

Geographic Scope Effects on Buyer Satisfaction and Defection

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Abstract—As organizations move away from their domestic borders and into international environments, selling firms should understand the role geographic scope plays for the buying organization in determining whether buyers want to continue purchasing a product or service. This study addresses differences in geographic scope of buying firms as they relate to satisfaction and intention to remain in the relationship. Our findings suggest firms that are international in scope place a stronger emphasis on being satisfied with the selling firm and the salesperson of that firm when considering continuing to stay in the relationship than firms that have only a national geographic scope. Additionally, our findings indicate that organizations that are international in scope place a greater importance on satisfaction with their salesperson when deciding whether to stay in the relationship than firms with a regional scope.

Keywords-Buyer defection; Customer Satisfaction; Global Scope

I. INTRODUCTION

Customer retention and customer defection have received a much attention in the marketing literature over the past several decades [1]. A driving motivator for this focus is that customer retention has been directly and indirectly linked to increases in firm profitability [2]. Researchers have examined the relationship between customer satisfaction and customer retention [3] as well as different facets of satisfaction in a sales setting. For example, both satisfaction with the salesperson [4] and satisfaction with the selling firm [5] have been examined in light of their impact on defection intentions. While there is a body of research examining customer satisfaction within a sales setting, the moderating role of geographic scope on customer's satisfaction with a supplier firm and/or salesperson on future intentions is under-researched [6]. The complex and demanding global environment impacts personal selling, possibly more than any other area of the global enterprise [7]. Examining satisfaction with the salesperson and selling organization and its impact on propensity to stay in the relationship, in the context of a firm's geographic scope, appears to be an important topic worthy of investigation. Understanding how geographic scope affects buyer's purchase intentions can lead to increased efficiency and effectiveness for the selling firm.

In this study, we seek to address gaps in the literature by extending it with respect to the way differences in geographic scope affect the relationship between satisfaction with the firm and satisfaction with the salesperson, and the manner in which these factors impact buying firm's propensity to stay in the relationship. The study utilizes two linkages from previous research: (1) the buyer's satisfaction with the salesperson leading to propensity to stay in the relationship and (2) the buyer's satisfaction with the selling firm leading to propensity to stay in the relationship. Geographic scope is also examined as a moderating variable.

II. LITERATURE REVIEW

A. Propensity to Stay

Propensity to remain in a relationship is an important variable to examine because it seeks to address the buyer's future intentions. The factors that result in a customer's decision to remain in a relationship have been examined in a marketing and sales setting [4, 8]. With respect to organizational buying behavior, continuance has been viewed from the perspective of the decision to leave (defection intentions) and from the perspective of the decision to remain in a supplier relationship (propensity to stay and expectancy of continuity). Defection or the decision to leave as well as the decision to remain in supplier relationships has been the topic of recent research [9].

B. Satisfaction

In the marketing literature, satisfaction has long been proposed as an antecedent to continuance in the relationship [10]. Satisfaction as an antecedent to continuance in the relationship has been studied extensively in a consulting firm context [11]. While satisfaction has been researched as an overall construct, it has also been examined as a multifaceted construct [12]

including satisfaction with the salesperson and satisfaction with the firm [13].

Satisfaction with the Selling Firm

While most literature deals with overall satisfaction, several studies have looked at satisfaction with the supplier or company specifically. Researchers found that satisfaction with the dealer predicted satisfaction with the product and satisfaction with the manufacturer. Additionally, researchers found that satisfaction with the company led to a higher share of purchase in a retail setting [14, 15]. Based on these studies, we make the following hypothesis:

H1A: Increased satisfaction with the selling firm will be positively related to an increase in propensity to stay in the relationship.

Satisfaction with the Salesperson

Customer's satisfaction with the salesperson is a growing area within the sales literature [15, 16]. While studies in the retail sales setting addressing this issue are fairly numerous, the effect of customer satisfaction with the salesperson on future intentions has received limited research attention a business to business setting [4, 8]. When researching customer's defection intentions in a business-to-business services setting, research found that if a buyer is not satisfied with the salesperson, then s/he may begin the process of searching for a new supplier [4]. Based on this, we hypothesize that:

H1B: Increased satisfaction with the salesperson will be positively related to an increase in propensity to stay in the relationship.

