

**UNDERSTANDING THE MEDIATING EFFECT OF CUSTOMER SATISFACTION ON
THE RELATIONSHIP OF SALESPERSON BEHAVIOR PERFORMANCE AND
CUSTOMER LOYALTY**

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MAZNAH BINTI WAN OMAR

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CUSTOMER LOYALTY**

by

MAZNAH BINTI WAN OMAR

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LIST OF ABBREVIATION

ADAPTS	Adaptive Selling Scale
AMA	American Marketing Association
β	Beta coefficient
R^2	Coefficient of determination
r	Correlation coefficients
CL	Customer Loyalty
CS	Customer Satisfaction
DV	Dependent variable
Y	Dependent variable
SIM	Descriptive data and single item measures
f^2	Effect size of population
H	Hypothesis
IV	Independent variable
X	Independent variable
KMO	Kaiser-Meyer-Olkin
M	Mean
MSA	Measure of sampling adequacy
M	Mediating variable
K	Number of Independent variables
N	Number of Sample
OLS	Ordinary Least Square
L	Power value for significant level and degree of freedom
R^2	Proportion of explained variance to effect size values
RM	Ringgit Malaysia
SB	Salesperson Behavior
SBP	Salesperson Behavior Performance
n^*	Sample size
p	Significant level
SD	Standard deviation
SPSS	Statistical Package for Social Science
TARP	Technical Assistance Research Programs
USM	Universiti Sains Malaysia
UiTM	University Teknologi MARA
VIF	Variance inflation factor
WOM	Word-of-Mouth

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MEMAHAMI KESAN PERANTARAAN KEPUASAN PELANGGAN TERHADAP HUBUNGAN PRESTASI PERLAKUAN JURUJUAL DAN KESETIAAN PELANGGAN

ABSTRAK

Tujuan penyelidikan ini dijalankan adalah untuk meneliti kaitan antara prestasi perlakuan jurujual dengan kesetiaan pelanggan serta kesan perantaraan daripada kepuasan pelanggan. Kajian adalah dilakukan terhadap pelanggan-pelanggan runcit dikedai komputer yang berlatarbelakang budaya yang berbeza. Saiz sampel meliputi 483 pelanggan dari negeri Pulau Pinang, Kedah dan Perlis. Responden diminta menilai kesetiaan dan kepuasan pelanggan terhadap prestasi perlakuan jurujual melalui soalselidik yang dicetak dalam Bahasa Melayu dan Bahasa Inggeris. Pelbagai kaedah analisis data telah digunakan untuk menganalisis data seperti analisis faktor, analisis kebolehpercayaan, ujian perbezaan dan analisis regresi berhiraki. Secara keseluruhan, prestasi perlakuan jurujual didapati mempunyai hubungan yang kuat dengan kepuasan pelanggan serta kesetiaan pelanggan. Kajian ini juga mendapati bahawa beberapa dimensi kepuasan pelanggan seperti kepuasan kognitif dan kepuasan emosi menunjukkan kesan perantaraan terhadap hubungan yang dikaji.

UNDERSTANDING THE MEDIATING EFFECT OF CUSTOMER SATISFACTION ON THE RELATIONSHIP OF SALESPERSON BEHAVIOR PERFORMANCE AND CUSTOMER LOYALTY

ABSTRACT

The purpose of this study was to examine the relationship between salesperson behavior performance and customer loyalty, and the mediating effect of customer satisfaction. Computer retail customers with different cultural backgrounds were used as respondents in this study. The sample size comprises of 483 customers from the states of Penang, Kedah, and Perlis. Respondents were asked to rate their evaluations of customer loyalty and customer satisfaction toward the salesperson behavior performance through self-administered questionnaires which were written in English language and Bahasa Melayu. Various data-analysis tools have been used to analyze the data such as factor analysis, reliability analysis, test of differences, and hierarchical regression analysis. As a whole, salesperson behavior performance was found to be significantly related to customer satisfaction and customer loyalty. It was also found that some dimensions of customer satisfaction such as cognitive satisfaction and emotional satisfaction have a mediating effect on the said relationship.

CHAPTER 1

INTRODUCTION

1.0 Introduction

In this introductory chapter, seven main areas of interest will be presented. The first section includes a brief explanation of the background of the study. The second section illustrates the problem statement. Research objectives and research questions are outlined in the third and fourth section. The fifth section, the scope of the study, provides an overview of the study undertaken. Section six elaborates on the significance of the study while the final section describes the definition of the variables and the key terms.

1.1 Background of the Study

The development of customer loyalty has become an essential focus for marketing strategy in recent years owing to the benefits associated with maintaining the customers at hand (Gwinner et al., 1998; Hagen-Danbury & Matthews, 2001; McMullan, 2005). On the other hand, the concept of customer loyalty stays relatively unexplored (Hart et al., 1999; McMullan, 2005). While many studies have distinguished between the attitudinal and behavioral dimensions of loyalty (e.g. Dick & Basu, 1994; Jacoby & Kyner, 1973; Knox & Walker, 2001; McMullan, 2005), those research have not fully explored into the entire inter-relationships between the two dimensions, and the essence by which loyalty is set off and continued. Determining an exact measure of customer loyalty is very important due to its association with profitability (Reichheld, 2003).

