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# **The influence of customer loyalty on Small Island economies: an exploratory research**

**Wilson Ozuem\*, Tara Thomas\*\* and Geoff Lancaster\*\*\***

**University of Gloucestershire (UK)\*, London Metropolitan University\*\*, and London School of Commerce\*\*\***

## **Abstract**

*There is growing consensus that companies' long-term success is reliant on building and sustaining strong customer relationships. This study explores the antecedents of loyalty in B2B's using Guernsey's Telecommunication Industry as a case study. It examines how these antecedents influence customer's loyalty orientation and those factors that can help service providers improve their loyalty rates. Extant literature pays little to no attention to the antecedents of loyalty in Small Island economies. Prior research on Small Island economies is heavily focused on cultural, environmental and macro-economic issues. Drawing on Dick and Basu's (1994) loyalty model, this research explores loyalty antecedents that are cognisant of distinct market conditions that potentially impact customer loyalty within the telecommunications sector of a Small Island Economy. It seeks to advance understanding of loyalty in B2B relationships in this context and identify those factors that contribute towards converting passively loyal customers to being actively loyal customers.*

## **INTRODUCTION AND BACKGROUND**

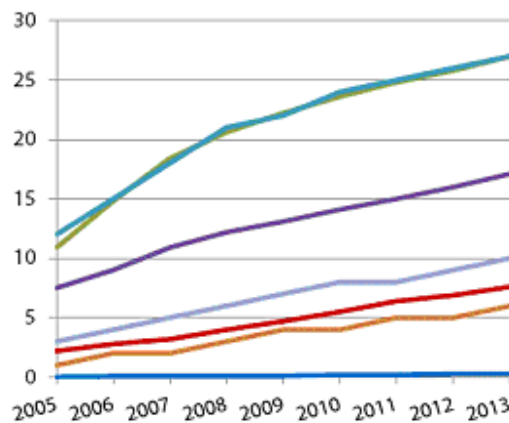
Customer loyalty has shifted our understanding of the basic exchange of goods and currency to a more intricate interaction of customer and supplier adding a new dimension to the term relationship. Businesses now place equal, if not greater emphasis, on keeping existing customers over constantly acquiring new ones. Customers' decisions to frequent a known supplier of goods or services over seeking new suppliers can be influenced by a variety of factors that can include, but are not limited to, commitment (Anderson and Weitz, 1992; Wilson, 1995), trust (Moorman et al., 1993; Morgan and Hunt, 1994), satisfaction (Gwinner et al., 1998; Reynolds and Beatty, 1999a; Henning-Thurau et al., 2002; Wong and Zhou, 2006) experience (Crosby and Johnson, 2006) or all of the above and in varying order depending on the product, the service, the customer and the industry. This array of factors reveals the complex and multidimensional nature of loyalty (Majumdar, 2005) and proves the 'one size does not fit all' theory which is what keeps the concept of customer loyalty at the height of academic research. Aimed at helping marketers understand what businesses can do to convert new or existing customers into loyal customers, it has shown that a customer loyalty strategy is essential

to a company if they want to retain its customers (Zeithaml, 1988; Bloemer and Odekerken-Schröder, 2002; Anderson and Narus, 2004;).

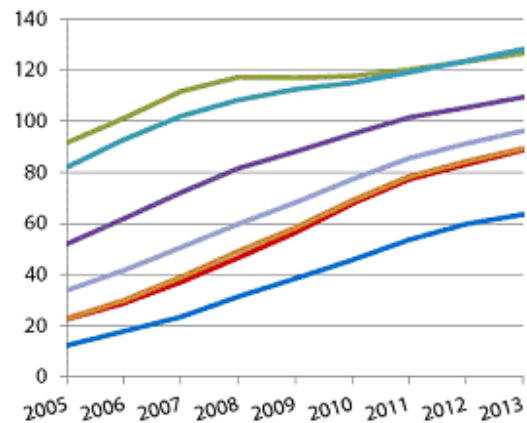
The discussion of loyalty is further complicated by exploring the relationships that exist between supplier and supplier, more popularly referred to as business-to-business (B2B) interactions. B2B markets differ from B2C markets across several dimensions (Avlonitis and Gounaris, 1997; Coviello and Brodie, 2001) including volume and frequency of interactions. This in turn impacts the dictating drivers for loyalty (Morris and Holman, 1988). Some authors argue that it is even more challenging to breed loyal corporate customers who are actually more expensive to serve as they often demand better deals in return for their longstanding custom and demand a premium service (Reinartz and Kumar, 2002). Nonetheless, loyal customers provide a consistent and stable source of revenue through repeat and increased purchases.

The antecedents of loyalty, both in terms of the B2B and B2C, have attracted a wealth of attention in marketing literature but in spite of globalisation, there are still cross-national differences that prevent blanket strategies or distinct commonalities (Aksoy et al, 2013) as a vast amount of theory and findings has been built in mature and highly competitive economies (Ehrenberg and Goodhardt, 2000) and pays little to no attention to the antecedents of loyalty in Small Island economies. Across the globe, there are more than 130,000 islands which host more than 500 million people. Island populations can range from 64 on Pitcairn to 7.13million in Hong Kong. Between these extremes are Islands such as Guernsey, Isle of Man, Bermuda and Seychelles. All with a population of less than 100,000 but economically prominent in their own right because of their financial services and tourism industries. Prior research on Small Island economies is heavily focused on cultural, environmental and macro-economic issues (Poetscheke, 1995; Baum, 1996; Pelling and Uitto, 2001; Hampton and Christensen, 2002; Baldacchino, 2006; Cox, 2010). A recurring feature of these publications highlight the challenges that islands with small populations face particularly emphasizing their high reliance on costly communication which is primarily due to their small size and little to no opportunity to create economies of scale. Small Island economies are highly reliant on their telecommunications providers to remain conversant and economically competitive with the wider global economy. Figure 2 illustrates the exponential growth trend of this sector across the globe.

Fixed broadband subscriptions per 100 population



Mobile telephone subscriptions per 100 population



Key

- Africa
- Europe
- Developed Countries
- World
- Asia & Pacific
- The Americas
- Developing Countries

**Figure 1: Telecommunication subscription comparisons**

**(Source: International Telecommunications Union, 2013)**

The telecommunications sector is a converging industry (Wirtz, 2001; Srinivasan et al, 2007). Converging industries are intensifying competition and have created two world segments whereby companies are executing a dual strategy to remain competitive at a global and local level (Mourdoukoutas and Mourdoukoutas, 2004). Choi and Valikangas (2001) define industry convergence as the ‘blurring’ of competitive boundaries in a market. It refers to the introduction of ‘hybrid’ products which combine previously distinct products which are not in direct competition with each other (Malhorta and Gupta, 2001). This ‘blurring’ can allow the telecommunications industry to encompass a wide spectrum of products and services but for the purposes of this paper we will limit their scope to the direct provision of fixed telephone lines, mobiles and broadband services.

Ball et al (2004) present extant literature on the antecedents of loyalty into four groups: characteristics of the environment, characteristics of the dyadic relationship, characteristics of the consumer, and consumer perceptions of the relationship with the marketing firm. The purpose of this paper is to identify antecedents that are cognizant of these conditions and those distinct to a B2B loyalty in a Small Island economy. Ford and Hakansson (2006) highlighted key challenges in trying to document business relationship behaviour in research given the multitude of individuals and heterogeneous groups of customers and suppliers and their many varying types of interactions. These are rarely identical occurrences and form part of a continuing relationship between the supplier and the customer which consequently contribute towards their attitudes and decisions over time (Nooteboom et al, 1997; Ajzen and Fishbein, 2000; Sirdeshmukh et al, 2002). These dynamics help explain why B2B loyalty remains an area of contradictory conclusions and a research gap for scholars seeking to enhance understanding of business relationship dynamics (Lacey and Morgan, 2009). In light of the multidimensional nature of loyalty and the B2B sector, the researcher aims to control for heterogeneity (Mittal and Kamakura, 2001) by limiting the study to the telecommunications industry and a single B2B customer sector. This would aim to identify the implications of industry-specific circumstances and how these impact extant models on loyalty behaviour.

