent satisfaction as antecedents to store loyalty. The authors proposed that relationship between manifest satisfaction and store loyalty is stronger that relationship between latent satisfaction and store loyalty. It was further proposed that elaboration is a mediator variable in the relationship between satisfaction and loyalty. Image was postulated to have a direct as well as indirect positive effect through satisfaction on store loyalty. The study was conducted on 124 customers of a department store in a major city in Switzerland. The findings supported the strong positive impact of manifest satisfaction on store loyalty. It was also found that amount of satisfaction has a positive effect on store loyalty while both involvement and deliberation had a negative effect on store loyalty. Elaboration as a mediator variable was found to strengthen the positive impact of store satisfaction on store loyalty. The results further revealed that image has an indirect effect on store loyalty through store satisfaction. The authors concluded that manifestly satisfied customers are the true store loyal customers and have a positive image towards the store while latently satisfied customers are potential store switchers.

In a study of bank customers **Nguyen and Leblanc (1998)** investigated the effects of customer satisfaction, service quality and value on perceptions of corporate image and customer loyalty. The authors proposed that both customer satisfaction and service quality lead to perceived service value and service loyalty. Overall image of the service firm was hypothesized to be influenced by customer satisfaction, service quality and perceived service value. It was further proposed that favorable evaluations of corporate image lead to service loyalty. The proposed model was tested on 1,224 customers in the banking service industry. The results revealed that both customer satisfaction and service quality have positive influence on perceived service value with service quality having a
stronger influence on value. The findings also suggested positive influence of service quality on service loyalty. It was also found that customer satisfaction and corporate image are positively related to service loyalty. The findings of study provide useful insights to managers for development of competitive strategy for customer retention using service quality, corporate image and customer satisfaction.

**Ruyter, Wetzels and Bloemer (1998)** studied the relationship between service quality, service loyalty and switching costs. They identified three dimensions of service loyalty – preference loyalty, price indifference loyalty and dissatisfaction response. The authors proposed that service quality has a positive relationship with both preference loyalty and price indifference loyalty. It was also proposed that relationship between service quality and service loyalty for different types of service industries will vary on the basis of relative switching costs involved for service customers. The study was carried out in five different industries – health centres, city theatres, fast food, supermarkets and amusement parks. The results revealed a positive relationship between service quality and preference loyalty and price indifference loyalty. It was also found that there is no significant relationship between service quality and dissatisfaction response. The findings also revealed significant differences between service industries in relation to all three loyalty dimensions. The results also provided that in industries characterized by relatively low switching costs, customers will be less loyal both in terms of preference and price indifference loyalty as compared to service industries with relatively high switching costs. The authors concluded that service quality has a positive impact on customer preference and the willingness to recommend the service provider. They moved on to say that switching costs have a moderating effect on relationship between service quality and three dimensions of loyalty. The authors suggested that firms should undertake actions that increase switching costs and build service recovery strategies for reducing dissatisfaction response.

**Bansal, Irving and Taylor (1999)** investigated factors that influenced customer’s decision to switch service providers and how these factors influences the decision making
process. They developed a model of service provider switching (SPSM). The authors proposed that satisfaction, attitude towards switching, subjective norms and perceived switching costs positively influence switching intentions. It was also proposed that consumer’s intention to switch service providers positively influences switching behavior. Service quality was hypothesized to positively effect satisfaction and consumer’s attitude towards switching. Service quality and perceived relevance were hypothesized to have an interactive effect on consumer’s attitude towards switching. The proposed SPSM model was tested using data collected 371 mortgage customers of Canadian banks. The results supported the main effects of both service quality and perceived relevance on consumer’s attitude towards switching and no interactive effect. It was also found that satisfaction with the service provider is significant predictor of switching intentions. Consumer’s attitude toward switching was found to important determinant of switching intentions. Results also revealed that subjective norms have an indirect influence on switching intentions. Switching costs were found to have no direct effect on switching behavior. Switching intentions were found to have a significant effect on customer’s switching behavior. The authors concluded that service quality and satisfaction play important roles in the switching decision but attitude toward switching is the most influential determinant of switching intentions. The findings suggested that service providers can affect intentions to switch by influence the consumer’s attitude towards switching.

**Jones, Mothersbaugh and Beatty (2000)** proposed and tested a contingency model between core-service satisfaction and switching barriers. The authors proposed that stronger interpersonal relationships, high perceived switching costs and lower attractiveness of competing alternatives are associated with higher repurchase intentions. It was proposed that association between core-service satisfaction and repurchase intentions diminishes as switching barriers become important. The model was tested on 228 customers of banking services and 206 customers of hairstyling/barber services. Results indicated that core-service satisfaction was positively associated with repurchase intentions. It was also established that none of the switching barriers had significant
effect on repurchase intentions. Findings provided support for proposed contingencies between core-service satisfaction and various switching barriers. The authors concluded that customer satisfaction should be primary strategic objective focus of service providers to increase customer retention. They also suggested that firms should build up various switching barriers to retain customers with low satisfaction.

