Loyalty in Business-to-Business Service Context:

*Literature Review and a Proposed Framework*

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ABSTRACT

Introduction. Loyalty has been named as one of the greatest competitive advantages for companies operating under high competition conditions. However, no clear path to loyalty has been found in the literature: different authors look at this concept from different views and take different factors into account. This paper consolidates academic research on loyalty in business services.

Research Question. In order to understand the loyalty concept better, the following research questions were aimed to be answered by this paper – in business services, what are the factors determining customer loyalty; what is the influence of culture; and how does customer loyalty develop from a customer’s point of view?

Methods. A method of literature review was adopted for this study. The structure of a systematic literature review was followed. For the practical validation of the framework, interviews were conducted with four managers, representing different business services.

Results. The determinants of loyalty were identified and grouped into antecedents and mediators of loyalty. The determinants consisted of dependence, customer value, opportunism, service quality, customer focus, media richness, reputation, seller’s expertise, communication, conflict, past usage, relationship benefits, relationship investments and similarity. In addition, the following mediators were identified: trust, satisfaction, commitment, relationship quality, attitudinal loyalty, customer perceived value, service quality, collaboration, long-term relationship and flexibility. Furthermore, the trend in the representation of loyalty development seemed to be in line with the cognition-affect-behavior paradigm. However, a number of inconsistencies in the conceptualization of loyalty regarding the dimensions adopted and related to the determinants of loyalty have been identified and presented as well. None of the articles examined the influence of culture on loyalty development.

Synthesis. The findings in the results’ part were further integrated together with the relationship development process (represented by the stage model of Ford et al. (2003)) and the possible influence of culture into the resulting research framework. It suggests that relationship quality, comprising of trust, satisfaction and commitment, is a mediator of loyalty development process. Furthermore, it suggests that these mediators, determining the transition from one stage to the other, are influenced by different antecedents.

Conclusions. Research on loyalty in business services is still in its infancy. Therefore, findings of this study should be treated as the base for further research and inquiry rather than the end-point in the discussion.

Keywords: customer loyalty, long-term relationship, customer retention, business services, process, relationship marketing, relationship quality, literature review
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I. INTRODUCTION

This chapter introduces the topic of this master thesis. At first, the background of the study is presented. It is followed by the research question and objectives, as well as the scientific and practical relevance of the paper. Finally, the structure of the paper is presented.

1.1. Background

“I think a relationship is like a shark. It has to constantly move forward or it dies.”

(Woody Allen)

Due to technological, regulatory and changing customer dynamics in the last number of decades, service organizations turned out to be operating under increasing competition and dynamic environment conditions (Carson, Gilmore, & Walsh, 2004). For example, new forms of communication (e.g. internet, fax, e-mail) have changed the competitive environment in the postal sector; due to technological advances in the telecommunications sector, new services emerged and the number of service providers increased, causing higher competition (Liberalisation and Competition in the Service Sector: Experiences from Europe and Asia, 2002). In addition to that, due to the aforementioned technological changes, services started to be increasingly sourced on a global level (Axelsson & Wynstra , 2002). Consequently, it is important to look for ways, which would enable service companies to secure their competitive position and which would help to cope with changes in external environment.

Marketing practices and strategies become a tool of exceptional importance in order to overcome the challenges presented by external environment. Developing relationships with customers can be one of these strategies. Two theories, representing two different poles of the marketing strategy continuum, describe how to establish relationships: Transaction Oriented Marketing and Relationship Marketing (see Table 1).

Table 1. Comparison of Transaction Marketing to Relationship Marketing

<table>
<thead>
<tr>
<th>Transaction Marketing</th>
<th>Relationship Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on a single sale</td>
<td>Focus on customer retention</td>
</tr>
<tr>
<td>Orientation on product/service features</td>
<td>Orientation on product/service benefits</td>
</tr>
<tr>
<td>Little emphasis on customer service</td>
<td>High customer service emphasis</td>
</tr>
<tr>
<td>Limited customer contact</td>
<td>High customer contact</td>
</tr>
<tr>
<td>Limited customer commitment</td>
<td>High customer commitment</td>
</tr>
<tr>
<td>Quality is primarily a concern of production</td>
<td>Quality is the concern of all</td>
</tr>
</tbody>
</table>

Transaction Oriented Marketing emphasizes the need to recruit customers on an on-going basis. This type of marketing focuses on profit maximization by applying “firm’s resources to markets, customers and products in the most efficient and cost effective manner” (Walsh, Gilmore, & Carson, 2004, p. 471). The social aspects of exchanges are not taken into account. The time frame for planning is short-term and the importance of a single sale is emphasized.

However, the transactions may repeat themselves over time and the planning horizon may become longer than that for a single exchange (see Figure 1). Gradually the focus in marketing shifted from discrete transactions to relationally oriented practices (Kuusik, 2007) and the concept of Relationship Marketing was introduced by Berry (1983) in the services marketing literature. It was incorporated in the models of service delivery processes (partly because the marketing mix paradigm did not really suit for service companies’ customer relations (Grönroos C., 1990b)). Furthermore, in services “short term relationships, where the customers come and go, are normally more expensive to develop” (Gronroos, 1990a, p. 5).

![Figure 1. Relationship Intention Continuum](image)


Relationship marketing focuses on long-term relationships and on retention of the customers. According to Dwyer, Schurr & Oh (1987), relationship marketing is related to all marketing activities, which are directed toward establishing, developing and maintaining successful relational exchanges. In addition to that, relationship marketing success, in all its contexts, requires cooperative behaviours, where organizations cannot achieve their goals independently (Morgan & Hunt, 1994). It adopts a customer-centric approach. One of the most widely discussed positive outcomes of relationship marketing is customer loyalty. It has been empirically proved that (Reichheld, 1996): a) the costs of serving loyal customers are lower; b) loyal customers are less sensitive towards price changes; c) loyal customers spend more time with the company; d) loyal customers pass on positive recommendations based on their experiences. In addition to that, Reichheld (1993) posits that depending on the industry, the profit of a company can increase by up to 60% after reducing the potential migration by 5%.
In short, the transactional exchange is completely rational - it is based on cost/benefits analysis (for example, a good price), while relational exchange also takes socially oriented factors into account. Successful long-term relationships require a clear understanding of motivations that make customers stay in a relationship (Patterson & Smith, 2001). Some authors argue that in business to business context rational motivations outweigh social bonds (e.g. Eckles, 1990; Webster, 1991; Gale, 1994; Zeithaml, 1988; Bendapudi & Leone, 2002; Coviello & Brodie, 2001; Naumann, Haverila, Khan, & Williams, 2010), while others are of the contrary opinion (Anderson & Sullivan, 1993; Shand, 1990; Nakamura & Bala, 2007; Rauyruen & Miller, 2007; Yim, Tse, & Chan, 2008; Čater & Zabkar, 2009; Paulssen, 2009). It is also worthy to note that both of these marketing types can complement each other in different industries and different types of transactions (Coviello & Brodie, 2001).

This paper focuses on the long-term end of relationship continuum – long-term relationships and loyalty. The literature on loyalty is more than abundant and the context of existing theories/models differs a lot: services vs. products, business-to-business vs. business-to-customer, buyer-seller vs. supplier-distributor, manufacturer-dealer vs. provider-consumer (Bagdonienė & Žilionė, 2009). Not to mention that this issue is even more complicated in international business environments, where, for example, cultural and language barriers can have a negative effect on the development of these long-term relationships (Friman, Garling, & Mattsson, 2000). The scope of this work requires narrowing down to a specific context determining the subject, which is going to be under research. Business-to-business service environment has been chosen as a setting for this paper.

In the service marketing discipline services are stated to be distinct from goods based on four characteristics: a) intangibility - services cannot be touched; b) heterogeneity - services cannot be standardized, because they are produced interactively and demands of customers, as well as seller’s expertise or knowledge can fluctuate over time (Ellram, Tate, & Billington, 2004); c) inseparability – services are simultaneously produced and consumed; d) perishability – services cannot be stored, since they exist only during production. Relationship marketing and relational orientation becomes of special importance in the service industry, where the product offering is intangible (Levin & Lobo, 2009). This setting makes rational evaluations (for example, the quality of offering) more complicated. As a consequence, buyers may associate a higher level of perceived risk when it comes to buying a service as opposed to buying a good. Furthermore, customers and sellers are more involved in the production and consumption of services than they are for products (Zeithaml, Parasarman, & Berry, 1985) and therefore, the close interaction between customers and sellers make research on relationships more critical for services. This emphasizes one of the most prominent properties of (business) services - services are produced in interactive processes.
However, a different perspective has been recently presented by Vargo and Lusch (2004a, 2004b) and Lovelock and Gumesson (2004) by a new paradigm – the so called service dominant logic; the underlying assumption of it is that all firms are service businesses. They claimed that services are not that distinct from goods and that the four characteristics, that make services distinct from goods, are rather myths. Firstly, services can have tangible results and tangible products can be used for intangible benefits. For example, a lot of goods are augmented with services as in mobile telecommunication and on the other hand, a lot of services are dependent on goods (e.g. courier services). Secondly, they argue that a lot of goods are heterogeneous and that services are relatively standardized; for example, medical procedures or airline transportation. Thirdly, inseparability can also be applied to products (e.g. tailor made clothes). Finally, products are in fact perishable (e.g. food) and services can be stored. As Gumesson (2000) claimed, “services are stored in systems, buildings, machines, knowledge and people” (p. 123). For example, the expertise of an auditor is stored within his/her knowledge; it is “stored” in this person. In that case, it is not easy to see the distinction between a good and a service.

The fact remains that research on loyalty has rather neglected the business services compared to goods. Therefore, even if goods and services could have the same mechanism for loyalty development, services and products should be analyzed separately in the first place. Based on empirical findings, the lines between tangible and intangible attributes of an offering in loyalty development should be analyzed. It might well be that there are more similarities than differences. But before making these generalizations, empirical comparisons should prove this to be the case. For example, one of the studies analyzed in this paper consisted of two research settings (products vs. services) and proved that some of the determinants of loyalty differed or had stronger effects per research setting due to a higher degree of collaboration needed in services than for products (Kumar & Grisaffe, 2004). Since differences between the two settings can be found in the literature and the scope of this research does not allow going into such comparisons, only services are analyzed in this paper.

To sum it up, the trend that companies buy more services compared to goods emphasizes the need for research on business services (Murray & Kotabe, 1999). The topic of this paper - loyalty in business to business service context, seems to present a challenging and at the same time a very interesting topic to examine.

1.2. Research Question and Objectives

Due to a lack of literature, that integrates relationship development process into the models of loyalty in business services, the main objective of this study is to answer three research questions by proposing a process model of loyalty development in business services from a customer’s point of view. Another gap will be addressed by incorporating the possible influence of culture in the process of loyalty
development, since none of the articles analyzed in this study did so. The model will integrate the process of relationship development together with the answers to three research questions:

1. **What factors determine customer loyalty in B2B services setting?**
2. **What influence does culture have on loyalty?**
3. **How does customer loyalty develop in B2B service environment from a customer’s point of view?**

In order to make the research question clear and specific, the definitions of the concepts are presented below:

*Factor* - an element contributing to the development of loyalty.

*Loyalty* – “the degree, to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers only this provider when a need for this service arises” (Gremler & Brown, 1996, p. 173).

*Culture* - “the collective programming of the mind, which distinguishes the members of one category of people from another” (Hofstede, 1984, p. 51).

*Loyalty development* - building and sustaining a trusted relationship with customers that leads to customers’ repeated purchases of services over a given period of time (Lawson-Body & Limayem, 2004).

*B2B* - the exchange of services and information from one business to another, as opposed to business to consumer.

*Service* – an activity, which has some element of intangibility associated with it, which involves some interaction with customers or with property in their possession, and does not result in a transfer of ownership (Payne, 1993, p. 6).

First of all, the factors, which determine loyalty, will be identified. Secondly, the development of loyalty in the literature (i.e. analyzing the linkages between the factors) will be tracked. Finally, the relations between the antecedents of customer loyalty in B2B Service context will be presented in an integrative form of a process model. A set of hypotheses will be generated to complement the model. A separate set of hypotheses will address the impact of culture on loyalty in business services.

To sum it up, this study will focus on increasing the understanding of how loyalty is developed and what its antecedents are in B2B service environment. As explained already, service is not easy to define, but the main focus in this study will be on services, where the delivery consists primarily or entirely of something intangible (Nordin & Agndal, 2008). And it will specifically focus on the relationship between a loyal customer and a service provider.
1.3. Relevance of Research

The world economy is dominated by the service sector. Developed countries have 70-80% of their Gross Domestic Product and employment in this sector (Tien & Berg, 2006). This situation formed over the years due to two main reasons: a) services tend to be more expensive relative to agricultural or industrial goods; b) services also are more labor intensive, unlike other economy sectors, where increasing mechanization is eliminating jobs (Growth of the Service Sector, 2000). The fastest growth in services marketing is in business markets (Brown, 2002). Furthermore, recent research reveals findings that customer relationships lead to higher levels of performance in business markets compared to consumer markets (Palmatier R. W., Dant, Grewal, & Evans , 2005). Therefore, research in this particular context (B2B services) seems to be valuable.

Secondly, although this paper will be mainly based on a literature review, its relevance could be greater than that of empirical study. Empirical studies can raise implications of very narrow scope compared to, for example, literature reviews. The conclusions or findings of a review are based on evidence presented in multiple studies, while a single empirical paper often does not allow for generalizations and requires a repetition of the study in order to approve the results. The quality of analysis on the subject may also be superior to that of a single empirical study, since literature review allows for problem identification of empirical papers and critique in terms of content or methods (Randolph, 2009).

Empirical research on B2B markets is lagging behind the research in B2C context, in terms of the amount of literature available (Lam, Shankar, Erramilli, & Murthy, 2004). Another gap in the existing B2B relationships marketing literature is that it is heavily focused on manufacturing rather than service industries (Morgan & Hunt, 1994). This paper will address both of these gaps in B2B service literature. Furthermore, the existing research on business service loyalty seems to be highly fragmented in terms of service type, methods or theories applied and even geographical contexts. This variety makes it difficult to draw managerial generalizations for developing loyalty in B2B services. Therefore, there is a need for research, integrating different types of business services.

Loyalty involves a dynamic process with continuity as a primary goal. However, the relationships between influential antecedent factors have been considered static rather than dynamic (Curran, Varki & Rosen, 2010). Consequently, research on relationships tends to be cross-sectional, which implies that relationships are studied at different stages of development. In order to address this issue, a model of dynamic nature will be proposed. What is more, one should note that the conceptual process models of relationship development do exist in the literature (for example, Dwyer, Schurr & Oh, 1987). But these models do not integrate the variables of a successful relationship (Wilson & Jantrania, 1993), nor do they
capture the influence of culture on the development processes, which is especially important in international business relationships (Batonda & Perry, 2001). This study will address these existing gaps in the literature by increasing the understanding on how loyalty is developed and what its antecedents are in B2B service environments (including internationally operating businesses). In addition to that, the model of dynamic nature will be presented – it will integrate antecedents of loyalty.

This study will reflect on research conducted on loyalty in B2B services in the past. It could become a tool for those scholars, who will be interested in this particular topic in the future (the study could be replicated, improved or in general it could be used as a consistent overview of the subject). Gaps existing in the literature will be identified and suggestions for the future will be made. Furthermore, a new perspective on the topic will be introduced by presenting a model of dynamic nature. When it comes to practical contribution and applicability of this paper, it is important to note that loyalty has been proven to be a major source of competitive advantage for companies (Lam, Shankar, Erramilli & Murphy, 2004). Therefore, the practical contribution will be establishment of the factors contributing towards loyalty. This way, managers in B2B services setting, will be able to focus on practices, which customers value most and which foster a sound relationship development.

1.4. Structure of the Study

This paper is structured as follows: in the second chapter, the methodology and the steps in compiling the final set of articles are described. The third chapter presents the descriptive results and analysis of the theoretical field: definitions of loyalty, factors determining loyalty, existing inconsistencies and gaps. This is followed by a chapter synthesizing the findings from the results into a framework. Propositions make a separate section of this part of the paper and special attention is given to the role of culture. Finally, in the last chapter conclusions are drawn and recommendations, limitations and directions for future research are presented.
II. METHODOLOGY

This chapter consists of two parts. In the first one, the reasons for the choice of methodology are presented. The methods for data collection start the section with a short description of interviews and a more in-depth description of a literature review. Then, the main method of analysis is presented. While in the second part of the chapter, the procedure for compiling the final set of articles, chosen for this study, is thoroughly described.

2.1. Methodology Description

Two data collection methods were chosen for this paper: a literature review and interviews. Although the first method will form the basis of this paper and the proposed framework will be constructed on the theoretically grounded findings, the interviews will be conducted in order to get a practical reflection on loyalty and its development. Furthermore, a validation of the model will be sought from a practical point of view. It is important to make sure that the model has a logical practical mechanism and represents reality; otherwise, it does not generate any value neither for the scientific field, nor for daily business life.

The interviews had qualities of both – structured and semi-structured interviews. The questions followed the same sequence; however, in case of unforeseen issues raised, new questions could be generated. The complete rigidity of the structure was not sought, due to the qualitative nature of this study: the more different aspects about the topic are taken into account, the better the overall understanding is. Consequently, flexibility had to be part of the interview process. Thirteen open ended questions comprised the interview template. 4 interviews were conducted with three business representatives in business services (recruitment, professional and IT services) as well as one expert on the topic.

Literature review was chosen as the main data collection method for this paper, because purposes for carrying out a literature review seemed to match the objectives of this study best. For example: a) to seek new lines of inquiry (Gall, Borg % Gall, 1996; Hart, 1998); b) to discover important variables relevant to the topic (Hart, 1998); c) to identify relationships between ideas and practices, (Hart, 1998); d) to establish the context of the topic or problem (Hart, 1998); e) to provide a framework (Randolph & Justus, 2009; Kitchenham, 2004; Okoli & Schabram, 2010); f) to answer a specific research question (Okoli & Schabram, 2010); g) to identify the gaps in research in order to suggest areas for further investigation (Kitchenham, 2004); h) to summarize evidence, pointing out similarities and differences or inconsistencies (Polit & Beck, 2006).
There are different types of literature reviews: narrative, integrative and systematic. For this thesis integrative review is adopted – “a form of research that reviews, critiques, and synthesizes representative literature on a topic in an integrated way, such that new frameworks and perspectives on the topic are generated” (Torraco, 2005, p. 356). However, in order to reduce the bias of the reviewer to the minimum and increase the quality of the research, the structure of the systematic review will be adopted. One of the greatest differences between a narrative review (summarizing and reporting on the literature, without the element of criticism) and a systematic review is a comprehensive and unbiased search process (Tranfield, Denyer & Smart, 2003). Okoli & Schabram (2010) note that reviews in general can be described as more or less systematic – that depends on whether the review has the explicit view of being conducted systematically. Four criteria can be used in order to assess how systematic the review is: a) a review is systematic in following a methodological approach; b) it is explicit in explaining the procedures, conducted in the study c) comprehensive in its scope of relevant materials d) reproducible by other researchers, who would conduct the research the same way (Fink, 2005). Of course, it is apparent that such type of a review requires considerably more effort (Kitchenham, 2004). However, the transparency of procedures, the quality of the paper and a possibility to replicate the research in the future strongly outweigh this disadvantage.

The review process consists of three major parts: data collection, data analysis and data synthesis. Data will be collected with a predefined selection procedure, as required in a systematic review. Once the articles are selected, data analysis will take place. There are two types of analysis: qualitative and quantitative. The goal of this particular review is to focus on conceptual aspects of the studies rather than on empirical consolidation (for example, the conceptualizations of variables, explanations and etc.). Therefore, strategies of analysis chosen for this paper are of qualitative nature: a) constant comparison (grounded theory) – comparison of codes in order to find out consistencies and inconsistencies existing in literature (Corbin & Strauss, 1990); b) typology - a classification system based on patterns, themes or other kinds of groups of data (Lofland & Lofland, 1995).

The main data analysis method chosen for this paper is coding – “the process of combing the data for themes, ideas and categories and then marking similar passages of text with a code label so that they can easily be retrieved at a later stage for further comparison and analysis” (Taylor & Gibbs, 2010). It suits the conceptual focus of the paper, because this method allows a researcher to deal with three levels of analysis at once: descriptive, analytic and interpretive. In order to generate the codes, Miles and Huberman (1994) advice to review the data (articles, in this case) in the first place, then to develop categories/labels in order to refer to a certain paragraph or meaning. These labels should be reviewed and a more abstract category can be assigned to several incidents or observations. The latter can be put onto a qualitative data category card. This approach in conducting the analysis was adopted for the study. In
addition to that, codes were also reviewed and confirmed by another researcher, in order to ensure the consistency of concepts and conceptualizations.

The last part of the paper is dedicated to data synthesis, where information is integrated. In this thesis, factors determining loyalty were grouped into antecedents and mediators, while loyalty and its representative constructs fell under the category of outcomes. These groups of factors were integrated into a process model, where different stages of the relationship development were affected by different antecedents and mediated by different mediators onto the next stage of the relationship development, until the final outcome – loyalty was reached.

