University of Tartu
Faculty of Economics and Business Administration

AFFECTING CUSTOMER LOYALTY: DO DIFFERENT FACTORS HAVE VARIOUS INFLUENCES IN DIFFERENT LOYALTY LEVELS?

Andres Kuusik

Tartu 2007

Affecting customer loyalty:
do different factors have various
influences in different loyalty levels?

Andres Kuusik[1]

Abstract

The current paper studies the influence of various factors on customer loyalty. The main hypothesis of the study insists that the list of most important factors affecting loyalty is dependant on the level of loyalty of costumers. LOGIT method was used for testing the hypotheses on the sample of survey data about 1000 private customers of the biggest telecommunication company in Estonia. The results reveal that four analysed factors affecting customer loyalty (satisfaction, trustworthiness, image and importance of relationship) are playing different role on the different levels of customer loyalty.

[1] University of Tartu, Faculty of Economics and Business Administration, PhD Student, MA (Econ.), Narva Rd. 4–A214, Tartu 51009, Estonia, e-mail: Andres.Kuusik@ut.ee

INTRODUCTION

Recent years have shown a growing interest in customer loyalty. The globalisation of competition, saturation of markets, and development of information technology have enhanced customer awareness and created a situation where long-term success is no longer achieved through optimised product price and qualities. Instead, companies build their success on a long-term customer relationship. According to former studies, it can cost as much as 6 times more to win a new customer than it does to keep an existing one. (Rosenberg *et al*. 1984: 45) Depending on the particular industry, it is possible to increase profit by up to 60% after reducing potential migration by 5%. (Reichheld 1993: 65) Hence we can see that the increase and retention of loyal customers has become a key factor for long-term success of the companies. The main emphasis in marketing has shifted from winning new customers to the retention of existing ones.

Traditionally there are two approaches to treat customer loyalty. Some researchers have investigated the nature of different levels of loyalty, others have explored the influence of individual factors on loyalty. In this article both treatments are combined. The starting point of the paper is to test whether the list of most important factors affecting customer loyalty is dependant on the levels of loyalty of costumers. More specifically the current paper is going to estimate which specific factors in telecommunication sector influence the loyalty rate of the various customers segmented by loyalty.

The potential for establishing loyalty depends on the object (i.e. product or vendor), on the subject (customer) or on the environment (market, other suppliers etc.). This paper focuses on the analysis of object-related factors that are subject to direct impact by companies.

In order to achieve the objective of this paper, the author undertakes to:
- Find a method for categorisation of customer according to loyalty;

- Find the key factors that have impact on loyalty;
- Set up hypotheses and create relevant model for the loyalty in the telecommunication company;
- Analyse the model and test the hypotheses.

The first section of the paper presents an overview about the previous research on customer loyalty. The second section is devoted to the construction of a theoretical model, followed by the description of the research object and methods. The last section presents the results and provides the discussion. The impact of the various factors on loyalty is explored by the example of firm Elion – the leading telecommunication provider in Estonia. The data used for the analysis originate from Elion Customer Satis-faction Survey carried out in November 2003. The survey contains information about 1000 private customers. LOGIT method is used for testing the hypotheses. Software packages MS Excel 2000 and Stata 9.2 have been used for data processing.

LITERATURE OVERVIEW

Segmentation based on customer loyalty

There are multiple approaches to customer loyalty. Theories of behavioral loyalty were dominating until 1970 considering loyalty as the function of the share of total purchases (Cunningham 1956:118; Farley 1964:9), function of buying frequency or buying pattern (Tucker 1964: 32; Sheth 1968: 398) or function of buying probability (Harary *et al.* 1962; McConnell 1968:14; Wernerfelt 1991: 231). These approaches looked at brand loyalty in terms of outcomes (repeat purchase behavior) rather than reasons, until Day (1969) introduced the two-dimensional concept of brand loyalty, which stated that loyalty should be evaluated with both behavioral and attitudinal criteria. Contemporary researches consider and accent the psychological (mostly attitudinal and emotional) factor of loyalty (Jacoby *et al.* 1973:2; Oliver 1999: 34; Chaudury 1995: 28; Djupe 2000: 79; Reichheld 2003: 47). There are also

approaches comparing loyalty with marriage (Hofmeyr *et al.* 2000: 53–83; Lewitt 1983: 89; Dwyer *et al.* 1987: 14).

These different approaches allow distinguishing customers as whether behaviorally or emotionally loyal. Behaviorally loyal customers act loyal but have no emotional bond with the brand or the supplier whereas emotionally loyal customers do. Jones and Sasser call these two kind of loyalty accordingly false or true long-term loyalty (Jones et al. 1995: 90). Hofmeyr and Rice (2000: 87) divide customers to loyal (behavioral) or committed (emotional). Emotional loyalty is much stronger and longer lasting than behavioral loyalty. It's an enduring desire to maintain a valued relationship. The relationship is so important for the customer that he or she makes maximum efforts to maintain it. (Morgan *et al.* 1995: 24; Reichheld 2003: 9; Moorman *et al.* 1992: 316) Highly bonded customers will buy repeatedly from a provider to which they are bonded, recommend that provider to others, and strongly defend these choices to others – insisting that they have chosen the "best" product or service. (Butz *et al.* 1996: 65)

Behaviorally loyal customers could be divided to sub-segments by the reason of acting:
- Forced to be loyal,
- Loyal due to inertia or
- Functionally loyal.

