The antecedents and consequences of customer loyalty: The roles of customer satisfaction and consumer trust -commitment

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THE ANTECEDENTS AND CONSEQUENCES OF CUSTOMER LOYALTY: THE ROLES OF CUSTOMER SATISFACTION AND CONSUMER TRUST-COMMITMENT

A Dissertation

by

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Submitted to the Graduate School of the University of Texas-Pan American in partial fulfillment of the requirements for the degree of

DOCTORATE OF PHILOSOPHY IN BUSINESS ADMINISTRATION

August 2000

Major Subjects: International Business and Marketing

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ABSTRACT

Alonso, Sergio, "The Antecedents And Consequences Of Customer Loyalty: The Roles Of Customer Satisfaction And Consumer Trust-Commitment" Doctorate of Philosophy in Business Administration (Ph.D.), August 2000, 128 pp., 9 tables, 7 illustrations, 140 references.

The objective of this dissertation is to develop and test a model of customer loyalty. This model can help explain the process that a customer follows to pledge loyalty, sometimes even subconsciously, to a product or service provider. From the provider's perspective, this process enables a firm to have a superior marketing performance based on the consideration that a loyal customer always is going to repurchase from the same provider. The whole model is composed of two sides: the firm and the consumer side. The firm is the entity that starts the process with the production of a consumer value package that includes a product or service and a strategy to deliver it into the consumer's hands. On the consumer side, the customer may or may not be satisfied with his or her first consumption experience. Only when the consumer is satisfied can it be said that the process for him or her to become loyal starts. Finally, again on the firm side, the consequence of customer loyalty is a firm's superior marketing performance. This superior marketing performance includes higher market share, profitability, and competitive advantage (Moon and Kang 1999).

This dissertation focuses on the process that occurs on the consumer side. It is specifically proposed that after a first satisfying experience, a customer requires some kind of reinforcement to become loyal. Such reinforcement would come either by a cognitive process (familiarity and perceived risk) or by an affective process (shared values and norms and opportunistic behavior). The result of those processes is the formation of consumer trust and commitment, which in turn, lead to customer loyalty.

This dissertation suggests that consumer trust and commitment have a key-mediating role in the process of building loyalty. Consumer trust and commitment have been regarded previously as important conditions necessary to increase cooperation and loyalty among partners (Morgan and Hunt 1994, Moorman, Deshpande, and Zaltman 1993). The contention of this dissertation is that a buying process with trust and commitment will be able to generate customer loyalty involving repeated purchases in a long-term relationship between a firm and its customers.

Guided by a modeled set of relationships, some hypotheses were tested using survey data in the long-distance phone industry. After a rigorous sample data collection and several statistical analyses (factor analysis, correlation analysis, regression analysis, and structural equation modeling) it is concluded that the existence of trust and commitment as mediating variables is important to increase the explanation of customer loyalty. Because not all the initially suggested variables were found significant, a post-hoc model is developed including only the significant variables (see figure 7). This tested model explains about 40% of the variance of the dependent variable customer loyalty and has goodness of fit indexes that are adequate.

DEDICATION

To my wife Lucero

And to my children

Diana F. and Rodrigo

Thanks for your love and patience

ACKNOWLEDGEMENT

Thanks to AT&T for the Grant provided to support this research. Special thanks to Mr. John Guerra, Ms. Andrea Kahler, and Ms. Patricia Estrada for believe in this project.

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CHAPTER I

INTRODUCTION

Traditional marketing practices have focused on attracting new customers rather than retaining existing ones as practitioners aimed at selling rather than cultivating relationships. More recently, however, a growing number of companies are emphasizing retention of current customers for the following reasons. First, the cost of attracting new customers may take six times the cost of keeping current customers satisfied (Bender 1976). Second, companies can improve profits more than 25% by reducing customer defection by 5% (Reichheld and Sasser 1990). Finally, loyal customers outspend others by ratios that can go from 5:1 in the hotel and motel industry to 16:1 in retailing (Bagozzi et al. 1998).