Loyal customers are among the greatest revenue producer (Brennan, 1997), more likely to occur in a form of word-of-mouth (Bowen & Chen, 2001; Dick & Basu,

1994; Liew, 2006; Martin & Goodell, 1994; Richins & Root-Schaffer, 1988; Soderlund, 2006; Wong & Sohal, 2003), less likely to see promotional activity, and excessive than average buyers of a product or service (Day, 1969), are not prone to seek out information from outside (McDonald, 1993), less responsiveness to price (Baldinger & Rubinson, 1996; Martin & Goodell, 1994; Taher et al., 1996), and more firm in their liking and subject to halo effects in evaluation (Crosby & Taylor, 1983). These are some of the reasons as to why it is important to recognize how and why customer loyalty function to encourage such favorable consumer patronage behaviors (Ellis, 2000).

Recently, home computer retail businesses in Malaysia are increasing as Malaysia is experiencing rapid economic transformation and is swiftly entering an era of industrialization (Samsinar et al., 2008). While a few home computer retailers are very successful, others are however unsuccessful in business. In order to increase the possibility of success, home computer retailers must identify the consumer behavioural process that could affect the performance and competitive position of most home computer retail. Most home computer retailers would like to have a hard core of loyalty customers who carry on to frequent their computer store. Generally this is accomplished but whether there are enough of these customers, and whether they are the right customers (Sullivan & Dennish, 2002); this issue warrants continual reassurance and frequent evaluation to ensure customers remain relatively satisfied and loyal. There are too many home computer retailers in today's Malaysian marketplace. Plausibly, it is necessary to create, evaluate and retain the loyalty of their customers.

With the political support, it is found that in the last two decades, Malaysian's economy has been transformed from an agricultural-based to an industrial based economy, paving the way for the country to accomplish a developing nation status. The country seeks to become a fully developed country by the year 2020, not only in the economic sense but also politically, socially, and culturally (Samsinar et al., 2008).

With the swift economic growth over the last ten years, there have been many revolutionize in the lifestyles of the Malaysian. In terms of family structure, industrialization and urbanization have made Malaysians more career-minded and hence altered the way they spend their time at home. In Malaysia, a number of programs and schemes have been introduced to promote ownership and assure universal infiltrate to computers among the population (Noor, 2005). Study conducted by Noor (2005) in Malaysia, found that computers are being used domestically for personal and household use such as entertainment rather than increasing the flow of information among domestic and business organizations. Interestingly, Malaysian teenagers are found to be the intense domestic computer users in contrast to other age categories. Further support acquired from a study on Malaysian urban children's consumption attitude and behavior intentions by Samsinar Md. Sidin et al., (2008), suggested that youth marketers would reasonably be interested in consumer behavior among teens in Malaysia, as Malaysian teens are substantial users of computer and consumer products in the country.

An additional consideration is that, in order to accomplish success in the compound and vibrant Malayisan home computer retail market today, customer loyalty through word-of-mouth marketing tends to occur very slowly and is limited geographically but is a very potent method of marketing. The value of customer loyalty marketing by enhancing the word-of-mouth and intention to repurchase behavior among customers is enormous because of its objectivity and reliability from the customers' point of view (Ting, 2006). Nevertheless, word-of-mouth recommendations are significant in shaping the success of home computer retailers and are the most economic method for home computer retailers to market themselves. Obviously, this will enhance customer's intention to repurchase with the similar computer retailer and getting help and support as well as assistance from the same salesperson again in future. Subsequently, it needs no added costs for advertising in local newspapers or in any media.

In many circumstances, customers ask for opinions from others before choosing a service firm or prior to approaching any salesperson for assistance (Ting, 2006). When customers rely on someone else for information (other customers' experiences) on contrary to the company's advertisements, the beliefs they dependent on to about what the product or service will do (expectations) may be significant in shaping satisfaction which will then convert into loyalty (Ting, 2006). Customers' referrals act as an excellent guide in contrast to advertisements since the screening process has taken place in the recommender's mind. In the study by Tan and Chua (1986) in Singapore, they establish that friends, neighbors and family members have huge influence on future customers when it comes to making decisions as to which retail store to shop at. These findings are coherent with the Eastern culture that place social and family ties as an importance elements (Haron et al., 1994). Malaysia, being a multi-cultural country, people stress on strong social and family attachment and a politically stable country that is experiencing rapid industrialization, will therefore offers a good research setting to achieve the objectives of this study.

In addition, a summary of the market orientation literature suggest that a consideration of personnel's execution is necessary (e.g. Siguaw et al., 1994). The implication of front-line employees' input to an organization's business performance is usually significant (Reynolds & Beatty, 1999). Undoubtedly, front-line employees perform a vital role in their transactions with customers by representing on behalf of their organizations (e.g. Westbrook, 1981). The employee's interaction with customers significantly influences customers' overall satisfaction and their readiness to stay with the organization (Chen & Quester, 2006).