Customers are forced to be loyal when they have to be clients even if they do not want to. Customers may be forced to consume certain products or products/services offered by certain vendor e.g. when the company acts as a monopoly or the poor financial status of the customer is limiting his selection of goods. Grönholdt, Martensen and Kristensen have found that companies with low price strategy had a much higher loyalty than expected from their customer satisfaction. On the other hand, companies that had used a lot of energy on branding indeed had a high customer satisfaction but they did not have a correspondingly high loyalty. (Grönholdt *et al.* 2000: 512) Forced loyalty could be established trough creating exit barriers as well.

Loyal behaviour may also result from inertia – customer does not move to another vendor due to comfort or relatively low importance of operation – if the choice has low importance, there is no point to spend time and effort on searching for alternatives. Thus, based on his faith in the suitability of the current product, the customer continues to use it without checking alternatives. It's in accordance to Oliver's approach of cognitive loyalty: the loyalty that is based on brand belief only. "Cognition can be based on prior or vicarious knowledge or on recent experience-based information. If the transaction is routine, so that satisfaction is not processed (e.g. trash pickup, utility provision), the depth of loyalty is no deeper than mere performance." (Oliver 1999: 35) Hofmeyr and Rice (2000: 23) say that one of the reasons that customers don't switch brands when they are dissatisfied is that they feel that the alternatives are just as bad as the brand they are using or even worse. Inertia may be caused also by lack of information about attractive characteristics of the brands (Wernerfelt 1991:231).

Functionally loyal customers are loyal because they have an objective reason to be. Wernerfelt points out "cost-based brand loyalty" where brand utilities have a positive influence on brand choice. (Wernerfelt 1991:231) Functional loyalty can be created by functional values using price, quality, distribution, usage convenience of a product or through different loyalty programs (points, coupons, games, draws etc.) giving a concrete reason to prefer certain supplier. Unfortunately competitors can most easily copy functional values. Thus, creating functional value offers a fleeting competitive advantage: functional loyalty can't be very long lasting. (Barnes 2003: 8)

Jones and Sasser (1995:94) propose three measures of loyalty that could be used in segmentation by loyalty:
- **Customer's primary behavior** – recency, frequency and amount of purchase;
- **Customer's secondary behavior** – customer referrals, endorsements and spreading the word;
- **Customer's intent to repurchase** – is the customer ready to repurchase in the future.

Based on the theoretical literature presented above, the customers of a certain telecommunication provider could be segmented by their loyalty as follows (see also Figure 1):
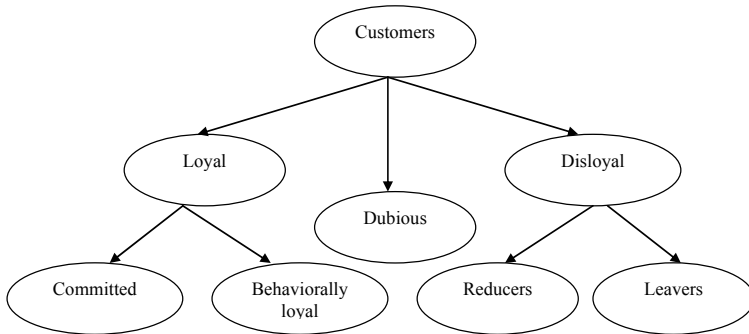
Figure 1. General segmentation of customers by loyalty

- **Committed or emotionally loyal customers** – active customers who use only the certain provider's services and declare that they will use only this provider in the future and recommend this provider to others;
- **Behaviorally loyal customers** – active customers who use only the certain provider's services and declare that they will use only this provider in the future but do not agree to recommend this provider to others (inert or functionally loyal);
- **Ambivalent or dubious customers** – active customers who use only the certain provider's services but don't know which provider they will use in the future;
- **Disloyal reducers**– customers who have reduced or will reduce the percentage of the provider's services in their usage;
- **Leavers** – customers who declare, that they will certainly leave this provider.

Factors affecting customer loyalty

The impact of satisfaction on loyalty has been the most popular subject of studies. Several studies have revealed that there exists a direct connection between satisfaction and loyalty: satisfied customers become loyal and dissatisfied customers move to another vendor. (Heskett et al. 1993: 165–167) The primary objective of creating ACSI (American Customer Satisfaction Index) in 1984 was to explain the development of customer loyalty. In ACSI model customer satisfaction has three antecedents: perceived quality, perceived value and customer expectations. (Anderson *et al.* 2000: 873) In the ECSI (European Customer Satisfaction Index) model perceived quality is divided into two elements: "hard ware", which consists of the quality of the product or service attributes, and "human ware", which represents the associated customer interactive elements in service, i.e. the personal behaviour and atmosphere of the service environment. (Grönholdt et al. 2000: 510) In both model increased satisfaction should increase customer loyalty. When the satisfaction is low customers have the option to exit (e.g. going to a competitor) or express their complaints. Researches have shown that 60–80% of customers who defect to a competitor said they were satisfied or very satisfied on the survey just prior to their defection. (Reichheld *et al.* 2000: 137) So it's clear that there must be also other factors beside satisfaction that have a certain impact on customer loyalty.

Image of brand or supplier is one of the most complex factors. It affects loyalty at least in two ways. Firstly, customer may use his preferences to present his own image. That may occur both in conscious and subconscious level. According to the Belk's theory of extended self, people define themselves by the possessions they have, manage or create. (Belk 1988: 160) Aaker has shown how consumers prefer brands with personality traits that are congruent with the personality traits that constitute their (malleable) self-schemas (Aaker 1999: 45) Kim, Han and Park have researched the link between brand personality and loyalty. They did get positive support to hypothesis that the attractiveness of the brand personality indirectly affects brand loyalty. (Kim *et al.* 2001: 203)

Tidwell and Horgan (1993: 349) have showed that people use products to enhance self-image.