### **Small Islands and Customer Loyalty**

Across the globe, there are more than 130,000 islands which host more than 500 million people. Island populations can range from 64 on Pitcairn to 7.13million in Hong Kong. Islands are detached land masses which are surrounded by water and without permanent structures connecting them to the mainland (UNCLOS, 1982). Whilst these characteristics present clear distinct geographical boundaries (King, 1993) there is still a universal definition gap for 'Small Islands' (Morey, 1993; Spilanis and Kondili, 2003). For the purposes of this study we adopt Hess (1990) Small Island definition as that which is a detached land mass with a surface area less than 10,000 km<sup>2</sup> and a population of less than 500,000 inhabitants. Table 1 presents a sample of Small Islands which meet this criteria:

	Population (latest available)	Land Area (K <sup>2</sup> )
Antigua & Barbuda	85903	440
Barbados	266800	431
Bermuda	64867	53
British Virgin Islands	28882	153
Cayman	55517	260
Guernsey	63085	63
Isle of Man	84497	572

Jersey	97857	116
Malta	416055	316
Seychelles	88303	451
Turks and Caicos	44819	616

***Table 1: Population and Land Area Statistics for other Small Islands (Island Analysis, 2013)***

In the following sections we consider the dominant theories and conceptualizations that have occupied loyalty as a research topic. We examine how loyalty is used as a business tool before exploring how loyalty strategies are applied in the B2B context as a business tool for improving performance.

A stable customer base is a core business asset and a successful customer loyalty strategy can lead to enhanced customer retention rates (Li and Green, 2011). Research has shown that using loyalty programmes as a method to retain customers it is more profitable to sell to regular customers than constantly to acquire new ones (Rust and Zahorik 1993; Storbacka et al, 1994). However, if a company is to leverage the full benefits of converting customers to loyal customers it becomes imperative for them to understand the antecedent drivers of loyalty (Ball et al, 2004; Terblanche and Boshoff, 2006; Li and Green, 2011;). Thus, this research seeks to advance understanding of loyalty in B2B relationships in the context of a Small Island economy and capture antecedents that are cognisant of the distinct market conditions that potentially impact customer loyalty within the telecommunications sector. It seeks to advance understanding of loyalty in B2B relationships in the context of a Small Island economy and identify triggers and determinants for converting passively loyal customers to being actively loyal customers. It is hoped that this insight can support firms operating in such markets to develop relationship strategies aimed at improving their B2B loyalty rates. The primary aim of this paper is to report on a research project which sought to understand the antecedents of loyalty for hotel operators in Guernsey and their telecommunications (telecoms) service provider. It seeks to advance understanding of loyalty in B2B relationships in the context of a Small Island economy and identify those factors that can help convert passively loyal customers to being actively loyal customers.

## THEORETICAL FRAMEWORK AND CONTEXT

Customer loyalty is a marketing term used by businesses and academics to describe the purchase reiteration of consumers towards a particular brand or service (Martin-Consuegra et al, 2007; Duffy, 2003). Extant marketing literature suggests that customer loyalty can be defined in two distinct ways (Chaudhuri and Holbrook, 2001; Uncles et al., 2003; Mascarenhas et al, 2006; Terblanche and Boshoff's, 2006; Anisimova, 2007;). Traditionally, loyalty was defined by customers habitual purchase behaviour (Jacoby and Kyner, 1973; Yi, 1990; Chaudhuri, 1996) which was often quantified by their frequency of purchases (Tucker, 1964; Sheth, 1968), share of total purchases (Cunningham, 1956; Farley, 1964) or value of purchases (Ehrenberg, 1988; DuWors and Haines, 1990). This form of behavioural loyalty characterizes customers' actions as more passive and habitual. The second defines loyalty as an attitude whereby individual's overall attachments to a product, service, or brand are affective (Gremler and Brown, 1998; Kumar and Shah, 2004; Traylor, 1981; Fornier, 1994) and conditioned on positive customer preferences (Mascarenhas et al, 2006). This form of attitudinal loyalty characterizes customers' repeat purchase decisions as more active and deliberate.

Terblanche and Boshoff's (2006) offer the definition that *'loyalty is both a long-term attitude and a long-term behavioural pattern, which is reinforced by multiple experiences over time'*. Baldinger and Robinson (1996) suggests that the use of loyalty definitions which include both attitudinal and behavioural components will be superior to those that focus purely on behaviourally based acknowledgements. From a business marketing perspective, this definition portrays a very conscious effort by consumers or businesses to repeatedly frequent a preferred supplier. However, both the business and academic communities have also chosen to award the title of 'loyalty' to a category of customers that are less decisive about their supplier but whose behaviour appears loyal because of their purchase frequency. Jones and Sasser (1995) distinguish these two kinds of loyalty as *'true'* or *'false'* long-term loyalty. Mellens et al (1996) identified 'partial' loyalty as a characteristic of consumer buying patterns. These two definitions support Dick and Basu's (1994) proposition that loyalty consists of both attitudinal and behavioural elements and is determined by the strength of the relationship between these two elements (Figure 2).

Relative Attitude	Repeat Patronage	
	High	Low
High	Loyalty	Latent Loyalty
Low	Spurious Loyalty	No Loyalty



### ***Figure 2: Dick & Basu's Loyalty Categories***

Dick and Basu's (1984) proposition is supported by other research (Palmer et al, 2000; Knox and Walker, 2001; Rowley, 2005) which regard posting customers to either the attitudinal or behavioural ends is an impractical approach. Businesses will want to understand which of their customers fit into which loyalty category as essentially the study of customer loyalty is a marketing phenomenon that is used to predict and exploit consumers buying patterns (Singh and Sirdeshmukh, 2000; Seth et al., 2005; Venkateswaran, 2003; Duffy, 2003). However, Dick and Basu's (1984) research fail to elucidate the motivations for either high / low repeat patronage or high / low relative attitude. This is as key to developing an effective marketing strategy (Bennett and Bove, 2002; Heskett, 2002; Age, 2011). Loyalty motivations has been explored from many angles including: service loyalty (Gremler et al., 1997; Reynolds and Beatty 1999a); store loyalty (Macintosh and Lockshin 1997; East et al., 2000), organisational or brand loyalty (Ajzen and Fishbein 1980; Cunningham 1956; Ehrenberg and Goodhardt 1970; Guest 1955); service worker loyalty (Bove and Johnson 2000; Reynolds and Beatty 1999b; Roos, 1999;) personality trait (Mellens et al. 1996; Raju 1980); and product loyalty (Uncles et al., 2003).

Having been conceptualized from such a variety of perspectives, for the purposes of this study we draw on the definition offered by Jacoby and Chestnut's (1978) which expresses six key criteria the a) biased, b) behavioural response, c) expressed over time, d) by some decision-making unit, e) with respect to one or more alternative brands out of a set of such brands, and f) is a function of psychological (decision-making, evaluative) processes. This definition presents loyalty in its broadest form and these criteria are evident, either collectively or separately, across loyalty literature (Morgan and Hunt, 1994; Moorman et al., 1993; Uncles et al, 2003; Kuusik and Varblane, 2008).

### **Types of Loyalty**

The common thread throughout extant literature indicates that there are two very separate perspectives to loyalty – the consumer perspective and the supplier perspective (Weitz and Bradford, 1999; Wortruba, 1991; Ringberg and Gupta, 2003; Ball et al, 2004) – but essentially, it is the suppliers motives that dominate interactions and their primary objective is to retain customers and win a greater share of their spending power (Duffy, 2003; Age, 2011). Some academics subscribe to two theoretical paths toward understanding loyalty including Day (2003) whom sought to evaluate loyalty from both 'what and how much customers buy?' to the 'why they buy?'. This is now commonly

distinguished in literature as 'behavioural loyalty' and 'attitudinal loyalty' respectively (Dick and Basu, 1994; Kim and Frazier, 1997; Trinquencoste, 1996).

### **Behavioural Loyalty**

Hofmeyr and Rice (2000) distinguish behaviourally loyal customers as those appearing to be loyal through repeated purchase behaviour over time but whom have no emotional bond with the brand or the supplier. Langer (1997 p.14) attributes this practice to a number of possible factors and notes, *"returning to the same service supplier or seller can be a matter of habit and convenience. It is reassuring to buy consistently and knowing the quality – it saves the customer time, money, disappointment and even self blame"*. Kuusik and Varblane (2008) identified three sub-segmented reasons for behaviourally loyal customers: forced to be loyal (e.g. monopoly or high exit costs), loyal due to inertia and functionally loyal. Oliver (1999) attaches the concept of inert loyalty to purchases that are routine so that a sense of satisfaction is not experienced and it becomes a task (e.g. trash pickup, utility provision). From a marketing perspective, it suggests that as long as there are no specific 'triggers' to compel behaviourally loyal customers to change providers they will remain passively loyal (Roos, 1999). According to Liu et al (2007), even when presented with more attractive alternatives, consumers who have high inertia will be reluctant to change. Kuo et al (2013) links this tendency to consumer's familiarity and their perception that frequenting a familiar service provider requires less effort. They support the view that consumer inertia has a greater influence on repeat-purchase intention and recommends that managers should make more efforts to develop consumer consumption inertia. However, by classifying these behavioural observations as a form of loyalty, it overlooks those customers that are emotionally attached to products and services (Olson and Jacoby, 1971; Backman and Crompton, 1991; Uncles and Laurent, 1997) and can lead to overestimations of a company's loyalty customer base and the stability of their portfolio (Crouch et al, 2004).