Likewise, many companies in the 1990s have documented the significant of being customer-oriented and customer-driven in all their business dealings (Darian et al., 2001). This is shown in a number of recent books highlighting the vital role of customer satisfaction for business attainment (Cross & Smith, 1994). Businesses have

been certain to place more weight on quality, value, customer satisfaction, and customer retention (Darian et al., 2001).

While proposal such as these are useful in setting up a universal orientation to the current business environment, they do little to assist businesses with their particular customer connection (Darian et al., 2001). Mattsson (1994) has pointed out the characteristic that much service quality research has been internally focused, stressing on improving internal marketing activities. He agreed that while a person-to-person encounter is an awfully significant component of many services, we still know very little about its fundamental mechanisms. He argues that " ...it is vital to study person-to-person encounters that permeate the service organization" (Darian et al., 2001).

Subsequently, as competition intensify, products and services become more indistinguishable, and markets become established, it is becoming increasingly difficult for companies in retailing industries to differentiate themselves from other stores. Merely offering customers with technical solutions to problems does not make it ample anymore to be competitive and obtain as well as sustaining existing market share. Diverse value-added services, which begin before the actual operation, had gone far beyond it, so as to stay competitive and develop customer loyalty. Research and business experience have shown that maintaining customers through value-added services costs less than obtaining new ones (Wetzels et al., 1998).

Evidently, a number of authors have been challenged with this issue of the changing role of the sales force. Cravens (1995) listed a number of significant agenda items to revolutionize the sales organization. It includes (1) building long-term relationships with customers, including assessing customer value and establishing priorities; (2) making sales organizational forms that are more lively and compliant to the needs of direct customer groups; (3) gaining greater job control and dedication from salespeople by removing functional obstacle within the organization and leveraging the team familiarity; (4) changing sales management style from imposing to coaching; (5) leveraging existing technology for sales achievement; and (6) better-incorporating

salesperson performance assessment to incorporate the full range of activities and outcomes pertinent within sales jobs today.

Up-and-coming trends of the level and scope recorded above necessitate a re-evaluation of the activities that salespeople must perform in order to successfully develop and manage customer loyalty. Marshall et al., (1999), interviewed a variety of professional salespeople to give proof for 49 new sales activities that were not emphasized in Moncrief's (1986) original list. These latest activities fall into the following main categories: communication technology, selling technology, activities related to adaptive and consultative selling, and team-oriented activities. Many of the specific activities within these categories involve skills and content knowledge unlike from those traditionally experiential in the earlier period as the key success factors for a salesperson.

Results from previous research performed in Malaysia (Nik Kamariah, 2005), describes that Malaysian salespeople who has the ability in amending and adapting to different selling circumstances are prone to win more sales. A high level of adaptive selling, i.e. the aptitude to adapt or adjust to diverse situations and people (Spiro & Weitz, 1990), is almost certainly imperative to be successful in Malaysia because of the system of personal selling employed by the companies. Malaysian salespeople are very much caught up in small system selling or personal selling to individual customers which require salespeople to apply high self-monitoring skills. The selling circumstances in Malaysia needed more self-monitoring or adaptive selling, i.e. open to to changing environment, because every selling situation is another new meeting. The salespeople have to adjust their behavior to specific customers and circumstances in order to maximize interaction, i.e. being highly self-monitoring. This result offer some support to theoretical hypothesis that self-monitoring is correlated to performance.

It is probable that self-monitoring is vital in Malaysia, because the salespeople have to adapt to distinct and unique groups of multicultural customers, (Malays, Chinese, and Indians). Those salespeople who can adapt to different multi-racial

customers most likely would achieve something better than those who cannot. Chinese and Indian salespeople are plausibly more adaptable to customers of all races because they are more sociable, have no religious constraints and no language obstacle, (Nik Kamariah, 2005). There are no language barriers because Chinese and Indians speak eloquent Malay since it is essential for all minority races to learn the national language. This makes them more comprehensible even to the Malay market.

1.2 Problem Statement

Prior studies amid Malaysian consumers (Ndubisi, 2003; Ndubisi, 2005) have acknowledged that customer loyalty is a vital issue because a lost in one customer can cost a lot to a business. The results of a customer refuses to return to the same store in an event to purchase a product would include a decrease in revenue, higher costs of drawing new customers, loss of free advertising through positive word-of-mouth, and reduction in employee retention (Colgate & Norris, 2001). Marketing scholars have also contended that the cost of obtaining a new customer could be as high as five to six times the cost of keeping an existing one (Fundin & Bergman, 2003; Ndubisi, 2003; Ndubisi & Ling, 2005). Reichheld and Sasser (1990) verified that a 5 per cent decrease in customer defection could translate into 25-85 per cent growth in profits, depending on the service industry (Lee & Cunningham, 2001). Colgate and Hedge (2001) argue that losing customers could have an unconstructive effect on a company's market share too. Thus, businesses should attempt to reinforce customer loyalty as the key to survival and long-term growth.