Secondly, according to social identity theory, people tend to classify themselves into different social categories. That leads to evaluation of objectives and values in various groups and organisations in comparison with the customer's own values and objectives. They prefer partners who share similar objectives and values. (Ashforth *et al.* 2001: 23) Fournier (1998: 366) states that consumer-brand relationships are more a matter of perceived goal compatibility. Brands cohere into systems that consumers create not only to aid living but also to give meanings to their lives. Oliver (1999: 40) argues that for fully bonded loyalty the consumable must be part of the consumer's self-identity and his or her social-identity.

Trustworthiness of the partner is a factor that has certain impact on the establishment of loyalty – nobody expects a long-term relation with a partner that cannot be trusted. Trustworthiness is one criterion for measuring the value of the partner. (Doney et al. 1997: 46) Spekman (1988: 79) calls trust a cornerstone of the strategic partnership. Morgan and Hunt (1994: 22) posit that trust is a major determinant of relationship commitment: brand trust leads to brand loyalty because trust creates exchange relationships that are highly valued. Chauduri and Holbrook (2001: 91) have showed that brand trust is directly related to both purchase and attitudinal loyalty. Many authors have accented that trust is important in conditions of uncertainty (Moorman *et al.* 1992: 315; Doney *et al.* 1997: 36; Dwyer *et al.* 1987: 12–13; Morgan *et al.* 1994: 23). Uncertainty may be caused by dependence or large choice: people tend then to prefer popular or familiar brands or partners.

Many definitions describe loyalty as a desire to retain a valuable or important relationship. (Morgan *et al* 1994: 22; Moorman *et al.* 1992: 316) That way the establishment of loyalty is predetermined by the importance of relevant relationship or selection. Weiss (2001) points out three aspects that may increase the importance of the relationship:
- Strategic importance of a product,
- High risks involved in the transaction or
- Costs incurred by cancellation of contracts.

Hofmeyr and Rice point out that the more important the relationship is to a person, the more willing that person is to tolerate dissatisfaction in favour of trying to fix it. By contrast, when a relationship doesn't matter, then even the perfectly satisfied consumer can switch on a whim. (Hofmeyr *et al.* 2000: 60)

A relationship can also be made important by personal approach. Various authors have compared loyalty with marriage (Levitt 1983; Dwyer et al. 1987; Gummeson 1998; Hofmeyr *et al.* 2000). Marriage is one of the most personal and important relationships. That means that intimacy is one determinant for importance of relationship. Levitt (1983: 89) has considered a role of salesman in making relationship more personal.

Summarising the discussion above following figure 2 is presenting the major groups of factors affecting customer loyalty.
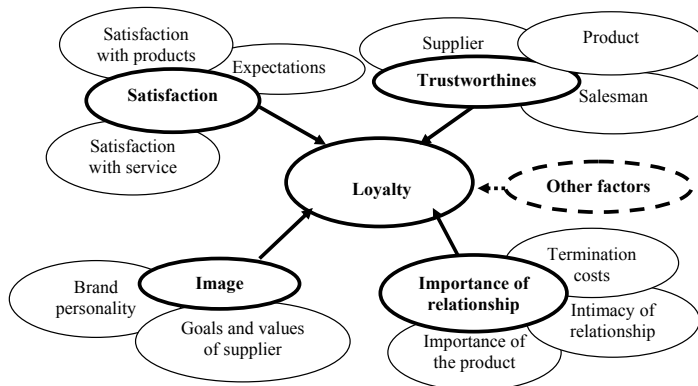

Figure 2. Factors affecting loyalty.

Other factors not shown on Figure 2 are for example price, price activity, distribution, existence or domination of alternatives (Farley 1964: 9–10); social class, demographic characteristics and other individual and environmental factors (Kanwar *et al.* 1992: 589); advertising pressure, constraints on choice (budget limitations, time pressures), usage situation (Lattin 1987: 48); double jeopardy phenomenon (Ehrenberg *et al.* 1990:82) etc.

Hypotheses

This paper aims to test if the importance of each factor described in Figure 2 varies in different loyalty segments described in Figure 1. One possibility to investigate it is to compare the customers of different loyalty levels and examine what kind of factors influence the probability of the customers to remain on that level or to move to another loyalty level (see Figure 3). On Figure 3, there is presented a simplified model of five levels in customer loyalty, and four specific factors which may influence the customer's loyalty on each levels. P(ab) (a=1..4; b=2..5) in the Figure 3 indicates the probability that the person will move from loyalty level "a" to the next level "b".
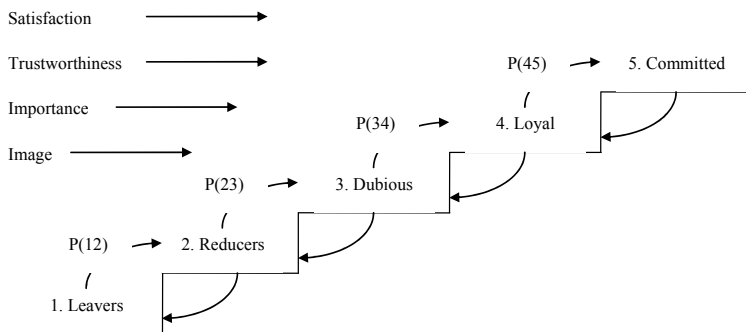
Figure 3. Construction of hypothesis 2.