**Kandampully and Suhartanto (2000)** examined the relationship between customer loyalty, customer satisfaction and image in the hotel industry. The authors proposed that customers’ satisfaction with reception, housekeeping, food and beverage, and price are positively related to customer loyalty. Hotel image was hypothesized to be positively related to customer loyalty. They further proposed that hotel image and customer’s satisfaction with the hotel’s performance significantly explain the variance of customer loyalty. The proposed model was tested on 106 customers of five different chain hotels in New Zealand. The results revealed that corporate image had significant effect on customer loyalty. Customers’ satisfaction with housekeeping only was found to be significant in determining customer loyalty. The combined effect of hotel image and customer satisfaction on customer loyalty was found to be very high. The authors concluded that in the context of hotel industry, image and customer satisfaction with housekeeping are major factors considered by customer when they repurchase, recommend and exhibit loyalty.

In a study of mobile phone service **Lee, Lee and Feick (2001)** investigated the moderating role played by switching costs in the customer satisfaction-loyalty link. The authors also analyzed the moderating role of switching costs in satisfaction-loyalty link across different customer segments. The study was carried out on sample of 256 private mobile phone users in France, who participated in face-to-face interview. Results showed that customers with high switching costs are more loyal. To examine the moderating role of switching costs on different segments, subjects were classified into three types according to variety of calling plans – economy (calling time less than two hours), standard (calling time from two to four hours) and mobile lovers (calling time more than four hours). It was found that switching costs play a significant moderating role in the
satisfaction-loyalty link for economy and standard group customers. The findings further provided that switching costs do not affect satisfaction-loyalty link for mobile lovers rather such users accepted whatever the company has to offer. It was also seen that overall satisfaction-loyalty link is significant for all plan types. The authors concluded that an understanding of the role played by switching costs in satisfaction-loyalty link can help firms to take advantage of structure of switching costs.

**Ranaweera and Prabhu (2003)** investigated the combined effects of satisfaction, trust and switching barriers on customer retention in a continuous purchase setting. They also studied the interaction effects of trust and switching barriers on customer retention in the presence of satisfaction. The authors also examined the importance of trust in influencing retention in comparison to satisfaction. The proposed framework was tested in 432 customers of fixed line residential telephones in the UK. Results showed that satisfaction, trust and switching barriers have significant positive effects on customer retention. The effect of trust on customer retention was found to be weaker than that of satisfaction. It was also found that both trust and switching barriers play a moderating role in the relationship between satisfaction and customer retention. The authors also carried out a ‘critical incident analysis’ and found that even a ‘satisfying’ service recovery process is inadequate to prevent loss of trust. The authors concluded that building both customer satisfaction and trust is a superior strategy for increasing customer retention. They also suggested that firms should build a combined strategy that makes switching barriers act as a complement to satisfaction. The findings provided insights to service providers to focus only on those service features that create switching costs, which add value to the service without creating absolute barriers to switching.

In their study of the retail banking market **Beerli, Martin and Quintana (2004)**, identified the key factors that influence the extent to which customers remain loyal towards their banks. They proposed that customer satisfaction and switching costs are the key factors affecting loyalty. It was further proposed that perceived service quality is an antecedent of satisfaction and has an indirect influence on loyalty. The authors also studied the moderating influence of degree of elaboration between loyalty and its
antecedent factors. The study was conducted on 576 bank customers. The findings revealed that both satisfaction and switching costs have significant positive influence on loyalty and satisfaction has stronger influence on loyalty than switching costs. It was also found that perceived service quality is not an antecedent of satisfaction and there is no bidirectional relationship between satisfaction and perceived service quality. The findings further suggested that the degree of elaboration has no moderating influence on the relationships between satisfaction, switching costs and loyalty. The authors concluded that satisfaction and switching costs are important antecedents of loyalty. They moved on to say that satisfaction is an antecedent of perceived quality in the retail banking market. They suggested that banks should focus on achieving high levels of customer satisfaction than on creating switching barriers.

Lam et al. (2004) proposed a conceptual framework in which they positioned customer perceived value, customer satisfaction and switching costs as antecedents of customer loyalty. The model proposed customer satisfaction as playing mediating role in the relationship between customer value and customer loyalty. It was further proposed that customer satisfaction has strong influence on customer loyalty than switching costs. The study was carried out in the courier service industry using data collected from 268 customers. The findings revealed that customer perceived value has a positive impact on customer satisfaction. It was also found that customer satisfaction positively influences the two loyalty dimensions – recommendation dimension and patronage dimension. Switching costs were found to have a positive effect only on the recommendation dimension of loyalty. The findings further revealed that customer satisfaction totally mediates the relationship between customer value and recommendation value. The findings also indicated that customer satisfaction has stronger influence on loyalty dimensions than switching costs. The authors concluded that customer loyalty has two dimensions – recommendation and patronage and both dimensions are positively related to customer satisfaction and switching costs. They suggested that service providers should use customer satisfaction and switching costs in developing strategies to retain customers.
Aydin and Ozer (2005) determined the potential antecedents of customer loyalty. They tested the relationships among corporate image, trust, perceived switching costs, perceived service quality and customer loyalty. The hypothesized relationships in the proposed model were tested on data obtained from 1,662 mobile phone users in Turkey. Structural Equation Modeling (SEM) was used to analyze the data. Results showed that trust, perceived service quality and switching costs positively and significantly affect customer loyalty. It was also found that corporate image has positive but insignificant effect on customer loyalty. The findings further revealed that perceived switching costs are influenced by both trust and service quality. The results also provided that perceived service quality affects both perceived switching costs and trust. The authors concluded that trust is the most important driver of customer loyalty. They moved on to say that service quality is a necessary but not sufficient condition for development of customer loyalty. The findings provided useful insights to marketing managers for using switching costs as an alternative strategy for development of customer loyalty.