Research Problem

Despite this new emphasis on customer retention and the acceptance that managers need to understand and know how customer retention can be achieved, marketing researchers have not advanced studies on the antecedents of customer retention. Some authors of marketing textbooks have linked customer retention to customer satisfaction (Kotler 1997, Kurtz and Clow 1998, Rust, Zahorik, and Keiningham 1996, Zeithaml and Bitner 1996) under the assumption that a satisfied customer may be prone to repeat purchases, whereas an unsatisfied customer may tend to defect. Similarly, some marketing researchers have underscored the direct relationship between customer loyalty and customer satisfaction (Hallowel 1996, Heskett et al. 1994, Heskett, Sasser, and Schlesinger 1997).

Yet, the backward linkage of customer retention to customer satisfaction does not seem to be direct mainly because of the emerging requirement of an established relationship between the customer and the seller for retention to actually occur (Berry 1983, Berry and Parasuraman 1991, Grant and Schlesinger 1995, Jones and Sasser 1995, Reichheld 1996, Webster 1992). Even though the literature on customer satisfaction is normally related to customer loyalty, a formal model explaining the steps between customer satisfaction and customer loyalty is missing. It has been mentioned that customer satisfaction is necessary, but not a sufficient condition (Liu 1998, Schulz 1998), that there is evidence that despite favorable customer satisfaction, companies are losing important buyers of their products and services everyday (Thomas 1998), and the attempts to use satisfaction, an attitude, in order to predict customer loyalty, a behavior, has not worked well in the past (Neal 1999).

If there is not a straightforward relationship between customer satisfaction and customer loyalty, then the questions are, what is there in the middle? How can we explain that customer satisfaction does not always lead to customer loyalty? The present dissertation will seek to address these primary problems.

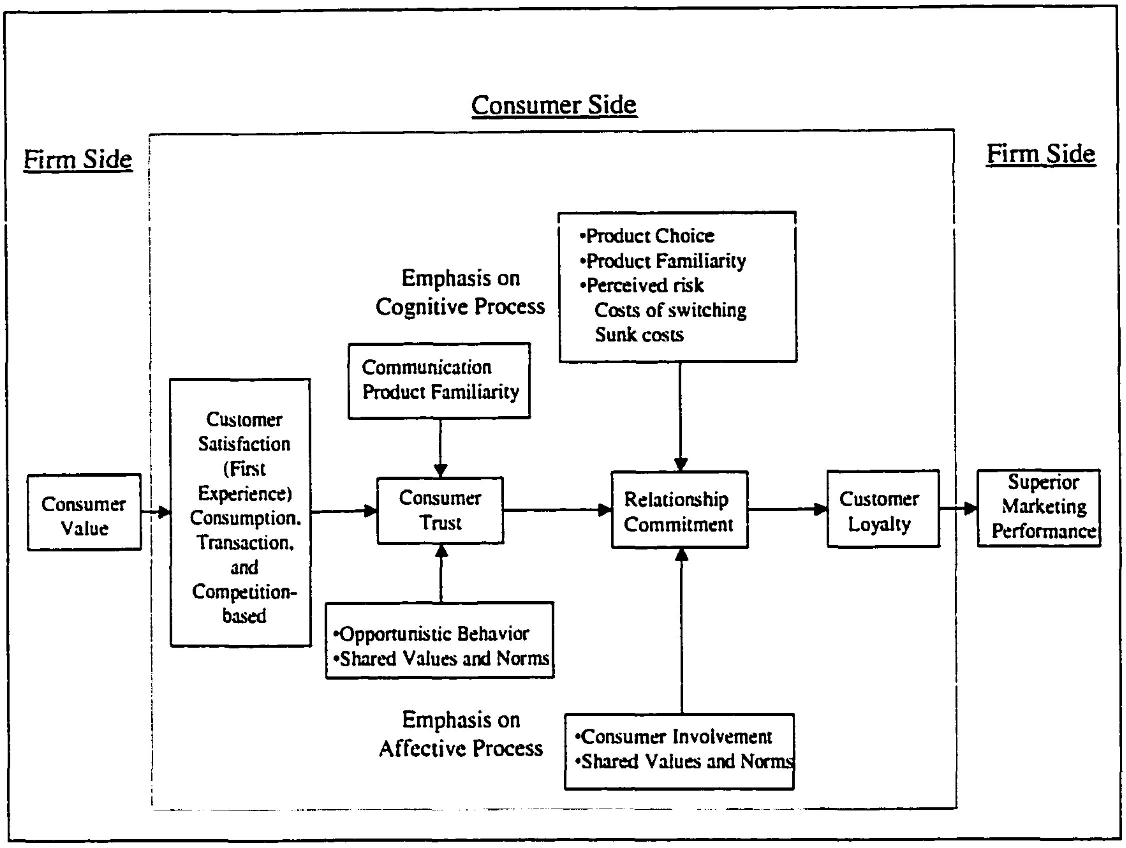
Purpose of the Study

The objective of this dissertation is to develop and test a model of customer loyalty. This model can help explain the process that enables a firm to have superior marketing performance based on the development of customer loyalty. The whole model (see figure 1) is composed of two sides: the firm side and the consumer side.