### **Attitudinal Loyalty**

Attitudinal loyalty can be defined as capturing the emotional and cognitive components of brand loyalty (Gremler and Brown, 1998; Kumar and Shah, 2004; Traylor, 1981). Oliver (1997) aligns his description with this belief and defines loyalty as *"A deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour"*. This type of loyalty represents a more long-term and emotional commitment to an organization (Shankar et al., 2003; McGoldrick and Andre, 1997; Bennett and Rundle-Thiele, 2002) which is why attitudinal loyalty is also referred to as 'emotional' loyalty (Hofmeyr and Rice, 2000). Emotional loyalty is regarded as being 'much stronger

and longer lasting' (Hofmeyr and Rice, 2000;) and has even been compared with the attachment of marriage (Hofmeyr and Rice, 2000; Lewitt, 1983; Dwyer et al., 1987; Albert and Merunka, 2013). These highly bonded customers will buy repeatedly from a provider and are more likely to defend their service choice and recommend their provider to others (Butz and Goodstein, 1996).

Emotion is more commonly referred to as feelings (Russell, 2003) and has been shown to have a noticeable influence on consumer's decisions (Leventhal, 1982; Hoffman, 1986; Westbrook, 1987; Pieters et al, 2006). These emotional reactions can be attributed to 'service worker loyalty' (Russell, 2003) whereby consumer's loyalty is established through encounters with service personnel. Roo's (1999) research revealed that positive employee interactions had a significant impact on customers' decisions to remain with their existing supplier. Conversely, negative experiences can lead to emotional scarring (Pullman and Gross, 2004). This form of emotional bond is also referred to as 'affective loyalty' (Gomez et al, 2006).

A further distinction which influences loyalty is offered by Cioffi and Garner (1996) as they distinguished customers as being either 'active' or 'passive'. Active customers are seen to seek information to support a purchase decision and conversely, passive customers make fewer deliberate decisions which are initiated by situational triggers such as promotions from competitors. This supports a third dimension of 'situational loyalty' (Chaudhuri and Holbrook, 2001; Uncles et al., 2003) which paradoxically is a display of weak or fleeting loyalty which only awards favouritism towards a brand under certain circumstances e.g. a sale (Mascarenhas et al, 2006). Characteristics of the competitive environment is recognized as a contributing factor to a market segment's loyalty stance (Ball et al, 2004) and all three dimensions offer important considerations for segmentation. However, in the context of this paper behavioural and attitudinal loyalty are considered as the critical distinctions for producing long term sales and market share.

## **Data collection methods**

In selecting an appropriate data collection method, it is critical to consider the three primary research questions: Which factors have a propensity to contribute towards hoteliers in Guernsey feeling loyal

towards their telecommunications provider? How do these factors support customer segmentation? Can a loyalty pathway be identified for such customer segments to increase their loyalty rates? As an exploratory study, pursuing a relatively untouched topic within the context of Guernsey, it was important to rely on collecting primary data. A case study methodology was utilised based on researchers' judgement on 'typicality or interest' (Robson, 2011). Such a qualitative approach can offer a holistic view of the issue under investigation by providing a clear account of the respondents' understanding of the phenomenon. As recommended by Valsiner (1986), 'The study of individual cases has always been the major (albeit often unrecognised) strategy in the advancement of knowledge about human beings' (p. 11). In a similar vein, Cook and Campbell (1979) noted that 'case study as normally practiced should not be demeaned by identification with one-group post-test only design. Rather, case study is not a flawed experimental design; it is a fundamentally different strategy with its designs' (p. 96). The current study adopted a single case study to examine the phenomenon in its context. The choice of semi-structured interviews as a means to collect qualitative data was the selected method as a wealth of detailed data from a small number of individuals would be required (Patton, 1990). All data was collected via face-to-face interviews from 5 – 15 November 2013. Hotels in Guernsey are required by the 'Tourist Law of 1948' to be registered and accredited by the States of Guernsey Department for Commerce and Employment. A 2013 listing was requested and supplied from the Quality Development Manager of the Commerce & Employment Department within the States of Guernsey Government which served as the sample frame for this research. This helped to ensure the sampling frame was complete, accurate and relevant. The sample population was limited to those establishments which were officially regarded as 'hotels' and defined as 'formal accommodation providing the traditional range of services and facilities'. Within the confines of this sample frame were 43 hotels. All hotels had a direct email and telephone number which also served as a prime indicator for their participation. A purposeful sampling procedure was used in order to select participants who would possess the knowledge required to contribute towards the research. Participants would need to have a direct role in selecting their telecoms provider and able to speak with in-depth knowledge and authority on the topics contained in the interview guide. This criterion was quite critical as the interviews were set at capturing and understanding factors that influence the hotels interaction with their telecoms provider and how this affects their state of loyalty. As acknowledged previously, the mere fact that Guernsey is a Small Island intrinsically impacts the sample frame. The aim was to sample a broad and rich diversity of experiences, from which a comprehensive overview could be obtained. Thus all 43 hotels were systematically contacted using alphabetical sorting of the hotel name. They were contacted by both telephone and email using the details provided by the States of Guernsey Government.

## Gaining Access

One of the researchers collected the data via face-to-face interviews which were scheduled from 5 – 9 November 2013. This period fell within Guernsey's off-peak season and whilst the chosen research period is unlikely to influence responses, it could have influenced their availability and trying to secure appointments with hoteliers during their busiest times of the year would have proven difficult if not impossible. All 43 hotels were systematically contacted using alphabetical sorting of the hotel name. Contact was initially attempted via telephone with requests to speak with the hotel manager. When the manager was not available to speak over the phone an email address was provided and a request for an interview sent via email.

Care was taken to limit specific use of the term 'loyalty' during initial discussions to secure an interview and greater emphasis was placed on 'experience'. Research has found that the mere presence of a researcher can have an altering effect on participants' behaviours and conversations (McCall and Simmons, 1969; Simon and Burstein, 1985). Thus, to mitigate such effects, emphasis was more placed on the term 'experience' in an attempt to reduce preconceptions and increase reliability and accuracy of the findings. All emails were subsequently followed with another telephone attempt. From the 43 hotels contacted 22 responded of which 13 agreed to participate. These hotels held star ratings between 2 -4 stars which became an incidental sample factor which could account for reactions which might be swayed according to their facilities and awarded rating.

All 13 interviews were prearranged and agreement was sought for these to take place at their respective hotels and went ahead as scheduled. However, from the 13 interviews data from 2 of the participating hotels were subsequently disregarded as they whilst the participant offered advice the final decision was held by their Head Office which managed a chain of accommodation outlets on other Channel Island tourist destinations. This reduced the final data set to 11 (see Table 2):

Ratings	Total Population	Interview secured	Final data set	General Manager	Owner
1 Star	0	0	0	-	-
2 star	11	3	3	-	3
3 Star	24	6	5	4	1
4 Star	7	3	3	2	1
5 Star	1	1	0	-	-
	43	13	11	6	5

***Table 2: Profile of data set***

## **Semi-structured Interviews**

In keeping with the interpretivist paradigm, we assume that scientific knowledge is socially constructed and thus 'what we say' becomes a fundamental contributor to collecting data (Astley, 1985; Berger and Luckmann, 1966;). To this end, semi-structured interviews were chosen over questionnaires. The aim was to establish a 'conversation-like' dialogue rather than a regimented question and answer format to ensure the researchers were able to gain a clear understanding of experiences (Arnould and Wallendorf, 1994) and how these affected their loyalty attitudes towards their provider. The interviews commenced with the researcher recapping over the purpose of the study again emphasizing 'experience' and not explicitly using the term 'loyalty'. However, during the introduction participants were assured of the confidential nature of the interviews and presented with a consent form. The consent forms explicitly referred to loyalty in the background explanation as the researchers wanted to uphold the integrity of the study and not be seen to mislead participants. The consent forms were signed by both the participants and the researcher and confirmed that their involvement was voluntary and that they could withdraw from the study at any time. It also sought consent for the interview to be recorded by Dictaphone and confirmed that any quotations from the interviews would remain anonymous.