C. Geographic Scope

When considering the geographic scope of a company, size is not a limiting factor to being able to expand beyond domestic borders [17]. One reason size is becoming less of a barrier to being a multinational firm is related to significant advancements in communication and transportation. Technological changes have greatly reduced the costs of multinational interchange and there are an increasing number of people with international business experience [18]. With size not being an excluding factor to international presence, the geographic scope of firms needs to be more closely examined to see which aspects of the buyer/seller relationship are most important.

Research suggests that in multinational corporations, corporate headquarters influence most sales policies [19]. When doing business in more than one country, differences in management's policies should be addressed. For this reason, firms will be divided into two primary groups: (1) firms with an international scope, and (2) firms with only a domestic scope. When looking at domestic firms, geographic scope must be further deconstructed. When examining geographic scope, domestic firms can be split into two groups: national and regional [20]. National firms are companies that cover more than a regional geographic scope but less than an international scope. Regional firms

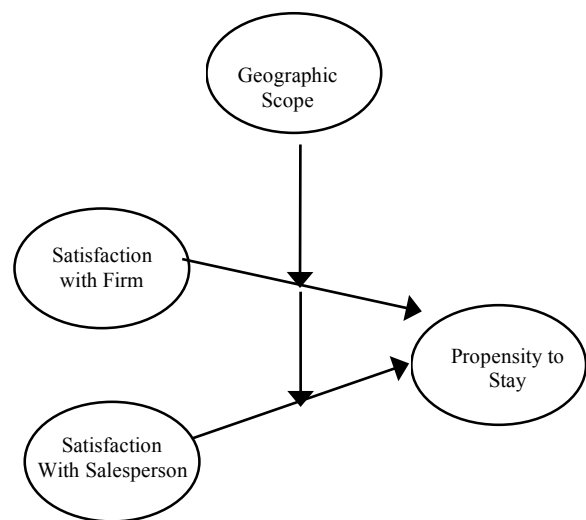
are business organizations that are more limited in geographic scope. When looking at international marketing versus domestic marketing, international marketing is much more complex because a marketer faces more sets of uncontrollable variables originating from various countries [21]. Based on the idea that there are additional complexities in business transactions for an international firm, firms with an international scope may place more importance on being satisfied with companies they purchase from, as well as the sales personnel of those firms than companies limited to a domestic geographic scope. This suggests the following hypotheses:

H2: The strength of the relationship between satisfaction with the selling firm and propensity to stay in the relationship will be stronger for buying firms with an international scope than for (a) firms with a national geographic scope or (b) firms with a regional geographic scope.

H3: The strength of the relationship between satisfaction with the salesperson and propensity to stay in the relationship will be stronger for buying firms with an international geographic scope than for (a) firms with a national geographic scope or (b) firms with a regional geographic scope.

The proposed model for the study is shown in Fig. 1.

Figure 1



III. METHODOLOGY

A. Sample

Business customers of a Fortune 100 service firm were surveyed. Prior to designing the questionnaire, depth interviews were conducted with ten of the firm's customers, six of the firm's sales managers and eight salespeople. The

discussion centered around gaining insight into the customer defection and retention process. Questionnaires were sent to a random sample of 300 customers. Each customer was contacted by phone and asked to participate. Of the 300 questionnaires sent, a total of usable sample of 146 respondents was obtained for a response rate of 48.6%. The scope of the companies that the respondents worked for varied substantially. Of the 146 respondents, 8.9% of the respondents worked for local companies, 3.4% were state-wide, 24.7% were regional, 31.5% were national companies, and 31.5% worked for companies that were international in nature. Local, state-wide, and regional were combined into a single category labeled regional. The company wide gross sales volume for the previous year varied substantially. 4.5% of the firms sold less than one million dollars in the previous year, 28.8% of the firms sold between one million and slightly under five million dollars in the previous year, 23.5% of the firms sold between five million and slightly under ten million dollars in the previous year, 19.7% of the firms sold between ten million and slightly under twenty million in the previous year, 13.6% of the firms sold between twenty million and slightly under fifty million in the previous year, and 9.8% of the firms sold over fifty million in the previous year.