Based on the previous discussion, the following two hypotheses were proposed:

Hypothesis 1: *Factors such as satisfaction, trustworthiness, importance of relationship and image have a positive influence on loyalty.*

Hypothesis 2: *The relevance of factors affecting loyalty depends on the levels of loyalty of customers.*

Hypothesis 1 examines the statements presented in part 1.2 of this paper and is partly as a presumption for hypothesis 2.

METHOD AND MODEL

Data collection

The data used for the analysis originate from Elion Customer Satisfaction Survey carried out in November 2003 by professional market research company. Elion is the leading telecommunication provider in Estonia and was providing telephone and internet services for private customers at that time. There were three kind of competitors for Elion: firms providing telephone services on Elion's network; cable-TV companies providing internet services on their own networks, and mobile telephone companies. Therefore customers had mostly following options for using telecommunication services:

- Phone and internet services only from Elion;
- Phone from Elion and internet from cable-TV company;
- Phone from Elion;
- Phone from an alternative provider (customer pays the monthly fee to Elion and the call charges to the other vendor);
- Leave and use a mobile phone
- Any combination of the possibilities described above.

The satisfaction survey contained information about 1000 private customers. Data was collected by phone interviews. During the survey the customers were asked how important various factors were for them. These factors were:
- Service quality;
- Management of complaints;
- Offering of various products;
- Quality of products;
- Price;
- Accounting accuracy;
- Image.

The importance was measured on a 5-point scale, where "1" is "not important at all" and "5" is "very important".

Every factor listed above was divided into 3 to 7 subcategories (e.g. accounting had subcategories like the accuracy and under-standability of bills, dept management, availability of different payment methods). Satisfaction with the factors reveals from the satisfaction with those subcategories. Additionally customers answered about their general satisfaction with the firm Elion. The satisfaction was also measured on a 5-point scale, where "1" is "not satisfied at all" and "5" is "very satisfied".

Customer loyalty was measured by following questions:

- What operators are the customers using right now?
- What operators will the customers use in 2 years?
- Does the customer recommend or is the customer ready to recommend Elion to others?

In the current analysis only the raw data of mentioned survey is used. Software packages MS Excel 2000 and Stata 9.2 have been used for data processing.

Model

A LOGIT model for testing Hypothesis 1 is presented below:

$$L(12)_i = 1/(1+e^{-Z})$$
$$L(13)_i = 1/(1+e^{-Z})$$
$$L(14)_i = 1/(1+e^{-Z})$$
$$L(15)_i = 1/(1+e^{-Z})$$
$$L(23)_i = 1/(1+e^{-Z}) \qquad\qquad (1)$$
$$L(24)_i = 1/(1+e^{-Z})$$
$$L(25)_i = 1/(1+e^{-Z})$$
$$L(34)_i = 1/(1+e^{-Z})$$
$$L(35)_i = 1/(1+e^{-Z})$$
$$L(45)_i = 1/(1+e^{-Z})$$

Where $Z = \beta_1 + \beta_2 SAT_i + \beta_3 IM_i + \beta_4 TRST_i + \beta_5 IMP_i + \beta_6 FT1_i + \beta_7 FT2_i + \beta_8 FT3_i + \beta_9 PP1_i + \beta_{10} PP2) + u_i$

and $L(12)_i = 0$ if customer is leaver and 1 if customer is reducer;
$L(13)_i = 0$ if customer is leaver and 1 if customer is dubious;
$L(14)_i = 0$ if customer is leaver and 1 if customer is slightly loyal;

$L(15)_i = 0$ if customer is leaver and 1 if customer is emotionally committed;

$L(23)_i = 0$ if customer is reducer and 1 if customer is dubious;

$L(24)_i = 0$ if customer is reducer and 1 if customer is slightly loyal;

$L(25)_i = 0$ if customer is reducer and 1 if customer is emotionally committed;

$L(34)_i = 0$ if customer is dubious and 1 if customer is slightly loyal;

$L(35)_i = 0$ if customer is dubious and 1 if customer is emotionally committed;

$L(45)_i = 0$ if customer is slightly loyal and 1 if customer is emotionally committed;

SATi is satisfaction;

IMi is image;

TRSTi is trustworthiness;

IMPi is importance of relation

$FT1_i = 1$, if it is a "family with children" and 0, if any other family type;

$FT2_i = 1$, if it is a "small family without children" and 0, if any other family type;

$FT3_i = 1$, If it is "senior's family" and 0, if any other family type.

$FT1_i = FT2_i = FT3_i = 0$, it is not "standard family" for Elion.

$PP1_i = 1$, if it is a "family with medium income" and 0 in any other;

$PP2_i = 1$, if it is a "family with high income" and 0 in any other.

$PP1_i = PP2_i = 0$, it is a "family with low income".

In Model 1, regression coefficients show the direction of change of the probability that dependent variable $L(ab)_i$ will receive the value "1", when the independent variable changes. LOGIT equation is nonlinear in β's ; therefore these coefficients do not show exactly how much the probability will change. For the measurement of the exact prognosis the marginal effects should be calculated (in the context of the present paper the prognosis is not important).

With the help of Model 1 it is possible to observe the movement of customers from one loyalty level into any other level. Moving

from leavers level into emotionally committed level (described as
L(15)) is very unlikely but the opposite movement is not excepted.
The movements described in figure 3, are marked in bold in model
1 – L(12); L(23); L(34); L(45).