To sum it all up, as mentioned before, the methodology adopted in this study is of an integrative systematic review. The main objective is to produce new knowledge and a sound conceptual representation of the topic – Loyalty in B2B Service environment. Data is collected systematically, analyzed with qualitative and descriptive analysis tools and finally, synthesized.

2.2. Compilation of Articles for Research

In this study a four-step procedure was adopted from Okoli & Schabram (2010): planning, selection, extraction and execution. During the planning stage, objectives of the research and sources of data were identified. From a methodological point of view, the main objective was to “assess the range of definitional, conceptual, operational and theoretical similarities and differences found in this research domain” (Crossan & Apaydin, 2010, p. 1157-1158). In other words, the review aims to analyze and categorize the empirical research in the area of business services loyalty.

Since loyalty in B2B services is a relatively new topic and the amount of information is not as abundant, scientific journals were selected as the most appropriate source of information. Journals are most widely used for assessing knowledge in a certain field (Chandy & Williams, 1994). Comprehensive databases were chosen for the search of articles: The ISI Web of Knowledge, Scopus and Google Scholar.

The second stage of the review process consisted of searching the literature and later on, applying the practical screen. In the searching part the goal is to maximize the number of articles. Therefore, different keywords were used to reflect onto the topic under research: “loyalty”, “long-term relationships”, “B2B” or “business to business”, “service”, “retention”. Different combinations of these keywords were entered into the search field: “loyalty literature review”, “B2B Service loyalty”, “Business to business service loyalty”, “Loyalty process model”, “Long-term relationships”, “Customer retention”, “Customer loyalty”, “Relationship marketing”. No time restrictions were set for the articles. Subject area was set as “social sciences and humanities” – business, management, accounting; economics, econometrics, finance; international management; document type - “article” and “review”; language - “English”.

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Searches in different databases generated thousands of articles for the keyword “loyalty”, but a great amount of those articles did not even refer to loyalty. In order to refine the search results “the practical screen” had to be applied. At first, the titles of the articles were screened for the suitability of the topic. After this step, 560 articles were selected for further examination. The next step was to read through the abstracts of the articles in order to exclude the ones, which do not refer to loyalty in B2B Service context. As it was expected, research on loyalty turned out to be mainly focusing on B2C (Lam, Shankar, Erramilli, & Murthy, 2004; Rauyruen & Miller, 2007) and manufacturing settings (Rao, 2002). Papers, which examined store loyalty, political loyalty, employee loyalty to organization, loyalty to virtual communities, loyalty to websites, or consumer loyalty programs – all of them were eliminated, since they were not a match for this study. It is also important to note that public procurement of services is defined by different rules and regulations and is significantly different from private firms (Nordin & Agndal, 2008). Papers dealing with public procurement were not considered a match for this study. 88 articles fell under the category of B2B services, but some of them were not referring to loyalty/long-term relationship as the final outcome. Therefore, the articles were briefly scanned through their content and only articles, where loyalty was a dependent variable were left for the final step – the quality appraisal. In addition to that, a repeated thorough search was carried out in all of the journals, in which the pre-final set of articles was published (see Table 2). After this step, the 43 articles were ready for the final phase of inspection – the quality appraisal.

Quality appraisal is a crucial step in a systematic review – at this stage the quality of the paper is affected the most. Conducting the quality assessments of the papers is a big challenge (Tranfield, Denyer, & Smart, 2003). Therefore, researchers in management field usually rely on ratings of the journals instead of applying specific quality evaluation criteria (Tranfield, Denyer, & Smart, 2003). For this particular study several quality criterions for the articles to be included in the final set were applied. Firstly, JCR impact factor was taken into account in order to determine the quality of the journals. The main criterion was that at least half of the articles had to have a higher impact factor than one. Since some papers did not have a JCR impact factor, another identical factor was taken into account. It was the factor calculated identically as the JCR, but offered by SCImago and based only on the Scopus database. The requirement for the quality of the journals was fulfilled. (See Table 2 below)

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1 For more information (e.g. how the factor is calculated), see http://thomsonreuters.com/products_services/science/free/essays/impact_factor/
2 For more information, see http://www.scimagojr.com/index.php
Table 2. Journal Rankings of the Final Set of Articles

<table>
<thead>
<tr>
<th>Journal</th>
<th>Article Nr.</th>
<th>Impact factors</th>
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</thead>
<tbody>
<tr>
<td>Industrial Marketing Management</td>
<td>6</td>
<td>1.694</td>
</tr>
<tr>
<td>Journal of Business Research</td>
<td>5</td>
<td>1.773</td>
</tr>
<tr>
<td>Journal of Business-to-Business Marketing</td>
<td>2</td>
<td>0.263</td>
</tr>
<tr>
<td>Journal of Marketing</td>
<td>2</td>
<td>3.770</td>
</tr>
<tr>
<td>Journal of Service Research</td>
<td>2</td>
<td>(1.357)</td>
</tr>
<tr>
<td>Journal of Supply Chain Management</td>
<td>2</td>
<td>5.853</td>
</tr>
<tr>
<td>Conference Papers</td>
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<td></td>
</tr>
<tr>
<td>The Service Industries Journal</td>
<td>1</td>
<td>1.071</td>
</tr>
<tr>
<td>Journal of Relationship Marketing</td>
<td>1</td>
<td>(0.118)</td>
</tr>
<tr>
<td>Journal of the Academy of Marketing Science</td>
<td>1</td>
<td>3.269</td>
</tr>
<tr>
<td>Journal of Marketing Research</td>
<td>1</td>
<td>2.800</td>
</tr>
<tr>
<td>Journal of Business Logistics</td>
<td>1</td>
<td>3.905</td>
</tr>
<tr>
<td>Management Science</td>
<td>1</td>
<td>2.221</td>
</tr>
<tr>
<td>Australasian Marketing Journal</td>
<td>1</td>
<td>(0.239)</td>
</tr>
<tr>
<td>Journal of Marketing Management</td>
<td>1</td>
<td>(0.145)</td>
</tr>
<tr>
<td>The Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>PhD Papers</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Note: numbers in brackets [e.g. (1.357)] represent Cites per Doc (2y), ScImago and plain numbers [e.g. 1.694] represent JCR, Thomson Reuters.

In addition to that, another quality criterion was that articles had to either be reviews or empirical studies. Consequently, conceptual studies without empirical confirmations were eliminated. And last, but not least, in case of articles, where both - products and services industries were included, services had to be analyzed separately. This way, it was assured that papers offering generalized results (fitting both - services and products industries) were eliminated and the focus on the service industry was retained. The final set of 30 articles to be analyzed in the subsequent chapters of this paper can be found under Appendix A.

To sum it all up, in this chapter the research methodology, matching the objectives of the paper best, was presented. In addition to that, the first stages of the literature review (the search of articles, exclusion of articles and compilation of the final set of articles) were conducted and the procedure was described in detail. In the next chapter the chosen articles will be analyzed.
III. RESULTS

Firstly in this chapter the descriptive analysis of the articles is presented. The next section of the chapter focuses on the analysis of the theoretical field: loyalty definitions and dimensions of the construct are identified; the determinants of loyalty (grouped into two categories: antecedents and mediators) are presented. Based on the findings, critical remarks on literature (i.e. existing gaps and inconsistencies) are provided. Finally, the second and the third research questions are addressed in the last section of this chapter.

3.1. Descriptive Analysis

As mentioned already before, the topic of loyalty in B2B services setting is relatively new. In order to compare the development of loyalty topic in general in literature to that in B2B services setting over time, the final set of articles was compared to the pre-selection sample of articles (see Figure 2).

![Figure 2. Comparison of Number of Articles on Loyalty vs. Loyalty in B2B Services](image)

The article, which was the first one to address this topic in our final set of articles, was published in 1994. At around the same time the interest on loyalty topic has started to increase and with some minor exceptions, has been growing ever since. This can be explained by the fact that companies do not rely on service/product pricing or quality alone anymore; they rather define long-term success through relationships with customers. Customer focus orientation increased, due to globalization of competition, information technology development and in general, saturation of markets (Kuusik, 2007). According to Shoemaker and Lewis (1999), a truly loyal customer “feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set and the customer
buys almost exclusively from you” (p. 349). In that case, loyalty becomes a guarantee of a competitive advantage – another crucial advantage that companies persistently try to achieve.

However, the research on B2B Services comprises only a small part of the total amount of articles researching loyalty. Most of the articles on loyalty focus on B2C and manufacturing settings (Rao, 2002; Friman, Garling, Millett, Mattsson, & Johnston, 2002; Lam, Shankar, Erramilli, & Murthy, 2004; Rauyruen & Miller, 2007; Sharma, 2007; Briggs & Grisaffe, 2010; Williams, Khan, Ashill, & Naumann, 2011). Furthermore, unfortunately there was no clear indication of growing interest on customer loyalty in business services, as compared to loyalty in general. One of the most likely explanations for this trend could be that research transition from product to service in business markets is still at an early stage (Jacob & Ulaga, 2008).

The articles adopted quantitative methods (statistical methods of data analysis, collected by surveys or questionnaires), qualitative methods (interviews) or a mix of both (e.g. interviews are conducted in the exploratory phase in order to get a better understanding on the phenomena; based on this data, a model is developed; then the model is tested statistically). (See Table 3) Qualitative methods received very little attention compared to quantitative and mixed methods. In the latter case, method triangulation allows “counterbalancing the flaws or weaknesses of one method with the strengths of another” (Mitchell, 1986, p. 21). Quantitative methods are used quite often to test B2C models in B2B context. However, since loyalty in B2B Services is a relatively recent topic, qualitative insights are of special importance in generating new knowledge from firsthand experience.

In terms of research design, only 1 article out of 30 adopted a longitudinal design. This type of design is especially important for tracking the “development” of processes over time. Since loyalty is an outcome of a certain process and it takes time to develop, it is unfortunate that cross-sectional studies represent the great majority of articles.

Table 3. Methods and Research Design Adopted in the Studies

<table>
<thead>
<tr>
<th>Methods</th>
<th>Qualitative Methods</th>
<th>Quantitative Methods</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Briggs et al. (2007)</td>
<td>Huang et al. (2008)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cahill et al. (2010)</td>
<td>Yanamandram &amp; White (2010)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hartmann &amp; De Grahil (2011)</td>
<td>Williams et al. (2011)</td>
</tr>
</tbody>
</table>
The services, which were addressed in the final set of articles varied (see Figure 2). Professional services (consulting – Gounaris, 2005; financial services - Reddy & Czepiel, 1999; Rao, 2002; Kumar & Grisaffe, 2004; Lee & Bellman, 2008; market/marketing research - Čater & Čater, 2009; Čater & Zabkar, 2009; advertising - Bennett, Hartel, & McColl-Kennedy, 2005; Russell-Bennett, McColl-Kennedy, & Coote, 2007; other - Morgan & Hunt, 1994; Jayawardhana, Souchon, Farrell, & Glanville, 2007) received most attention – in total it was represented by 11 articles. It was followed by logistics (courier services - Lam, Shankar, Erramilli, & Murthy, 2004; Rauyruen & Miller, 2007; third party logistics - Briggs, Landry, & Daugherty, 2007; Cahill, Goldsby, Knemeyer, & Wallenburg, 2010; Briggs & Grisaffe, 2010; logistics - Vickery, Droge, Goldsby, & Markland, 2004; Wallenburg, 2009; Hartmann & De Grahl, 2011) – 8 articles. 4 studies also incorporated evidence from multiple service industries. Software application, telecommunication and facility management services comprised the last fourth of the article set. Nordin and Agndal (2008) conducted a literature review of 119 articles regarding business service purchasing. They adopted a similar typology of services: logistics, IS/IT (in this study referred as application services), professional services, MRO services (referred as facility management in this study) and other services.

![Figure 3. Breakdown of Articles by Service Type](image-url)

It is important to note that these services vary in terms of intangibility. For example, one can argue that logistics, telecommunication and facility management would be the ones that have the highest level of tangibility; these services are related to tangible objects – the goods and parcels to be delivered in the
first case, telephones and buildings - in the others. The rest of the services are mainly related to specific
knowledge delivery and are rather intangible. For example, consulting, software, financial services and
etc. However, no comparisons across different types of service industries could be found in the articles.
Mainly the focus is either on one service type or on several ones. If the multiple service types are included
in the study, than the results are generalized, rather than differentiated across these service types. It can be
that these services are more similar than different from one another. However, empirical comparison is
necessary in order to confirm or disprove this statement.

In terms of the buying firm’s size, it is interesting to note that a big part of the articles did not
provide any information regarding this aspect (in total 14 articles). A mix of different size companies (i.e.
small and medium sized companies, medium and large companies or all of them) was used in 13 studies,
while small businesses were represented only by 3 articles. One should note that company sizes have
different criteria in different countries, so they should be treated with caution. Therefore, it is also
possible that different researchers perceive and present company sizes based on different sets of
characteristics.

Several observations were made in terms of geographic location of the research (see Figure 3). More than half articles (i.e. 16) were based on national levels, where the service provider and the service
customer were both located in the same country. United States alone represented 20% of articles,
followed by Australia with 10%. However, this is remarkable given that international service sourcing is
increasing (Nordin & Agndal, 2008). Multiple countries were researched in one-fifth of the studies, but
most of the time these countries were not specified. It would only be indicated that the company has
international customers. Unfortunately, the impact of culture was not addressed in any of the studies.
Even when the studies included international customers, the results would be generalized, without
analyzing results per country and then comparing one to another. Finally, the greatest amount of articles
(i.e. 8) did not provide the details of location chosen for the research context. This makes the descriptive
results, concerning the geographical location treat with caution, since nearly one-fourth of articles cannot
be considered representative. For the geographical location of the specific article, see Appendix E.
B2B services literature on loyalty fell under two types of relationship conceptualization: buyer-seller and buyer-supplier. For example, Lam, Shankar, Erramilli, & Murthy (2004) and Rauyruen & Miller (2007) both investigated the courier service industry, but conceptualized the service provider differently. Furthermore, Lee & Bellman (2008) investigated professional services, but addressed the provider of the service as a supplier, unlike the rest of the articles focusing on professional services. It is clear that these two terms have been used interchangeably by different authors referring to the same meaning. A different picture seems to appear in logistics, where this type of service is part of a supply chain. Therefore, terms buyer-supplier seem to be more widely used under this setting (e.g. Rauyruen & Miller, 2007; Hartmann & De Grahl, 2011). However, this paper focuses on a specific dyad (that between a long-term loyal customer and a long-term service provider). Therefore, for the consistency of this paper for the later stages of the analysis, relationships will be referred to as those between buyer-seller. Differences or similarities on the content of articles will be drawn based on other characteristics (e.g. service type) rather than the mere terms used to address the service provider.

The customer loyalty was analyzed from different points of view: buyer, seller and dyadic. (See Figure 3) It means that only 2 papers presented a seller’s point of view on factors, determining customer loyalty (Reddy & Czepiel, 1999; Rao, 2002). The great majority of papers (approximately 83%) relied on customers’ perceptions towards loyalty. The most likely reason for it might be that customers are assumed to know best why they are loyal to a certain company, while a seller’s point of view might be completely different from the customer’s. Dyadic analysis is the most appropriate one for this study, since it incorporates both – the seller’s and the customer’s perspectives. Only 3 studies adopted this approach,
though (Friman, Garling, Millett, Mattsson, & Johnston, 2002; Palmatier, Dant, Grewal, & Evans, 2006; Jayawardhena, Souchon, Farrell, & Glanville, 2007).

![Figure 5](image)

**Figure 5.** Breakdown of Articles by the Point-of-View Adopted in the Article

Another important insight, that the analysis of the papers revealed, was that the majority of the papers focused on the firm level of analysis - 23 papers; and only 7 articles adopted the multi-level approach, where a combination of the analysis levels was used: individual, organization and industry. For example, some scholars argue that loyalty in business services can consist of loyalty to a certain employee (with whom a buyer communicates), as well as loyalty to organization\(^3\). Distinctions on an industry level were made only between customer loyalty for products and services. These levels of analysis were incorporated into different theoretical backgrounds. In order to provide the overview of this linkage, a table incorporating theoretical rationale and level of analysis was compiled. *(See Table 4)*

**Table 4.** Theories Adopted in the Papers by the Level of Analysis

<table>
<thead>
<tr>
<th>Theoretical basis</th>
<th>Organization</th>
<th>Multilevel</th>
</tr>
</thead>
</table>
| **Social Exchange Theory**               | Morgan & Hunt (1994)  
Friman et al. (2002)  
Briggs et al. (2007)  
Huang et al. (2008)  
Wallenburg (2009)  
Cahill et al. (2010)  
Briggs & Grisaffe (2010)  
Williams et al. (2011) |             | Gounaris (2005) |
| **Relationship Marketing**               | Morgan & Hunt (1994)  
Rao (2002)  
Bolton et al. (2003)  
Palmatier et al. (2006)  
Rauyruen & Miller (2007) |
| **Relational Exchange Theory**           | Huang et al. (2008) |             | |

\(^3\) For the exact levels of analysis in papers, which adopted a multi-level approach, see Appendix C
### Theoretical Basis

<table>
<thead>
<tr>
<th>Theoretical Basis</th>
<th>Level</th>
<th>Organization</th>
<th>Multilevel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Marketing</td>
<td>Rao (2002)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expectancy Theory</td>
<td>Naumann et al. (2010)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Theory of Self Perception</td>
<td>Russell-Bennett et al. (2007)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Theory</td>
<td>Friman et al. (2002)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: the articles in this table do not comprise the full set of articles selected for this study, because some studies did not define what theories they were based on*

The most popular theories among the papers were social exchange theory and relationship marketing. Social exchange theory based papers were more oriented towards the firm level; while the ones based on relationship marketing approximately equally adopted both of the analysis approaches. For example, the social exchange theory posits that “parties enter into exchange relationships expecting that the relationship will be rewarding” (Briggs, Landry, & Daugherty, 2007, p. 1145). In contrast to pure economic theories, this one takes both social and economic factors into account (Cahill, Goldsby, Knemeyer, & Wallenburg, 2010). Costs and benefits associated with relationships are constantly weighted (Williams, Khan, Ashill, & Naumann, 2011) and relationships, which provide more rewards than costs, create enduring mutual trust and attraction (Friman M., Garling, Millett, Mattsson, & Johnston, 2002). The second most popular theoretical foundation for business to business service loyalty topic is relationship marketing. It could be described as a process of attracting, maintaining and enhancing customer relationships (Berry, 1983) and it can be achieved by “understanding the customer needs, treating customers as service partners, ensuring that employees satisfy customer needs, <…> and providing customers with the best possible quality” (Evans & Laskin, 1994, p. 440). From these descriptions one can see that in social exchange theory, loyalty in business services is mainly attributed to value, i.e. cost/benefits analysis – this is a more rational approach towards a relationship than that proposed by relationship marketing. It focuses on the very individual needs of a customer. Therefore, it is not surprising that studies based on relationship marketing adopt interpersonal level of analysis to a greater extent than studies based on social exchange theory.

#### 3.2. Scoping out the Theoretical Field

In this section of the chapter analysis of the theoretical field of business services loyalty is presented. It focuses on definitions and conceptualizations of loyalty, determinants of loyalty. The next section addresses the gaps, tensions and issues, identified in the existing literature on business service...
loyalty. The second research question could not be answered in this part, because no study provided cross-cultural comparisons. It will be addressed in the subsequent chapter. Finally, insights on the process of business service loyalty development are presented.

3.2.1. Definitions and Conceptualizations of Loyalty in B2B Service Environment

Loyalty as a concept has been conceptualized in different ways. At first it was described simply as a repeat purchase, which in the literature is also referred as the behavioral type of loyalty. Behavioral theories like that were dominating until 1970s. The main idea was that purchase alone completely accounts for loyalty (Tucker, 1964). However, a different approach came into daylight soon afterwards; this time it was suggested that attitudinal loyalty reflects the concept of true loyalty better (for example, Palmatier R. W., Dant, Grewal, & Evans (2005) found support for Reichheld’s (2003) premise that WOM may in fact best indicate “intense loyalty”). The rationale is that “only customers, who have strong relationships with sellers, are willing to risk their own reputation by giving a referral” (Palmatier R. W., Dant, Grewal, & Evans, 2005, p. 147). In contemporary research the psychological/attitudinal factor is emphasized prominently (Oliver, 1999; Reichheld, 2003). It is assumed that emotional attachment to the seller is just as important as behavioral. Attitudinal loyalty represents a higher-order, long-term commitment of a customer to the organization that cannot be inferred by observing customer repeat purchase only (Shankar, Smith and Rangaswamy, 2003) and it can indicate the future usage of a service (Liddy, 2000) or the likelihood to recommend the company (Reichheld, 2003). However, attitudinal loyalty does not necessarily result in purchasing behavior. Yet, another dimension of the loyalty construct can be tracked in the literature, the so called “cognitive loyalty”. It posits that a customer is extremely loyal and does not consider other firms, when choosing a service provider (Dick and Basu, 1994; Gremler & Brown, 1996). As Dwyer, Schurr and Oh (1987) explain, these customers “have not ceased attending to alternatives, but maintain awareness of alternatives without constant and frenetic testing” (p. 19).