B. Measures

Previously validated scales were adapted when possible to create the measures. Existing scales for satisfaction with the firm and satisfaction with the sales representative were used [22]. Five seven-point Likert items were used to measure each of the satisfaction constructs. The measures had reliabilities of .90 for satisfaction with the firm and .96 for satisfaction with the sales representative. Propensity to stay was measured with a single item. The item required that respondents fill in a percent for the likelihood of continuing to use the service provider. Geographic scope was measured with a single item that had respondents circle one of five options (local, statewide, regional, national, and international).

C. Analysis

The data were analyzed using SPSS. Regression analysis was used to test the direct relationships between the independent and dependent variables. Subgroup analysis was then conducted following the guidelines set by Sharma et al. [23]. Geographic scope was analyzed at the regional, national, and international levels. Tests of differences between regression coefficients were tested using Z values provided by a Fisher's Z test.

D. Results

H1A and H1B examined the relationships between the independent variables satisfaction with the firm or salesperson and the dependent measure propensity to stay in the relationship. Regression was used to test H1A and H1B. The equation for H1A yielded significant results ($p < .05$) with an R^2 of .191 and a beta value of 17.010. The regression equation for H1B yielded significant results ($p < .05$) with an R^2 of .176 and a beta value of 9.302. The results indicate that as satisfaction with the firm and salesperson increase, the buying firm's propensity to stay in the relationship

increases. Thus, H1A and H1B are supported. Hypotheses H2A and H3A examined the relationship of satisfaction with propensity to stay in the relationship for national and international firms. The possible moderating effect of geographic scope was tested using a Fisher's Z test (see Table 1). The findings provide support for H2A (z value in the national firms = .2174; z value in the international firms = .6807; Fisher's z value = -2.09; $p < .05$). Our results also provide support for H3A (z value in the national firms = .3451; z value in the international firms = .7447; Fisher's z value = -1.75; $p < .05$). The results suggest that international buying firms place a stronger emphasis on satisfaction with both the firm and the salesperson, when buying firms are international in scope than when buying firms are limited to a national scope. These findings support both H2A and H3A.

Table 1:
National versus International Scope of Satisfaction and Propensity to Stay (correlations, sample size, and Z-score)

	National Scope	International Scope	Z-Score
Selling Firm	.214 (44)	.592 (44)	-2.09***
Salesperson	.332 (42)	.632 (41)	-1.75***

*** $p < .05$

H2B and H3B examined the linkage between satisfaction and propensity to stay in the relationship for regional and international firms. The possible moderating effects of geographic scope were tested using a Fisher's Z test (see Table 2). The findings fail to provide support for H2B (z value in the regional firms = .540; z value in the international firms = .6807; Fisher's z value = -.66; $p > .05$). The results provide support for H3B (z value in the regional firms = .3507; z value in the international firm = .7447; Fisher's z value = -1.79; $p < .05$). The findings suggest that buying firms place a stronger emphasis on satisfaction with the salesperson when buying firms are international in scope than when buying firms are regional. The findings support H3B but not H2B.