Respondents were asked to talk about their experiences with their current or previous telecommunication providers. Examples were given as to what services were particularly of interest for this study namely telephone, broadband and mobiles. Although, participants were not prevented in sharing experiences from their providers product portfolio. The use of open-ended questions is considered appropriate for studies of an exploratory nature (Aberbach and Rockman, 2002) and has been shown to enhance the dialogue flow (Berry, 2002) whilst securing the validity of responses (Aberbach and Rockman, 2002). This also qualifies why the use of semi-structured interviews were chosen over structured or unstructured. Although participants were allowed to move from topic to topic which offered a rich insight into experiences, an interview guide was also used to highlight the substantive areas to be covered and also to allow the researcher to steer the participant back on topic when necessary. Interviews were conducted on site at the respective hotels. Where permission was given, interviews were recorded via Dictaphone and lasted between 30 - 45 minutes depending on the number of experiences the participants had to offer. Only two out of the twelve participants interviewed preferred not to have the interview recorded at which point extensive notes were taken. During the transcription process, all hotels were assigned chronological letters which were attached with general details about their star rating and number of hotel rooms. Respondents comments were kept anonymous by substituting participant's names with other general characteristics based on their experience with the telecoms service provider.

## **Data Analysis**

Boyatzis (1998) described five key attributes of a good code in his research and the following sections will seek to follow this guide over the next two sections which apply thematic analysis for customer segmentation and those factors that have an impact on participant's loyalty towards their service provider: A label, A definition of what the theme concerns, A description of how to know when the theme occurs (i.e. how to 'flag' the theme, A description of any qualifications or exclusions to the identification of the theme, Examples, both positive and negative, to eliminate possible confusion when looking for the theme.

### **Phase 1 - Market segmentation**

As a first attempt, the transcripts were initially coded into two broad themes according to a) whether the participant described their behaviour as loyal b) whether the participant described their attitude as loyal. Silverman (1998) identified that researchers should not only focus on what people do but also what they say they do. The attitudinal code would be easily identifiable as towards the end of each interview each participant was explicitly asked whether they considered themselves as loyal to their service provider?. The behavioural code would require more qualification as this related to the actual behaviour being described by participants. This would include references to their relationship length with a relationship length having lasted over 2 years as the measurable qualifier; if they had purchased new products whether their existing provider was their first port of call; and whether they had fended off attempts by competitors for their custom.

However, as the transcripts were being reviewed, it became clear that in some cases there were discrepancies between how the participant described their attitude and their actual behaviour. There were also those who showed an indifference in attitude towards their provider as their choice was more dictated by their procurement practice. Thus, the initial two broad themes (attitudinal and behavioural) were further divided to create four identifiable customer segments: a) True Loyals; b) Fake Loyals; c) Ambivalent Loyals; d) Indifferent Loyals. This iterative process helped to create an initial distinction between the transcripts which were coded according to Figure 6. This distinguishes whether customers have either an active or passive attitudinal loyalty and active or passive in their display of behavioural loyalty.

Active	Attitudinal		Passive
	<u>True Loyals</u>	<u>Fake Loyals</u>	
	Display loyalty by both their described and actual behaviour (repeat purchase through a biased choice).	Describe verbal loyalty but not reflected in their actual actions (no commitment to repeat purchase 'exclusively' from their current provider).	
	<u>Ambivalent Loyals</u>	<u>Indifferent Loyals</u>	
	Described actions reveal their longterm behaviour as loyal through ongoing repeat purchase traits but not loyal in their described attitude.	Display behavioural loyal traits from described actions but attitudinally are indifferent about a specific brand and choice is purely functional (procurement policy; bad past experiences;).	
Behavioural			

Figure 6: Adapted from Dick and Basu's (1994) loyalty categories

### ***True Loyals***

True Loyals display loyalty by both their described behaviour and actual behaviour. Their positive response to whether they consider themselves as loyal is consistent with their actual behaviour in that they continue to repeat purchase from their current provider as an active and biased choice. Some researchers (Chaudhuri and Holbrook, 2001; Yi and Jeon, 2003) regard attitudinal loyalty as "true loyalty" but this study regards true loyalty where both behavioural and attitudinal loyalty is present. A form of composite loyalty (Day, 1969; Rundle-Thiele, 2005;). Rowley (2005) describes this category as 'Committed' whereby the customer is equally enthusiastic as the supplier to continue the relationship (Morgan and Hunt, 1994; Gilliland and Bello, 2002). One respondent when asked whether they would consider changing provider included:

"Not really. They [current provider] came in when we had major problems and sorted it out. We don't have a problem now so it would be quite low to change."

This response came from a hotelier who had been experiencing problems with a previous provider but had to tolerate the problems for an extended period as their provider was unable to resolve the issue. They eventually switched to a competitor which was initiated by an approach from the competitor. The hotel is now satisfied with their superior service quality and feels bonded with their new provider to the point where they are unwilling to consider other brands.



Another respondent said:

"I am keen on loyalty...whether that's my food supplier, my linen supplier, whatever. In an island like this you need to breed loyalty and work with them."

This respondent displayed the highest levels of attitudinal loyalty which is applied across the hotels' operations. They place high emphasis on developing relationships which is also influenced by the consideration that they live on an island with limited suppliers. It is worth noting that this provider had also changed their telecoms provider over 4 years ago because they were installing a new system which required high investment. Their final decision to switch was influenced by price but their current level of commitment to their current provider is attributed to satisfaction. Previous studies have related higher satisfaction to higher quality (Hallowell, 1996; Straurs and Neuhaus, 1997) which have shown to increase loyalty levels (Gummesson, 1993; Anderson et al, 2004; Barry et al, 2008). However, in both cases the hotels loyalty is not just borne from satisfaction from their new supplier but is related to their experience with their previous supplier. This supports the view that loyalty is relative to the value expected, or in this case provided, from transactions of competitors (Zeithaml et al., 1990). Whilst these respondents had both changed provider, the switches occurred over 2 years ago and therefore their decision to change their provider was not considered as inconsistent with their attitudinal approach.

### ***Fake Loyals***

Fake Loyals offer a positive response to whether they consider themselves as loyal but their actual behavioural intention is not consistent. Whilst they describe their attitude as 'loyal' they either have not or have no intention to repeat purchase exclusively from their current provider and would be willing to change provider if certain circumstances were to transpire:

*"Here it's different. Not just with telecoms but with everything because you come to know them (service provider). That's important. I can say 'oh come on [anon] I need this'. It's not like being in England and you're customer 1752 million. Although, I would consider leaving them if it was viable and less expensive for this hotel".*

The initial response portrays an active attitudinal trait which reflects the hoteliers desire to foster loyal relationships is high. They regard their island status as a reason to foster long-term relationships and hold personal interactions with their provider as an 'important' consideration. Yet, the same respondent would be willing to trade these relationship factors to ensure the convenience and financial positions of the hotel are upheld. This is consistent with Wind's (1970) initial acknowledgement of 'organisational pressures for cost savings' as being a weighing factor in B2B

loyalty relationships. Another respondent when asked if he was aware of what other providers were offering said:

*"If it ain't broke, don't fix it. We're happy with our provider. Though from a purely business perspective, because we're customer driven and the customer needs faster broadband, that's what we're looking for".*

This reaction suggests that whilst their current provider is meeting their business needs they will continue to award their custom but should a superior product enter the market this will determine their service choice. This is consistent with the characteristic of a 'Fake Loyal' whom despite the length of relationship with their current provider their ongoing commitment is wavering in the face of their business needs. Anderson and Weitz (1992) recognises stability and sacrifice as the essence of commitment in B2B relationships suggesting that a truly committed relationship would be willing to make short-term sacrifices and look beyond the current benefits and costs of a relationship. This segment has the potential to offer their current providers a false sense of security when in fact they are more likely to be enticed by competitors with alternative offerings (Gil-Saura et al, 2009).

### ***Ambivalent Loyals***

Conversely ambivalent loyals offer a negative response to whether they consider themselves as loyal but their behaviour is consistent with expected behaviour from an attitudinal loyal. Whilst they are unwillingly to accept the 'label' of loyal to their business, they are willing to repeat purchase exclusively from their current provider and overlook attempts by other companies to attract their custom:

*"I might think about it but I wouldn't rush to change it because it seems a shame after all these years and I haven't had a problem with them [their current service provider]".*

This hotelier displays a reluctance to change because they are satisfied with the service provision. However this is not always an independent reason for remaining with a supplier (Reichheld et al, 2000) and for this hotelier in particular the relationship length is a positive mediating factor. It supports Mascarenhas et al's (2006) assertion that the existence of other factors alongside satisfaction can have a positive impact on customer loyalty. Another said:

*"No loyalty. It's down to service".* Yet although the hotel hasn't been totally satisfied with their service provider *"they were slow in sorting out repairs"*. When asked whether the hotel had been approached by other providers the participant's response was: *"Yes and I've always stuck with [current service provider]".*

In this case, the respondent is adamant that the hotels selection of a service provider is dictated by functionality. Yet, they blatantly dismiss attempts by competitors despite having described their

repair service as 'slow'. Bolton (1998) argues that long-lasting relationships do not tolerate service failures and such relationships quickly become past relationships but this is not consistent in this category. It supports the view that customers are more tolerable of service failures (Oliver 1997; Parasuraman et al, 1991) and less likely to change providers from a bad experience (Kandampully, 1998; Duffy, 1998). Thus whilst this category might sit in the background of business portfolios they have the potential to offer a steady and consistent stream of income. They are passive in their search for services but inadvertently reward companies with their loyalty as long as their service delivery accords with their minimal threshold expectations.