Day (1969) was the first one to propose a composite conceptualization of loyalty - not only behavioral, but also an attitudinal dimension was assigned to loyalty (Newman and Werbel, 1973). The main argument was that behavioral loyalty alone does not allow distinguishing between spurious and true loyalty (Rauyruen & Miller, 2007). For example, a customer may purchase on a continual basis not because he is loyal to the service provider, but because there are no other service providers; in other words, the customer is “locked-in”. One can also argue that cognitive loyalty might have the same inconsistency – a customer might not consider any other service providers, because there are none. Therefore, attitudinal dimension of loyalty was assigned in order to identify the customers, who buy repeatedly because of their commitment to the service provider and not because of a lack of alternatives,
for example, or long-term contracts (Lee & Bellman, 2008). One can also argue that cognitive loyalty is already implied by a composite conceptualization of loyalty – if a customer exhibits behavioral loyalty and is committed to a service provider, it is natural to think that this service provider will be treated preferentially due to attitudinal attachment; therefore, alternative service providers should not be seriously taken into account.

In order to see, how loyalty is conceptualized in B2B Services setting, a table with loyalty definitions was compiled (see Table 5).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Loyalty Definition</th>
<th>Article</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitudinal</td>
<td>The level of customer's psychological attachments and attitudinal advocacy towards the service provider/supplier (p. 23).</td>
<td>Rauyruen &amp; Miller (2007)</td>
</tr>
<tr>
<td>Behavioral</td>
<td>The customer’s tendency to repurchase a brand revealed through behavior which can be measured and which impacts directly on brand sales (Hammond, East, &amp; Ehrenberg, 1996).</td>
<td>Bennett et al. (2005)</td>
</tr>
<tr>
<td>Attitudinal and behavioral</td>
<td>The willingness of average business customers to repurchase the service and the product of the service provider and to maintain a relationship with the service provider/supplier (p. 23).</td>
<td>Rauyruen &amp; Miller (2007)</td>
</tr>
<tr>
<td></td>
<td>The degree of a firm’s intention to continue the relationship with a supplier and to expand the quantity and volume of this relationship (Homburg, Giering, &amp; Menon, 2003).</td>
<td>Huang et al. (2008)</td>
</tr>
<tr>
<td>Behavioral</td>
<td>A long-term commitment to repurchase involving both a favorable attitude toward the seller and repeated patronage (p. 1111).</td>
<td>Vickery et al. (2004)</td>
</tr>
<tr>
<td></td>
<td>A composite or multidimensional construct combining different groupings of intentions, attitudes, and seller performance indicators (p. 139).</td>
<td>Palmatier et al. (2006)</td>
</tr>
<tr>
<td></td>
<td>An attitudinal predisposition consisting of commitment to a brand and intention to repurchase the brand (Mellens, Dekimpe, &amp; Steenkamp, 1996).</td>
<td>Russell-Bennett et al. (2007)</td>
</tr>
<tr>
<td></td>
<td>A construct that measures the probability that the buyer will return and is ready to perform partnering activities such as referrals (Bowen &amp; Shoemaker, 2003).</td>
<td>Čater &amp; Zabkar (2009) Čater &amp; Čater (2009)</td>
</tr>
<tr>
<td></td>
<td>The intention of a buyer of logistics services to purchase the same services (retention) and additional services (expansion) from the current provider in the future, as well as the buyer’s activities in recommending this provider to others (referral) (p. 255).</td>
<td>Cahill et al. (2010)</td>
</tr>
<tr>
<td>Attitudinal, behavioral and cognitive</td>
<td>A deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviors (Oliver, 1999, p. 34).</td>
<td>Taylor et al. (2003)</td>
</tr>
</tbody>
</table>

Loyalty has been defined in a variety of ways in the business services literature, although a lot of the articles did not provide the exact definition of loyalty adopted in the study. First of all, some authors examine brand loyalty, while others - simply a customer loyalty towards an organization. However, as can be seen from the definitions provided in the table above, the definitions have the same rationale, whether
they are dedicated solely on brand loyalty or loyalty in general. It is important to note, that indeed loyalty for a company might be based on loyalty to a brand, or loyalty to a particular employee or loyalty to organization as a whole.

Some authors focus more on the attitudinal dimension of the concept, where loyalty is perceived to be a psychological attachment or a deeply held commitment. The common aliases, by which this type of loyalty is addressed in the studies, are positive word-of-mouth, referrals, recommendations, long-term relationship based on the aforementioned psychological attachment or commitment (see Table 6). These constructs are operationalized either as intentions or actual behavior. Either way, this distinction does not have a big difference because an attitude may not always turn into a behavioral expression. For example, a customer might have a positive attitude about a service provider and he/she might have an intention to recommend it to other customers, but if there is no such situation, where his/her advice on this is needed, this attitude may not translate into actual behavior. Therefore, one can argue that intention alone is enough to indicate the attitude. One study also examined attitudinal loyalty on an individual level, where interpersonal commitment and affection become the basis of loyalty to the organization. In a meta-analysis of relationship marketing effectiveness Palmatier R. W., Dant, Grewal, & Evans (2005) found that “relationship marketing is more effective <…> when relationships are built with an individual person rather than a selling firm” (p.136).

The behavioral dimension of loyalty definition emphasises the intention to continue the relationship by actually purchasing or intending to purchase services in the future, regardless of attitudes or preferences. Usually this type of loyalty is conceptualized either as behavioral intentions (showing a customer’s willingness to purchase in the future) or as actual purchase behavior, which is reflected in the patterns of purchases in the past. Only one study examined actual loyalty behavior based on past purchases (i.e. Russell-Bennett, McColl-Kennedy, & Coote, 2007); the other one examined factors, which caused companies to switch their service providers (i.e. Naumann, Haverila, Khan & Williams, 2010). The vast majority of studies rather used intentions to re-purchase, to increase purchasing and to renew the contract. There is an intrinsic dilemma between both of these ways to operationalize loyalty. On the one hand repurchase intention might be a better indicator of loyalty than actual purchasing behavior, because the latter can be based on switching barriers, for example. However, on the other hand, intention to purchase a service may not necessarily translate into actual purchase behavior (Jones & Sasser, 1995) – a customer may simply change his/her mind due to some circumstances (if a lower price or a better service is offered by a competitor, for example) (Naumann, Haverila, Khan, & Williams, 2010).

According to Peppers (2009), the behavioral definition of customer loyalty is more practical and useful, because behaviors can be observed, while attitudes have to be measured by surveys. However, attitudinal loyalty should not be diminished – it does tend to drive positive behaviors, as indicated by a
composite conceptualization of loyalty. This type of loyalty was adopted in most of the studies (i.e. 11)\(^5\). For example, (Vickery, Droge, Stank, Goldsby, & Markland, 2004) define loyalty as “a long-term commitment to repurchase involving both a favorable attitude toward the seller and repeated patronage” (p. 1111).

Last, but not least the cognitive dimension of loyalty was addressed in 8 studies. Although this dimension is rarely mentioned in the literature, it should not be forgotten - it addresses a different aspect of loyalty than in behavioral or attitudinal conceptualizations. Usually, the dimension would be incorporated in the operationalization of behavioral aliases such as patronage intentions or intentions to stay or switch. However, in this case the intention to repurchase addressed existing alternatives. For example, the customers were asked whether they treated their service provider preferentially and considered it to be the first choice and how much time they invested in searching for alternative service providers.

Table 6. Common Ways of Loyalty Operationalization per Dimension

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Loyalty Operationalization</th>
<th>Number of Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behavioral</td>
<td>Intention to repeat patronage, an expectation of continuity, continued patronage, future usage, propensity or intention to stay</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Intention to increase patronage, intention to expand business</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Intention of contract renewal</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Cooperation</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Propensity to leave or switch</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Intention to wait for services</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Intention to invest</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Intention to cross-purchase</td>
<td>1</td>
</tr>
<tr>
<td>Actual</td>
<td>Spending on preferred brand/total spending on all brands in category</td>
<td>1</td>
</tr>
<tr>
<td>purchase</td>
<td>Switching behavior</td>
<td>1</td>
</tr>
<tr>
<td>behavior</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudinal</td>
<td>Word-of-mouth, recommendations, referrals (intentions or behavior)</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Commitment</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Long-term relationship</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Loyalty to employee (affection, similarity, care, commitment)</td>
<td>1</td>
</tr>
<tr>
<td>Cognitive</td>
<td>Patronage intentions (first choice)</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Intention to stay/leave/switch (based on a search of alternatives)</td>
<td>3</td>
</tr>
</tbody>
</table>

As suggested by Oliver (1999) cited in (Taylor & Hunter, 2003) loyalty is “A deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviors” (p. 34). The definition is based on three

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\(^5\) For an overview of loyalty dimensions adopted per study, see Appendix F
dimensions of loyalty conceptualization and gets closest to the so called “true” loyalty. Based on this “triple-rationale” a definition for this study was adopted from Gremler and Brown (1996):

“Loyalty is the degree, to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers only this provider when a need for this service arises” (p. 173).

To sum it all up, in this study it is suggested that loyalty is best conceptualized in a composite three-dimensional way: behavioral, attitudinal and cognitive. In terms of operationalization, loyalty can be best tracked through past purchases and behaviors combined with attitudinal attachment.

3.2.2. Determinants of Business Services’ Loyalty

Although interest on the topic of loyalty has been gradually increasing, only limited attempts have been made to investigate the antecedents of customer loyalty, in particular, in B2B context (Lam, Shankar, Erramilli, & Murthy, 2004). Furthermore, the complex interrelations between the constructs (i.e. loyalty and its antecedents) are still not well understood in B2B environment (Jones & Sasser, 1995; Lam, Shankar, Erramilli, & Murthy, 2004).

As mentioned before, loyalty antecedents can be basically divided into two groups of factors, representing two different marketing approaches: transactional and relational. For example, the psychological/relational perspective suggests that affective responses (trust, satisfaction, commitment) will induce loyalty, while the economic/rational perspective suggests that, for example, switching costs and attractiveness of alternatives will determine the continuance of the relationship (Huang, Leu, & Farn, 2008). However, the vast majority of literature examines both of these factors’ groups.

It is also important to note that most of the papers examined not only direct, but also mediated impact of factors on loyalty. Therefore, in order to provide a clear representation on the determinants of loyalty, they will be split into antecedents and mediators (see Figure 6). Only the factors, which received empirical confirmation, were taken into account.
Figure 6. Loyalty framework, which integrates factors identified in the literature (adapted from Palmatier et al. (2006))

The next two sections of this chapter will elaborate on each of the factors in detail as well as their influence on loyalty.

3.2.2.1. Antecedents of Loyalty in B2B Service Context

A wide variety of antecedents were found in the literature. Based on the conceptualizations a list of these antecedents was made. There were three separate groups of factors identified: customer focused, seller focused and dyadic ones. Customer focused antecedents consisted of dependence, customer value and opportunism; seller focused – service quality, customer focus, media richness, reputation, seller’s expertise; dyadic – communication, conflict, past usage, relationship benefits, relationship investments and similarity. The descriptions of factors and their relation to loyalty are provided below. For a quick overview of factors and representative articles, see Table 7.
<table>
<thead>
<tr>
<th>Constructs</th>
<th>Definition</th>
<th>Common Aliases</th>
<th>Papers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>Amount, frequency, and quality of formal and informal information shared between exchange partners</td>
<td>Social interaction quality, information sharing, information exchange</td>
<td>(Morgan &amp; Hunt, 1994) (Friman et al., 2002) (Rao, 2002) (Palmatier et al., 2006) (Briggs et al., 2007) (Hansen et al., 2008) (Naumann et al., 2010) (Hartmann &amp; de Grahl, 2011)</td>
</tr>
<tr>
<td>Seller's expertise</td>
<td>Knowledge (including knowledge about customer's business and organization), experience, and overall competency of seller</td>
<td>Experience, competence, selling behavior, supply chain partner insight, skill, knowledge, ability</td>
<td>(Reddy &amp; Czepiel, 1999) (Palmatier et al., 2006) (Hartmann &amp; de Grahl, 2011)</td>
</tr>
<tr>
<td>Conflict</td>
<td>Overall level of disagreement between exchange partners</td>
<td>Manifest and perceived conflict or level of conflict, but not functional conflict</td>
<td>(Palmatier et al., 2006)</td>
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<tr>
<td>Reputation</td>
<td>A perceptual representation of the firm's overall appeal when compared with other rivals</td>
<td>Corporate reputation, image, industry leadership</td>
<td>(Kumar et al., 2004) (Hansen et al., 2008) (Lee &amp; Bellman, 2008) (Naumann et al., 2010)</td>
</tr>
<tr>
<td>Dependence on seller</td>
<td>Dependence refers to the extent to which a customer firm needs the service provider to achieve its goals. This need can be determined by a lack of alternatives, ties resulting from economical, technical, time-based, knowledge or other similar reasons. If severed these ties incur considerable costs for the party responsible</td>
<td>Switching barrier, switching costs/relationship termination costs, category involvement, benefit-loss costs, structural bonds; relative and asymmetric dependence, imbalance of power</td>
<td>(Morgan &amp; Hunt, 1994) (Friman et al., 2002) (Rao, 2002) (Lam et al., 2004) (Bennett et al., 2005) (Palmatier et al., 2006) (Russell-Bennett et al., 2007) (Farn et al., 2008) (Yanamandram &amp; White, 2010)</td>
</tr>
<tr>
<td>Past usage</td>
<td>Length of time that the relationship between the exchange partners has existed and/or number of interactions or number of interactions per unit of time between exchange partners</td>
<td>Interaction frequency, relationship duration</td>
<td>(Reddy &amp; Czepiel, 1999) (Palmatier et al., 2006)</td>
</tr>
<tr>
<td>Media richness</td>
<td>The capacity of communication media to process “rich” information (i.e. information that can overcome diverse frames of reference and change understanding in a timely manner)</td>
<td>Level of internet use</td>
<td>(Rao, 2002) (Vickery et al., 2004)</td>
</tr>
<tr>
<td>Relationship investment</td>
<td>Investment of time, effort, spending, and resources focused on building a stronger relationship</td>
<td>Economic resources, knowledge transfers, proactive cost improvement, proactive performance improvement, evaluation costs, learning costs, sunk costs, support, gifts, resources, investments, loyalty programs</td>
<td>(Bolton et al., 2003) (Palmatier et al., 2006) (Cater and Cater, 2009) (Wallenburg, 2009) (Yanamandram &amp; White, 2010)</td>
</tr>
<tr>
<td>Service quality</td>
<td>A cumulative subjective evaluation of a service based on the degree of a firm's perception to which the service provided by a service provider could fulfill the requirements, desires, goals and etc. of a customer</td>
<td>Perception of service encounter quality, service satisfaction, service performance, overall service quality, procedural justice, perceived quality</td>
<td>(Gounaris, 2005) (Naumann et al., 2010) (Jayawardhana et al., 2007) (Rausyni &amp; Miller, 2007) (Lee and Bellman, 2008) (Farn et al., 2008) (Huang et al., 2008) (Briggs &amp; Grisaffe, 2010) (Yanamandram &amp; White, 2010) (Cahill et al., 2010) (Williams et al., 2011)</td>
</tr>
<tr>
<td>Similarity</td>
<td>Commonality in appearance, lifestyle, and status between individual boundary spanners or similar cultures, values, and goals between buying and selling organizations</td>
<td>Shared values, salesperson or cultural similarity, compatibility</td>
<td>(Morgan &amp; Hunt, 1994) (Friman et al., 2002) (Palmatier et al., 2006)</td>
</tr>
<tr>
<td>Relationship benefits</td>
<td>Relationship benefits - benefits received, including time saving, convenience, companionship, friendship, trust, satisfaction, social interactivity, likeness and improved decision making</td>
<td>Affect, social resources, interpersonal relationships, trust, satisfaction, social bonds, interactional justice, resistance to change, functional and social benefits and rewards</td>
<td>(Friman et al., 2002) (Rao, 2002) (Taylor et al., 2003) (Bolton et al., 2003) (Gounaris, 2005) (Bennett et al., 2005) (Palmatier et al., 2006) (Russell-Bennett et al., 2007) (Cater &amp; Cater, 2009) (Cater &amp; Zabkar, 2009) (Naumann et al., 2010) (Yanamandram &amp; White, 2010)</td>
</tr>
<tr>
<td>Customer value</td>
<td>A comparison of &quot;received&quot; versus &quot;given up&quot; attributes in a marketing exchange</td>
<td>Costs vs. benefits</td>
<td>(Taylor et al., 2003) (Lam et al., 2004) (Huang et al., 2008)</td>
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<tr>
<td>Customer focus</td>
<td>The extent, to which a firm focuses on their customers’ needs including the situations, where a customer has specific needs that deviate from the norm or existing standards</td>
<td>Distributive justice, flexibility, adaptation</td>
<td>(Kumar et al., 2004) (Hansen et al., 2008) (Cater &amp; Cater, 2009) (Yanamandram &amp; White, 2010)</td>
</tr>
</tbody>
</table>
| Opportunism | Self-interest seeking with guile | Opportunistic behavior, price | (Morgan & Hunt, 1994) (Reddy &
Constructs | Definition | Common Aliases | Papers
---|---|---|---

**Customer value** is a comparison of "received" versus "given up" attributes in a marketing exchange (Taylor & Hunter, 2003; Lam, Shankar, Erramilli, & Murthy, 2004) or simply benefits weighted against costs. Customers could stay loyal to a company if the perceived value they receive is greater than that offered by competitors (Lam, Shankar, Erramilli, & Murthy, 2004).

**Dependence** refers to the extent, to which a customer firm needs the service provider to achieve its goals (Frazier, 1983) cited in Yanamandram & White, 2010; Rao, 2002). This need can be determined by a lack of alternatives, ties resulting from economical, technical, time-based, knowledge or other similar reasons. If severed these ties incur considerable costs for the party responsible (Palmatier R. W., Dant, Grewal, & Evans, 2005; Gounaris, 2005). For example, a firm can become more dependent on a service provider, when it provides a large proportion of its business, which makes it more difficult to switch (Rao, 2002).

Dependence was found to have both a positive (e.g. Rao, 2002; Palmatier R. W., Dant, Grewal, & Evans, 2005) and a negative effect (Morgan & Hunt, 1994). In the latter case, due to a lack of alternatives, relationship termination costs or substantial switching costs, existing relationships are viewed as important. Morgan and Hunt (1994) state that feelings of such dependence might lead to acquiescence, which destroys trust and commitment, can cause conflicts and inhibits long-term success. In this case dependence is forced and a customer is made to stay with the service supplier irrespective of satisfaction/dissatisfaction with the overall service and relationship experience (Farn & Huang, 2008). It is also referred to as a “lock in” strategy in the literature.

On the other hand, Farn and Huang (2008) also found that if a seller improves service quality at least a little under high switching barrier conditions, then loyalty could improve a lot. It is because customers become more sensitive towards quality, when they perceive difficulties for switching. In addition to that, Dwyer, Schurr and Oh (1987, p. 14) posited that “the buyer’s anticipation of high switching costs gives rise to the buyer’s interest in maintaining a quality relationship”. Lam, Shankar, Erramilli and Murthy (2004) also proved that high switching costs encourage customers to recommend the service provider, because of specific benefits associated with relationship.

In general it seems that dependence is an important antecedent in the process of loyalty development and it has been mostly linked to commitment. In order to avoid spurious’” loyalty (attachment to organization due to a lack of alternatives or high termination costs), building of positive affective responses, arising from the relationship and service experience, should be emphasized (e.g. such
as satisfaction, trust or affective commitment) (Rauyruen & Miller, 2007; Farn & Huang, 2008). This will ensure “true” loyalty.

**Opportunism** has been defined as a self-interest seeking with guile (Williamson, 1975, p. 6). Relationships were found to be sound, when self-interested outcomes were not attempted to be maximized at the expense of others (Friman M., Garling, Millett, Mattsson, & Johnston, 2002). Similar factors, such as price perceptions, were also proved to hinder the development of loyalty; although usually in the literature on loyalty it is posited that loyal customers should be more price-tolerant due to relational attachment (Morgan & Hunt, 1994; Reichheld & Teal, 1996; Lam, Shankar, Erramilli, & Murthy, 2004). Yet, customers were found to switch mostly because of price perceptions even when they were satisfied (Naumann, Haverila, Khan, & Williams, 2010). Kumar and Grisaffe (2004), on the other hand, found that price was a good indicator of quality in B2B context: higher prices were associated with higher quality by customers.

In general, opportunism has a strong negative effect on loyalty and long-term relationships, since it implies short-term orientation. If a customer is really sensitive to price changes, loyalty might be difficult to develop.

**Service quality** is defined as a cumulative subjective evaluation of a service based on the degree of a firm's perception, to which the service provided by a service provider could fulfill the requirements, desires, goals of a customer (Farn & Huang, 2008; Oliver, 1999). Throughout the studies, different authors referred to similar service quality conceptualizations by using different terms. For example, service performance (Briggs, Landry, & Daugherty, 2007; Briggs & Grisaffe, 2010; Williams, Khan, Ashill, & Naumann, 2011), even customer satisfaction (Farn & Huang, 2008; Huang, Leu, & Farn, 2008) or service satisfaction (Cahill, Goldsby, Knemeyer, & Wallenburg, 2010). Also, according to Naumann et al. (2010), in case of high uncertainty conditions, company image or reputation could be used as indicators of service quality.