SAT$_i$ in Model 1 is a complex variable, aggregating many different
types of satisfaction: overall satisfaction, satisfaction with products,
service quality and prices. SAT_i is weighted average of customers'
opinions about mentioned satisfaction types:

$$SAT_i = k_{1i} * SAT(overall)_i + k_{2i} * SAT(service)_i$$
$$+ k_{3i} * SAT(products)_i + k_{4i} * SAT(price)_i$$
$$(2)$$
Where $k_{ji} = T_{ji} / \Sigma(T_{1i}; ...; T_{4i})$ and

T_{ji} is importance assigned by customers to different factors using a
5-point scale where 1= "is not important at all" and 5 = "is very
important". These values were later modified. New values of T_{ji}
are: 1 = 0; 2 = 0.25; 3 = 0.5; 4 = 0.75; 5 = 1.

Importance of overall satisfaction was not asked. Therefore it is
assigned $T_{1i} = 1$ for weighting. For example, if the customer
answered that importance of service quality in a 5-point scale is
"4", importance of product's quality is "3" and importance of price
is "5", then corresponding T and k values are as follows:

SAT(overall):	$T_1 = 1$	$k_1 =$ 1 / 3.25 = 0.31
SAT(service):	$T_2 = 0.75$	$k_2 = 0.75 / 3.25 = 0.23$
SAT(products):	$T_3 = 0.5$	$k_3 =$ 0.5 / 3.25 = 0.15
SAT(price):	$T_4 = 1$	$k_4 =$ 1 / 3.25 = 0.31
	$\Sigma(T_1;...;T_4) = 3.25$	$\Sigma(k_1;...;k_4) = 1$

Different satisfaction variables in equation (2) are measured by 4–10
questions (except *SAT(overall)*). Customers answered on 5-point
scale, where 1= "not satisfied at all" and 5= "very satisfied". *SAT
(service)* is measured by 6 questions about service quality, 2 ques-
tions about complaints management and 2 questions about offering
style of various products. *SAT(products)* is measured by 7 questions
about assortment, quality and contemporariness of products. *SAT
(price)* is measured by 4 questions about price level and discounts.

IM$_i$ in Model 1 shows how image of Elion fits with the customers' values. Brand "Elion" is relatively young and therefore there are no surveys about the brand personality. That's why suitability of Elion's image is measured by the customers' opinion about satisfaction with Elion's customer friendliness, domestic orientation and novelty (these are the values that Elion internally wants to have). The logic behind this is that if the customer is satisfied, then he or she agrees with these values and feels that Elion operates in harmony with these values. If the customer is not satisfied then he or she does not share the values or feels that Elion does not operate in harmony with these values. **IM$_i$** is an average of above-mentioned three opinions. The customers answered on a 5-point scale, where 1= "not satisfied at all" and 5= "very satisfied".

TRST$_i$ in Model 1 shows customers' satisfaction with trustworthiness of Elion. It is an average of six opinions about satisfaction with overall credibility, competence of employees, abidance of agreements and contracts, accuracy of bills, safeness and reliability of products. Customers answered on a 5-point scale, where 1= "not satisfied at all" and 5= "very satisfied".

IMP$_i$ in Model 1 has to show the importance of relationship for customers. This survey is used to analyse the hypotheses, but unfortunately it is not designed for that. Therefore there were no questions for measuring the importance of relationship and for that reason it's only possible to derive that variable indirectly using two indicators: turnover (average sums on the bill) and number of products the customer is actively using. Variable is constructed so that importance is bigger when the customer is using more products and the bills are bigger. The importance is lower when the customer is using less different products and bills are smaller.

FT1$_i$; FT2$_i$; FT3$_i$; PP1$_i$ and **PP2$_i$** in Model 1 are dummy variables marking customers' family type and purchase power (income). In satisfaction questionnaire, there were questions about the customer's family and income. These variables were included to Model 1 for diminishing variability of u_i and thereby to improve the model's suitability.

RESULTS AND DISCUSSION

As shown in Table 1 of Appendix 1, all equations in Model 1 were significant at confidence level $\alpha=0.05$. There is also number of observations for each equation in the last column of the table.

Significant factors at confidence level $\alpha=0.05$ of different equations are shown in Table 1. The results indicate that there is strong evidence to support both Hypotheses 1 and 2. It is clearly seen that the influence of each particular factor is significant at least in one level of loyalty. It is also seen that different factors are significant in different equations.

Table 1. Results of LOGIT analysis*

Equation	Factor	Coefficient	Z	p
L(12)$_i$	SAT	1.71	4.04	0.00
	IMP	0.18	2.04	0.04
L(13)$_i$	SAT	1.41	3.03	0.00
	IMP	0.33	2.71	0.01
L(14)$_i$	SAT	1.59	3.35	0.00
	IMP	0.25	2.29	0.02
L(15)$_i$	SAT	2.57	4.27	0.00
	IMP	0.30	2.4	0.02
L(23)$_i$				
L(24)$_i$				
L(25)$_i$				
L(34)$_i$	IM	-0.45	-1.96	0.05
	TRST	0.77	2.31	0.02
L(35)$_i$	TRST	0.92	2.43	0.02
L(45)$_i$	SAT	0.82	2.29	0.02
	IM	0.75	3.36	0.00

*Includes only significant results on confidence level $\alpha=0.05$

In equations L(12); L(13); L(14); L(15) and L(45), there are satisfaction and importance of relationship having a significant influence on loyalty. Trustworthiness influences loyalty signifi-

cantly in equations L(34) and L(35). The image is significant only in equation L(45).

While equations in Model 1 describe the probability to move from one loyalty segment to another, it's possible to interpret regression coefficients both ways. The positive coefficient for example in equation L(12) shows that growth of a particular factor score will increase the probability that the leaver will move to disloyal segment. But it also shows that growth of particular factor score will decrease the probability that the disloyal customer moves to segment of leavers.