Customer loyalty is steered by customer satisfaction (Ndubisi & Ling, 2005). Therefore guaranteeing customer satisfaction is a non-debatable way to gain customer loyalty. Nevertheless, all companies have had an occurrence of some degree of customer dissatisfaction after coming upon an interaction with a salesperson (Fisher et al., 1999), which makes it essential to study the behavior performance of a

salesperson. Considering how Malaysian computer store customer behave after having an interaction with a salesperson, how they express their satisfaction or frustration, how do they spread their satisfaction or frustration, and what they do next after having an interaction with a salesperson are important in customer loyalty theory building and salesperson behavior performance effect in the Malaysian market.

In addition, a thorough review of the relevant literature on customer loyalty and salesperson behavior performance shows that the process of contrasting expectations with perceived performance is lacking and has not been tested in the Malaysian circumstances previously. Moreover, the situational factor in Malaysia is unique. Buying a product requires a thorough evaluation of several factors, which includes evaluations on the behaviors of the salesperson, product performance, warranty, and trust. This issue is important in Malaysia, as there is no refund guarantee in case of a wrong buying decision has been made. Thus customers use much of their cognitive thinking and affective evaluation before making a purchase decision. This aspect has not been considered in prior research. Thus, provides new avenues for examining customer loyalty, salesperson behavior, customer satisfaction, and its consequences. This study is conducted with an aim to narrow the current knowledge gap by examining the relative roles played by salesperson behavior performance in predicting customer loyalty and the roles played by cognition and emotion in the development of customer satisfaction within the Malaysian home computer retail market.

In summary, the underpinning purpose of this paper is to contribute to the knowledge and understanding in measuring customer loyalty development as well as to identify and analyze the factors that impact on customer loyalty. Therefore this study explores the influences of salesperson's behavior performance (SBP) on customer loyalty and the mediating role of customer satisfaction on the said relationship, among Malaysian home computer retail sector by using Oliver's (1997) model which follows the cognition-affect-conation pattern.

1.3 Research Objectives

The prime objective of the study is to examine the predictors of customer loyalty (CL) and the mediating effect of customer satisfaction on the relationship between salesperson behavior performance (SBP) and customer loyalty (CL). Thus, the objectives of this study are:

- 1) To determine whether salesperson behavior performance (SBP) within the home and personal use computer retailers will have any influence on customer loyalty (CL).
- 2) To determine whether salesperson behavior performance (SBP) within the home and personal use computer retailers will have any influence on customer satisfaction (CS).
- 3) To determine whether customer satisfaction with SBP will have any influence on customer loyalty (CL).
- 4) To determine whether customer satisfaction (CS) mediates the relationship between salesperson behavior performance (SBP) and customer loyalty (CL).

1.4 Research Questions

From the previous discussion, we infer specific research questions for this study, they are:

- 1) Does customer's perception concerning salesperson behavior performance (SBP) within the home and personal use computer retailers influence customer loyalty (CL).
- 2) Does customer's perception concerning salesperson behavior performance (SBP) within the home and personal use computer retailers influence customer satisfaction (CS).
- 3) Does customer satisfaction (CS) with SBP influence customer loyalty (CL)?

- 4) Does customer satisfaction (CS) mediate the relationship between salesperson behavior performance (SBP) and customer loyalty (CL)?

1.5 Scope of Study

The home and personal use computer retailers have been chosen mainly because the present market influential of consumer goods retailing in Malaysia are home and personal use computer retailers (Samsinar et al., 2008). Furthermore, computer technology is very dynamic, new product features are being introduced within a short time period, thus facilitates repeat buying among consumers. In addition, respondents who participated in this study are relatively frequent users of their respective target home and personal use computer retailers. Nearly 70 percent of the subjects indicated that they had patronized the target home and personal use computer retailers store more than once in the past.

Therefore, this research focuses on the relationship between salesperson behavior performance (SBP) and customer loyalty (CL) of home and personal use computer retailers in Malaysia. In addition this research also looks into the mediating effect of customer satisfaction on the relationship between salesperson behavior performance (SBP) and customer loyalty (CL).

1.6 Significance of the Study

This study is expected to contribute to both theoretical and practical perspectives. There are at least four reasons of significance this study aims to accomplish namely;

First, although there are numerous studies concentrating on understanding business-to-business exchange relationships between individuals who represent firms, but individual factors, such as customer-orientation, salesperson behavior

performance, personal disclosure and the negotiator's skills and experience were not much explored (Wong, 2004).

Second, studies have been done on salesperson and buyer relationship which focus on the interaction environment of the buyer-seller relationship (Wren & Simpson, 1996), but the relationship between salesperson behavior and the future intentions (customer loyalty) through intention of word-of-mouth (WOM) and intention of future purchase is still lacking in confirmation.

Third, large numbers of studies that was carried out before made an insufficient input to enlightening the understanding of salesperson work behavior and have produced only relatively poor predictors of performance (Piercy et al., 1999). However, a potential approach based on theoretical and empirical studies, suggests that insights into salesperson performance come from assessing salesperson work behavior (behavioral performance), rather than just the outcome results (outcome performance) attributed to them (Challagalla & Shervani, 1996). These approaches imply that salesperson behavior may be a highly significant contributor to sales force effectiveness.