Yet others made difference between a single service encounter quality as opposed to the overall service evaluation (Jayawardhena, Souchon, Farrell, & Glanville, 2007). Jayawardhena et al. (2007) found that it is much more likely that customer satisfaction and loyalty will appear because of successful interaction in a service encounter between a service provider and a customer. However, usually the overall service experience is used in the literature.

Rauyruen and Miller (2007) posit that “a high perception of service quality is the most important factor leading to future business, as well as encouraging those existing customers to provide positive word of mouth and to appreciate having the buyer–supplier relationship with the supplier” (p. 28). Consequently, it is important to note that service quality seems to be a necessity rather than a sufficient
condition for successful long-term relationships, due to competitive environment in B2B services (Huang, Leu, & Farn, 2008; Briggs and Grisaffe, 2010).

**Customer focus** can be described as the extent, to which a firm focuses on their customers’ needs, including the situations, where a customer has specific needs that deviate from the norm or existing standards, such as conflicts or, in general, unforeseen situations (Kumar & Grisaffe, 2004; Hansen, Samuelsen, & Silseth, 2008). For example, Yanamandram and White (2010) found that a customer’s perception of fairness in the complaint handling outcome (i.e. distributive justice) increases satisfaction and in turn repurchase intentions. A service provider can prove to either meet the needs of the customer, or fail to do so by addressing the conflict. In the end it will result in a customer’s decision to stay or to leave.

Another common term used to describe customer focus is flexibility. This capability implies a provider’s ability to adapt to situations addressing specific needs of a customer. Čater and Čater (2009) also refer to it as adaptation. In this sense, customer focus can determine the customer’s competitiveness in its market. A customer has to be able to adapt to changes in demand; therefore, a service provider has to have the ability and willingness to show flexibility under such circumstances (Hansen, Samuelsen, & Silseth, 2008).

Kumar and Grisaffe (2004) suggest that businesses facing a price disadvantage should instead become more customer-focused, since responsiveness and ease of access to the seller were found to be one of the most important factors, determining the service quality, which in turn could result in loyalty. It seems quite obvious that customers appreciate it “if their provider is flexible in all phases of service delivery” (Čater & Čater, 2009, p. 1162).

Daft and Lengel (1984) defined the term **media richness** as the capacity of communication media to process “rich” information (the one that overcomes diverse frames of reference and can change understanding in a timely manner). Examples of such media can be face-to-face communication, electronic media, telephone and etc. It can “affect the ultimate success of an organization” (Daft & Lengel, 1984, p. 191). Vickery et al. (2004) explains that B2B relationships can be characterized by importance of speed and complicated set of activities, which independent parties must conduct in an integrated fashion or when customers outsource business processes. And media richness seem to be of special importance under these conditions, since complexity of tasks and interdependence require high degree of information richness.

Rao (2002), on the other hand, focused on the impact of level of internet use alone on loyalty development. Level of internet use facilitated the communication between the parties (although the effects were not as obvious in the initial phases of the relationship). It overcomes time and geographic barriers of
communication by sharing information via e-mail, for example. In addition, the quality of communication can be enhanced through use of internet, when a large amount of information has to be shared or when a large number of people have to be included in a decision making (Rao, 2002).

It seems that media richness can facilitate both formal and informal communication, which in turn has a positive effect on the relational side of the relationship (relational performance, trust, satisfaction, commitment) between businesses (Rao, 2002; Vickery, Droge, Stank, Goldsby, & Markland, 2004). This way it indirectly has influence on customers’ decision to stay with the service provider.

**Reputation** can be defined as a perceptual representation of the firm's overall appeal when compared with other rivals (Hansen, Samuelsen, & Silseth, 2008, p. 208). When there are alternative service providers available, image becomes a screening tool to reduce the consideration set (Lee and Bellman, 2008; Naumann, Haverila, Khan, & Williams, 2010). Industry leadership examined by Kumar and Grisaffe (2004) implies that the considerations regarding existing competition have been already made by customers. Therefore, perception of industry leadership, indeed, is also reputation.

When no previous experience with the service provider exists, credence can become a proxy of service quality (due to difficulties in assessing the quality of service offering and in general due to high uncertainty associated with performance and relationship) (Hansen, Samuelsen, & Silseth, 2008; Naumann, Haverila, Khan, & Williams, 2010). It can reduce the perceived risk as well as monitoring costs (due to higher credibility). Furthermore, it can increase the belief that the benefits compared to the existing alternative suppliers are good, since reputation is the judgement of the market (Kumar & Grisaffe, 2004; Hansen, Samuelsen, & Silseth, 2008). In the end, it is quite logical that increased benefits and lowered costs lead to a higher perception of customer value (Hansen, Samuelsen, & Silseth, 2008).

It seems that reputation is very important, when no experience with the service provider exists. It reduces the risks associated with the relationship and can lead to such outcomes as a decreased search for alternatives, positive word of mouth and behavioral intentions (Kumar & Grisaffe, 2004; Lee and Bellman, 2008; Hansen, Samuelsen, & Silseth, 2008).

**Seller’s expertise** is defined as knowledge (including knowledge about customer's business and organization), experience, and overall competency of a seller (Palmatier R. W., Dant, Grewal, & Evans, 2006; Hartman & de Grahl, 2011). There are two things important to note in relation to seller’s expertise. First, a competent seller adds value to the service a customer receives. This way, relationship grows in importance and more efforts are put into strengthening and maintaining it. It is not surprising that relational constructs (trust, satisfaction, commitment, relationship quality) are affected by seller’s expertise, which confirms that Vargo and Lusch’s (2004) claim that skills and knowledge are the most
important unit of exchange as well as one of the most important value-creating attributes (Palmatier R. W., Dant, Grewal, & Evans, 2006).

Secondly, a seller, who knows the customer’s business very well, can better deliver results that the client needs and, at the same time, affect the longevity of the relationship (Reddy & Czepiel, 1999). This capability of the service supplier is related to flexibility (a seller can adapt to the customer’s changing needs better, when he is knowledgable about the customer’s business) and collaboration (knowledge about customer’s business increases interdependence between the parties and makes the relationship closer) (Hartmann & De Grahl, 2011).

It seems that seller’s expertise is a necessary condition and a prerequisite for a sound relationship. But it might not be sufficient for loyalty to develop. Customers expect a deep interest and understanding from the side of the service provider before moving towards stronger relational ties. Flexibility, collaboration and relationship quality were found to be important supplements to a seller’s expertise (Palmatier R. W., Dant, Grewal, & Evans, 2006; Hartmann & De Grahl, 2011).

Amount, frequency, and quality of formal and informal information shared between exchange partners define **communication** (Morgan & Hunt, 1994, Palmatier R. W., Dant, Grewal, & Evans, 2006). This construct plays a big role in resolving disputes, aligning goals and revealing new value creating opportunities (Morgan & Hunt, 1994; Friman, Garling, & Mattsson, 2000). In order to achieve these desirable outcomes, communication has to be of high quality: relevant, timely and reliable; it should be emphasized at all levels of the organization and it should have a two-way flow (Morgan & Hunt, 1994; Friman, Garling, & Mattsson, 2000). Furthermore, if information (e.g. on price changes, new services, organizational changes) is disclosed on own initiative by a supplier to a customer, then the customer’s adaptation becomes more efficient, monitoring costs are reduced and this way value is created (Hansen, Samuelsen, & Silseth, 2008).

Palmatier et al. (2006) found that communication is one of the most effective relationship building strategies. A supplier can become more flexible and adapt to customer’s needs better, when communication is of high quality; while from a customer’s point of view, it increases customer reliability and trust, when information is provided in a timely and efficient manner (Rao, 2002; Morgan & Hunt, 1994; Friman, Garling & Mattsson, 2000; Briggs, Landry, & Daugherty, 2007; Hartmann & De Grahl, 2011). It is important to note that ineffective communication can negatively affect the relationship and become one of the motives to switch (Rao, 2002; Palmatier R. W., Dant, Grewal, & Evans, 2006; Naumann, Haverila, Khan, & Williams, 2010). Rao (2002) found that same applies to internet-facilitated communication.
Long-term orientation of the customer can be seriously damaged through conflicts, since it has a strong negative impact on trust and commitment (Anderson & Weitz, 1992). Conflict is “the overall level of disagreement between exchange partners” (Palmatier R. W., Dant, Grewal, & Evans, 2006, p. 138). Palmatier et al. (2006) conducted the meta-analysis of relationship marketing and found that conflict has the largest absolute impact on relational constructs, because people tend to pay more attention to negative rather than positive aspects of relationships. In addition to that, it was found that the negative impact is greater on the firm rather than individual level. Therefore, relationships between individuals (e.g. customers and salespeople) are supposed to solve these conflicts better than relationships with selling firms (e.g. centralized service centers).

Since relational constructs have been linked to loyalty in most of the studies, it is obvious that conflict might prevent not only confidence in a service provider, but also commitment. In other words, all the efforts to build a long-term relationship might be in vain if the conflict is unresolved.

**Past usage** is the length of time that the relationship between the exchange partners has existed and/or number of interactions or number of interactions per unit of time between exchange partners (Palmatier R. W., Dant, Grewal, & Evans, 2006). Past usage, whether it is the duration of the relationship or the frequency of interactions, provides behavioral information on both parties. Prior experience provides basis for a customer’s evaluation of competing firms and has a positive impact on the perceived relative performance, which in turn is positively related to future usage; on the other hand, a service supplier gets to know the client’s business through past usage and this way the needs of the customer can be addressed better and better (Reddy & Czepiel, 1999). The fact that past usage increases confidence between the parties was proven by a direct positive relationship between past usage and trust: as customers and sellers interact more frequently, the uncertainty about future is reduced (Palmatier R. W., Dant, Grewal, & Evans, 2006).

Past usage seems to contribute towards the stability of the relationship by producing positive evaluations of performance, as well as increased confidence and trust in a seller, both of which are important in developing loyalty.

**Similarity** is “commonality in appearance, lifestyle, and status between individual boundary spanners or similar cultures, values, and goals between buying and selling organizations” (Palmatier R. W., Dant, Grewal, & Evans, 2006, p. 138). Similarities between people or organizations may provide cues that a party will work towards goals that are mutually important for both sides. Friman et al. (2000) found that shared values are critical for facilitation of exchange relationships. Furthermore, it is one of the most effective strategies for relationship building (Palmatier R. W., Dant, Grewal, & Evans, 2006). Therefore, it is quite logical that relational constructs such as trust and commitment are positively affected by this
construct (Morgan & Hunt, 1994; Friman M., Garling, Millett, Mattsson, & Johnston, 2002; Palmatier R. W., Dant, Grewal, & Evans, 2006).

In general, it seems that similarity serves as a step in the relationship development, which facilitates the transition from an economically oriented rationale towards a more relational one (Palmatier R. W., Dant, Grewal, & Evans, 2006). Common reference points help to strengthen and maintain the relationship.

**Relationship benefits** induce the motivation to maintain the relationship (Friman M., Garling, Millett, Mattsson, & Johnston, 2002). These are the benefits received, including time saving, convenience, companionship/friendship, social interactivity, likeness, bonding and improved decision making (Friman M., Garling, Millett, Mattsson, & Johnston, 2002; Gounaris, 2005; Palmatier R. W., Dant, Grewal, & Evans, 2006; Yanamandram & White, 2010). On the other hand, seeking for a better relationship was found to be one of the main motives to switch (Naumann, Haverila, Khan, & Williams, 2010). Of course, poor performance cannot be justified by friendship alone (Gounaris, 2005; Čater & Zabkar, 2009).

While Bolton et al. (2003) suggest that economic resources are more important for inter-organizational satisfaction and social resources – for interpersonal satisfaction, it is important to understand that development of interpersonal relationships (between employees) facilitates bonding between the two organizations too (Gounaris, 2005; Čater & Zabkar, 2009), since customers associate social bonds with added value (Bolton, Smith, & Wagner, 2003; Palmatier R. W., Dant, Grewal, & Evans, 2006). In case of conflicts, employee empathy, politeness and effort not only address the problem with fair interpersonal treatment, but also increase customer satisfaction (Yanamandram & White, 2010).

According to Čater and Zabkar (2009), relationships with strong social bonds, such as liking and identification, lead to affective commitment, which, in turn, to a large extent describes loyalty. Most importantly, Palmatier et al. (2006) found that from all the relational constructs, relationship benefits had the strongest effect on commitment. This implies that customers do see great value in benefits, associated with a relationship, and for this reason they want to maintain it.

**Relationship investment** refers to “time, effort, spending, and resources focused on building a stronger relationship” (Palmatier R. W., Dant, Grewal, & Evans, 2006, p. 138). Economic investments are a significant driver of customers’ satisfaction with the relationship (Bolton, Smith, & Wagner, 2003). One of the most prominent examples of the seller’s efforts to strengthen the relationship could be proactive cost and performance improvement. Both of them were found to be strong drivers of loyalty in logistics (Naumann, Haverila, Khan, & Williams, 2010). Although it is noteworthy, that when services were simple and the contracting period was short, cost improvements had a stronger impact on loyalty, while
with complex services and a long contracting period, effectiveness and performance improvement played a major role.

A good example of a situation, where past and future investments are considered, is a relationship facing a conflict. A customer has to evaluate, whether investments in the relationship outweigh the damage of a conflict. For example, a customer has to evaluate the costs associated with time and effort investments: 1) finding another suitable service provider (prior to switching), 2) adapting to the new routines in order to use the new service effectively; against the non-retrievable time and effort investment in establishing and maintaining the current exchange relationship (Yanamandram & White, 2010). It is quite logical, that under the conditions of conflict, a customer decides, whether to stay in a relationship on a cost-benefits basis. Therefore, the main driver of repurchase intentions becomes the calculative commitment. Affective commitment is usually minimal in such situations.

Palmatier et al. (2006) found that investments usually generate relationship benefits, but in some cases it may not be desired or not result in an actual benefit. Therefore, investments seem to strengthen relationships by a feeling of reciprocity, but it does not mean that they will necessarily generate a motivation to maintain a valued relationship.

**3.2.2.2. Mediators of Loyalty in B2B Services**

Previously presented antecedents of loyalty rarely had direct effects on loyalty. Most of the time the impact was mediated by one or more other factors. Therefore, another group of constructs was compiled under the name “mediators”. These factors a lot of the times had a direct influence on loyalty and they are presented below. For a short overview of respective factors, common aliases and representative studies, see the table below.

<table>
<thead>
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<tr>
<td>Satisfaction</td>
<td>Customer’s affective or emotional state resulting from the appraisal of all aspects of a firm’s working relationship with another firm as well as consumption experience, typically evaluated cumulatively over the history of the exchange</td>
<td>Interpersonal satisfaction, satisfaction with complaint handling, interorganizational satisfaction, relationship satisfaction, relational satisfaction</td>
<td>(Bolton et al., 2003)(Vickery et al., 2004)(Lam et al., 2004)(Palmatier et al., 2006)(Jayawardhena et al., 2007)(Lee &amp; Bellman, 2008)(Cahill et al., 2010)(Yanamandram &amp; White, 2010)(Williams et al., 2011)</td>
</tr>
<tr>
<td>Relationship quality</td>
<td>Overall assessment of the strength of a relationship, conceptualized as a composite</td>
<td>Relational performance, relationship closeness and</td>
<td>(Vickery et al., 2004)(Palmatier et al., 2006)</td>
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</tbody>
</table>
The first mediator described in this paper is trust. It can be defined as confidence in an exchange partner's reliability and integrity (Morgan & Hunt, 1994, p. 23). Trust as a concept has several implicit meanings. First of all, trust implies confidence. Literature suggests that a party is considered reliable, when it has these qualities: consistent, honest, fair, responsible and etc. (Morgan & Hunt, 1994). Confidence in another party is associated with positive outcomes in business relationships and a belief that unexpected actions, which might cause negative effects, will not be taken (Anderson & Narus, 1990). Therefore, due to positive expectations, a customer agrees to become vulnerable to the actions of another party (Briggs & Grisaffe, 2010). This property of trust is called integrity. These two properties in literature are often named as credibility (expectation of effective and reliable performance) and benevolence (a belief that a party has beneficial intentions and motives, when new circumstances arise) (Ganesan, 1994). While the credibility aspect can be addressed through service performance, the benevolence aspect is rather based on signals, such as communication or similarity (Morgan & Hunt, 1994; Briggs & Grisaffe, 2010). For example, as a customer and a seller get to know each other better in time through communication, uncertainty levels associated with the relationship are reduced and trust increases (Morgan & Hunt, 1994; Palmatier R. W., Dant, Grewal, & Evans, 2006). This issue has received special attention in services marketing, because a customer has to buy a service before experiencing it. Due to intangibility of the offering, evaluations are often dubious; therefore, trust was found to be more critical for customer-seller relationships in services (Morgan & Hunt, 1994; Palmatier R. W., Dant, Grewal, & Evans, 2006).
Furthermore, Palmatier et al. (2006) found that trust had the greatest impact on cooperation compared to other relational mediators. Since trust is social in nature it adheres towards the better quality of a buyer-seller relationship through bonding (Gounaris, 2005; Briggs and Grisaffe, 2010). It is interesting that trust seems to be a universally applicable driver of loyalty intentions at any competitive environment; although it might have a greater effect in relationships, where customers’ ability to fulfill the promises to their own customers, depends on the performance of the service provider (Briggs and Grisaffe, 2010).

Most of the time, trust has been linked to commitment (e.g. Morgan & Hunt, 1994; Gounaris, 2005; Farn & Huang, 2008). Morgan and Hunt (1994) explain that since “commitment entails vulnerability, parties will seek only trustworthy partners” (p. 24). However, this relationship seems to be dependent on the level of trust present in a relationship. Gounaris (2005) and Farn and Huang (2008) found that trust is positively associated with affective commitment (due to affiliation and identification between the parties). On the other hand, when the levels of trust are lower, one has to carefully monitor the other party’s behavior, which might be based on calculative commitment. Once the level of trust rises, impact of calculative commitment diminishes (Gounaris, 2005). In general, the belief, that both trust and commitment strengthen relationships, induce long-term orientation and are key to relationship marketing success, has been widely accepted in marketing literature (Morgan & Hunt, 1994; Farn & Huang, 2008).

While a lot of studies examined the impact of single relational constructs on loyalty, it is not uncommon to combine all these factors into a single one – relationship quality. It is an “overall assessment of the strength of a relationship, conceptualized as a composite or multidimensional construct, capturing different, but related facets of a relationship” (Palmatier R. W., Dant, Grewal, & Evans, 2006, p. 138). The rationale for combining several relational factors into one lies in the belief, that no one single construct can fully address the depth of the relationship.

Palmatier et al. (2006) conducted a meta-analysis of 94 studies in business context and found that relationship quality had the strongest positive impact on WOM and expectation of continuity, as opposed to the influence of single constructs such as trust, satisfaction and commitment. Yet, commitment had the strongest effect on behavioral loyalty. On the other hand, Vickery et al. (2004) linked relational performance indirectly to loyalty through satisfaction. These two studies conceptualize relationship quality in different ways - Vickery et al. (2004) withdraws satisfaction from the notion of relationship quality, unlike in the meta-analysis of relationship marketing, and makes it a separate factor, which has a direct influence on loyalty.
Relationship quality, although conceptualized differently in different studies, seems to have effect on the strength of the overall relationship and in turn, on loyalty. It also proves a point, that satisfaction with the service itself is not enough; instead, a sound overall relationship is a prerequisite for loyalty.

Collaboration, long-term relationship, flexibility, attitudinal loyalty and brand attitude were found to be relevant in only one study each. For descriptions of the constructs and representative studies, see Table 8. Flexibility and collaboration were both found relevant in logistics setting on all core dimensions of loyalty (retention, extension and referrals) (Hartmann & De Grahl, 2011), while long-term orientation (a decision to exchange in the future) seemed to have a positive impact on future intentions in corporate financial services (Reddy & Czepiel, 1999). Other two mediators, attitudinal loyalty and brand attitude, both have attitudinal predispositions, but attitudinal loyalty also incorporates a behavioral dimension – intention to purchase (Russell-Bennett, McColl-Kennedy, & Coote, 2007). On the other hand, brand attitude had a direct positive impact on loyalty, where loyalty consisted of attitudinal and behavioral (intentions) dimensions (Taylor & Hunter, 2003). Due to these differences in operationalization, the mediators (attitudinal loyalty and brand loyalty) could not be referred to as the same construct.

Quite a number of studies argued that in business service relationships not only relational constructs are mediators in loyalty development process, but rationally oriented ones as well, such as value, economic outcomes and etc. (Bolton, Smith, & Wagner, 2003; Kumar & Grisaffe, 2004; Čater & Čater, 2009; Briggs & Grisaffe, 2010; Hansen, Samuelsen, & Silseth, 2008). Customer perceived value was already described as an antecedent. It refers to benefits received by the customer divided by the resources sacrificed to acquire them (Hansen, Samuelsen, & Silseth, 2008, p. 207).