### ***Indifferent Loyals***

This segment is indifferent about a specific brand and their choice is based purely on functionality. They offer a negative attitudinal response to whether they consider themselves as loyal and have no intention to affiliate themselves with one provider over another. When asked whether the hotel was a 'loyal' customer, the participant responded:

*"I would say we're indifferent. If someone comes at us with a better product and better price then yes we would move. There's nothing linking us to them apart from initial service contracts. When it comes to renewals we will go out to tender...and then we'll go with whoever can meet our needs better".*

Rowley (2005) regards this groups as 'convenience-seekers' which are susceptible to switching to other outlets that offer greater convenience. This respondent uses price and performance as their convenience measures. The hotel's brand indifference is also influenced by the hotels procurement policy which requires a tender process. Another participant who meets the definition of an 'indifferent loyal' is one who was once a 'true loyal' but whose attitude and behaviour towards telecom companies has been shifted as a result of a previous bad experience:

*"...after the way we were treated by [company] where no one bothered to call us then there's no loyalty...now we just go to whoever is offering the best deal. I will approach all three (service providers) and see what they say and how quickly they can do it."*

This response holds a strong emotional attitude which has been shown to have a noticeable influence when choosing a supplier (Leventhal, 1982; Hoffman, 1986; Westbrook, 1987; Pieters et al, 2006). However, this negative experience has had long-term impact on the customers future buying-intention with the entire sector. Pullman and Gross (2004) regard this as 'emotional scarring'. Holding an active but negative attitude and behavioural disposition inadvertently moves the respondent to the opposite segments of positive attitudinal loyalty. This scenario contrasts the similar experience of the earlier 'true loyal' whom was approached by a competitor during their time of

dissatisfaction and forces the researcher to consider whether this respondent could have been re-positioned to the active loyalty path should they have been pursued by another provider during a time of dissatisfaction.

## Phase 2 - Factors that impact loyalty stance

Through the detailed reading of the transcribed interviews, the researcher identified five different factors that affected either wholly or partially the loyalty stance of respondents. This involved summarizing, thematically analyzing and synthesizing evidence from the literature. The approach was divided into four stages: searching for data chunks which expressed encounters with their service provider which included routine and unplanned events; assigning tentative themes; reading literature which pertained to these themes; before condensing each theme with a concise description (Boyatzis, 1998; Patton, 2002). The aim was to discuss all of the experiences which had an impact on the respondent's attitude and behaviour towards their existing service provider, thereby identifying the main factors which either have a positive or negative influence on their loyalty. Subjecting the transcripts to this form of thematic analysis resulted in the following codes summarized in Table 3:

Label	Key Words	Summary definition
<b>Product Performance</b>	<ul style="list-style-type: none"> <li>- Product performance</li> <li>- Problem resolution</li> <li>- Personal F2F sales</li> <li>- Customer service</li> </ul>	The ability of the provider to execute service delivery and remedy any issues or problems after the initial contract including hardware, software, customer service and technical expertise.
<b>Relationship Strength</b>	<ul style="list-style-type: none"> <li>- Relationship Length</li> <li>- Familiarity</li> <li>- Acceptance of service failures</li> </ul>	Primarily determined by relationship length (>2 years) and the resultant willingness to accept service failures.
<b>Organisational Norms</b>	<ul style="list-style-type: none"> <li>- Tender</li> <li>- Approach current provider</li> </ul>	This refers to how company policy impacts their buying method and whether the customer is either active or passive in choosing a service provider.
<b>Environment</b>	<ul style="list-style-type: none"> <li>- Promotion by competitors</li> <li>- Small Island</li> <li>- Brand confusion</li> <li>- Infrastructure quality</li> <li>- Limited choice of provider</li> <li>- Monopoly</li> </ul>	Factors outside of the control of the buyer and supplier such as market attractiveness, perceived switching costs, technological changes and economic circumstances.
<b>Value</b>	<ul style="list-style-type: none"> <li>- Cost efficient</li> <li>- Price</li> <li>- Experience vs expectation</li> <li>- Better than competitors</li> </ul>	Perceived cost vs service performance evaluation by the customer.

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**Table 3: Thematic Categories**

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### **Product Performance**

Product performance identifies the ability of the provider to execute service delivery and remedy any issues or problems after the initial contract which for this theme has been limited to hardware, software and technical expertise. In marketing literature (Darian et al., 2001; Jamal, 2004) this is often a central element for measuring customer satisfaction and its affect on repeat purchases. Customer satisfaction has previously been defined as a customer's overall evaluation of the performance of an offering to date (Johnson and Fornell 1991). However, no single definition of satisfaction has been unanimously accepted by the literature (Martin-Consuegra et al, 2007) and in itself is a multifaceted dimension. Hence, this theme was identified separately to 'perceived value' and focuses specifically on hardware, software and technical expertise. During interviews the quality and performance of the product was identified as a wholly separate consideration regardless of the cost sacrifice:

*"We use to say the most important thing was the bed and the shower. Now its bed, shower and wifi. We get a lot of corporate business and they'll be straight down to reception to tell me if the reception isn't working because they're busy people and that's not a nice thing when guests are standing in reception and complaining about the wifi. We did (have problems) in the beginning when I came back 3 years ago. Major problems. Lots of guests complaining that the wifi was slow. They (previous provider) put new routers in and all sorts of stuff but it didn't get much better so we changed provider".*

This respondent experienced a negative (-) product performance in which their provider at the time was unable to apply their technical expertise to resolve a hardware issue. This led to the hotel switching their provider. The respondent highlights the criticality of wifi to their own clientele which exposes a further dilemma in B2B relationships. Ensuring beds are made and showers are cleaned is within the direct control of the hotel yet the provision of their telecom services, which are critical for both their service offering and operations, is reliant on the performance of a third party. Conversely, a positive (+) product performance provoked the following response:

*"If there's ever a problem, you call them up and they sort it out over the telephone. We did have problems. I had a major problem a few years ago. That was really strange. We'd been here about 4-5 years and somehow they'd lost us taking over the hotel and just cut us off one morning. The phoneline seemed to be ok, it was just the computer so I called them up...they got me off (the phone) and they said we can't reconnect you straight away its going to take 5-10 working days or something so I was like 'what am I meant to do in the meantime?' so they gave me a dongle and I was running off a dongle for a few days. We need to be online. It was really busy time of year like January and all of a sudden it was like 'we haven't got it' but other*

*than that technical hitch lets face it, I haven't had too many problems where it all went down on me so I can't really complain. ”.*

This extract highlights this respondent's willingness to remain with a provider despite experiencing a technical problem which had potentially severe consequences for the hotels operations. However, the provider was able to successfully resolve the problem and offered an interim solution to bridge the repair gap. The 'really can't complain' relates to why they hotel has remained with their current provider for >5 years.

The B2B dimension of supplying a middle-man places greater demand on the hoteliers to ensure their product delivers accordingly. The ability of the service provider to remedy any issues or problems after the initial contract has a bearing on the customer experience from both the hotel's perspective and their clientele. Being satisfied with the hardware performance and associated expertise as components of the service experience will increase the probability that consumers will repeat purchase in the same establishment (Wong and Sohal, 2003). Thus, this theme of product performance is an essential factor for acquiring loyal customers.

### ***Relationship Strength***

Relationship strength encompasses a number of corresponding factors which includes relationship length, the hotel's willingness to accept service failures and the emphasis they place on being familiar with their service provider. This familiarity is recognised separately from aftersales performance which refers to the performance of the hardware and technical expertise. The following statement from one respondent helps illustrate the emotional dimension of this theme:

*“Once you get to know your engineers and service managers you build up a relationship with them. I know I had one problem and I phoned up [anon] and he was here in 8 mins. You certainly wouldn't get that response time in London. We sometimes have it where it's a Friday and they're going fishing so they finish at 2pm and they just say 'sorry, we're going fishing'.”*

Whilst this experience corresponds with an product experience it also highlights the influence of 'service worker loyalty' (Russell, 2003). The respondent referred to their account manager by name and exercises a tolerance for service failures because of this familiarity. Employee interactions can have a significant impact on whether customers remain with their existing supplier (Roos, 1999) and it is through these encounters with service personnel that loyalty is developed. Another notable example from the transcripts includes:

*“Again let me go back to living on an island. I know everybody that works down there. Here it's different. Not just with telecoms but with everything because you*

*come to know them (service provider). That's important. I can say 'oh come on [anon] I need this'."*

This respondent also holds personal interactions as a factor in determining their relationship length and consequently, its strength. Research (Oliver 1997; Parasuraman et al, 1991) has shown that loyal customers are more tolerable of service failures and less likely to change providers from a bad experience (Kandampully, 1998; Duffy, 1998) and thus this is included as a code in this thematic analysis.