The model starts with the firm producing a consumer value package that includes a product or service, and a strategy to deliver it into the consumer's hands. On the consumer side, the customer may or may not be satisfied with his or her first consumption experience. Satisfaction might be grounded on three aspects: one aspect derived from the experience with the product or service (consumption-based satisfaction), a second aspect derived from the experience with marketers (transaction-based satisfaction), and a third aspect derived from the experience with other alternatives or absence of potential regret for not using other alternatives (competition-based satisfaction). The three aspects of satisfaction have different effects on the consumer mind. Consumption-based satisfaction has its main effect on the cognitive responses. Transaction-based satisfaction has its main effect on the affective response. Competition-based satisfaction directly reinforces or deteriorates loyalty.

This dissertation addresses the consumers that are satisfied (regarding the three aspects) in a first experience. After the first satisfying experience, a customer requires some kind of reinforcement to become loyal. Such reinforcement comes either by a cognitive process or by an affective process. The result of those processes is the formation of consumer trust and relationship commitment, which in turn leads to customer loyalty.

Figure 1: Antecedents of Customer Loyalty



Consumer trust is viewed as confidence in the performance, integrity, and reliability of the provider (Dwyer, Schurr, and Oh 1987, Morgan and Hunt 1994, Moorman, Deshpande, and Zaltman 1993). Commitment is recognized as a customer's desire to maintain a valued relationship with the provider (Moorman, Zaltman, and Deshpande 1992, Gundlach, Achrol, and Mentzer 1995). Customer loyalty is viewed as cognitive (i.e., recognition of benefits), affective (i.e., favorable attitude), and behavioral (i.e., purchase) responses expressed over time by some customer, with respect to one provider out of a set of alternative providers (Oliver 1999, Jacoby and Chestnut 1978, Day 1969). The next chapter will provide a detailed description of trust, commitment, and loyalty.

The outcomes of the cognitive process that are relevant to relationship commitment include: product choice, product familiarity, perceived risk, cost of switching, and sunk costs. Those that are relevant to consumer trust are: communication and product familiarity. The outcomes of the affective process that are relevant to relationship commitment are: consumer involvement and shared values and norms. Those that are relevant to consumer trust are: opportunistic behavior (understood here as the self-interest sought by the service provider) and shared values and norms. It must be noted that opportunistic behavior has a negative relationship to trust. For instance, if a customer believes that the service provider engages in opportunistic behavior, such perceptions will lead to decreased trust.