Hansen et al. (2008) argue that “even for highly intangible services, customers will seek to establish perception of the economic worth of the service” (p. 206), which often involves costs and profitability (Briggs & Grisaffe, 2010). The influence of value was found to be susceptible to the level of competitive intensity (Briggs & Grisaffe, 2010). Under high competition, positive financial outcomes become harder to achieve, which increases the importance of economic value as a precondition for customer loyalty.

In general, it seems like value might play a major role in winning customer’s loyalty. It was related not only to behavioral intentions (Bolton, Smith, & Wagner, 2003; Kumar & Grisaffe, 2004), but also to a positive WOM and a lower search for alternatives (Hansen, Samuelsen, & Silseth, 2008). In the latter case, once the customer stops evaluating alternative service providers, the dependence on the current service supplier increases.
Overall service quality has been defined in the antecedents section already. It refers to a cumulative subjective evaluation of a service, based on the degree of a firm's perception, to which the service provided by a service provider could fulfill the requirements, desires and goals of a customer (Farn & Huang, 2008; Oliver, 1999). Jayawardhana et al. (2007) adopted a definition of Farrel et al. (2001) – “a customer's assessment of the overall level of service offered by an organization, often based upon perceptions formulated during service encounters” (p. 577). In other words, overall service quality is a cumulative evaluation of service through single service encounters. This overall service quality was positively associated with loyalty to organization (Jayawardhana, Souchon, Farrell, & Glanville, 2007; Reddy & Czepiel, 1999) and behavioral intentions (including an indirect effect through value) (Kumar & Grisaffe, 2004). These findings imply that the greater the overall service quality, the more likely it is that customers will become loyal to the organization.

Commitment was one of the most widely studied constructs in the articles. It is “an enduring desire to maintain a valued relationship” (Moorman, Zaltman, and Deshpande, 1992, p. 316). The definition implies that commitment can exist, only when the relationship is considered important (because of rewards associated with relationship), that the relationship is wanted to endure indefinitely and that there is will to maintain it (Morgan & Hunt, 1994; Friman M., Garling, Millett, Mattsson, & Johnston, 2002). Due to these properties, commitment is even presented as the highest and the most developed state in the relationship development (Rao, 2002). It is central to the success of long-term relationships (Morgan & Hunt, 1994; Rao, 2002; Friman M., Garling, Millett, Mattsson, & Johnston, 2002).

Different approaches towards conceptualization and operationalization of this construct have been adopted in the literature: some used commitment as a single construct (e.g. Rao, 2002; Morgan & Hunt, 1994; Palmatier R. W., Dant, Grewal, & Evans, 2006), while others made distinctions between affective, calculative or normative commitment (e.g. Gounaris, 2005; Farn & Huang, 2008; Huang, Leu, & Farn, 2008; Čater & Zabkar, 2009). Affective commitment implies that a firm stays in a relationship, because of the liking, a sense of belongingness and affective attachment (Čater & Zabkar, 2009). Calculative commitment causes to maintain the relationship on the basis of high switching costs, lack of alternatives or the cost-benefits analysis (Gounaris, 2005; Čater & Zabkar, 2009). Finally, normative commitment refers to a feeling of obligation associated with the relationship (Čater & Zabkar, 2009).

Affective commitment received most of the attention in the studies and it was found to be the main driver of loyalty in a number of studies as opposed to calculative commitment (e.g. Huang, Leu, & Farn, 2008; Čater & Čater, 2009; Gounaris, 2005; Farn & Huang, 2008; Čater & Zabkar, 2009). Calculative commitment was the main cause of purchase intentions, when little satisfaction was present (e.g. conflicts arose) (Yanamandram & White, 2010). Furthermore, Huang et al. (2008) found that the impact of both of
these types of commitment on loyalty depends on the duration and frequency of the relationship. Affective commitment is present in long-term relationships, while calculative commitment might be enough for lower relationship age/frequency. Farn and Huang (2008) yet argued that it depends on business sizes: big businesses can afford to spend more time on customers and relationship building, while small ones have to compete mainly on a price basis. Although I would disagree with this statement. Small businesses can only gain a competitive advantage via price in the short-term; in the long-run personal relationships become the key to success.

Palmatier et al. (2006) found that commitment as a single-variate construct had the strongest effect on loyalty from all the relational mediators. In terms of multi-variate attributes, the results are not as clear. It seems that affective commitment is key to sound long-term relationships, although not without economically grounded rationale. Commitment without affect leads to a rationally grounded motivations to stay, such as cost-benefits analysis. It is important to note that calculative commitment could also be part of a sound long-term relationship. For example, if no alternatives exist. However, in order to develop a sound and successful relationship affective commitment should definitely be present in the first place.

Customer satisfaction is one of the most common attitude metrics used in loyalty research (Williams, Khan, Ashill, & Naumann, 2011) and many studies proved that satisfaction affects indicators of customer loyalty or long-term orientation (Lam, Shankar, Erramilli, & Murthy, 2004). Satisfaction can be defined as customer’s affective or emotional state, resulting from the appraisal of all aspects of a firm's working relationship with another firm, as well as consumption experience, typically evaluated cumulatively over the history of the exchanges (Geyskens, Steenkamp, and Kumar 1999; Palmatier et al., 2006). It also has a cognitive dimension, which is based on post-choice evaluative process, incorporating changing comparison standards over the entirety of consumption (Vickery, Droge, Stank, Goldsby, & Markland, 2004; Cahill, Goldsby, Kнемeyer, & Wallenburg, 2010). If expectations are met, then satisfaction is present; in the contrary situation – dissatisfaction takes place. In the latter case, a customer could still continue with the relationship if, for example, the satisfaction arises from the complaint handling (Yanamandram & White, 2010).

A distinction has been made between personal and organizational satisfaction. Interpersonal satisfaction is more socially oriented; it is an outcome of a relationship between a customer and an employee. Organizational satisfaction, on the other hand, is more dependent on economic resources (Bolton, Smith, & Wagner, 2003). This distinction suggests that customers attribute different aspects to a service agent (e.g. good will) and to organization (service guarantees and etc.). When there is an active interaction between two representatives of a company, interpersonal satisfaction increases and it also has
a positive influence on interorganizational satisfaction. Furthermore, Bolton et al. (2003) suggest that interorganizational and interpersonal satisfaction can only indirectly affect loyalty, when customer received value from this business-to-business relationship. Yet Jayawardhena et al. (2007) suggested that customer satisfaction contributes towards loyalty to employee in the first place and only indirectly towards loyalty to organization. Therefore, loyalty to staff is suggested as a good strategy to increase loyalty in business to business context.

While a lot of studies support the positive influence of satisfaction on loyalty and long-term orientation (e.g. Vickery, Droge, Stank, Goldsby, & Markland, 2004; Lam, Shankar, Erramilli, & Murthy, 2004; Williams, Khan, Ashill, & Naumann, 2011; Lee & Bellman, 2008; Yanamandram & White, 2010), this relationship is not without its imperfections. It was found that once a certain service provider’s performance level was reached, future purchases cannot be predicted based only on this one criteria, especially when the competition is high (Lee & Bellman, 2008; Naumann, Haverila, Khan, & Williams, 2010). In addition to that, there is evidence that despite being very satisfied, 80% of the customers tend to still switch for a better price or a better service (Naumann, Haverila, Khan, & Williams, 2010). In this case, it seems that loyalty is conditional – customers appear to be “loyal as long as the current supplier is the best choice” (Naumann, Haverila, Khan, & Williams, 2010, p. 894). Consequently, customers are portrayed as taking rational and economically oriented decisions.

Satisfaction as a mediator in loyalty development process has both – support and negation. It seems to be an outcome of accepted performance, service quality, and overall service experience level. This is very important in developing long-term relationships, but might not be enough. Satisfaction seems to be a necessity, rather than a sufficient condition for customer loyalty.

3.3. Issues and Gaps in Literature

The literature on loyalty in business services is highly fragmented in a number of aspects, which raises a lot of questions in terms of loyalty concept, influential factors and the evolution process. It is, however, quite clear that authors integrate both rational and relational constructs, as suggested by the most popular theory in business loyalty research – social exchange theory. It is unfortunate, though, that none of the studies incorporated relationship development process in the respective models nor did they address cultural factors, which could have effect on relationship development. As a consequence, the suggestions for answering the second research question will be presented in the form of propositions, complementing the model.

First of all, there is no consensus on the construct of loyalty. Different authors focus on different dimensions of this factor, although one can note, that the main trend is to include both (behavioral and attitudinal) dimensions. However, in a great majority of articles the behavioral dimension is
operationalized as future purchase intentions. Naumann et al. (2010) specifically raised the question, whether this practice in business research is valid. According to them, even though customers are satisfied and indicate that they are going to purchase in the future, a lot of the times they defect the relationship, once a better opportunity arises. Williams et al. (2011), in turn, add that stayers and defectors are much more similar then different, except for the fact that defectors seem to be more price sensitive. The operationalization of loyalty also differs. For example, some authors (e.g. Russell-Bennett, McColl-Kennedy, & Coote, 2007) define attitudinal loyalty as attitudinal attachment (which usually is defined as affective commitment) and behavioral intention to purchase, while for the great majority of articles this would be a description of loyalty as such. Not only loyalty construct encountered these problems, but also antecedents or mediators. For example, value was incorporated as part of the calculative commitment (Čater & Zabkar, 2009), when usually value is presented as a separate and strong driver of loyalty in a number of studies (see Chapter 3).

During the coding process, it could be tendentiously noticed that factors referring to the same meaning had different titles. For example, service quality vs. service performance or seller’s expertise vs. competence. The most confusing part was that sometimes authors make separate constructs referring to different dimensions of the construct (affective, calculative commitment), while others incorporate a lot of different factors into one single item (e.g. social or structural bonds). Yet others failed to clearly and specifically describe the constructs presented in the models. For example, “long-term relationship” in Reddy and Czepiel (1999). Does it refer to the age of the relationship alone or does it imply a sound long-standing relationship as in Friman et al. (2002)?

Looking, at the antecedents and mediators, one can see that some of them (e.g. value, service quality) are included in both groups of the factors. As a consequence, it is difficult to make generalizations and determine, whether the relationship between these constructs and loyalty is direct or indirect. In addition, cooperation, according to Morgan and Hunt (1994), Palmatier et al. (2006), Friman et al. (2002), is an outcome of a sound relationship; while Čater and Čater (2009) present it as an antecedent of loyalty. Furthermore, there is a discussion, whether relational mediators reflect on key aspects of relationships better as separate constructs or as a single one – relationship quality (Palmatier R. W., Dant, Grewal, & Evans, 2006). It looks like this decision is mainly driven by the author’s discretion, since empirical comparisons between the constructs are absent. Consequently, it is difficult to see whether the findings presented in the studies reinforce one another, because boundaries inbetween the factors are not clear.

Another issue is that findings are not consistent and what is confirmed in one study, is denied in another one. For example, Farn et al. (2008) posit that calculative commitment is important in loyalty development, while Gounaris (2005), among the others, denies it. Furthermore, directionalities between
the constructs are also conflicting (Gounaris, 2005). This only indicates that either the differences between these findings depend on service industry or that research in business services on loyalty is relatively in its infancy, when exploratory insights on the subject are being searched for. Due to a small sample of representative studies per service type, I felt more confident on drawing conclusions, which generalize literature on business services, rather than presenting results per service type.

3.4. Process of Loyalty Development in B2B Services

As already mentioned before, none of the studies selected for this research incorporated relationship cycles or any other representation of relationship development process. It is rather surprising, since loyalty takes time to develop and is not an immediate outcome of a certain action or episode; on the contrary, it is the outcome of a complicated process. Furthermore, the fact that only one out of the analyzed papers adopted a longitudinal design implies that the great majority of papers studied loyalty at different points in time or at different stages of the relationship development process. Therefore, in this section insight into loyalty development will be tracked through the directionality between the factors, rather than an actual relationship development process itself.

Distinguishing between antecedents and mediators, contributes towards understanding of the sequence of relevant factors to be taken into account. Both economic and relational factors were important in loyalty research. It is difficult to make generalizations or conclusions on studies, where a lot of times contradictions are supported by different studies. However, the general trend or mechanism presented by a majority of studies seems to be in line with one of the more popular frameworks adopted for loyalty investigation in business-to-customer relationships. It is the so called cognition-affect-conation framework (Oliver, 2010). It posits that customers become loyal in a cognitive sense, at first; it might “be based on prior or vicarious knowledge or on recent experience based information“ (Oliver R. L., 1999, p. 35), such as price, reputation or some other features. Later on, the customer becomes loyal in an affective sense – a liking or an attitude, which develops out of cumulatively satisfying usage experiences. The third stage of conative loyalty implies behavioral intention to rebuy from an organization (Oliver, 1999). Finally, action inertia takes place, which facilitates repurchases by overcoming situational influences (e.g. considering alternatives, which might cause switching behavior).

What is apparent from this paradigm is that affective stage mediates the cognition stage to conation. The general mechanism seems to be as follows: in the cognition stage, previous experience or knowledge is always evaluated and based on that, either positive or negative affective responses are developed, which, in turn, trigger (or hinder) behavioral intentions. The most common affection oriented variables in the loyalty literature are trust, satisfaction, commitment or the combination of the three – relationship quality. From the results of loyalty determinants, one can see that indeed all these three
affective constructs fell under the mediators’ category. This finding that relationship quality mediates loyalty development will form the basis of the model presented in the subsequent chapter. It will also incorporate the antecedents of loyalty in business services as well as the relationship development process and cultural impact.
IV. SYNTHESIS

In this part of the paper, the resulting research framework is presented. Firstly, the short overview of literature on relationship development process is provided, since none of the analyzed papers presented a process oriented model. Then the chosen process model is integrated into the resulting research framework together with the findings from the previous chapter. Furthermore, the suggested model is discussed with managers, representing different companies, operating in business services field. The goal of the interviews is to get a practical point of view on loyalty, its development, existing challenges as well as the suitability of the model in practice. In other words, the practical validation of the model is sought. Finally, based on the interviews and findings in the literature, respective propositions regarding loyalty development in business services are suggested, with special attention drawn towards the cultural impact on loyalty.

4.1. The Relationship Development Process

Relationship development is a “process of increasing experience and commitments as transactions take place” (Ford, 1997, p. 71). It is said to take place over long periods of time as a gradual development, taking place in a sequential manner (Ford, 1980; Van de Ven, 1992). There have been many attempts to describe the relationship development processes in literature and each of the models was adapted to match a specific research purpose.

There are two major schools of thought for that matter – the stages theory and the states theory. Both of them focus on establishing, developing and maintaining relational exchanges (Rao, 2002). The stages theory describes development in stages – as an evolution and sequential progression of interdependence (Ford, 1980; Dwyer, Schurr, & Oh, 1987). On the other hand, the states theory focuses on strategic moves of exchange partners, which occur in an unstructured and unpredictable manner (Ford & Rosson, 1982).

In this study the stage theory is chosen to present the evolution of the relationship, because the primary goal of this study is to understand how relationships develop in a more or less “ceteris paribus” environment; therefore, predictability is preferred to unpredictability. A lot of stage models described relation-building in the literature and Bagdonienė and Žilionienė (2009) provided a summary of them:
Figure 7. The Stages of Business to Business Relationships Process


Dwyer et al.'s (1987) model is dominating in the marketing literature. However, since the dissolution phase is not of importance in this study and the final goal is to reach a stable relationship, Ford et al. (2003) seems to be a better match for the purpose of this research. Due to similarities of rationale between the two models, Dwyer et al. (1987) is also taken into account for explanatory purposes.

The first stage is the so called “pre-relationship” stage, where the searching for suitable partners takes place and the initial contact is made. Secondly, exploratory phase comes after. At this point both the seller and the buyer negotiate the first exchange/transaction. Interaction is taking place under uncertainty conditions (social, cultural or technological distance), just like in the pre-relationship stage. The aim is to understand the motives of a partner (Ford et al., 1998). It is a very fragile state – due to minimal investments and interdependence, the slightest mistake may lead to termination of further cooperation (Dwyer, Schurr, & Oh, 1987). Thirdly, development stage takes place. It is characterized by the increasing experience of the two partners, which reduces the uncertainty and distance (Ford, 1980). Rather informal agreements to changes or flexibility are of major importance for this stage (Ford et al., 1998). The interdependence between the partners increases due to increasing benefits obtained from the relationship/doing business together (Dwyer et al., 1987). Finally, the stable stage is reached. It means that firms reach mutual loyalty, which refers to learning processes and mutual risk taking (Bonde, Lübken, Settergren, 2007). Ford et al. (1998) states that at this stage the exchange becomes a routine and previous uncertainties are overcome.

It is also important to note that not only the relationship evolves in time, the service delivery itself is also evolving in steps. For example, Gronroos (2011) states that from a customer’s perspective the service delivery has to go through these phases: usage analysis, order making, installing (in services this could refer to customizations made), paying, usage, need for information, problem of complaints and finally, upgrading. The latter, for example, being the adjustments made after the usage and response to customer complaints. Due to intangible nature of services, the analysis of usage before actual
consumption is rather difficult. However, as for the rest of the steps, order making, customization, payments and usage take place in exploration stage. Based on consumption experience, a customer might have a need for certain information, problem solving or adjustments, which then if handled well could lead to the phase of development. It basically depends on whether the customer is satisfied or not. Finally, the stability stage is reached as a result of numerous services transactions and existing interdependence between the parties.

Based on the descriptions presented above, one could posit that this paper is interested in the life-cycle theory, since the change is “prescribed” and follows a typical cumulative sequence, where characteristics obtained in previous stages are retained in later stages (Van de Ven & Poole, 1995). However, the termination stage is not of importance for this research. Furthermore, certain aspects of Teleological theory are also sought, which posits that development is a “repetitive sequence of goal formulation, implementation, evaluation, and modification of goals based on what was learned or intended by the entity” (Van de Ven & Poole, 1995, p. 516). This means that at different stages of relationship development, the evaluations of goals reached from a customer’s perspective take place, where the mode of change is constructive rather than prescribed. Therefore, both of these theories to a certain extent are integrated into the framework presented below.

### 4.2. The Resulting Research Framework

The importance of relational constructs has been emphasized repeatedly in studies. Based on the findings in the Results chapter on loyalty development, the underlying assumption adopted in the model is that relationship quality, consisting of trust, satisfaction and commitment, as presented in Palmatier et al. (2006) will mediate the process of relationship development. Other identified mediators (e.g. value, service quality, flexibility) were also present as antecedents. Since it does not make sense to incorporate the same constructs as antecedents and mediators, they were only considered only as antecedents further throughout the study.

Firstly, the stages model of Ford et al. (2003) will serve as the basic frame of the model. It is expected that the relationship will develop from pre-relationship stage, to exploration, to development and finally, to stability. Stability is the last stage in relationship development process, which implies that a stable long-term relationship and loyalty are reached. One should note that this final outcome is only possible, when a strong positive experience is generated (Curan, Varki and Rosen, 2010) all along the process of relationship development.

Secondly, since I adopt a relationship development process in this study, it means that relationship quality will not be static and it will evolve over time as well. I assume that it will evolve like this: trust → satisfaction → commitment as presented by Rao (2002). I would like to add, that this sequence seemed to
be the most logical one when the process approach is adopted. The rationale is that commitment is the highest order relational construct: it is the outcome of high satisfaction and at the same time, it is also a higher state of trust. In order to reach this higher state of trust and to actually commit to an exchange partner, a customer has to be satisfied with the overall experience (Rao, 2002).

Based on the results of the literature review on loyalty in business services and a stage theory, I propose the following research framework for developing long-term loyal relationships with business customers in the service context:

![Model for Customer Loyalty Development in B2B service context](developed for this research).

The constructs of relationship quality will predetermine the development of the relationship from one stage to another. It means that affective responses of a customer will be crucial for the development of a sound relationship. In turn, each of the constructs, comprising relationship quality, will be determined by a set of factors, identified in the literature.

It is proposed that before engaging in a relationship with the service provider and when no previous experience is present, the initial trust will decrease the uncertainty through good reputation, a positive country of origin effect\(^6\) and sound communication. All these positive clues will induce customer to trust the service provider and to take the risk of buying a service. Transactions take place at the exploration stage.

\(^6\) For more information on the influence of culture, see section 4.2.2.1. Impact of Culture
phase, once the initial trust is set. At this stage the customer will evaluate the quality of the service, seller expertise, willingness to adapt to specific customer needs and the value added. Cultural impact might influence perceptions regarding service quality and conflicts may hinder the development of the affective state related to this phase of the relationship – satisfaction. If everything goes well, then the customer feels satisfied with the overall experience and the development stage reached. At this point, both the seller and the customer seem to trust each other and to be satisfied with this business relationship. The contact is maintained frequently. In order to reach the highest state of affective attachment to the seller, the customer has to see that there are obvious benefits associated with the relationship: that past experiences prove the service provider to be the right choice and that similarities on interpersonal and interorganizational levels make it easy to do business with this particular seller. Of course, opportunism would prevent such affective attachment. Dependence and relationship investments can influence the relationship, by making it difficult to switch.

4.2.1. Practical Reflection on Loyalty and the Proposed Model

The goal of conducting the interviews was to gain the practical validation of the model and to look at loyalty development from the seller’s point of view in practice. Managers dealing with customers on a daily basis might perceive loyalty and aspects related to it in a completely different way than it is portrayed in the literature. As a result, a number of questions referring to loyalty perceptions, building and maintaining business relationships and the process of loyalty development were generated to reflect on the practical side of the issue.