According to Table 1, it's possible to say that the importance of relationship has a major impact on making the decision to terminate contract with the current vendor – if the relationship is considered important, the chances of moving to another vendor are less probable. In this model the "importance of relationship" depended primarily on the number of products used by the customer, therefore Elion has to think of providing free of charge additional and comfort services in order to increase the loyalty of potentially leaving customers.

According to the data the behavioural loyalists valued the trust-worthiness of Elion. If trustworthiness of the vendor decreases, the probability that the customer starts to consider alternatives, i.e. becomes doubtful, will increase. In order to turn a behaviourally loyal customer into an emotional loyalist, one has to ensure maximum satisfaction of the customer and it is also important to match the image and values.

The results reveal that there are no factors treated in this model influencing disloyal customers to increase their loyalty or influencing loyal or dubious customers shift to disloyal segment. Maybe the disloyal segment is not correctly defined. But it could also be the case that the borderline between doubtful and disloyal customers is obscure. It is possible that doubtful customers have developed a predisposition to disloyalty and their actual realisation of disloyalty depends on factors that were not covered by the model established in this present work.

In equation L(34) the image had a negative coefficient which is illogical and does not support the hypothesis 1. The author's opinion is that there is no problem in the model or dissonance in hypothesis. The reason of this result is hidden partly in the scale, used in the questionnaire and partly in the nature of behavioural loyalist segment. As said in part 2.2 of this paper, the scale was a 5-point scale, where "1" was a negative opinion about image – "not satisfied at all" and "5" was a positive opinion – "very satisfied". In the middle of this scale is "3" marking a neutral attitude to the image of Elion. It's very probable that the customers who do not emphasise who is the vendor and what image it has, will answer neutrally – they have no positive and no negative feelings with Elion's image. They are probably loyal due to inertia. As said before, customers who are loyal due to inertia start to think about alternatives when something does not work, i.e. trustworthiness of the vendor decreases. Until this point they do not think about the image of their current vendor. They need to evaluate it when they start to compare the current vendor with others or they are moving to committed customers segment. The support of this statement is presented in Appendix 2, where in Table 1 there are the mean scores of factors assessed by different segments and in Table 2 the relative shares of different answers in three loyalty segments are given. As Table 1 in Appendix 1 shows, the mean value of behavioural loyalists' evaluation of Elion's image is statistically significantly lower than the mean values of dubious or committed segments' evaluations. Table 2 in Appendix 1 indicates the reason: No other segment has chosen so much the answer "3" in the scale than the segment of behavioural loyalists (19%, compared with dubious 15% or with committed 6%).

CONCLUSION

The findings of the present study reveal that it is not accurate to treat all customers equally in terms of methods of increasing their loyalty. The research supports the research proposition that the list of most important factors affecting loyalty is dependant on the level of loyalty of costumers. Figure 4 summarises the findings of the study and shows that overall satisfaction and importance of products (or relationship) build the foundation of any kind of loyalty. It shows also that reliability of products or trustworthiness of the vendor is most critical for behavioural loyalists and the image creation is the main tool for getting committed customers.
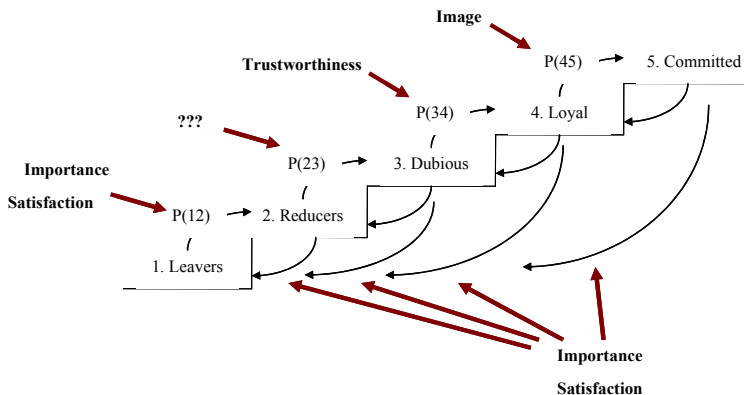
Figure 4. Results of the study: the factors that have statistically significant influence on loyalty on particular loyalty levels.

The method for collecting the source data set certain constraints on the adequacy of the model. Although the quality of the source data was good (high number and trustworthiness of respondents), the questionnaire was drawn for measuring customer satisfaction, i.e. for the purposes other than required by this given model. Therefore many factors were derived indirectly and with certain limitations, and they may lack some qualities considered in the theoretical part. There are multiple ways for further development of the model, but first there is need to elaborate reliable questionnaires for colleting the source data.

REFERENCES

Aaker, J. L. The Malleable Self: The Role of Self-Expression in Persuasion. – Journal of Marketing Research, 1999, Vol. 36, Issue 1, pp. 45–58.

Andreson, E.W., Fornell, C. Foundations of the American Customer Satisfaction Index. – Total Quality Management, 2000, Vol. 11, No. 7, pp. 869–882.

Ashforth, B. E., Mael, F. Social Identity Theory and the Organization. – Academy of Management Review, 1989, Vol. 14, No. 1, pp. 20–39.

Barnes, J. Loyalty: A Multidimensional Concept. (www.CRMguru.com) 2004

Belk, R. W. Possessions and the Exended Self. – Journal of Consumer research, 1988, Vol. 15, pp.139–168.

Butz, H. E. jr., Goodstein, L. D. Measuring customer value: gaining a strategic advantage. – Organiszational dynamics, 1996, Vol. 24, Issue 3 pp. 63–77.