### ***Organisational Norms***

This refers to how company policy or lack thereof impacts the buying method of the hotel. Whilst this is also a useful determinant for deducing whether the customer is either active or passive in their procurement behaviour (Roos and Gustafsson, 2011), this theme considers the impact it has on relationship longevity. There is general agreement in the relationship-marketing literature (Caceres and Paparoidamis, 2007) that the quality of the relationship between B2B's is an important indicator of permanency and intensity, yet as can be observed in the following response, their highly active method in seeking quality and functionality acts a negative force in their ability to develop affiliation with a particular provider.

*"If someone comes at us with a better product and better price then yes we would move. There's not linking us to them apart from initial service contracts when we go out to tender. When it comes to renewals we will go out to tender. We'll go out and say 'what can you do?' and then we'll go with whoever can meet our needs better".*

This was evident in three respondents transcripts. Conversely, a more passive attitude or unstructured process towards selecting a service provider has the ability to inadvertently allow a sense of loyalty to develop. This was observed across the majority of respondents' transcripts and a typical example includes:

*"If you look at the cost of internet and strip it right back there's not a huge difference between providers so because we've got [service provider] landlines and we use them for a variety of things we've just stuck with them as our broadband provider. The cost has pretty much stayed the same for the past 5 years. If you look at how much it costs in UK or elsewhere? It's expensive. If [service provider] did come along and say 'you can save money and we guarantee the speeds and infrastructure', then we'd probably look at it."*

Whilst this statement offers an insight into the respondent's perception of competitors' services, it also reflects the flexibility exercised by the hotel in deciding to remain with their provider or consider promotions from other providers. This 'unstructured' approach has enabled the respondent to remain with their current provider for over 5 years which is considered by this study as a long-term relationship. Greater emphasis is placed on long-term orientation for sustaining inter-organisational

relationships (Anderson and Weitz, 1992; Morgan and Hunt, 1994; Geyskens et al, 1999; Young and Wilkinson, 1989) and this theme has transpired as a key variable for the respondents' loyalty stance.

### **Perceived Value**

Perceived value can be defined as the “customer's evaluation of what he or she receives compared to what he or she gives up or pays” (Johnson et al, 2006). These expectations are considered a critical evaluator in customers loyalty deliberations (Garbarino and Johnson, 1999; Odekerken-Schröder et al., 2003; Sirdeshmukh et al., 2002; Verhoef, 2003; ) and significant effect on loyalty outcomes (Ball et al, 2004).

*“We definitely need a health-check on our telecoms as at January. We talked about it a couple of months ago and now is the time to do it. It's not just about pricing it's about the back-up service. You need the whole nine yards. The whole package. Any company we bring in - quality and backup”.*

This respondent explicitly refers to their considerations for a preferred supplier, highlighting that price is not the deciding factor and instead placing emphasis on the quality of the product and the aftercare service. As indicated by Cronin et al (2000), the purchase experience has a pivotal role in the value creation and value destruction process. At the point of purchase, service delivery and the physical products all contribute to perceived value (Buchanan et al., 1999; Czepiel, 1990; Yoo et al., 2000).

*“We're not after freebies but you do want value for money for what you are paying. For the hotel, we spend at least £[X]K a year just on phone rental. Maybe to them [service providers] it is nothing but it is for a small hotel”*

This respondent refers specifically to the cost implications and harbours a sense of ‘disregard’ from his experience. Yet his expectation from the service is that it delivers threshold expectations in accord with their contract value. Marketing literature identifies ‘perceived value’ as a cognitive function (Ganesan and Hess, 1997; Gilliland and Bello, 2002; Pavlou and Dimoka, 2006) yet it is based on economic rationale (Williamson, 1985). Whilst their rationale for what constitutes ‘good value’ varied among the respondents, there was a common theme of evaluating their relationships based on the expectations of the hotel and the performance of their service provider. Additionally, whilst ‘price’ is mentioned throughout the transcripts it is never in isolation from considerations of the service performance. Hence, value was identified as an important factor in the experiences shared by respondents and consequently their loyalty.

### **Environment**

The environment theme relates to factors that are outside of the respondents and incumbent service provider's direct control. However, they impact the way telecoms providers react to the market



environment which consequently have an impact on how the hotels perceive the competitive environment. These factors appear to have an involuntary effect on whether hotels remain loyal to their current provider and include promotions from competitors, brand confusion, limited choice of provider, technological changes and economic circumstances. One respondent, when asked about his experiences added:

*"We deal with two (telecoms providers)...this is a complicated one. It's administration that deal with all that. If something goes wrong with the phoneline, I'll call [service provider A] and they'll say 'No, Mr [anon], it's [service provider B] we need to ring."*

This respondent is unsure about where the service ends with one provider and starts with another. This brand confusion can prevent the hotelier from differentiating experiences and making an informed decision on whether the after-care service he receives from a provider is adequate or otherwise. Another respondent offered:

*"[Company A] is a Jersey company and conversely [Company B] use to belong to Guernsey so if you look at [Company B's] presence in Jersey they're similar to [Company A] is here – [Company A] own the infrastructure. [Company B] is viewed as a Guernsey company, their service levels are better than [Company A] and if you go to Jersey then [Company B]'s service levels won't be as good as they don't own the majority of the infrastructure."*

This respondent believes that service quality is dependent on the home country of the provider and their decision to remain with their provider is linked to this consideration. Decisions on whether customers stay with their provider or leave are assumed to be based on an evaluative process (Ganesh et al., 2000) which typically include more direct evaluations of certain attributes of the service itself, the service process, the personnel or the service environment (Edvardsson et al, 2005; Gronroos, 2000; Heide and Weiss, 1995; Vargo and Lusch, 2004; Stauss and Weinlich, 1997). This respondent highlights how underlying assumptions about the market environment consequently impact the hotels decision to remain loyal to their provider. Customers can be oblivious to such stimuli (Cialdini, 1993) and how these environmental conditions impact their choices and loyalty stance.

The respondents' transcripts were analysed twice to uncover 1) themes relating to their current loyalty stance and 2) to examine those factors that have influenced this position and what respondents conceive as those that will impact their future behaviour. These will be referred to as Phase 1 and Phase 2 respectively. Following criteria set out for good thematic analysis by Braun and Clarke (2006), the next step was to relate patterns in responses to a literature-based analysis of how loyalty bonds are established within each segment. From the experiences highlighted by the respondent, the researcher was able to assign roles to each factor's intensity and their ability to encourage or discourage loyalty within the respective loyalty segments. These roles were inspired by the work of Roos (1999) which initially identified these codes in their research on switching behaviour.

Loyalty Force	Description
<b>Pusher</b>	A negative factor for developing loyalty
<b>Puller</b>	A positive factor for developing loyalty.
<b>Swayer</b>	The factor that has no independent power to develop loyalty but that may prolong the relationship with the existing supplier.

***Table 4: Forces that influence loyalty orientation***

Table 4 summarise these roles with a description which has been adapted to fit the objectives and findings of this study. These include a ‘pusher’, a ‘puller’ and a ‘swayer’ and each will be assigned to one of the five factors to reveal its ability to influence loyalty. Table 5 (overleaf) offers a tabulated overview of the respondents transcripts which outlines their relationship history with their current provider and where applicable, their previous supplier. A full discussion of these aspects and those identified in the preceding sections are offered below.