Table 9. Summary of Results from Interviews

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<tr>
<td>1. A loyal customer is the one who:</td>
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<td>trusts</td>
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<td>purchases repeatedly</td>
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<td>recommends</td>
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<td>seeks for development of the relationship (e.g. collaboration)</td>
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<td>feels related to the brand and/or sales rep.</td>
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<td>2. Customers tend to be more loyal, because:</td>
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<td>of high customization of the service</td>
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<td>of long-term contracts</td>
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<td>few or none alternatives exist</td>
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<td>of recommendations received</td>
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<td>of relationship with personnel</td>
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<td>of brand identity</td>
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<td>3. In building long-term relationships:</td>
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<td>interpersonal relationships matter most</td>
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All the interviewees came from business-to-business services’ background: IT services and professional services (research and consultancy, employment services and consultancy on business loyalty). The sizes of the companies ranged from micro (<5 employees) to SME (50<250 employees). In terms of positions in the companies, three were owners or directors and one was an operations’ manager. One of the main conditions, when selecting the
Indeed, one could see that each representative in relations with their customers accentuated different aspects. For example, when defining a loyal customer the majority focused on repeated purchases (behavioral dimension); while the attitudinal side of the concept was presented in different ways. However, one can strongly say that a loyal customer is the one, who is affectively committed and the one repeatedly buying, as already stated in the chapter of Results. As for the reasons, which make customers “stick” to a certain company, the opinions were different, although the role of personnel was emphasized a bit more. This could mean that according to a seller, customers in different services have different motives to stay.

In practice, building long-term relationships was found to be a difficult task, starting from finding the right customer, to making him/her committed to the company. The greatest challenge is to communicate with customers in the right way. This is not surprising given that the majority of managers posited the strong role of interpersonal relationships compared to rational factors (i.e. price, speed of delivery) in building long-term relationships. This finding could also be affected by the fact that most of the interviewees came from small to medium sized companies. It could be that in bigger companies, interpersonal relationships matter a lot less.

Since business relationships are very dynamic, things do tend to go wrong every once in a while. Of course, conflicts arise. The interviewees stated different reasons for conflicts: a lack of budget, miscommunication, cultural or organizational differences and damage in trust. The latter, cannot be easily restored. In general, conflicts in business relationships are seen as negative, although two managers noted representative interviewees was that they had to have experience in directly dealing with customers. This way they know what problems, issues customers have to face and how they respond to different situations, triggers, what their expectations are and etc. In other words, these persons have the best knowledge on customer relations in the company.

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that it can also bring benefits for both of the sides, because both sides get to know each other better. One of the managers said: “the service provider should make sure that he knows exactly what the expectations are. This will assure that no conflicts arise. Otherwise, there will be problems”. But if it happened so, that the conflict arose, then the best way to “fix” it is by having an open dialogue.

Even when the conflicts are solved, it is very important to maintain the relationship. Managers suggested that this can be done through pricing strategies, providing extra services, special treatments of customers, establishment of interpersonal relationships or communication. This shows that the customer values the attention and focus from the seller’s side, delivered in different forms of benefits.

Not all representatives of companies had direct foreign customers. However, still all of them have had the chance to interact with international businessmen. The majority said that culture does play quite a role in business relationships: different languages, different expectations might present surprises, if they are not taken into account. Although as one interviewee noticed: “customers from different cultural backgrounds may have different needs, but one should not generalize”.

The model was not presented to the interviewees, before they defined the way they perceive the process of loyalty development. And as it turned out, from a seller’s point of view, commitment might mean determination to complete the task or commitment to deliver, when from a customer’s perspective, it implies reluctance to switch. Therefore, the sequences between trust, satisfaction and commitment were presented in different ways. And as it seems, it more or less depends on the conceptualization of the construct and the point of view taken into account (buyer, seller or dyad). Different conceptualizations caused different directionalities between the constructs. However, one of the interviewees (the consultant on business loyalty) took the customer’s perspective, because he was interviewed as an expert of the field, and the sequence he proposed was in line with the one proposed in the model. In addition, it was unanimously agreed that all three of affective variables are important.

Finally, when the model was presented, specifically explaining that it builds on a customer’s point of view, the managers all agreed that it is a rather good representation of reality. The sequence of stages and the mediating role of relationship quality were supported. Finally, the linkages between antecedent factors and respective relationship quality factors (trust, satisfaction and commitment) were confirmed. One of the managers explained, that both rational and relational factors are important in business relationships. Before going into personal relationships, the economic factors have to be well set (i.e. 4 Ps). Only when the economic part is present, affective concepts and relational attachment can be developed. The proposed model is in line with this explanation, since it presents a process of learning, based on constant evaluation of overall service experience. Affective responses are gradually developed as a consequence of sound service delivery processes.
However, the lack of dynamic nature of the model was emphasized: it follows one direction and is a sequence of prescribed stages. Furthermore, as one of the interviewees explained, the model does present a service selling, but “it does not take cooperational relationships into account, because in that case, commitment should be switched with satisfaction”. It is true, because the model presents a customer’s point of view, while cooperational relationships – a dyadic one.

### 4.2.2. Propositions

It is important to understand motivations and other forces that entice customers to stay in a relationship at certain periods of time. In this section propositions with regard to process and factors facilitating the long-term relationship development, will be presented based on findings in the literature. It is worthy to note, that from the practical point of view, interviewed managers supported the general mechanism of the model as well as the linkages between the factors.

Due to high uncertainty conditions of the context, I assume that trust will be of most importance in the initial stages of the relationship; that is in pre-relationship and exploration phases. Friman et al. (2002) suggest that trustworthiness (or initial trust) is an initial significant factor when deciding with whom to do business and that the foundation to trust is built in initial interactions before engaging in more involved forms of commitment. Therefore, initial trust will have to be present before transactions take place in the exploration phase. Based on that, I propose that:

1. *Initial trust will mediate the development of the relationship from pre-relationship stage to exploration.*

The evidence in the literature suggest that out of all antecedents of trust, communications seems to have a strongest direct effect on trust, as suggested by Morgan and Hunt (1994) and confirmed by Friman et al. (2000) and Rao (2002). Furthermore, even though the link between reputation and trust has not been examined in business services, it was found that image is a screening tool to reduce the possible consideration set in terms of alternative providers (Lee and Bellman, 2008; Naumann, Haverila, Khan, & Williams, 2010). This quality can reduce uncertainty, since it is the judgement of the market (Kumar & Grisaffe, 2004; Hansen, Samuelsen, & Silseth, 2008) and this way, it can positively affect initial trustworthiness.

Furthermore, uncertainty (a factor, which was not examined in the articles analyzed in this study) associated with services is especially high due to intangible nature of services, as well as when no previous experience with a seller-company exists or even more so, when companies start to do business via internet. The negative effect of uncertainty on trust has been well documented in channel and consumer settings (Geyskens, 1998; Glückler & Armbrüster, 2003). Based on risk theory, customers
avoid risky situations, which possibly might bring negative consequences and they do so by not trusting the company (Michaelis, Woisetschläger, Backhaus, & Ahlert, 2008). Therefore, I propose that:

2. **Communication will have a positive effect on initial trust.**
3. **Reputation will have a positive effect on initial trust.**
4. **High level of perceived uncertainty/risks will have a negative effect on initial trust.**

The link between trust and satisfaction was not widely explored in the respective studies. The only study, which researched and also confirmed this relationship in business service loyalty literature, was by Rao (2002), where satisfaction was even presented as “key construct in the development of trust and commitment” (p.222). On the other hand, Lam et al. (2004) also confirmed the mediating role of satisfaction in loyalty development in business services. In general, it is believed that satisfaction is an outcome of a trust-based relationship and Geyskens et al. (1999) confirmed this link in a meta-analysis of trust, satisfaction and equity in marketing channel relationships. Furthermore, since development stage is defined as “a consequence of each party’s satisfaction with the other’s role performance” (Dwyer, Schurr, & Oh, 1987, p. 18), I propose that:

5. **Satisfaction will mediate the development of a relationship from exploration to development stage.**

Satisfaction was mostly the outcome of service quality or service performance in business service loyalty literature (e.g. Bolton, Smith, & Wagner, 2003; Jayawardhena, Souchon, Farrell, & Glanville, 2007; Cahill, Goldsby, K nemeyer, & Wallenburg, 2010; Williams, Khan, Ashill, & Naumann, 2011). In addition to that, a competent seller adds value to the service a customer receives and becomes a proxy of service quality, which is, as mentioned before, closely related to satisfaction (Palmatier R. W., Dant, Grewal, & Evans, 2006).

What is more, Palmatier et al. (2006) found that a conflict has the largest absolute impact on relational constructs, since people tend to pay more attention to negative rather than positive aspects of relationships. The negative effect of conflict on satisfaction has not be examined directly in business services (but there is evidence on the negative effect on trust and commitment). Although generally this relationship seems to be supported in the literature (e.g. Frazier, Gill & Kale, 1989; Geyskens, Steenkamp, & Kumar, 1999). It is worthy to add, that managers have noted the positive side of the conflict as well – if it is properly resolved both parties get to know each other better in terms of needs and expectations. However, this type of conflict is referred as “functional conflict” in the literature and is not considered in this study.

Customer focus was proven to have a positive effect perceptions of the quality of the firm’s offering, and indirectly to such outcomes as word of mouth, decreased search of alternatives and behavioral intentions (Kumar & Grisaffe, 2004; Hansen, Samuelsen, & Silseth, 2008; Čater & Čater,
Furthermore, Kumar and Grisaffe (2004) suggest that businesses facing a price disadvantage should instead become more customer-focused, since responsiveness and ease of access to the seller were found to be one of the most important factors, determining service’s quality, which in turn determines satisfaction. I posit, that this effect will contribute towards the overall evaluation of performance and subsequently, satisfaction.

Value was proved to be a strong antecedent of customer satisfaction (Taylor & Hunter, 2003; Lam, Shankar, Erramilli, & Murthy, 2004). Business customers are profit seeking organizations in the first place and therefore, they tend to compare benefits received against costs. If the perceived value is greater than that offered by competitors, the customer will be satisfied with the business relationship (Lam, Shankar, Erramilli, & Murthy, 2004).

Therefore, the propositions are as follow:

6. Service quality will have a positive effect on satisfaction.
7. Seller’s expertise will have a positive effect on satisfaction.
8. Conflict will have a negative impact on satisfaction.
9. Customer focus will have a positive impact on satisfaction.
10. Customer value will have a positive effect on satisfaction.

It is also suggested in the literature that transaction specific satisfaction may not be a sufficient indicator of customer’s satisfaction. Satisfaction, which accumulates across a series of service encounters and reinforces previous experiences, is more credible and reliable (Lam, Shankar, Erramilli, & Murthy, 2004). Consequently, I suggest this proposition:

11. In order to move from exploration phase to the development phase, satisfying experiences will have to be accumulated over multiple service encounters.

Commitment is the highest form of affective attachment and it is achieved at the uppermost stages of the relationship development process. It is the ultimate objective of long-term marketing relationships (Rao, 2002). As mentioned before, if satisfaction is reached every time the service is delivered in the exploration phase and in the development phase the firm feels that the relationship is going well, it will be willing to commit and stay in the relationship (Morgan and Hunt, 1994). This way the relationship will be moving to the last stage of the relationship development – the stability phase. Based on this information, I posit:

12. Commitment will mediate the development of a relationship from development stage to stability.

Friman et al. (2002) suggests that commitment implies a desire to continue a relationship assuming that it will bring future value and benefits. These benefits can be different, such as time savings, convenience, companionship and etc. (Palmatier R. W., Dant, Grewal, & Evans, 2006). Relationship
benefits induce the motivation to maintain the relationship (Friman M., Garling, Millett, Mattsson, & Johnston, 2002). There is no need to switch to another service provider and start the relationship from the beginning, which would mean additional investments in time, information sharing and etc. Furthermore, Palmatier et al. (2006) found that from all the relational constructs, relationship benefits had the strongest effect on commitment.

The fact that past usage increases confidence between the parties was proven by a direct positive relationship between past usage and trust: as customers and sellers interact more frequently, the uncertainty about future is reduced (Palmatier R. W., Dant, Grewal, & Evans, 2006). In general, past usage seems to contribute towards the stability of the relationship by producing evaluations of performance as well as increased confidence and trust in a seller, both of which are important in developing loyalty. However, since trust in the presented model refers to initial trust or trustworthiness, rather than knowledge-based trust, commitment seems to be the most appropriate construct to be influenced by overall past experience. Especially since in the proposed model, initial trust evolves into a higher form of trust (i.e. commitment), when positive experiences over time are accumulated.

Morgan and Hunt (1994) state that feelings of dependence might lead to acquiescence, which destroys trust and commitment, can cause conflicts and inhibits long-term success. However, dependence could have a positive effect on relationship in certain situations. For example, a firm can become more dependent on a service provider, when it provides a large proportion of its business, and under such conditions it becomes difficult to switch (Rao, 2002) or when there is a lack of alternatives. The main rationale, why I posit the positive effect of dependence on commitment is that, at this stage of the relationship, trust and satisfaction have to be developed already. This implies that affective attachment is there and combined with the rest of the factors influencing commitment, dependence only increases the sense of belonging. In addition to that, Dwyer, Schurr and Oh (1987, p. 14) posited that “the buyer’s anticipation of high switching costs gives rise to the buyer’s interest in maintaining a quality relationship”.

Palmatier et al. (2006) found that relationship investments usually generate relationship benefits, which have a positive relationship with commitment. Therefore, investments seem to strengthen relationships by a feeling of reciprocity.

Opportunism has been defined as a self-interest seeking with guile (Williamson, 1975, p. 6). Relationships are sound when self-interested outcomes are not attempted to be maximized at the expense of others (Friman M., Garling, Millett, Mattsson, & Johnston, 2002). Therefore, one can say that opportunism has a strong negative effect on loyalty and long-term relationships, since it implies short-term orientation.
Similarity between individual boundary spanners and/or between buying and selling organizations may provide cues that parties will work towards goals that are mutually important for both sides. In general, similarity helps to strengthen and maintain the relationship. Trust and commitment are both positively influenced by this construct (Morgan & Hunt, 1994; Friman M., Garling, Millett, Mattsson, & Johnston, 2002; Palmatier R. W., Dant, Grewal, & Evans, 2006). Palmatier et al. (2006) compared the two effects and concluded that the relationship with commitment is stronger.

Based on these findings, respective propositions are made:

13. **Relationship benefits will have a positive effect on commitment.**
14. **Past usage will have a positive effect on commitment.**
15. **Dependence will have a positive effect on commitment.**
16. **Relationship investments will have a positive effect on commitment.**
17. **Opportunism will have a negative influence on commitment.**
18. **Similarity will have a positive effect on commitment.**

It is worthy to note that one antecedent, identified in the literature, was not included in this model. It is media richness. The reason for it was that this effect was proven to be strong only in highly complex environment, where interdependence is present. Since the model presented aims at generalizing across services, rather than focusing on specific settings, this construct did not seem to match this purpose.

As promised, a special interest of cultural impact on loyalty development will be addressed in the model as well, since none of the studies analyzed via literature review incorporated this variable. The propositions regarding loyalty development across international business settings will be presented in the next section.

### 4.2.2.1. Impact of Culture

In the recent years (i.e. 1990 to 2010), the export of services has been constantly growing at an average rate of approximately 8%, accounting for about 20% of the world exports. The total value of service exports worldwide has increased by approximately 60%, if comparing world exports of commercial services in 2000 (US$1.48 trillion) to 2010 (US$3.69 trillion) (World Trade Organization, 2011). According to Furrer and Sollberger (2006), in order to bring a new twist to services marketing, the question “how can services be best delivered throughout the world?” should be usefully asked.

When companies from different countries interact, the relationship becomes more complicated, because of economic, cultural, legal and political settings (Aulakh, Kotabe, & Sahay, 1996). What is more, cross-national differences in management practice and style are likely to have significant implications for the development of international business relationships (Samiee & Walters, 2002; Pressey & Selassie, 2002). However, even though services’ contribution to the global and national
economies is constantly growing and the need to incorporate cultural variables into the literature on business relationships has been constantly suggested as one of the directions for future research in the studies (e.g. Rao, 2002; Gounaris, 2005; Gil, Berenguer & Cervera, 2008; Lages, Lancastre & Lages, 2008; Wallenburg, 2009; Theron, Terblanche & Boshoff, 2011; Cahill et al., 2010; Hartmann & de Grahl, 2011); none of the articles, examining business services’ loyalty, have incorporated the cultural impact. The model, developed for this study, will take the possible cultural effects into account in order to address this gap in the literature. Although most of the literature discussed in this section is originally dedicated to B2C, some characteristics of consumer services seem to be applicable to B2B context as well (Cooper & Jackson, 1988).

Culture is a complex concept. There are many different definitions suggested in the literature. For example, Sivakumar and Nakata (2001) define national culture as patterns of thinking, feeling and acting that are rooted in common values and societal conventions. The definition of culture adopted in this study belongs to the pioneer of cross-cultural research – Prof. Hofstede. His definition of culture is as follows: “the collective programming of the mind, which distinguishes the members of one category of people from another” (Hofstede, 1984, p. 51). The reason why this particular definition was chosen was because it clearly implies cultural differences as a prerequisite for the concept to be true. And the underlying assumption why culture is included in this paper is the same – because cultures are different and they shape customer behaviors in different ways (Zhang, Beatty & Walsh, 2008).

4.2.2.1. Country-of-Origin Effect

One of the most examined phenomena in the field of international marketing is the country of origin effect (COO) (Amine, Chao, & Arnold, 2005). It implies that customers use specific cues to evaluate the partnering company or its services based on the country this company comes from, especially when specific knowledge about performance and quality is missing (Parameswaran & Pisharodi, 1994).

For example, in case of professional services a lot of the times customers simply do not have the specific “know-how” to confidently evaluate the quality of a complex, highly intangible and highly customized purchase (Bolton & Myers, 2003). In general, customers are often less familiar with foreign products/services; therefore, cues as reputation or country of origin become the basis of such evaluations (La, Patterson & Styles, 2009). These cues create the foundation for initial trust in the party when no relationship is present yet. Initial trust has been defined as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or to control that other party” (Mayer, Davis, & Schoorman, 1995, p. 712). And although trust itself develops over time, initial trust may create a high level of trust right away. This paradox can be explained by the fact that good government, national
wealth, income equality and protestant traditions correlate with trust (Saunders, Skinner, Dietz, Gillespie, & Lewicki, 2010). Therefore, one can note that the ethnic/cultural, economic, social and political characteristics create the image associated with the COO.

According to Donney, Cannon and Mullen (1998) different norms and values of different cultures have a great impact when deciding whether and when to trust a party. Evidence exists that national culture affects the role and the nature of trust: parties with similar national cultures show greater levels of trust (and commitment) (Mehta, Larsen, Rosenbloom, & Ganistky, 2006); while, on the other hand, distinct cultures of the parties imply greater risks involved with relationship.

To sum it all up, if the COO effect creates a positive image of the party, it may reduce risks associated with the relationship development (Cordell, 1992); however, in the opposite situation, when the COO effect is negative, it may lead to distrust of a company. This way the relationship could be terminated before it even started. Based on this, I propose that:

19. When uncertainty associated with a service provider is high, COO will moderate the relationship between uncertainty and initial trust.

The sounder the political system/government and the higher the economic development of a country, the more positive effect the country of origin will have on initial trust. For example, the Netherlands. It is important to see, how this country ranks globally on certain aspects: the ranking of global competitiveness index - 8 (The Global Competitiveness Report 2010-2011) and corruption perception index - 7 (Corruption Perception Index 2010 Results, 2010). These numbers imply that Netherlands is a very competitive and transparent country. It is very important when choosing an exchange partner to do business with. Therefore, it is very likely that a Dutch company will have a positive country-of-origin effect on initial trust.

4.2.2.1.2. Perceptions of Quality

In general, it is agreed that people from different countries/cultures use different criteria for evaluating services: either they use different evaluation dimensions or they put different weights on these dimensions (Zhang, Beatty and Walsh, 2005). Therefore, it is important to understand the values, expectations and motivations of parties involved, which depend on the understanding of cultural backgrounds (Morosoni, Scott, & Singh, 1998).

Zhang, Beatty & Walsh (2005) conducted a literature review on cross-cultural services research. Based on it, they suggested a framework depicting the stages of the service experience. At first, customers form expectations of services and after the encounter, the evaluations of service performance are made, which consequently cause behavioral reactions. (See Figure 5)
Culture might have impact on all three experience dimensions. For example, it was found that “cultures with greater power distance and more individualism have higher service quality expectations” (Zhang, Beatty & Walsh, 2005, p. 10). Furthermore, a number of countries were selected to examine the reactions to poor service. It was found, that individuals from higher individualism or lower uncertainty avoidance countries stated that they would switch, give a negative word of mouth or complain more often, than individuals with lower individualism or higher uncertainty avoidance, who, on the other hand, tended to praise more. The main reason for this could be the lower relationship orientation in individualistic or lower uncertainty avoidance cultures. Western countries also seemed to improve their behavioral reactions to a faulty service after compensation, while Eastern countries preferred an apology. This suggests that, for example, Americans are more results oriented than Singaporeans or Chinese. It is also worthy to note, that concepts such as switching costs or relationship benefits served as a strong explanation for propensity to stay in both sets of cultures. Another interesting finding was that customers from masculine cultures seem to have a lower intention to switch even with the negative service experience (Liu, Furrer & Sudharshan, 2001).