Table 2:
Regional versus International Scope of Satisfaction and Propensity to Stay (correlations, sample size and Z-score)

	Regional Scope	International Scope	Z-Score
Selling Firm	.493 (52)	.592 (44)	-.66
Salesperson	.337 (49)	.632 (41)	-1.79***

*** $p < .05$

IV. IMPLICATIONS

The current study has several interesting findings. Consistent with previous studies [4, 13], our results suggest that as satisfaction with the salesperson increases, the propensity of the buyer to stay with that salesperson

increases. Also, consistent with earlier findings [15] our results suggest that as satisfaction with the selling firm increases, the propensity of the buyer to remain with that firm increases. These findings provide additional evidence that satisfaction has at least two components that influence customer retention and defection. Companies should focus on helping salespeople understand the role they play in creating customer satisfaction. Additionally, businesses need to understand that all employees who interact with the buyer potentially influence the buyer's satisfaction with the selling firm. Customer contact people, regardless of whether in sales or other areas of the organization, should be trained on creating and sustaining customer satisfaction in interactions with the buying firm. Research regarding the specific actions of both the salesperson and the selling firm that impact the buyer's satisfaction is needed, and may vary depending upon industry or organization.

Second, the scope of the buying organization plays a major role when looking at the buying firm's propensity to stay in the relationship. When looking at the relationship of satisfaction with the firm leading to propensity to stay, 19.1% of the variance is explained. When geographic scope is included, the amount of variance explained in the relationship between buying firm's satisfaction with the supplier firm leading to propensity to stay increases to 35.0% with regards to firms with an international scope. But when buying firms are limited to a national scope, the amount of variance explained in the relationship between satisfaction with the firm and propensity to stay decreases to 4.5%. This is an indication that buying firms with an international scope place substantially more emphasis on satisfaction with the selling firm than buying firms that are limited to a national geographic scope. Selling firms that deal with buying organizations with an international orientation need to pay closer attention to the ways in which their customer contact people interact with the buyer. Additionally, selling firms need to focus on more frequent touch points with international buyers to gauge their overall satisfaction with the firm.

When looking at the relationship of satisfaction with the salesperson leading to propensity to stay, 17.6% of the variance is explained. When geographic scope is included, the amount of variance explained in the relationship between buying firm's satisfaction with the salesperson leading to propensity to stay increases to 39.9% with regards to firms with an international scope. But when buying firms are limited to a domestic scope, the amount of variance explained in the relationship between satisfaction with the salesperson leading to propensity to stay decreases to 11.0% with regards to firms with a national scope and 11.4% with regards to firms with a regional scope. This is an indication that firms with an international scope place substantially more emphasis on satisfaction with the salesperson than firms that are national or regional in scope. Salespeople need to become even more sensitive to the importance of their role in

internationally focused organizations and strive to maintain high levels of customer satisfaction.

The need for understanding both buyers from a global perspective has never been greater [7]. The research presented here suggests a possible moderating relationship between the geographic scope of buying firms influencing the relationship between satisfaction (with the firm and salesperson) and the buyer's propensity to stay in the relationship. Sales managers and others involved in the selling of a product or service should be aware these results suggest that firms with an international geographic scope place more importance on satisfaction than their counterparts limited to a regional or national geographic scope. Perhaps firms with an international geographic scope are more sensitive to relationship management than firms that are national or regional in geographic scope. While the authors only speculate that it may be the underlying case, future research should seek to address the underlying mechanisms between geographic scope, satisfaction, and propensity to stay in the relationship.

The findings presented have some limitations. First, this research focuses on one selling firm and many buying organizations which may limit its generalizability. Second, the sample size of 146 is adequate to identify strong moderators, but to identify weaker moderators a larger sample may be needed. Third, the degree of the relationships may change in a product setting as opposed to a service setting.

The research and findings presented here provide many opportunities for future research. First, research should try to replicate these findings in an international setting. Second, research should try to divide regional scope to regional, local, and statewide. Third, future research should address other independent variables such as commitment, perceived commitment, trust, and loyalty in relation to geographic scope and propensity to stay. Finally, future research could use multiple selling firms and multiple buying firms to increase the generalizability of the results. Overall, this research provides a strong foundation for future research in this emerging but highly important topic within the sales force management area.

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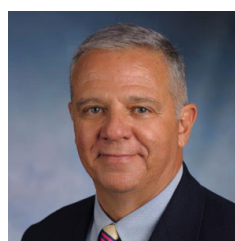
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