Case	Rating	Satisfied with current provider?	Experienced service problems with current provider?	Resolved satisfactorily?	Relationship Length	Repeat-purchase intention with current provider?	Ever switched supplier?	Experienced service problems with previous?	Resolved satisfactorily?	Loyalty Stance
1	2 Star	Yes	Yes	Yes	>7 years	Yes	No	-	-	Ambivalent
2	2 Star	Yes	No	-	>5 years	Yes	No	-	-	Ambivalent
3	3 Star	Yes	Yes	Yes	>7 years	Yes	No	-	-	Ambivalent
4	2 Star	Yes	Yes	Yes	>7 years	Yes	No	-	-	Ambivalent
5	3 Star	Yes	No	-	>7 years	Yes	No	-	-	Fake Loyal
6	4 Star	Yes	Yes	Yes	>4 years	Yes	No	-	-	Fake Loyal
7	3 Star	Yes	Yes	Yes	>5 years	No	Yes	Yes	No	Indifferent
8	4 Star	Yes	Yes	Yes	>7 years	No	No	-	-	Indifferent
9	4 Star	Yes	Yes	Yes	>7 years	No	No	-	-	Indifferent
10	3 Star	Yes	Yes	Yes	>2 years	Yes	Yes	Yes	No	True Loyal
11	3 Star	Yes	Yes	Yes	>4 years	Yes	Yes	No	No	True Loyal

**Table 5: Participant profiles and loyalty considerations**

## Discussions

This research collected qualitative data from customers that were consciously loyal, subconsciously loyal, consciously indifferent to loyalty and past defectors. This variety of experiences provided a rich insight into hoteliers' experiences and how these experiences have contributed to their current loyalty orientation. Despite the constant call for companies to develop customer relationship strategies (Duffy, 1998; Zeng et al, 2003; Gummesson, 2004; Ata and Toker, 2012;), an apparent disconnect between the initial service transaction and an ongoing effort to remain customer-centric was observed. Whilst a growing customer base might signify a prolonged effort by managers to acquire new customers it is merely the start of the customer journey which will consist of a multitude of interactions that will essentially shape the customers perception of relationship health (Barry et al, 2008) and long term compatibility with their provider.

This study identified four customer segments – True Loyals; Ambivalent Loyals; Fake Loyals; and the Indifferent Loyals - which were devised according to their behavioural and attitudinal traits revealed during the interviews. The characteristics of these segments were positioned according to Dick and Basu's (1984) template but this research offered more refined definitions for the respective segments before identifying factors that contribute to their loyalty orientation. It distinguishes whether customers are either active or passive with attitudinal loyalty and either active or passive in their display of behavioural loyalty. These segments and their attitudinal and behavioural orientations are influenced by five dominating factors which include product performance, perceived value, organisational norms, relationship strength and the wider competitive environment.

Some academics (Anderson and Weitz, 1992; Morgan and Hunt, 1994; Geyskens et al., 1999) place greater emphasis on improving long-term sustained relationships but the pressures of resource effectiveness and efficiency is an underlying feature of this research which identifies an opportunistic thread among the hotels (Wind, 1970). For these 'Fake Loyals', active attitudinal loyalty as an isolated measure is ineffective in predicting their repeat-purchase as whilst they are keen to develop a relationship the economic value of their service provision has a greater influence. This latter point is also applicable to customers with a passive attitudinal loyalty and active buying behaviour – indifferent loyals. This offers little support to research (Krosnick and Petty, 1995) that identify customers with high attitudinal loyalty to have long-term purchase intentions with their provider. In the case of 'indifferent loyals' we demonstrate the importance of acknowledging the role that prior loyalty (Guadagni and Little 1983) and experience contribute towards predicting retention and loyalty orientation. This segment is less interested in developing relationships and highly susceptible to

competitors' actions. Conversely, 'true loyals' are interested in developing relationships but can only remain immune to competitors attempts if they believe their loyalty is recognised and reciprocated with appropriate good value.

Moreover, our findings highlight the limitations of relying on elements such as relationship length as a measure for determining customer's satisfaction with supplier performance and their loyalty strength. Previous research (Oliver, 1997; Grayson and Ambler, 1999; McMullan and Gilmore, 2008) has proffered that long-term customers are more likely to expand their relationship within the product range but from the findings of this study, whilst relationship length acts as a 'swaying' force for most of the segments. Notably, the 'true loyals' were those that held the shortest relationships. However, their switching decisions were levied on the underperformance of a competitor and as Dholakia (2006) reported, those customers who proactively select a firm on their own initiative are more likely to engage in more relational outcomes so this could be linked to the fact that by default some customers will have remained as customers of the previously Government-owned telecom companies. Conversely, relationship length is a positive force for the ambivalent loyals but their passive attitudinal loyalty towards their service provider has potentially detrimental effects for the relationships longevity should wider environmental conditions shift the needs of the business.

Organisational norms, which include hoteliers' procurement decisions, are a consequence of a firm's operational policy and have a direct or indirect impact on the continuity of the relationship. Those that require a formal tender process under company policy are actively seeking better value and this has an adverse effect on their supplier's ability to develop and maintain a long-term relationship. However, perceived value and product performance are the factors that hold some clout in overcoming this obstacle. Service providers should constantly strive to improve their awareness of the major changes in the customers' business and those manoeuvres by competitors designed to entice customers with superior value-generating promotions (Strandvik et al., 2012). These wider conditions of the competitive environment are also key actors in loyalty research (Ball et al, 2004). In a sector experiencing high technological change, manager's awareness of the end-customers changing needs is a growing priority as these wider environmental factors impact their competitiveness and the strength of the environment to act as a negative force for improving loyalty orientation. Throughout all four segments there is strong evidence for linking product performance and positive loyalty orientation (Newman and Werbel, 1973; Sambandam and Lord, 1995). Whilst previous studies have chosen to code this occurrence as 'satisfaction', the researcher sees benefit in differentiating between

what aspects of service provision contribute towards satisfaction and have the greater impact on respective customer segments.

In summary, the findings and analyses provided in this study support the view that customer loyalty is a multi-dimensional concept (Majumdar, 2005) and its collective contributions extend beyond research (Jacoby and Kyner, 1973; Yi, 1990; Chaudhuri, 1996) that regard loyalty purely from a repeat-purchase perspective. Through identifying four loyalty segments among the cases, this research offers support to literature (Day, 1969; Rundle-Thiele, 2005) that advocates a form of high composite loyalty as the ultimate positioning for clientele. Figure 7 (overleaf) offers an illustrative representation of the analysis undertaken in the preceding sections specifically for the industry of this research. Inspired by Lewin's (1951) Force Field Analysis, it offers a visual overview of the prime factors of product performance, perceived value, organisational norms, relationship strength and the wider competitive environment, which each impact a customer segments loyalty orientation at varying intensities. These intensities have been categorised as either a puller, pusher or swayer whereby they are offer a positive, negative or prolonging effect on the relationship between buyer and supplier. This permits factors, and their respective intensities, which are common across the segments to be identified and considered as part of a broader business strategy (Johnson et al, 2011) for designing of threshold capabilities and those that have the potential to influence a competitive advantage (Shaw and Ivens, 2005; Pine and Gilmore, 1998).

## **Managerial Implications and Recommendations**

This study has sought to investigate the antecedents of loyalty between hoteliers in Guernsey and their telecoms provider. It presents a Loyalty Force model which presents five primary factors which exist at three intensities to illustrate the impact each factor has on the respective market segments loyalty orientation. It highlights that loyalty is influenced by issues that originate internally within the buyers organisation, by direct actions from their existing supplier and external market conditions. However, the common factor that makes the most contribution to developing loyalty with their existing supplier is product performance. The other key factors emerging from the findings of the study which are seen to impact loyalty orientation are relationship strength, perceived value, organisational norms and the competitive environment. From the research findings and discussion, a number of conclusions can be drawn which offer contributions to the broader discussion of loyalty and Small Island specific idiosyncrasies.

As with most Small Island economies, limited market size and low competition thwarts the improvements for efficiency and innovation as enjoyed by highly mature markets (Briguglio, 1995; World Bank, 2000). Whilst Guernsey has been able to surmount some Small Island constraints through the success of their finance industry, the limited market size for telecom services has resulted in low competition. Across the services (mobile, broadband, telephone) reviewed for this study a total of four service providers were recorded. Each of these products can be held with separate providers and this spread of services offers little opportunity for brand loyalty to develop (Anisimova, 2007). This is exacerbated by apparent brand confusion among customers who are uncertain about where the service provision of one provider ends and the other begins. This appears to result from majority ownership of the infrastructure being held by a single company and devolved responsibility for maintenance. Brand functionality plays an important role in consumer evaluations of durable products (Brucks et al., 2000) This has significant implications for managers and their corporate branding positioning strategies and incorporating a symbolic dimension to their customers overall experience (Anisimova, 2007). Managers should improve their communication to customers paying particular attention to offering clear guidance on how to seek support and conveying the value and benefits of their service (Narayandas, 2005) over their competitors.