To sum it all up, the main trend including all of these findings is that culture and its dimensions seem to have a significant moderating influence on the relationship between the perceived service quality and customer satisfaction (Reimann, Lünemann, & Chase, 2008). Based on this, I propose that:
20. Culture will moderate the relationship between the perceived service quality and customer satisfaction.

In this chapter, arguments for making choices in terms of linkages between constructs, process models and the general rationale have been provided. Finally, as a visual outcome – a research framework was created in order to facilitate understanding of long-term relationship development and factors, which might influence different stages of the relationship.
V. CONCLUSIONS AND RECOMMENDATIONS

In this part of the study the conclusion is drawn. In addition to that, managerial implications and recommendations present the practically oriented part of the chapter. Furthermore, the limitations concerning the methodology and the model are explained. Finally, suggestions for future research are made.

5.1. Conclusion

The purpose of this paper was to determine the factors contributing towards loyalty development in business services and to understand how loyalty develops under this setting. Based on the literature review it seems that loyalty is a rather complex phenomenon. First of all, definitions incorporating only one dimension (i.e. either behavioral or attitudinal) do not fully reflect “true loyalty”, as only the customer, which is affectively committed and buying on the more or less regular basis is the truly loyal one. Secondly, Naumann et al. (2010) raised a very important question in his study – are behavioral intentions an appropriate tool to operationalize loyalty? The rationale lies in the fact, that even with best intentions to repurchase, a customer might not do so. As a consequence, it seems that the best indicator of loyalty is the past purchase behavior combined with recommendation intentions or behavior.

A broad variety of factors were identified ranging across economic and relational perspectives. These factors were divided between antecedents and mediators of loyalty. It was found out that customers tend to stay loyal to a company when: the perceived value they receive is greater than that offered by competitors, the reputation is good; communication is timely, efficient and proactive, the seller is competent in the respective field of expertise; customer receives attention and special treatment (adaptations are made to address the special needs and requests of a customer); service quality is steadily and cumulatively satisfying; when the relationship investments are considerable; past experience proves the service provider to be the right choice; relationship benefits such as interpersonal relationships and social bonds as well as similarity between certain boundary spanners or organizational cultures bring both parties closer to collaboration and mutually rewarding goal seeking. Media richness was found to be important under high environment complexity and interdependence conditions, since it facilitates effective information sharing and processing. On the other hand, loyalty development is hindered by short-term orientation, such as opportunism, or by conflicts. These aforementioned antecedents were mediated by a number of mediators, such as relational constructs (trust, satisfaction, commitment, relational quality) and overall service quality, as well as aforementioned customer value. In addition, collaboration, long-term relationship, flexibility, attitudinal loyalty and brand attitude were also posited.
as mediators – one study each. Therefore, these findings should be treated with caution, since the reliability is not as high as for the rest of the factors.

One could notice that the variety of findings focused on different factors and different relationships between the factors indicate that consensus on factors determining loyalty is not there yet and that the research is rather still in its exploratory stage. As for the third, research question, the overall tendency across the articles suggested that the cognition-affect-cognition mechanism was a good representation of loyalty development. A lot of the times the customer would develop an affective or emotional link with the service provider based on the cognitive experience: performance, quality, expertise, value and etc. This would result in the behavioral expressions such as repeated purchases over time and recommendations.

Finally, based on the findings a model integrating relationship development process and the success factors, was presented. It also incorporated the influence of culture addressed in the second research question: country-of-origin effect is suggested to influence initial trustworthiness, when the uncertainty associated with the service provider is high and cultural perceptions were suggested to shape the evaluations of service quality. Uncertainty as an additional factor was included, due to its wide confirmation in B2C settings, while media richness was removed, due to its narrow scope of application towards the service settings. This model implements a longitudinal design, unlike in most of the analyzed articles. This is extremely important for the true reflection of loyalty development, as it is not an outcome of a single action or episode, but rather an evolving process.

I hope that this paper will make a step forward towards a clearer understanding of loyalty development in business services and the influential constructs, which determine the long-term direction of the relationship. Especially since literature for this specific setting is relatively scarce and not as abundant as in B2C or manufacturing settings.

5.2. Managerial Implications and Recommendations

Based on the findings in literature, a number of practical implications can be suggested in order to foster the long-term orientation of the relationship and to induce customer loyalty to an organization.

First of all, proactive attitude is a tool to prevent negative outcomes. For example, conflicts have the strongest effect on relational mediators. However, as one of the interviewees noticed, conflicts can have a positive influence on relationships as well. All efforts should be concentrated on proactively addressing inadequacies; this will show that the customer is taken seriously as well as professionally by a service provider and it will foster customer trust and satisfaction. Furthermore, a seller will gain a better understanding of customer’s needs. Having a satisfied customer is important, but knowing the specific
needs is crucial. In general, proactive improvements and initiatives should become part of customer relationship management.

Secondly, selection and training of employees having direct contact with the customers is essential. Palmatier et al. (2006) found that communication, seller’s expertise and similarity between boundary spanners are the most effective relationship building strategies. In general, the emphasis on interpersonal relationships and relational orientation in building loyalty was noticed throughout the literature. Empowering professional and effectively communicating personnel could facilitate the bonding between employees, representing buyer-seller companies. It could even save troubled relationships from ending. However, the risk is then to be cautious of employee rotation, since it can damage relationships with business customers.

Although switching barriers can enhance customer retention, managers should be cautious about the opposite effect as well – customers might have perceptions of being in hostage, it can generate acquiescence and in turn, reduce trust, satisfaction and commitment, cause conflicts and erode long-term relationships. Therefore, emphasis should lie on showing good will from the side of the seller at all times.

One of the interviewees wisely noted that before any loyalty can be established economic or rational conditions should be justified in the first place. Critical for a sound relationship is the quality of the service itself. It is a necessity rather than a sufficient condition. Long-term customers sometimes require more from a long-standing service provider, since they are supposed to know their needs better, and are more sensitive to inadequacies. Service excellence has to be sought at all times, because this capability directly adds value to customer’s business. Strong corporate governance and good leadership, high business standards and ethics could be useful tools to achieve that. Bureaucracy, delivery times, errors should be avoided.

In order to achieve best results customers could be segmented on their orientation towards the seller. And targeting could also help in this case, since better results can be expected, when the needs and expectations of a particular customer group are well known to the service seller. For example, segmentation and targeting could be directed towards short-term or long-term customers. Short-term oriented customers will rely on cues such as reputation or price. In order to change the orientation into long-term one, the service provider should become more intimate and personal with the customer. Relationship building strategies could be based on close proximity of personnel, effective use of CRM software, one-to-one discussions and courtesy calls (Williams, Khan, Ashill, & Naumann, 2011) or trust enhancing behavior like delivering service as promised and investing in specific needs of a customer. Yet another strategy would be to rather focus solely on the customers segment with the highest desire for strong relationships in order to improve the current returns.
Managers should also not forget that loyalty is not only reflected by repeated purchases, but it also
is an affective attachment to the service provider. Affective commitment from a customer’s side may
require seller’s efforts, time and all sorts of investments in the short-term, but in the long-term it generates
word-of-mouth. It is one of the most reliable ways of advertising, especially when the brand identity or
image is missing.

Finally, based on the model presented above, customers could be segmented per phase of
relationship cycle. This way relationship development will be focused towards the relational factor of
importance (i.e. trust, satisfaction or commitment) through strategies incorporating respective influential
factors. In order to track the phase of the relationship cycle, satisfaction and customer feedback polls
could be conducted.

5.3. Limitations and Directions for Future Research

As all the studies, this one has its benefits and drawbacks. First of all, the sample size of articles
analyzed in this study might not be big enough to generate reliable and conclusive results. For the same
reason, due to a small sample of representative articles per service type, I felt that insights per service type
could not be made on a non-biased and reliable level. Therefore, the choice was to generalize rather than
differentiate between the findings presented in the articles. Furthermore, the same reason did not allow to
adopt a more reliable method of research - meta-analysis. It produces findings based on quantitative
analysis of literature with a big sample size, while in this study a more qualitative and exploratory
direction was followed.

Since the nature of this study was qualitative, conceptual linkages between constructs had to be
tracked down by the coding procedure. Although the codes were agreed upon by two researchers, it could
still negatively affect the reliability of the findings. Only a unanimous agreement between a bigger group
of researchers would certainly reduce/remove the possibility of a researcher bias.

A number of limitations could be assigned to the research framework presented in the Synthesis
chapter of the study. Since the model was based on literature review, the validation from the practical
point of view was desirable. The interviewed managers agreed with the overall idea behind the model and
confirmed all the antecedent factors. However, they identified several drawbacks as well. Firstly, the
model is rather robust and based on a “ceteris paribus” condition. Business relationships are very dynamic
and they can move as much backward as they move forward. One of the interviewees asked: “what if at
some point of commitment the customer becomes not satisfied anymore?” I admit that this is a very good
observation and that future research should take this into account. As for this study, the goal was to take a
step forward in loyalty on business services research and to present the first model, integrating the success
factors into the relationship development process. As a result, the presented model is rather “an ideal case scenario” and does not incorporate unpredicted and constantly changing situations.

Another limitation is that the model might have omitted variables, which could potentially exert influence on loyalty development. For example, external factors such as declining market share, might prevent the customer from purchasing. Another possible cause could be technology. For example, a lot of businesses operate on an international level, using internet as a means of communication. It might affect relationship development in a certain way. Most of the interviewees noted that internet facilitates relationship building, although they admitted, that misunderstandings can arise more easily this way than communicating face-to-face. Therefore, it could well be that relationship development pattern for virtual companies is different than the one presented in this paper. Yet, another interviewee suggested that legal factors might have to be considered as well.

Commitment was conceptualized as one construct rather than separate factors (e.g. affective commitment, calculative commitment). The rationale was that commitment is true as long as affective side is taking the leading role, even if calculative commitment is present. This assumption requires further investigation.

No previous research tested the trust-satisfaction-commitment link in business services. The interviewees questioned this sequence saying that commitment was important at the initial stages of the relationship. Once the “hands are shaken”, both parties and especially the service provider has to commit to delivering desirable results to the customer. It should be noted though that this study adopts a customer’s point of view and therefore, commitment to a seller and commitment to a customer are rather different concepts. Commitment from a customer’s point of view refers to attachment to the seller and not switching. Yet another interviewee noticed that cooperation relationships were not taken into account, since in that case commitment should be switched with satisfaction. This sequence should be further investigated and empirically tested in business services’ setting.

Another possible limitation could be that the model is too relational in its nature. Since business customers are profit seeking organizations in the first place, they might be more interested in value, actual returns and, in general, rational motivations. Yet, most of the interviewees from small and medium-sized companies emphasized the big role of relationships. It could be that relational/rational orientation is moderated by the size of the companies or the level of competition. Further studies could investigate if these factors have any moderating role.

Another possible limitation is that the study adopted a customer’s point of view. Dyadic insight could provide with a better understanding of the relationship development. Future research should take this into account.
Not all the linkages in the model were proposed based on findings in the literature and some new factors were incorporated. The model is conceptual and should be tested empirically in the future. Furthermore, not only linear, but also reciprocal effects between the constructs could be analyzed.

So far, based on the analysis of studies, services, where interaction is important (e.g. a service requires high customization), interpersonal factors had effect on organizational loyalty. Future research could continue this trend in research by testing and comparing factors on an individual level and their influence on an organizational level. Also, it is advisable to take qualitative interviews to explore loyalty in business services, since there is a lack of interest on the topic. Also comparisons across cultural contexts are scarce in literature, although the interviewed managers noticed that culture does play a big role in business relationships. Research on cultural impact should receive more attention, especially due to growing internationalization of trade.

Finally, only few studies studied the strength of the same factors on different relational mediators. It also seemed that most of the time the choice of the relevant mediator was the choice of the author’s discretion. Future studies should investigate the strength of effect between constructs in order to present more reliable results. Otherwise, the linkages a lot of the time can be put in wrong order.

To sum it all up, the findings of this study should not be treated as final and non-questionable. The goal of this master thesis was to give an insight into the development of loyalty in business services and factors, determining it and by doing so to induce further explorations in a significantly under-researched area. Subsequent research in this field is certainly timely and warranted.
REFERENCES


## APPENDICES

### Appendix A. The Final Set of Articles

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Title</th>
<th>Year</th>
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<tbody>
<tr>
<td>1 Morgan and Hunt</td>
<td>The Commitment-Trust Theory of Relationship Marketing</td>
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<td>2 Reddy and Czepiel</td>
<td>Measuring and Modeling the Effects of Long-Term Buyer-Seller Relationships in Corporate Financial Services Markets</td>
<td>1999</td>
</tr>
<tr>
<td>3 Rao</td>
<td>The Impact of Internet Use on Inter-firm Relationships in Service Industries</td>
<td>2002</td>
</tr>
<tr>
<td>5 Bolton et al.</td>
<td>Striking the Right Balance: Designing Service to Enhance Business-to-Business Relationships</td>
<td>2003</td>
</tr>
<tr>
<td>6 Taylor and Hunter</td>
<td>An Exploratory Investigation into the Antecedents of Satisfaction, Brand Attitude, and Loyalty within the (B2B) eCRM Industry</td>
<td>2003</td>
</tr>
<tr>
<td>7 Kumar and Grisaffe</td>
<td>Effects of Extrinsic Attributes on Perceived Quality, Customer Value, and Behavioral Intentions in B2B Settings: A Comparison Across Goods and Service Industries</td>
<td>2004</td>
</tr>
<tr>
<td>10 Bennett et al.</td>
<td>Experience as a Moderator of Involvement and Satisfaction on Brand Loyalty in a Business-to-Business Setting 02-314R</td>
<td>2005</td>
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<tr>
<td>11 Gounaris</td>
<td>Trust and Commitment Influences on Customer Retention: Insights from Business-to-Business Services</td>
<td>2005</td>
</tr>
<tr>
<td>12 Palmatier et al.</td>
<td>Factors Influencing the Effectiveness of Relationship Marketing: A Meta-Analysis</td>
<td>2006</td>
</tr>
<tr>
<td>14 Rauyruen and Miller</td>
<td>Relationship Quality as a Predictor of B2B Customer Loyalty</td>
<td>2007</td>
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<td>15 Russell-Bennett et al.</td>
<td>Involvement, Satisfaction, and Brand Loyalty in a Small Business Services Setting</td>
<td>2007</td>
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<tr>
<td>17 Chandrashekaran et al.</td>
<td>Satisfaction Strength and Customer Loyalty</td>
<td>2007</td>
</tr>
<tr>
<td>18 Huang et al.</td>
<td>Factors Affecting Customer Loyalty to Application Service Providers in Different Levels of Relationships</td>
<td>2008</td>
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<tr>
<td>20 Lee and Bellman</td>
<td>An Augmented Model of Customer Loyalty for Organizational Purchasing of Financial Services</td>
<td>2008</td>
</tr>
<tr>
<td>21 Farn and Huang</td>
<td>Exploring Determinants of Industrial Customers Loyalty on Service Providers in the E-business Environment – the Perspective of Relationship Management</td>
<td>2008</td>
</tr>
<tr>
<td>22 Čater and Zabkar</td>
<td>Antecedents and Consequences of Commitment in Marketing Research Services: The Client’s Perspective</td>
<td>2009</td>
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<tr>
<td>23 Wallenburg</td>
<td>Innovation in Logistics Outsourcing Relationships: Proactive Improvement by Logistics Service Providers as a Driver of Customer Loyalty</td>
<td>2009</td>
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<td>25 Yanamandram and White</td>
<td>An Empirical Analysis of the Retention of Dissatisfied Business Services Customers Using Structural Equation Modelling</td>
<td>2010</td>
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<td>26 Cahill et al.</td>
<td>Customer Loyalty in Logistics Outsourcing Relationships: an Examination of the Moderating Effects of Conflict Frequency</td>
<td>2010</td>
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<tr>
<td>30 Hartmann and De Grahl</td>
<td>The Flexibility of Logistics Service Providers and its Impact on Customer Loyalty: an Empirical Study</td>
<td>2011</td>
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</table>
Appendix B. Interview Template

Type of service: _____________________________
Size of the company: micro (<10), small (10<50), SME (50<250), big (>250)
Position in a company/function: _____________________________

Loyalty Definition

1. How would you define a loyal customer?

Determinants of Loyalty

2. Why do you think loyal customers choose your company over others? What are the main reasons?
3. Do interpersonal relationships matter in building long-term relationships or does it more depend on price and rational motivations?
4. Based on your experience, what do you think are the factors that contribute most to customers’:
   a) trust __________________________________________
   b) satisfaction ______________________________________
   c) commitment to your company _______________________

5. What are the most difficult parts in the process of relationship building?
6. Do conflicts arise? Why?
   - How do you solve them?
   - Is it possible to completely fix these conflicts or is there always damage left?

Loyalty Development

7. How does loyalty development take place at your company? Could you, please, describe the process?
8. How is the relationship maintained – e.g. do long-term customers receive benefits for staying loyal to your company? How do you make sure that a customer stays with your company?

Impact of Culture

8. Do you have international customers?
   - How do they differ from the Dutch ones?
   - Do they have different needs or perceptions regarding service delivery and quality?
   - Is relationship building process different? How?
   - Do you think the fact, that this company is Dutch, has a positive influence on the initial trustworthiness?

Impact of Internet

9. Is internet used as a means of communication? Does it hinder or facilitate the communication?

Model Validation

10. Please, take a close look at the model. What are the things that catch your attention in the model?
    - What are the advantages?
    - What are the drawbacks?
    - What is there still to be taken into account?
11. Do you think it is a good representation of customer loyalty development? Why? Why not?
12. Do you have any other remarks regarding the topic loyalty in business services?
## Appendix C. Multiple Levels of Analysis Adopted in the Articles

<table>
<thead>
<tr>
<th>Author</th>
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<td>Bolton, Smith, &amp; Wagner, 2003</td>
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<td>Gounaris, 2005</td>
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<tr>
<td>Palmatier, Dant, Grewal, &amp; Evans, 2006</td>
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</tr>
<tr>
<td>Jayawardhena, Souchon, Farrell, &amp; Glanville, 2007</td>
<td>individual</td>
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<tr>
<td>Rauyruen &amp; Miller, 2007</td>
<td>Individual</td>
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<td>Yanamandram &amp; White, 2010</td>
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## Appendix D. Description of Theories Used as Basis for the Studies

<table>
<thead>
<tr>
<th>Theory</th>
<th>Description/Characteristics</th>
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</thead>
</table>
| **Social Exchange Theory**    | 1. “Parties enter into exchange relationships expecting that the relationship will be rewarding” (Briggs, Landry, & Daugherty, 2007, p. 1145).  
2. Both - social and economic factors are taken into account (Cahill, Goldsby, Knemeyer, & Wallenburg, 2010).  
3. Costs and benefits associated with relationships are constantly weighted (Williams, Khan, Ashill, & Naumann, 2011).  
4. Relationships, which provide more rewards than costs, create enduring mutual trust and attraction (Friman, Garling, Millett, Mattsson, & Johnston, 2002). |
| **Relationship Marketing**    | A process of attracting, maintaining and enhancing customer relationships (Berry, 1983). This can be achieved by:  
a) understanding the customer needs,  
b) treating customers as service partners,  
c) ensuring that employees satisfy customer needs,  
d) providing customers with the best possible quality (Evans & Laskin, 1994, p. 440). |
| **Interdependence Theory**    | The decision whether to remain in a relationship is strongly related to the degree of dependence on that relationship - the company has no other choice, but to stay in this relationship (Yanamandram & White, 2006). For example, there is no other service provider nearby or the choice is very limited. |
| **Relational Exchange Theory**| 1. Motivations for transactional and relational exchange differ.  
2. Transactional exchange is motivated by satisfaction and evaluation.  
3. Relational exchange is motivated by trust and commitment. (Huang, Leu, & Farn, 2008) |
| **Commitment-Trust Theory**   | Commitment and trust are positioned as key mediating variables between antecedents (relationship termination costs, relationship benefits, shared values, communication, and opportunistic behavior) and outcomes (acquiescence, propensity to leave, cooperation, functional conflict, and decision-making uncertainty) in a relational exchange (Morgan & Hunt, 1994). |
| **Resource Exchange Theory**  | 1. Social resources are more likely to be exchanged in a personal relationship (e.g., service agent-customer).  
2. Economic resources are more likely to be exchanged in an impersonal relationship (between two organizations). (Bolton, Smith, & Wagner, 2003) |
| **Internet Marketing**        | “All the on-line activities that use interactive electronic dialogue with individuals in the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create direct or indirect exchanges (and personalized relationships where they are relevant) that satisfy individual and organizational goals” (Rao, 2002, p. 10). |
| **Transaction Cost Economics**| 1. Monitoring mechanism controls opportunism in exchange relationships (Hansen, Samuelsen, & Silseth, 2008).  
2. The need for safeguarding increases monitoring costs (Hansen, Samuelsen, & Silseth, 2008).  
3. Relations that require specific investments create dependence and vulnerability to opportunistic “hold-up” (Woolthuis, Hillebrand, & Nooteboom, 2005).  
4. Trust is not a reliable safeguard against opportunism (Woolthuis, Hillebrand, & Nooteboom, 2005). |
| **Expectancy Theory**         | An individual’s motivational force to switch is influenced by the perceived attractiveness of the reward (Pizam & Milman, 1993). In a B2B service-switching context, this suggests that a key decision maker would be induced to switch if a reputable alternative service provider were available, offering an attractive benefit of sufficient magnitude to offset any switching barriers (Naumann, Haferila, Khan, & Williams, 2010). |
| **Theory of Self Perception** | 1. Business owners often link success or failure of their business to themselves, since they perceive business as an extension of themselves.  
2. In order to keep the balance between their self-images and business outcomes, business owners may become more or less involved in key decisions and events.  
3. For example, if they are dissatisfied with a purchase of service, they may distinct themselves from the perceived problem by becoming less involved. On the contrary, if they are satisfied with it, they may become more involved. (Russell-Bennett, McColl-Kennedy, & Coote, 2007) |
## Appendix E. Breakdown of Articles by Service Type and Location of Research

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<td>Greece</td>
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<td>Williams et al., 2011</td>
<td>Naumann et al., 2010;</td>
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# Appendix F. Articles Representative of Loyalty Conceptualization Dimensions

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<td>Russell-Bennett, McColl-Kennedy, &amp; Coote, 2007</td>
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<td>Attitudinal and behavioral (intentions)</td>
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<td>Behavioral (intentions) and cognitive</td>
<td>Gounaris, 2005; Briggs, Landry, &amp; Daugherty, 2007;</td>
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<td>Behavioral (intentions)</td>
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<tr>
<td>Behavioral (actions)</td>
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<td><strong>total</strong></td>
<td><strong>30</strong></td>
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Appendix G. Interview with Company A

Type of service: software development, network services, software application services, narrow casting services

Size of the company: micro (<10), small (10<50), SME (50<250), big (>250)

Position in a company/function: CEO, director

Loyalty Definition

1. How would you define a loyal customer?
   
   It is most likely to be all about trust and not violating it. If there is a project conducted the goal is not to have a single order, but more than that. I expect involvement. Also, in a competitive environment, when investments are made, I expect at least to be in the speaking terms. I would also say that in countries such as Netherlands relationships revolve around the price and service itself; whereas in France, Belgium, Asian countries relationships are more dependent on trust building (i.e. you are expected to quote the right price). For example, once I and my Dutch partner went to an Asian country. Since he did not fancy the project anymore, he put a high price on it, which basically resulted in “the loss of face” (in Japan).