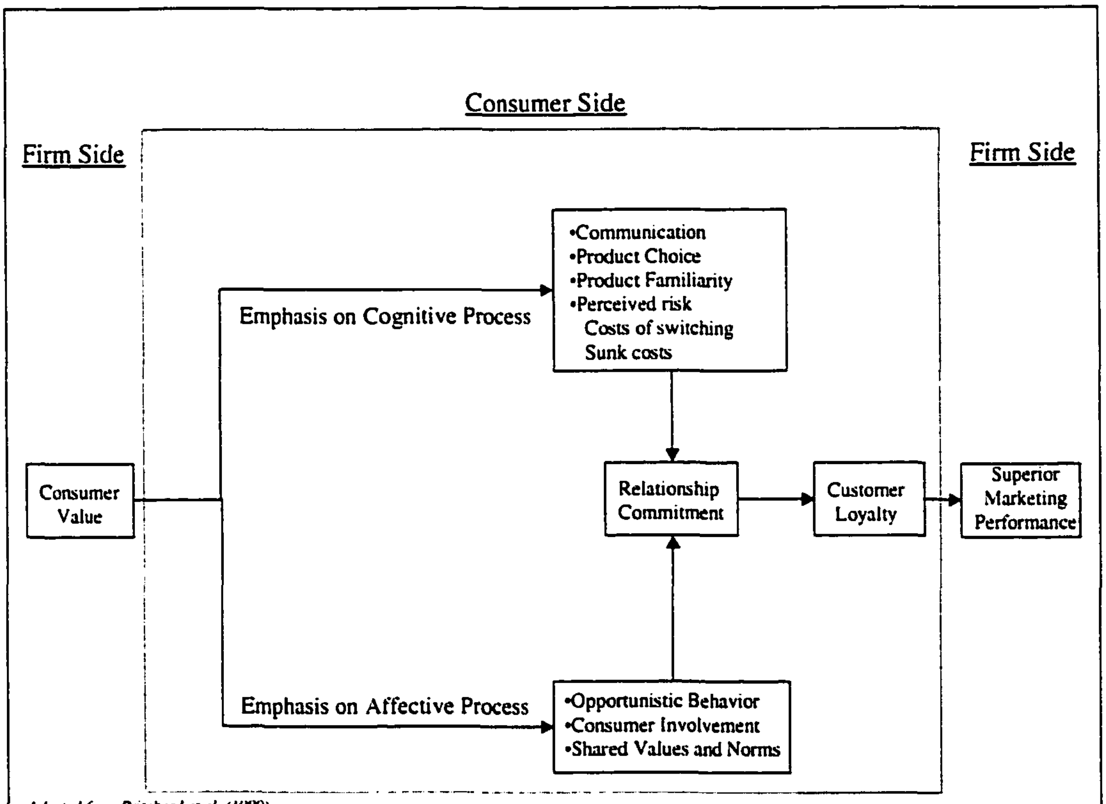
This dissertation suggests that consumer trust and commitment have a key-mediating role in the process of building loyalty. Consumer trust and commitment have been regarded as important conditions necessary to increase cooperation and loyalty among partners (Morgan and Hunt 1994, Moorman, Deshpande, and Zaltman 1993). The contention of this dissertation is that a buying process with trust and commitment will be able to generate customer loyalty involving repeated purchases in a long-term relationship between a firm and its customers. In the end, again on the supply side, the consequence of customer loyalty is a firm's superior marketing performance. This superior marketing performance includes higher market share, profitability, and competitive advantage (Moon and Kang 1999).

Even though the proposed whole model covers both sides, this dissertation will test only the consumer side due to the following reasons: First, at the end of the model, there are few doubts in the literature regarding the direct linkage between customer loyalty and superior marketing performance (Jacoby and Chestnut 1978, Rust et al. 1996, Oliver 1997). Second, at the beginning of the model, the linkage between the consumer value package and customer satisfaction is an area that requires a different methodology, and consequently falls outside the scope of the present dissertation.

To test the model of customer loyalty suggested in this dissertation, two rival models are taken from the literature and suggested as the best competing models (see figures 2 and 3). In the first model (figure 2), based on Pritchard, Havitz, and Howard (1999), the concept of consumer trust is absent. Pritchard's Model (as it will be identified from now on) does not start with customer satisfaction and suggests that the outcomes of the cognitive and affective processes impact relationship commitment, which in turn impact customer loyalty (see figure 2). The potential advantage of this model over the model of customer loyalty suggested by the present dissertation is its parsimony. Is it important to include trust in the model? Some authors believe that in a business-to-business situation it is (Morgan and Hunt 1994). The second rival model (see figure 3) is based on the model suggested by Garbarino and Johnson (1999), using trust and commitment as outcomes in parallel to customer loyalty. This model (from now on Garbarino's Model) does not include the cognitive and affective variables that lead to trust and commitment. The appeal of this model is the idea that trust and commitment are consequences of customer satisfaction, but they do not precede the formation of loyalty. In other words, according to Garbarino's Model, loyalty only requires customer satisfaction. The formation of trust and commitment might be accidental or side effects at best. In such a case there would be no reason to devote effort to study them. This dissertation stands along with some authors who believe that it is worth the effort