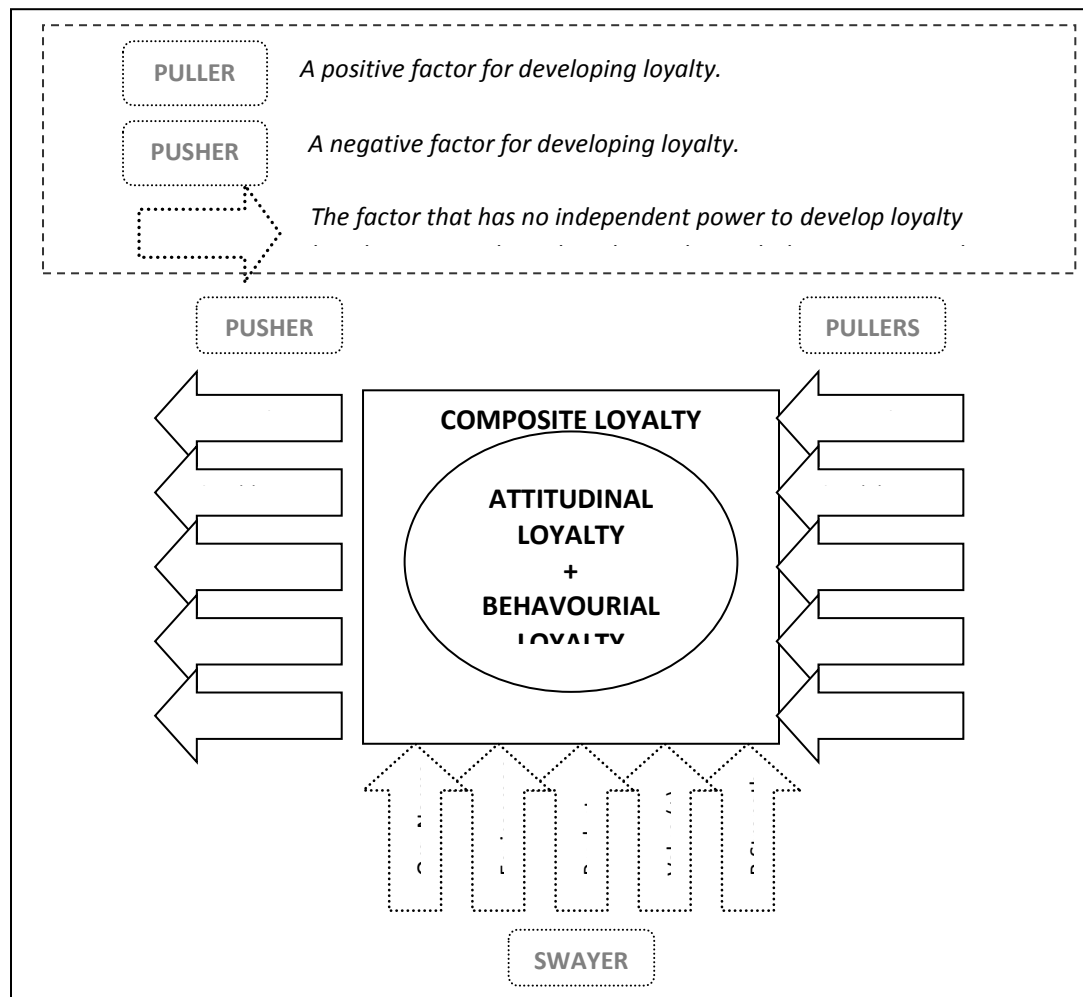
All of the participants confirmed that their telecoms provision and in particular their broadband service were critical to their business operations and the experience of their hotel guests. As technological improvements are made in the global economy, the expectations of tourists and visitors to Small Island economies will increase and hoteliers and other buyer's will place greater pressure on their telecom's provider to contribute to their value chain. In this respect, Small Island's intrinsic insularity can limit or prevent access to established infrastructure and technologies. This has resulted in an underlying complacency towards service failures despite product performance being seen as the most common measure for moving towards higher levels of composite loyalty. This attitude could also be a residual outcome from when the telecoms industry was a Government owned and operated monopoly. Despite the privatisation of this industry 13 years ago and more competitors in the market, there is an apparent absence of attempts or initiatives by telecom companies to improve loyalty among this segment. The imminent arrival of improved technologies such as 4G and LTE will reduce the entry barriers currently posed by monopolised infrastructure ownership increasing competitor's accessibility to the Guernsey market. Relational aspects are important in any B2B environment (Chaudhuri and Holbrook, 2001; DeWulf et al, 2001; Gwinner et al, 1998; Sheth and Parvatiyar, 1995;), though managers have been criticised for focusing only on the performance of core service and neglecting the importance of relationship building by (Ramaseshan et al, 2013). Whilst some market segments in this research rate relationship strength as a key factor in their loyalty orientation, it is the

dominance of product performance that will prevail as a determinant for most buyers and managers should continue to focus on investing in infrastructure improvements and the requisite technical capabilities of their employees.

With the looming prospect of increased competition, incumbent companies have an opportunity to improve loyalty rates by applying the Loyalty Force model and improving their service offerings based on those factors identified from their customer's perspective. A customer-led segmentation exercise, whereby businesses understand directly from their customers what is required and desired from the relationship can allow shortcomings and best practice to be identified between customer segments. Such segmentation will provide a useful measure of customer's propensity to develop loyalty and assist managers in assessing the potential value of their customer's portfolio (Meyer-Waarden, 2008). Marketers cannot expect to sell packaged or canned experiences across all target customers (Mascarenhas et al, 2006). The majority of participants hold long-term relationships with their current providers but none of them attributed their relationship length to a loyalty programme or similar initiative. This reveals a gap in telecom companies' offerings and the opportunity to develop a programme to reward their customers for their long service to date and install incentives for ongoing commitment. Managers should set up systems and processes that facilitate repurchase and rewards portfolio-wide purchase habits (Papassapa et al, 2009; Ramaseshan et al, 2013). Opening a two-way communication flow may lead to more effective and efficient ways of recognising customers who have experienced difficulties (McMullan and Gilmore, 2008) and support future marketing strategies and loyalty initiatives. By using these periodical reviews telecommunication companies will be able to track and evaluate the success of their marketing strategies.

The Loyalty Force model illustrated in Figure 8 is not an isolated tool but one that can be used alongside other methods for evaluating portfolio performance to develop a long-term loyalty strategy for their business customers. It identifies the major factors of product performance, perceived value, organisational norms, relationship strength and the wider competitive environment which have a varying influence depending on the level of loyalty held by the buyer. It shows how these factors can contribute positively or negatively to a customer segments loyalty orientation and those forces that can progress or inhibit high levels of composite loyalty. This analysis is relevant to the telecom company's customers within the hotel sector but a similar analysis can be carried out for any industry or customer segment to illuminate common trends and distinct differences in service demands.





**Figure 8: Loyalty Force Model (Source: The Author)**

Furthermore, to understand the complexity of loyalty, it is important to recognise customer's attitudes, their desired intentions and evaluations (Oliver 1999). Whilst these can reveal contradictory needs and expectations, it also allows a thematic thread to be identified and integrated into CRM strategies. Whilst CRM software can support churn analysis to predict potential leavers (Kuusik and Varblane, 2009) it is also important to recognise the factors of product performance, perceived value, organisational norms, relationship strength and the wider competitive environment that collectively impact the loyalty orientation respective market segments.

### **Future research directions**

Business leaders and academics have called for greater knowledge and understanding for increasing customer loyalty (Oliver, 1999; Knox and Walker, 2001). Our findings suggest that buyers do not invest their loyalty according to relationship quality nor do they commit their custom to suppliers with superior offerings. Instead, it is dictated by provider's ability to provide reliable product infrastructures. This study does not dismiss the value that social interactions contribute to B2B

relationships and in fact shows that it can act as a positive force for relationship longevity. However, relying on relationship length or providing value in the form of competitive offers is not sufficient to get buyers to commit across the businesses product portfolio or develop a loyal attachment to the relationship. The sustainability of B2B relationships are grounded on high levels of product and service performance and companies' willingness to acknowledge and respond to their customers needs.

Whilst this research is founded on a rich array of experiences the researcher acknowledges that it is derived from a limited number of interviews. Additionally, it focuses on a specific industry and customer segment within a single Small Island economy. This could impact the generalisability across different contexts and it is therefore recommended that an investigation of other industrial sectors and segments is conducted to consider the significance of other economic or geographical factors. Further research could also replicate this study within other Small Island economies or consider the implications of levels of loyalty development amongst business-to-consumer customers. Additionally, drawing on the work of SPAT (Roos, 1999) a methodological perspective using critical-incident technique (Bitner et al., 1990; Roos, 1999; Edvardsson et al, 2005; Selos et al, 2013) could be applied to identify variations in business interactions and their influence on the buyers' behavioural and attitudinal responses.

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