Determinants of Loyalty

2. Why do you think loyal customers choose your company over others/what are the main reasons?

   In a very competitive environment (e.g. hosting services), it is very easy to switch, since many alternatives are available. Loyalty in this sort of a context does not count for much, profit margins are less than 2%. The more service there is involved the more difficult it becomes to switch. With bigger customers relationships last longer, due to investments and time spent on these relationships. When the relationship is built on trust (i.e. there is an interpersonal relationship), the formal, legal part is simply overgrown at some point.

   In narrow casting (placing screens), there is no loyalty on the one hand; however, on the other hand “some loyalty” could be assigned due to high prices of screens, long-term contracts. The initial phase before even signing the contrast takes up to 3-6 months.

3. Do interpersonal relationships matter in building long-term relationships or does it more depend on price and rational motivations?

   It is a cultural difference. In fact, both of them matter. Organizational relationships are built on formal grounds. Interpersonal relationships matter; therefore, we assign same people to the same clients, so there is no change and the environment is stable. If the personal relationship is table then the relationship development is persisted. If both: the organizational and personal relationships are bad, the customers will reassess the relationship. Even if only the organizational relationship is damaged, personal relationships cease to exist. It is important to add, that it is also sector dependent (in terms of high competitiveness, switching is much more likely).

4. Based on your experience, what do you think are the factors that contribute most to customers ‘:
   a) trust ______________________________________________________________________
   b) satisfaction: price
   c) commitment to your company __________________________________________________

   Trust is an antecedent of a relationship; it makes commitment increase and finally leads to increased satisfaction. However, if trust is damaged, it will lead to relationship reassessment and then both satisfaction and commitment can be reset. Satisfaction is a mutually reached objective. And it is the only
thing that matters in a high competition environment (e.g. price can determine satisfaction). Commitment is based on knowledge sharing, being able to solve problems and delivering in general. When adaptations are needed, commitment becomes important. For example, in software development, you have to know the preferences of a customer. So the service is either delivered through development of a relationship (team efforts are required) or the service is delivered simply as it is. In that case commitment is not needed.

5. What are the most difficult parts in the process of relationship building?
At first, the initialization takes place; you have to know the objectives you want to reach. Later on, you have to build the relationship continually through building of trust, communication, meeting deadlines and etc. In terms of legal issues it is important to note that the formal part overcomes the personal relationships. But when it comes to dealing with troubles, communication is the most important factor. You have to make sure that you communicate clearly, this way another party is much more likely to actually understand it.

6. Do conflicts arise? Why?
Always. Due to cultural organizational differences (e.g. wrong expectations) or misinterpretations of contracts. Mostly conflicts are caused by damage in trust.

- How do you solve them?
By communication. Causes of the conflict could be simple, such as price. Although with Asian customers it will be much more difficult than with the Dutch ones, because Asians tend to be indirect about it.

- Is it possible to completely fix these conflicts or is there always damage left?
Relationships always change. After the conflict, you know the expectations of a customer better, you reconsider certain aspects. However, a conflict could also lead to escalation. So there are pluses and there are minuses.

Loyalty Development
7. How does loyalty development take place at your company? Could you, please, describe the process?
We stay in touch mostly, deliver what we are asked. Communication is a tool to prevent bad things from happening as well as to solve them.

8. How is the relationship maintained – e.g. do long-term customers receive benefits for staying loyal to your company? How do you make sure that a customer stays with your company?
In software development due to service customization, adaptations and investments, there is high loyalty. In a more competitive environment, pricing strategies are common. However, I would rather add extra service than cut the price, since this way the return is higher.

Impact of Culture
9. Do you have international customers?
Yes. English, German, Belgian, Dutch, Asian.

- How do they differ from the Dutch ones?
Asian, French, Belgian are more relationship oriented.

- Do they have different needs or perceptions regarding service delivery and quality?
No difference from my experience.
- Is relationship building process different? How?
Rational customers discuss business right on a table and do not get deep into the needs (German, English and Asian discuss prices and contracts); while relationally oriented customers deal with these matters outside of the office and initial talks are not about contracts, but rather the business itself and getting to know each other better.

- Do you think the fact, that this company is Dutch, has a positive influence on the initial trustworthiness?
It seems that Dutch companies are known “to deliver”. But it worthy to note that, for example, for Germans it is easier to deal with the Dutch companies than with Spanish due to strict rules they expect to be followed.

Impact of Internet
10. Is internet used as a means of communication? Does it hinder or facilitate the communication?
Yes, it does facilitate the communication. We use skype, e-mail, and video conferencing on a regular basis in order to contact our international customers. It is also because of the services we provide, which are internet related.

Model Validation
11. Please, take a close look at the model. What are the things that catch your attention in the model?
- What are the advantages?
It seems to represent a service or a product selling. Factors seem to be representative.

- What are the drawbacks?
It does not take cooperational relationships into account, because in that case commitment should be switched with satisfaction)

- What is there still to be taken into account?
Legal factors (they would probably affect satisfaction).
Also organizational culture matters. For example, there is a Dutch company, which is really hard on negotiations and once the customer signs the contract, he/she is expected to hold it, no matter what. In this case, switching is hard due to imposed stringent organizational culture.

12. Do you think it is a good representation of customer loyalty development? Why? Why not?
In general yes, although maybe the stages should not be as linear. There is a beginning (1,2 stages) and the final end of a relationship, the rest is more context dependent and more dynamic (i.e. 3,4, stages).

13. Do you have any other remarks regarding the topic loyalty in business services?
No.
Appendix H. Interview with Company B

Type of service: Research & Consultancy
Size of the company: **micro** (<10), small (10<50), SME (50<250), big (>250)
Position in a company/function: CEO, owner

**Loyalty Definition**

1. **How would you define a loyal customer?**
   A loyal customer is certainly the one who comes back to you, but also the one that recommends my company to others.

**Determinants of Loyalty**

2. **Why do you think loyal customers choose your company over others/ what are the main reasons?**
   First of all because of what I do – it is a very narrow field of research expertise. Secondly, because of word-of-mouth and recommendations of others.

3. **Do interpersonal relationships matter in building long-term relationships or does it more depend on price and rational motivations?**
   In my business interpersonal relationships are more important.

4. **Based on your experience, what do you think are the factors that contribute most to customers’:**
   a) trust
   b) satisfaction
   c) commitment to your company

5. **What are the most difficult parts in the process of relationship building?**
   The most difficult part is to get a customer that is interested in my services. Sometimes it's more difficult than building a relationship itself.

6. **Do conflicts arise? Why?**
   Mostly it is not conflicts, more like misunderstandings. It depends on the customer and communication. How they perceive my abilities to help them. These are very small misunderstandings. Mostly they appear through e-mail conversations, due to the professionally used language.

   - **How do you solve them? Through face-to-face conversations**
   - **Is it possible to completely fix these conflicts or is there always damage left?**
   Most of the time they are. Although once I had a customer, who wanted me to do a data analysis and we agreed on how we are going to do it. Later on, he required things, which were not within the budget anymore. So in that case you cannot solve it. Because I say it is not within the budget, and he says it is not. You cannot really solve. So I think most of such conflicts are based on budget.

**Loyalty Development**

7. **How does loyalty development take place at your company? Could you, please, describe the process?**
   First, trust is why I get to do a project. Initial trust has to be there. Then I show commitment to the company by doing a project and at the end, there’s a satisfaction. But then it goes back to trust again (it could increase or decrease). This process seems to have a circular mechanism.
8. How is the relationship maintained – e.g. do long-term customers receive benefits for staying loyal to your company? How do you make sure that a customer stays with your company?
No benefits. But what matters for maintaining a customer is interpersonal relationships, and, of course, expertise (there is a lack of known alternatives). They also like me as a person, because I make the deadlines, I commit to the project and I bring a good end result. So they either come back or they recommend me to others.

Impact of Culture

9. Do you have international customers?
Not yet.

- How do you think they would differ from the Dutch ones?
I expect interpersonal relationships to count more in Asian countries. The communication is mostly via e-mail, to call is too big of a challenge, because it is very hard to understand them.

- Would they have different needs or perceptions regarding service delivery and quality?
- Would relationship building process be different? How?
- Do you think the fact, that this company is Dutch, would have a positive influence on the initial trustworthiness?
Yes (not only e-mail, websites are very useful for customers to see what I do, a sort of justification. The Netherlands have a quite good image – we are not perceived to have corruption and we are healthy.

Impact of Internet

10. Is internet used as a means of communication? Does it hinder or facilitate the communication?
Yes. It facilitates in international context for sure, so it does for local customers – it is way easier to find customers through internet.

Model Validation

11. Please, take a close look at the model. What are the things that catch your attention in the model?
- What are the advantages?
- What are the drawbacks?
- What is there still to be taken into account?
Sometimes stability is not there (when there is a single transaction), so they do not come back even if they are very satisfied. They also cannot commit. It depends on a type of service.

12. Do you think it is a good representation of customer loyalty development? Why? Why not?
In general yes. But the process should be more dynamic. Because what if at the stability phase, the customer is not satisfied anymore? You should be able to go down these steps. Then the development phase should be something else, because development took place already. Development could last very long, while stability could be short. So the model should have a more circular mechanism of dynamics.

13. Do you have any other remarks regarding the topic loyalty in business services?
No.
Appendix I. Interview with Company C

Type of service: employment services (temp-agency) __________________________
Size of the company: micro (<10), small (10<50), SME (50<250), big (>250)
Position in a company/function: operations manager __________________________

Loyalty Definition

1. How would you define a loyal customer?
A loyal customer pays bills in time and seeks for development of business (partnership, collaboration). The customer who buys more is more loyal.

Determinants of Loyalty

2. Why do you think loyal customers choose your company over others? What are the main reasons?
People, who work here, make the difference, because service as such is not a differentiator. It can be provided next door as well.

3. Do interpersonal relationships matter in building long-term relationships or does it more depend on price and rational motivations?
It mostly depends on interpersonal relationships. However, we have offices around city centers (1-2 persons are employed) – then price is not an issue, interpersonal relationships matter most. We also have in-house – where 50-300 people are employed a day. This requires flexibility, price is a major player as well as process, extra services.

4. Based on your experience, what do you think are the factors that contribute most to customers’:
   a) trust _______________________________________________________________________
   b) satisfaction __________________________________________________________________
   c) commitment to your company ____________________________
   I see it more as a process.

5. What are the most difficult parts in the process of relationship building?
Relationship building takes time. It is also important to note, that employees here once a year change their jobs. The communication is taking place between our employee and another company's (our customer's) employee. Due to rotation, this interpersonal relationship is hard to maintain.

6. Do conflicts arise? Why?
Yes. Mostly it is related to the quality of people we “trade”.

- How do you solve them?
By replacing people, but it does not always work out. We also try to give more attention to management. There is not much else to be done; we do not fancy the idea of lowering the price.

- Is it possible to completely fix these conflicts or is there always damage left?
If it is a serious conflict, there will be damage left, due to damaged trust.

Loyalty Development

7. How does loyalty development take place at your company? Could you, please, describe the process?
From day one there has to be commitment from both sides to work towards the goals. Commitment does not come naturally, it requires investment. Then trust is built is built on the basis of the belief. If the belief
is justified, a customer becomes more confident with the relationship. Finally, satisfaction should be there all the time, because without it, the rest does not make sense.

8. How is the relationship maintained – e.g. do long-term customers receive benefits for staying loyal to your company? How do you make sure that a customer stays with your company? We do not provide benefits, due to low margins. However, we try to give a lot of attention to the customers: by taking them to football matches and organizing parties, lunch and etc.

Impact of Culture

9. Do you have international customers? No.

- How do you think they would differ from the Dutch ones? There is a language barrier.

- Would they have different needs or perceptions regarding service delivery and quality?
- Would relationship building process be different? How?
- Do you think the fact, that this company is Dutch, would have a positive influence on the initial trustworthiness?
I think it is not about the Netherlands being trustworthy, but more about the fact that the company formulates its own image around the fact that “the service comes from the Dutch company”.

Impact of Internet

10. Is internet used as a means of communication? Does it hinder or facilitate the communication? Yes. It facilitates. Websites are very useful for both: businesses who need employees and customers, who seek jobs. E-mail is a useful means of communication.

Model Validation

11. Please, take a close look at the model. What are the things that catch your attention in the model?
- What are the advantages?
- What are the drawbacks?
- What is there still to be taken into account?
It seems that description of commitment is a matter of conceptualization. Initial trust is related to commitment, because both parties agree to make it work. Therefore, it should be in the beginning of the relationship. Once the businessmen shake hands, they sort of commit to each other.

12. Do you think it is a good representation of customer loyalty development? Why? Why not?
Yes, it is a very nice model.

13. Do you have any other remarks regarding the topic loyalty in business services? No.
Appendix J. Interview with Company D

**Type of service:** marketing agency, consultancy on loyalty of existing customers

**Size of the company:** micro (<10), small (10<50), SME (50<250), big (>250)

**Position in a company/function:** owner, CEO ________________

**Loyalty Definition**

1. **How would you define a loyal customer?**
   There are two questions that should be answered in this case. First, do you feel you have a relation to someone? Second, do you feel you have a relation to a brand? The stronger the customer feels related to the two, the more loyal and less willing to switch he is.

**Determinants of Loyalty**

2. **Why do you think loyal customers choose one company over the other? What are the main reasons?**
   There are three main reasons or conditions for that.
   a) the basic condition is that everything related to 4Ps should be ok.
   b) a brand has to be justified, there has to be brand identity. For example, two different examples are low cost Easy Jet vs. high quality of KLM or Lufthansa. A customer either finds it appealing or not.
   c) customer relations have to be developed. This is the best and the most differentiating way. The closer the relationship, the more likely that a company can generate more value out of it and the more likely it is, that a customer will not switch.

3. **Do interpersonal relationships matter in building long-term relationships or does it more depend on price and rational motivations?**
   If there is intimacy, the communication between two parties will be easier. It can be that if there is no interpersonal relationship, there will be no business. However, if there is business it does not necessarily mean that there has to be intimacy. The main condition is that 4Ps have to be present. When they are set, personal relationships come into play and become a differentiator.

4. **Based on your experience, what do you think are the factors that contribute most to customers’:**
   a) trust ____________________________________________
   b) satisfaction __________________________________________________________________
   c) commitment to your company ___________________________________________________
   To have a good relationship trust and satisfaction become conditions, which have to be implemented. Commitment is the result of the two. If there is no commitment, relationship ends quickly. On the contrary, the higher the trust and satisfaction, the higher the commitment.

5. **What are the most difficult parts in the process of relationship building?**
   Relationship building process is very individual; there is no general way of relationship building. It is difficult. You can manage 4Ps or work on the image, but the greatest challenge is to interact in the right way.

6. **Do conflicts arise? Why?**
   Yes. It might happen because the trust is broken. It means that expectations are not met or the current standards are too low.

   - **How do you solve them?**
   The service provider should make sure that he knows exactly what the expectations are. This will assure that no conflicts arise. Otherwise, there will be problems.
- Is it possible to completely fix these conflicts or is there always damage left?
Well, a conflict can also be a chance to improve the relation if it is handled correctly – by having a dialogue.

**Loyalty Development**

7. How does loyalty development take place at your company? Could you, please, describe the process?
Well we focus on customer loyalty development - that is out area of consulting. In order to set up loyalty, “ideal circumstances” have to be created. It is important to note, that basically it is the behavior of people, which determines loyalty as such. Therefore, for a relationship to be sound, behavior of the people should be trained.
There are four “ideal circumstances”, through which loyalty can be developed. Firstly, there has to be a brand identity. A lot of companies do not have it. “Who are you?” – what is your story, values, promises and etc. Secondly, the company cannot not satisfy everyone, so target groups of customers should be chosen (“who are the customers?”; is it one or more groups?; what are the needs of these groups?”)
Thirdly, strategy and goals should be present (i.e. loyalty strategy). How do I make my customers more loyal? Based, on first and second points. Finally, touch points have to be set (contact with a customer). In b2b there is more interaction, mostly one way oriented, and process driven, like handling invoices, catalogues and etc. For example, when companies have high market oriented advertising, the actual contact is very poor; therefore, hardly any added value is generated. While, for example, building a program, where individual needs of a customer are addressed is completely different. CRM, online websites, interaction with a sales representative deliver way more value, because this way a customer can express his opinion, requirements and they will be taken into account. As mentioned before, it is very important to train the behavior of people; this will improve communication and strengthen the relationship.

8. How is the relationship maintained – e.g. do long-term customers receive benefits for staying loyal to your company? How do you make sure that a customer stays with your company?
Customers have different needs, based on the lifecycle stage they are in. Experienced customers can be happy (in that case providing WOM) or unhappy. What matters is how you communicate (frequency of interaction, the speed of feedback, via e-mail and/or sales representatives).

**Impact of Culture**

9. Do you have international customers?
No.

- How do you think they would differ from the Dutch ones?
- Would they have different needs or perceptions regarding service delivery and quality?
- Would relationship building process be different? How?
Customers from different cultural background may have different needs, but one should not generalize. Communication might have to be different with Dutch customers and with German customer, who tend to be more formal. Expectations might differ. Also in the Netherlands communicating via e-mail is normal, while in Senegal… It could be different.

- Do you think the fact, that the company is Dutch, would have a positive influence on the initial trustworthiness?
I think this is very personal. In some cases, a Dutch company might have a good and trustful reputation. While, for example, when payments in cash are required, the Dutch companies have a disadvantage.
Impact of Internet

10. Is internet used as a means of communication? Does it hinder or facilitate the communication?
Yes. It facilitates, because it is an additional social means of communication. In general the customer picks the way he wants to be informed and how he should receive information. A younger customer might prefer e-mail, while an older one – post, although in general, more and more choose internet.

Model Validation

11. Please, take a close look at the model. What are the things that catch your attention in the model?
- What are the advantages?
- What are the drawbacks?
- What is there still to be taken into account?
Well, in general the sequence seems to be logical. Reputation is important, communication as well. I would say that value should be present in the exploration phase. Uncertainty – within EU it’s easier to trade than with China.

It is important to note that not every satisfied customer is loyal and that conflict can have a positive effect as well.

I do agree that both affective and rational factors comprise the determinants of loyalty. In general, as an owner of a company, I do see all the paths between the variables in the model as logical. Some factors are more important when the relationship is about to end and when switching is considered.

12. Do you think it is a good representation of customer loyalty development? Why? Why not?
Yes, the sequence and the linkages are logical, in my opinion.

13. Do you have any other remarks regarding the topic loyalty in business services?
No.