Fourth, previous research performed by Baldauf and Cravens (2002), assess retail salespersons on the behavioral approach which focused on what salespersons truly does on the job and were being evaluated by their superior (i.e. field sales manager). While this study instead focuses on salesperson behavioral approach, viewed through the customer's perception.

In addressing the above objective, the study described herein makes four specific theoretical significant and three practical reasons for significance to this study. The significant contributions are as follows:

Theoretically:

First, the results from this study will extend the growing body of literature by identifying salesperson behavior performance (SBP) as a meaningful antecedent variable for developing and sustaining buyer-seller relationships. Previously, salesperson behavior performance were measured based on three dimensions, we extend the measurement of SBP into five dimensions with detail description of each dimensions.

Second, the present study's contribution to the present body of knowledge involved the extension of knowledge in terms of the mediating variables used in the present model. Whereby, recent research in consumer satisfaction suggests that affective (emotional) responses have received enormous attention (e.g., Mano & Oliver, 1993; Oliver, 1993; Westbrook & Oliver, 1991). Despite growing acknowledgment of the significance of affect in consumer market, latest research mainly focused on affective satisfaction or cognitive satisfaction as mediating variables individually. Though the in print research in the field of customer satisfaction universally recognized a strong positive correlation between emotional satisfactions, and predicts customer loyalty better than cognitive satisfaction, the directionality of the relationship has been a source of debate. Furthermore, unassuming attention has been given to affect in the members of the consumer markets, particularly the salesperson behavior performance and consumers feelings. Buying individuals may have opinion towards the behavior of organizational selling team. Individuals involved in decision making are, as reflected by among other things their anecdotal experiences (Selnes & Gonhaug, 2000). Although not openly discussed in the literature, it is reasonable to expect affective (emotional bonding) and cognitive responses also to be present in buyer-seller relationships, and to influence decision making in consumer markets. Subjective evidence from business practice in consumer markets specify that salesperson exert behaviors that are heading toward affective responses.

Therefore, this study extends previous research work by investigating the influence of affective (emotional) responses along with cognitive responses, towards salesperson's behavior performance in the Malaysian home and personal use computer retail context. Previous researches have demonstrated that emotional satisfaction was able to project customer loyalty better than cognitive satisfaction (Mattila, 2004; Wong, 2004; Yu & Dean, 2001). Thus, this study will try to prove otherwise, that is, after taking into consideration the type of industry and type of product involved in this study.

Thirdly, the study's findings contribute empirically-based evidence in support of the posited relationship between salesperson behavior and customer loyalty relationships in the Malaysian context.

Fourth, unified concepts from cognitive-affective-conative theory (Oliver, 1997, p. 392) and confirmation and disconfirmation paradigm theory (Oliver, 1980, p. 463) are delineated in developing a theoretical justification for salesperson behavior performance predicting customer loyalty relationship.

Practically:

First, a discussion of the managerial implications and recommendations from these findings will be provided to help selling professionals in the generation and application of factors that are important to the success of the salespeople they hire.

Second, besides filling this empty space in the literature, the results of the current study can carry significant managerial implications for marketing strategies. The present study will determine whether SBP is justifiable for customer loyalty.

Thirdly, findings of this study should add to niche marketing strategies by presenting a framework within which multi-racial consumer groups in Malaysia may be better understood and targeted by local marketers. For international marketers taking into account Malaysia as their new country market, comprehending the consumers'

ethnicity and cultural background and its influences on their shopping behaviors would be necessary to contrast with that of consumers in countries in which the firm has had earlier marketing experience.

1.7 Definition of Variables

In this section, working definitions of the principal variables are described briefly. A more detailed definition will be given in the literature review section. A briefed description of the principles variables are given to ensure a common understanding of the terms used throughout the thesis. The research variables consist of the independent variables, mediating variables, and the dependent variables.

Customer Loyalty: “is defined as an intention of word-of-mouth behavior and repurchase intention in the future” (Matilla, 2004, p.5). Oliver (1999, p.34), he defines loyalty as “a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future.”

Customer satisfaction – emotional response: “An emotional response to the experiences provided by and associated with particular products or services purchased, retail outlets, or even molar patterns of behavior such as shopping and buyer behavior, as well as the overall marketplace” (Giese and Cote, 2000, p.5-8). An emotional response triggered by a cognitive evaluation process in which the perceptions of (or beliefs about) an object, action, or condition are compared to one’s values (or needs, wants, desires) (Giese & Cote, 2000, p.5-8).”

Customer satisfaction – Conative dimension: “The consumer’s fulfillment response. It is a judgment that a product or service itself, provided (or is providing) a pleasurable level of consumption – related fulfillment, including levels of under- or over-fulfillment.” (Giese & Cote, 2000, p.5-8).

Salesperson Behavior: “Indicates how well salespeople perform various activities when carrying out their job responsibilities.” (Babakus et al., 1996, p.3).

Adaptive selling skills: “Extant research has related sales performance to aptitude and skill variables such as overall intellectual ability, knowledge structures, occupational interests, other-directedness, and ability to make professional sales presentations.” (Wren & Simpson, 1996, p. 4).