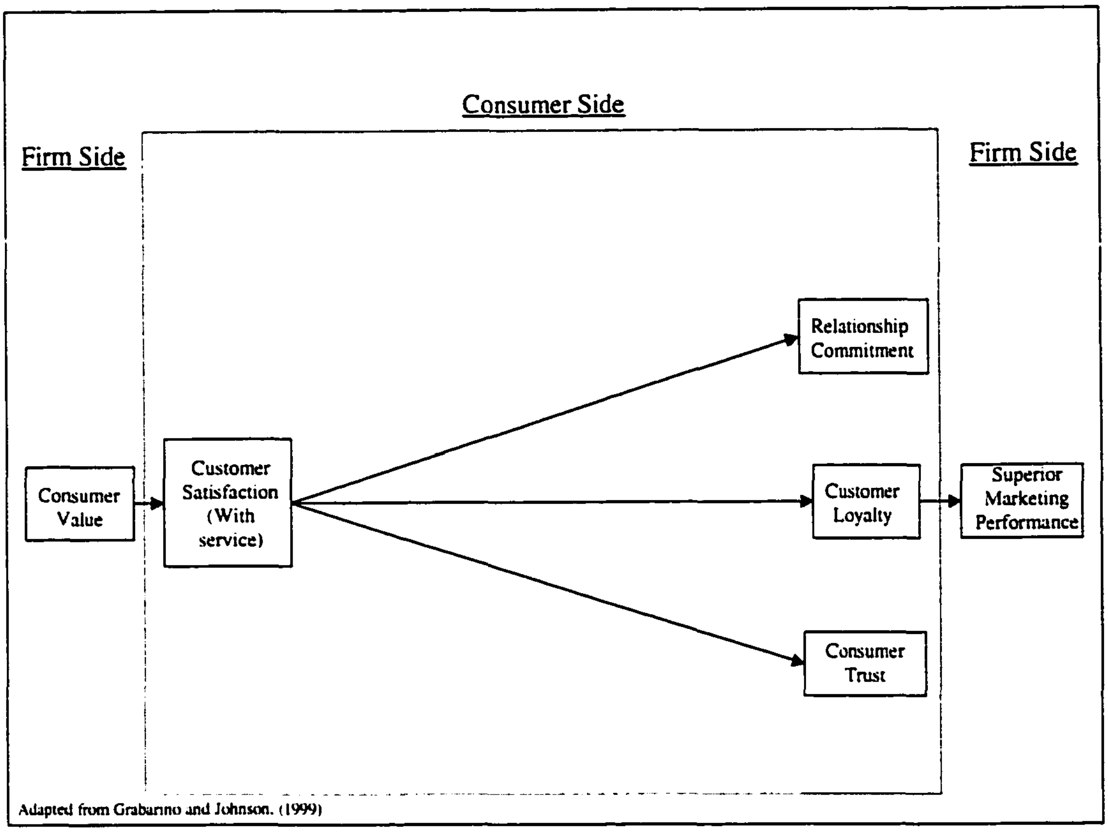
(Pritchard, Havitz, and Howard 1999, Amine 1998). The use of Garbarino's Model as a rival model will test the relevance of including trust and commitment as mediating variables.

Figure 2: Pritchard's Model



Adapted from Pritchard et al. (1999)

Figure 3: Garbarino`s Model



In summary, elaborating on recent marketing research outcomes, particularly those that rely on relationship marketing, this dissertation focuses specifically on the following: First, it presents an explanatory model of customer loyalty. Second, it discusses the rationale of each one of the variables included in the model. Third, it formulates some propositions, which are the basis for the formulation of hypotheses for empirical testing. Fourth, it describes the methodology to test the hypotheses derived from the propositions. Such methodology includes the comparison of the proposed model of customer loyalty against two rival models taken from the literature. Finally, it discusses the results obtained after the analysis of data collected through a mail survey.

Importance of the Study

One of the key points of this dissertation is to determine the existence of consumer trust and commitment as mediating variables between customer satisfaction and consumer loyalty. If we accept that increased customer loyalty leads to a superior firm marketing performance, then the development of trust and commitment is a desirable goal for any organization. Thus, understanding how trust and commitment are developed will help firms in the implementation of the consumer value package. A consumer value package is the product and service embedded in a marketing mix that an organization provides to customers. This dissertation aims at providing an explanatory model helpful to firms in defining a successful consumer value strategy.