Jones et al. (2007) proposed a framework for examining the alternative routes through which different types of switching costs operate in affecting relational outcomes. They focused on three types of switching costs – procedural, social and lost benefits and two types of relational outcomes – repurchase intentions and negative word-of-mouth. The proposed framework posited commitment (affective and calculative) and emotions (positive and negative) as mediators of the relationship between different types of switching costs and relational outcomes. They further classified switching costs into negative switching costs that derive primarily from negative sources of constraint (procedural switching cost) and positive switching costs which mainly derive from positive sources of constraint (social and lost benefits).

The authors carried out online survey to collect data and divided respondents into two groups on the basis of their negative or positive feelings towards service provider. The final sample consisted of 484 respondents who had negative relationship with their service provider and 379 respondents who had positive relationship. The findings
revealed that social and lost benefit switching costs are positively associated with affective commitment where as procedural switching costs positively influence calculative commitment. Affective commitment was found to increase positive emotions and repurchase intentions and decrease negative word of mouth. It was also found that calculative commitment increases negative emotions and negative word of mouth. The authors concluded that firms should cautiously use procedural switching cost and calculative commitment as a retention strategy. They moved on to say that firms should increase perceptions of social switching costs and lost benefit switching costs to generate affective commitment. The strongest relationships are those that are based on high levels of affective commitment and low levels of calculative commitment.

**Edward, George and Sarkar (2010)** examined the role of switching costs in the service quality-perceived link and customer satisfaction-customer loyalty link. The authors proposed that service quality contributes positively to perceived value. Switching costs were hypothesized to negatively moderate the relationship between service quality and perceived value. It was also proposed that customer satisfaction positively contributes to customer loyalty. Switching cost was proposed to negatively moderate the relationship between customer satisfaction and customer loyalty. The proposed relationships were tested using data collected from 200 mobile phone users. The findings revealed the main positive effect of service quality on perceived value. It was also found that switching costs negatively moderate the relationship between service quality and perceived value. The negative interaction effect of switching costs suggests that with higher perceived switching cost, the effect of service quality on perceived value becomes lower. The results further showed the negative moderating effect of switching cost on the relationship between customer satisfaction and customer loyalty. The authors concluded that switching costs can increase customer loyalty, but at the same time can also reduce the impact of customer satisfaction on customer loyalty.

**Liu, Guo and Lee (2011)** examined the effects of relationship quality and switching barriers on customer loyalty. The study used an integrated approach by including a pull-in force (relationship quality) and push-back force (switching barrier). The authors used
two-factor theory of satisfaction to identify the antecedent factors of relationship quality. Service quality was considered as a hygiene factor while playfulness of services and intimacy with the provider were considered satisfiers. The authors proposed that satisfaction, trust and switching barriers have a positive effect on loyalty. Playfulness and service quality were hypothesized to have a positive effect on satisfaction. It was proposed that service quality and intimacy have a positive effect on trust. The proposed model was tested using data collected from 311 mobile phone users in Taiwan. Results revealed that satisfaction, trust and switching barriers positively influence loyalty. Satisfaction component of relationship quality was found to have a stronger effect than switching barrier. Playfulness and service quality was found to positively influence satisfaction. It was further found that service quality and intimacy has a positive effect on loyalty. The findings revealed no significant difference between the influence of “hygiene” factors or “satisfiers” on satisfaction and trust. The authors concluded that both pull-in force (relationship quality) and push-back force (switching barriers) are important when companies are trying to keep customers. The findings suggested that for companies in highly competitive market, the better strategy is to provide high service quality and to implement methods aiming to implement methods aiming to provide added value to customers. The findings further provided that service providers should build switching barriers to prevent customer defection and enhance customer loyalty.

2.4 Summary

This chapter has reviewed studies dealing with the concept of customer loyalty and its antecedent factors. The literature review has helped to conceptualize the concept of customer loyalty and identify factors that previous research has found to influence customer loyalty. This chapter clarified that loyalty is composed of attitudinal and behavioral dimensions. The chapter identified key antecedents of customer loyalty: satisfaction, trust, commitment, corporate image and switching costs. The literature review also identified there are only few studies that consider loyalty both from attitudinal and behavioral perspectives. They too do not incorporate switching costs and corporate image as mediators, which is the primary goal of the study. The relationships
between the potential antecedents and two dimension of loyalty will be discussed in the next chapter along with the specific hypotheses.