Chaudhuri, A. Brand Equity or double jeopardy. – Journal of Product & Brand Management, 1995, Vol. 4, No. 1, pp. 26–32.

Chaudhuri, A., Holbrook, M. B. The chain of effects from brand trust and brand affect to brand perfomance: the role of brand loyalty. – Journal of Marketing, 2001, Vol. 65, Issue 2, pp. 81–94.

Cunningham, Ross, M. Brand Loyalty – what, where, how much? – Harward Business Review, 1956, No. 34, pp. 116–128.

Day, G. S. Creating a Superior Customer-Relating Capability. – MIT Sloan Management Preview, 2003, Vol. 44, Issue 3, pp. 77–83.

Djupe, P.A. Religious Brand Loyalty and Political Loyalties. – Journal for the Scientific Study of Religion, 2000, Vol. 39, Issue 1, pp. 78–90.

Doney, P. M., Cannon, J. P. An Examination of the Nature of Trust in Buyer-Seller Relationships. – Journal of Marketing, 1997, Vol. 61, pp. 35–51.

Dwyer, F. R., Schurr, P. H., Oh, S. Developing Buyer-Seller Relationships. – Journal of Marketing, 1987, Vol. 51, pp.11–27.

Ehrenberg, A. S. C., Goodhardt, G. J., Barwise, T. P. Double Jeopardy Revisited. – Journal of marketing, 1990, Vol. 54, pp. 82–91

Farley, John, U. Why Does "Brand Loyalty" Vary Over Products? – Journal of Marketing Research, Nov 1964, pp. 9–14

Fournier, S. Consumers and their Brands: Developing Relationship Theory in Consumer Research. – Journal of Consumer Research, 1998, Vol. 24, pp. 343–373.

Grönholdt, L., Martensen, A., Kristensen, K. The relationship between customer satisfaction and loyalty: cross-industry differences. – Total Quality Management, 2000, Vol. 11, Nos. 4/5&6, pp. 509–514.

Gummesson, E. Productivity, quality and relationship marketing in service operations. – International Journal of Contemporary Hospitality Management, 1998, Vol. 10/1, pp. 4–15.

Harary, F.; Lipstein, B. The Dynamics of Brand Loyalty: A Markovian Approach. – Operations Research, 1962, Vol. 10, Issue 1, pp. 19–40.

Heskett, J. L., Jones, T. O., Lovemann, G. W., Sasser, W. E. jr., Schlesinger, L. A. Putting the Service-Profit Chain to Work. – Harward Business Review, 1994, Vol. 72, Issue 2, pp. 164–174.

Hofmeyr, J., Rice, B. Commitment-Led Marketing. Chichester: John Wiley & Sons Ltd., 2000, 299p.

Jacoby, J., Kyner, D. B., Brand Loyalty Vs. Repeat Purchasing Behavior. – Journal of Marketing Research, 1973, Vol. 10, pp. 1–9.

Jones, T. O., Sasser, Jr. W. E. Why satisfied Costumers Defect. – Harward Busines Rewiev, 1995, Vol. 73, Issue 6, pp. 88–99.

Kanwar, N., Pagiavlas, N. When Are Higher Social Class Consumers More and Less Brand loyal Than Lower Social Class Consumers?: The Role of Mediating Variables. – Advances in Consumer Research, 1992, Vol. 19, pp. 589–595.

Kim, C. K., Han, D., Park, S. The effect of brand personaliy and brand identification on brand loyalty: Applying the theory of social identification. – .Japanese Psychological Research, 2001, Vol. 43, No. 4, pp. 195–206.

Lattin, J. M. A Model of Balances Choice Behavior. – Marketing Science, 1987, Vol. 6, No. 1, pp. 48–65

Lewitt, T. After the sale is over… – Harward Business Review, Sept./ Oct 1983, pp. 87–93.

McConnell, D. J. The Development of Brand Loyalty: An Experimental Study. – Journal of Marketing Research, 1968, Vol. 5, pp. 13–19.

Moorman, C., Zaltman, G., Deshpande, R. Relationships Between Providers and Users of Market Research: The Dynamics of Trust Within and Between Organizations. – Journal of Marketing Research, 1992, Vol. 29, pp. 314–328.

Morgan, R. M., Hunt, S. D. The Commitment – Trust Theory of Relationship marketing. – Journal of Marketing, 1995, Vol. 58, Issue 3, pp. 20–39.

Oliver, R. L. Whence Consumer Loyalty? – Journal of Marketing, 1999, Vol. 63, pp. 33–44.

Reichheld, F. F. The One Number You Need to Grow. – Harward Business Review, 2003, Vol. 81, Isssue 12, pp. 46–55.

Reichheld, F. F. Loyalty-based management. – Harvard Business Review, 1993, Vol. 71, Issue 2, pp. 64–72.

Reichheld, F. F.; Markey, R. G.; Hopton, C. „The loyalty effect – the realtionship between loyalty and profits"; European Business Journal 2000 (p. 134–139)

Rosenberg, L., Czepiel, J.A. A Marketing Approach to Customer Retention. – Journal of Consumer Marketing, 1984, Vol. 1, pp. 45–51.

Sheth, J. N. A Factor Analytical Model of Brand Loyalty. – Journal of Marketing Research, 1968, Vol. 5, pp. 395–404.

Spekman, R. E. Strategic Supplier Selection: Understanding Long-Term Buyer Relationships. – Business Horizons, July–August 1988, pp. 75–81.

Tidwell, P. M., Horgan, D. D.. Brand character as a function of brand loyalty. – Current Psychology, 1992/93, Vol. 11, Issue 4, pp. 346–353.