Customer loyalty may constitute a clear objective to the company that really wants to retain customers on a long-term basis. As such, it can become an important element of the firm's strategic intent. According to Hamel and Prahalad (1989), strategic intent envisions a desired leadership position and establishes the criteria that the organization will use to chart its progress. If the company knows the route to follow in order to implement customer loyalty and can set criteria to accomplish it, it can include customer loyalty as a strategic intent. To that aim, this dissertation would like to contribute by identifying the antecedents of customer loyalty that may serve managers as a path to follow in achieving corporate objectives.

As a contribution to the academic field, this dissertation offers a formal model of customer loyalty, explaining what might be required to build customer loyalty out of a first satisfying experience with a product or service. Additionally, this dissertation suggests how trust and commitment play a key role in the process of consumption.

A final contribution is to suggest the potential implications of the mentioned model of customer loyalty for further research. Specifically, it seeks to suggest the potential integration of the process into the development of a theory of positioning. The original concept of positioning, as developed by Ries and Trout (1972), has an exclusive emphasis on communication, pointing toward the idea that a process without trust and commitment is in place. That means that customers only need to remember a brand or company's name in order to choose one among alternative products or services. In such a case, companies have to promote their products in ways that best appeal to the memory of customers. Trust and commitment would be out of the picture. However, some companies are implementing a different approach to positioning (Vasquez and Alonso 1998), which leads to the belief that a process with trust and commitment is in place. A sample of firms in the Fortune 500 list stated that they are implementing a two-way communication process with customers before the development of a product or service. They also emphasized that they care about customer feedback, and that such feedback is part of the positioning strategy (Vasquez and Alonso 1998). If a firm understands the roles of trust and commitment as antecedents of loyalty, such a firm will be in a better position to implement its marketing strategy.

Managerial Implications

The present dissertation was produced in the search for a positioning theory. Until now, positioning has been considered an important part of the firm's efforts in delivering a consumer value package, but has failed in trying to incorporate the consumer side dimension. If we can understand the steps between the first satisfying experience and the formation of customer loyalty, we will be on the way to producing a sound positioning theory.

Traditionally, positioning has been seen as a supply side tool. The objective has been to find a place in the consumer's mind and to occupy it with a desired brand (Ries and Trout 1986). Recently, the movement toward customer orientation has been driving a new conceptualization of positioning, one with an expanded understanding of communication with the customer. This new conceptualization of positioning is rooted on the demand side and aims to help the firm with the whole marketing strategic process (Vasquez and Alonso 1997).

Preliminary research shows that strategic positioning increases the performance of firms that employ it thoroughly (Vasquez and Alonso 1998). An explanation of the way in which such a process influences the consumer is pending. How does the consumer perceive the message sent by the firm? More importantly, how can such a message increase trust towards the firm? Consideration of the previous questions undoubtedly will help the manager in the implementation of the strategic positioning process.

Ries and Trout (1972) proposed the original definition of positioning:

> *"Positioning starts with a product. A piece of merchandise, a service, a company, an institution, or even a person... But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect."*

For Ries and Trout, the firm already has a product and the use of positioning is to convince the prospect to buy it. Product development is absent in such a definition. The objective of introducing positioning during the 1970s was to assist companies in helping consumers select from a growing variety of products. But the original definition implied one-sided communication. The firm started with its product and tried to find a niche in the consumers' minds with some kind of creative message. Later on, the idea of two-sided communication, the placement of the consumer in the center of the marketing effort, and the concept of a market-driven organization, produced a shift from the original idea of positioning to a more integrated one. However, academic research is lacking in this area. There is no such thing as a theory of positioning in academic literature. But even in the absence of such a theory, practitioners implemented the shift. They claimed to use positioning as a central issue in their planning efforts (Vasquez and Alonso 1998).

This dissertation tries to explain the process that leads to customer loyalty analyzing the perspective of the consumer. In doing so, firms will have the basis for applying a more successful strategy in which positioning works as the guiding thread from consumer value to favorable outcomes. The proposition of a theory of positioning is beyond the scope of the present dissertation, although the findings will most likely be useful in backing up its future development.

Model

The literature review is organized around the main antecedents and consequences of consumer loyalty. Figure 1 shows the general model. It has two sides: the firm side and the consumer side. The first one refers to what the firm provides to the consumer and what it gets from the consumer. The second side refers to the consumer behavior process given a first satisfying experience with a product and service. Both sides are present in the consumption process, but this dissertation will focus on the consumer side only.