Salesperson knowledge: “In order to be effective, salespeople need elaborate knowledge bases consisting of knowledge about company products, an understanding of the needs of the customer, and information about alternatives offered by competitors.” (Wren & Simpson, 1996, p 5).

Sales presentation skills: Skills related to effectively conducting the personal selling process (i.e. the series of inter-related steps that salespeople commonly use to engage with and influence customers (Churchill et al., 1997, p.367).

1.8 Summary and Organization of Remaining Chapters

This thesis is structured into six parts. Chapter one covers the introduction and background of the study, problem statement, research objectives, significance of the study and definition of variables/key terms. Chapter two will provide an overview of the literature on salesperson behavior, customer satisfaction, and customer loyalty. First, it starts with reviews on the relevant theories and literature from previous studies. Chapter three discusses the theoretical framework and hypotheses of the research. Followed by Chapter four which covers the methodology used in this research. This chapter includes the research design, sampling design, population and sample size, translation procedure, pilot study, and the data analysis undertaken to answer the research questions. Consecutively Chapter five describes the data analysis and findings of the study. Finally, Chapter six discusses the findings and provides the conclusion for the study. The thesis ends with the references, questionnaire and the SPSS output as appendix.

This chapter has given background of the study embarked on as well as background information of Malaysia where the fieldwork of the research is carried out. In the next chapter, empirical evidence on customer loyalty, salesperson behavior performance, and customer loyalty from past studies will be well thought-out. To develop the theoretical foundation for the current study, the researcher attempts to draw salesperson performance input from the selected models of retail patronage behavior. Then, the concept and ideas of the initial framework were joined together with other empirical findings in order to build up the research model on which the current research is based on.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter begins with a description of the evolution of the key study which is customer loyalty and how it is conceptualized. This is followed by a description of theories that underlie customer loyalty studies. The chapter also reviews the relevant literatures pertaining to customer-oriented behavior which leads to the development of salesperson behavior performance. Subsequently, it discusses the various components of SBP and their impacts on customer loyalty. Following this a description on how customer loyalty is being measured is also presented. The later part of the chapter discusses the contribution of emotional satisfaction and cognitive satisfaction on loyalty.

2.1 The Evolution of the Key Study

During the past decades, marketing academics and practitioners were equally fascinated by the relationship between satisfaction and loyalty (Bloemer & de Ruyter, 1998). A large amount of these studies, however, were focused on products (brands) and to a somewhat lesser extent on services or channel intermediaries. Surprisingly, research on the relationship between salesperson behavior performance, customer satisfaction, and customer loyalty has remained limited, both in actual number as well as in scope.

Besides its ability to comprehend customers better, the research on customer loyalty and its relationship with salesperson behavior performance will also help to increase market share, profitability, and reduce cost. A study conducted by Ndubisi (2006) in the Malaysian banking sector revealed that it will cost the business five to six

times more to attract and serve one new customer as compared to serving one loyal customer (Ndubisi, 2003). Although there is abundance of benefits related to customer loyalty strategy, little is known about the actual influences of the underpinnings of relationship between salesperson behavior performances on customer loyalty. (Veloutsou et al., 2002; Ndubisi, 2004). Besides, it is no surprise that much of the work and understanding of customer satisfaction or customer loyalty to date focuses on the Western perspective, as hardly any work has been done in Malaysia and in Asian context. Being culturally collectivist (Ndubisi & Wah, 2006) with a distinct relationship structure, a Malaysian study on customer loyalty is essential as different inferences may be discovered that will help marketing practitioners in designing effective customer loyalty and customer satisfaction approach. The outcome of this research holds significant benefits, both for marketing researchers and practitioners interested in the subject of customer loyalty management and customer satisfaction.

More so, earlier studies have demonstrated that Customer loyalty is a pre-requisite to customer retention (Mattila, 2004; Rust et al., 2000). Of the three words in Hirschman's famous exit, voice and loyalty framework, loyalty is the least understood (Graham & Keeley, 1992). Existing conceptualizations of customer loyalty, particularly in the context of consumer goods, have been mainly drawn from cognitive psychology. Dick and Basu (1994), for example, conceptualize loyalty as the relationship between relative attitude strength and attitudinal differentiation. More recent conceptual models have attempted to incorporate the hedonic or affective aspects of customer loyalty. Oliver (1999) suggests that consumers first become loyal in a cognitive sense and that affective loyalty is limited to a secondary stage. An exploratory study conducted by Shemwell et al., (1994) demonstrated that, of three service categories (physicians, hairstylists and auto mechanics), emotional bonding with the service provider was positively correlated with higher levels of purchase intention. Collectively, these recent conceptualizations of customer loyalty, direct to the importance of affect in explaining loyalty.

Advance review on the literature in relative to customer loyalty; indicates that it is imperative to note the distinction in terminology including brand loyalty (Jacoby & Chestnut, 1978), customer loyalty (Oliver, 1997) and service loyalty (Gremler & Brown, 1999). A thorough assessment of such terms can be comprehended better in Knox and Walker's (2001) paper. These differences are sometimes semantic, but in general the term used tends to frame the focus of the research (McMullan, 2005). This paper is concerned with customer loyalty to a salesperson behavior performance and as such is customer oriented.