Tucker, W. T. The Development of Brand Loyalty. – Journal of Marketing Research, Aug. 1964, pp. 32–35.

Weiss, A. When Do B2B Customers Want a Close Relationship? MarketingProfs.com (www.MarketingProfs.com/tutorials) 2001.

Wernerfelt, B. Brand Loyalty and Market Equilibrium. – Marceting Science, 1991, Vol. 10, No. 3, pp. 229–245.

KOKKUVÕTE

Mõjutades kliendi lojaalsust: kas erinevatel teguritel on erinevatel lojaalsustasemetel erinev mõju?

Kliendilojaalsus on viimastel aastatel muutunud väga aktuaalseks teemaks, kuna tänu konkurentsi globaliseerumisele, turgude küllastumisele, infotehnoloogia arengule ja seoses sellega klientide teadlikkuse suurenemisele on tekkinud situatsioon, kus pikaajalist edu ei taga enam toote parameetrite ja hinna optimeerimine vaid võtmepositsioonile on asetunud pikaajaline suhe kliendiga. Uuringud on näidanud, et uue kliendi saamise kulud on olemasoleva kliendi säilitamise kuludega võrreldes ca 5 korda suuremad.

Vastavalt erinevatele käsitlustele, mis eristavad käitumuslikku ja emotsionaalset lojaalsust, eristati käesolevas töös järgmisi lojaalsusel baseeruvaid kliendisegmente:

Emotsionaalselt lojaalsed – kliendid, kes kasutavad hetkel ainult kindla operaatori teenuseid ja kes lubavad seda ka tulevikus tegema. Samuti on nad nõus kindlasti soovitama seda operaatorit ka teistele.
Käitumuslikult lojaalsed – kliendid, kes kasutavad hetkel ainult kindla operaatori teenuseid ja kes lubavad seda ka tulevikus teha. Samas ei ole nad nõus soovitama seda operaatorit teistele (inertselt või funktsionaalselt lojaalsed).
Kahtlejad – kliendid, kes hetkel kasutavad ainult kindla operaatori teenuseid, kuid ei tea, mida nad teevad tulevikus.
Osakaalu vähendajad – kliendid, kes kasutavad hetkel kindla operaatori teenuseid kuid lubavad tulevikus hakata kasutama ka teiste operaatorite teenuseid, samuti kliendid, kes juba kasutavad kindla operaatori kõrval teisi pakkujaid.
Lahkujad – kliendid, kes lubavad tulevikus loobuda kindla operaatori teenustest.

Nimetatud kliendisegmentide peal uuriti nelja teguri – rahulolu, usaldusväärsuse, suhte olulisuse ja kuvandi – mõju lojaalsusele. Andmed pärinesid Elioni kliendirahulolu uuringust ja andmete analüüsiks kasutatud LOGIT meetodit.

Tulemused näitasid, et erinevatel tasemetel mõjutavad lojaalsust erinevad tegurid. Rahulolu ja suhte olulisus on peamised tegurid, mis tagavad, et klient ei muutuks lahkujaks. Usaldusväärsus on oluline käitumuslikult lojaalsetele klientidele – kuni kõik on korras, ei mõtle nad alternatiividele. Käitumuslikult lojaalsete klientide muutmisel emotsionaalselt lojaalseks on oluliseks mõjuteguriks kuvand. Teatavad piirangud tulemuste tõlgendamisele seab andmete kogumiseks olnud küsimustik. Seetõttu on teema edasiarendamiseks vaja eelkõige luua usaldusväärsed küsimustikud.

Appendix 1

Table 1. Overall significance of equations.

Equation	χ^2	p	N of obs
L(12)$_i$	42.81	0.00	510
L(13)$_i$	33.11	0.00	151
L(14)$_i$	36.85	0.00	231
L(15)$_i$	63.86	0.00	193
L(23)$_i$	36.01	0.00	571
L(24)$_i$	58.51	0.00	651
L(25)$_i$	74.33	0.00	613
L(34)$_i$	19.14	0.02	292
L(35)$_i$	34.46	0.00	254
L(45)$_i$	35.08	0.00	334

Source: Calculations of author.

Appendix 2

Table1. The mean values and standard deviations of the independent variables of Model 1 by different loyalty segments

	Satisfaction		Image		Trust-worthiness		Importance	
	Mean	**St. dev.**	**Mean**	**St. dev.**	**Mean**	**St. dev.**	**Mean**	**St. dev.**
Leavers	3.24	0.77	3.85	0.81	3.78	0.73	5.15	1.88
Reducers	3.77	0.51	4.15*	0.66	4.10	0.55	6.40	2.29
Dubious	3.64	0.55	4.06*	0.70	3.96	0.51	5.86	2.13
Loyal	3.69	0.52	3.98	0.66	4.10	0.52	5.80	2.13
Committed	3.94	0.40	4.34*	0.54	4.28	0.45	5.62	1.97
All customers	**3.74**	**0.53**	**4.12**	**0.67**	**4.10**	**0.55**	**6.04**	**2.21**

* Statistically different compared with mean value of behavioral loyalist segment (p<0,05)

Source: Elion's satisfaction survey 2003. Calculations of author.

Table 2. Percentages of answers on a 5-point scale to the three questions linked with image factor

Value on scale	Leavers	Reducers	Dubious	Behav. loyal	Committed
1	2%	1%	1%	0%	0%
2	8%	2%	1%	2%	0%
3	18%	13%	15%	19%	6%
4	42%	51%	52%	52%	47%
5	29%	34%	31%	27%	46%

Source: Elion's satisfaction survey 2003. Calculations of author.