In view of that, the next issue facing marketers were generally related to customer loyalty. The object of customer loyalty may be either the service provider/firm, or a particular service worker. The former is referred to as service loyalty while the most recent as personal loyalty. As expected, the two loyalty construct are comparable in their operationalization but varies in terms of their context. Loyalty is a two-dimensional construct made up of an attitudinal and behavioral component (Bove & Johnson, 2000). The attitudinal dimension of service loyalty measures the customer's attitude towards the firm (relative to other firms offering the same service). While the behavioral dimension measures the proportion of the customer's patronage of the firm (relative to total service category purchases) over a defined period of time. Similarly, personal loyalty to a service worker is measured by the customer's attitude towards the individual (relative to other service workers in the field) and the customer's level of exclusive use of the service worker over a defined period of time.

Accordingly, Bove and Johnson (2000) pointed out that service loyalty has been linked with customers' personal relationships with service personnel. Pragmatically, personal relationships are reflected positively on the organization. For example, Beatty et al. (1996) establish that the positive feelings customers had towards salesperson have a propensity to "rub off" on the service organization, such that they felt more positively inclined towards the company as well. High levels of customer confidence towards the salesperson would be projected to interpret into positive attitudes towards

the firm. Consequently, high levels of customer dedication to the firm's salesperson would influence customer patronage of the firm (Bove & Johnson, 2000).

A review of related literatures highlighted on the commencement of a behavioral perspective of loyalty which start to appear in the 1970s. The emergence of a behavioral perspective for loyalty measurement, come about after a period when the majority of researchers measured loyalty as a pattern of repeat purchasing (Sawmong et al., 2004, p. 503). Omar (1999) highlighted that store loyalty is the single most important factor in retail marketing success and store longevity. He further observed that lacking of loyalty toward the retail and the store is likely to be ineffective (Sawmong et al., 2004, p. 503).

Current research indicates that loyalty is developed in more dynamic and complex ways than reflected in the common "satisfaction builds loyalty" model (Chaudhuri & Holbrook, 2001). Oliver (1999), for example, propose that satisfaction is an essential input to loyalty behavior but there are other determinants in loyalty formation, such as personal determination and social support (Chi, 2005, p.60). Consecutively, "ultimate loyalty" results from the convergence of product superiority, personal fortitude, social bonding, and their synergy.

Previous findings from Pritchard and Howard (1993, 1997) suggested three key antecedents to customer loyalty: performance, satisfaction, and consumer involvement. Firstly, the superiority or quality of service performance can affect a customer's loyalty (Fick & Ritchie, 1991). In other words, large perceived differences in performance quality among competitive offerings boost the likelihood for customer loyalty forming (McConnel, 1968). Secondly, loyalty customers are thought to be more satisfied than less loyal and non-loyal ones (Hawkins, Best, & Coney, 1989). When a service performs well it secures consumers' satisfaction, which consequently reinforces consumer attachment (loyalty) to the service provider (Bitner, 1990). Another antecedent of loyalty is consumer involvement. Several researchers (Assael, 1987; Backman & Crompton, 1991) have found that higher consumer participation in the

purchase decision increases customer attachment and loyalty toward a specific service provider.

Former literature (Jones & Sasser, Jr., 1995) specifies that customer loyalty is the feeling of attachment to or affection for a company's people, products, or services. These feelings marked themselves in many forms of customer behavior. The ultimate measure of loyalty, of course, is share of purchases in the category. In the automobile business, it is share of garage. In the clothing industry, it is share of closet. And in the restaurant business, as Taco Bell president and chief executive officer John Martin says, it is "share of stomach."

In this study, the definition given by Oliver (1997) for customer loyalty is used as the working definition since it is reflective of the current state of understanding in customer loyalty.

2.2 Theory of Cognitive-Affective-Conative-Behavior

Following the advent of research on behavioral insight in customer loyalty which comes about in the 1970s, most researchers measured loyalty from a depiction of repeat purchase. The most significant models for measurement of customer loyalty are Oliver's four-stage loyalty purchasing model (Oliver, 1997; Sawmong et al., 2004, p. 505).

Oliver's (1997, p. 392) framework model is a resultant of cognitive-affect-conation pattern model and he recommended that consumers can turn out to be loyal at each stage of the aforementioned model (cognitive loyalty-affective loyalty-conative loyalty-action loyalty).

The first stage: Cognitive loyalty, Cognition can be deriving from prior or specific knowledge or on recent experience-based information. The consumer loyalty in this situation is a seeming nature. The strength of loyalty at this stage is non weighty but just a mere performance. For example if a different store offer finer prices, the

consumer will substitute from buying a product from the original store where they used to buy to the new store that offer lower price. This is so, as consumers are aware of costs and benefits more than anything else. If satisfaction is developed, it becomes part of the consumer's experience and begins to take on an affective implication. The outcome from customer switching behavior in services industries by Sivadas and Baker (2000), discovered that the consumer's make judgment of prior service or product on factors such as; cost and benefit, better prices or services delivery from competitors, consequently influence customer loyalty (Sawmong et al., 2004, p. 506).

The second stage: Affective loyalty, loyalty at this phase is built on affect. Whereby, during this stage, a liking or attitude regarding the brand developed on the basis of cumulatively satisfying usage occasions. This reflects the pleasure dimension of the satisfaction definition that is pleasurable fulfillment, as described previously. Steadfastness at this stage is referred to as affective loyalty and is encoded in the consumer's mind as cognition and affect. (Sawmong et al., 2004, p. 506).

The third stage: Conative loyalty, the next stage of loyalty development is the conative (behavioral intention) stage. Loyalty at this stage is subjected to repeated episodes of positive affect towards the services. Conation, by definition, implies a service or product specific commitment to repurchase.

Customer in this stage makes commitment to re-buy or re-patronize a preferred product/service consistency in the future. Conative loyalty, then, is a loyalty state that contains what, at first, appears to be the deeply held obligation to buy as stated in the loyalty definition. (Sawmong et al., 2004, p.506).

The fourth stage: Action loyalty is the final stage of customer loyalty. In this stage, action loyalty surface out of prior intentions. Action loyalty stage exposes the motivated intention that carry on from the previous loyalty state changing into readiness to act. (Sawmong et al., 2004, p.506).

Apparently, as noted by Oliver (1997), the state of action loyalty has not been observed in the literature so far. Most research only focuses on the non-action

“cognitive-affective-conative” underpinnings of loyalty. Reason being, action loyalty is not easy to monitor as well as to measure even though it is ideal to be measured. Because of such obscurity, many researchers operationalized only at the conative stage or the behavioral intention measure. Thus, the concept of Oliver’s four-stage loyalty purchasing model will be adopted whereby the conative loyalty approach will be used as the basis to develop the study conceptual model.

2.3 Customer Loyalty and its Conceptualization

There is recognition of a requirement for greater knowledge and consideration in relation to customer loyalty (Knox & Walker, 2001; McMullan, 2005, p.470, 471). This results from vagueness that exists over the meaning and measurement of the concept and the deficiency of academic literature in this area (Hart et al., 1999; Oliver, 1997; 1999). Most analyses of loyalty have been from a behavioral perspective, excluding attitudinal type data and focussed on an ascertain perspective using stochastic models (Ehrenberg & Goodhardt, 2000,; McMullan, 2005). A predicament linked with this type of analysis is that loyalty is about much more than just repeat purchase; someone who go on with buying may be doing so out of inertia, apathy or exit barriers rather than loyalty (Reichheld, 2003). Most recent studies concentrate on the relationship between customer loyalty and quality, satisfaction (Martensen et al., 2000; McDougall & Levesque, 2000) probability (Hallowell, 1996) or be short of profitability (Reinartz & Kumar, 2000) and frequency programmed effectiveness (Shoemaker & Lewis, 1999). In consequence, in spite of all the attention in the general concept and the universal assurance in the benefits of loyalty, development in measuring and clearly defining it have been very limited (Knox & Walker, 2001). Table 2.1 demonstrates the main contributions of studies within the customer loyalty literature.

Table 2.1
Contribution Classifications of Customer Loyalty

Author(s), year	Contribution
Jacoby and Chestnut (1978)	3-fold classification typifying method to measuring brand loyalty: (1) behavior (2) psychological commitment (3) composite indices.
Dick and Basu (1994)	Research paying attention to the relative attitude and possible moderators of the comparative attitude to repeat-patronage based on social norms and situational factors. Comparative attitude is the extent to which the consumer's evaluation of one alternative brand rules over another. True loyalty only exists when repeat patronage affiliated with high relative attitude. Categorization contains spurious, latent and sustainable classification of loyalty.
Christopher et al., (1993)	The Loyalty Ladder. Observed the progress up or along the step from prospects, customers, clients, supporters and advocates. Succession requires intensified discussion between exchange parties, dedication and confidence, which develops inside a consumer's attitude based on their experiences having dialogue.
Baldinger and Ruben (1996)	A composite approach. This approach observed the predictive capability of behavioral and attitudinal data headed for customer loyalty across five sectors.
Hallowell (1996)	Delve into the relationships between profitability, customer satisfaction and customer loyalty.
O'Malley (1998)	The efficacy of loyalty programmed.
Raju (1980)	Developed the scale to measure loyalty within the Exploratory Tendencies in Consumer Behavior Scales (ETCBS).
Beatty et al., (1988)	Revolutionalized the scale to measure commitment, based on the hypothesis that commitment is equivalent to loyalty. This scale integrated items, which covers; ego involvement, purchase involvement and brand dedication.
Pritchard et al., (1999)	Conceptualized customer loyalty in a commitment-loyalty measure, termed Psychological Commitment Instrument (PCI).
Gremler and Brown (1999)	Expand the concept of customer loyalty to intangible goods base on the definition obtained from service loyalty. They recommended a 12-item measure; with a seven-point scale illustrating at either end from strongly agree to strongly disagree.
Oliver (1999)	Much emphasis on the notion of situational influences. Built-up a four-phase model of customer loyalty development ascertain on previous studies but explicitly adding the fourth action phase.