The rest of this chapter first reviews the firm side, starting with the consequence of customer loyalty and then reviews consumer value, which is the package provided by the firm. The next chapter reviews the consumer side, starting with the dependent variable customer loyalty and then summarizing its antecedents.

The Firm Side

Superior Marketing Performance

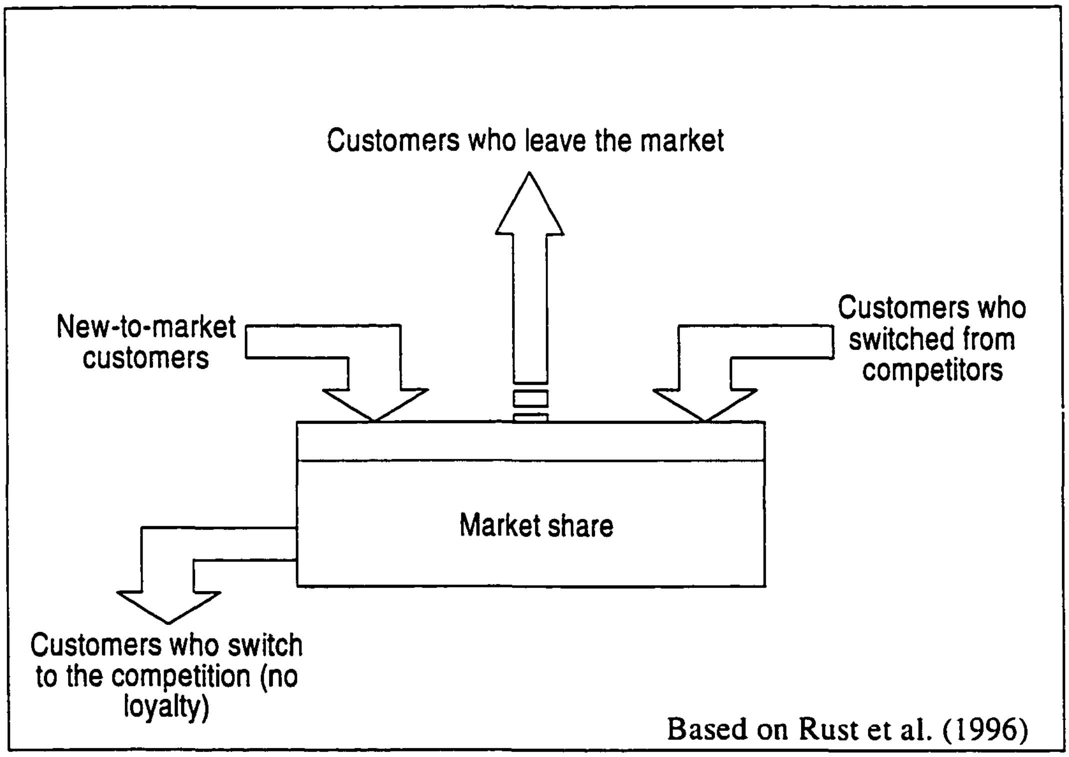
A common understanding of the marketing practitioner is that an increase of loyalty among customers increases market share. For example, Jacoby and Chestnut (1978) suggest that, particularly with established firms marketing inexpensive and frequently purchased consumer products (i.e., non-durable ones), it is not the single sale that is of consequence; rather it is repeated sales. In other words, the long-term success of a particular brand is not based on the number of consumers who purchase it only once, but on the number who become repeat purchasers. These authors also contend that management will have at least the following four objectives: 1) to change the occasional purchasers into repeat purchasers; 2) to increase the amount consumed by the repeat purchasers; 3) to attract purchasers from competing brands; and 4) to maintain high levels of repeat purchases by preventing repeat purchasers from switching brands. These four objectives all reflect different aspects of one basic goal, namely, to increase market share.

Rust et al. (1996) developed a hydraulic model to show a linkage between loyalty and market share (see figure 4). Basically, a firm improves its market share in four ways: 1) by attracting new customers to the market; 2) by decreasing the rate of those customers who leave the market; 3) by adopting those customers who switched from competitors;

and 4) by increasing the retention rate of those customers who switch to the competition as a result of improving customers' loyalty. However, the firm's attractiveness to new customers is assumed to be unrelated to the customer satisfaction of existing customers.

For instance, if people do not need the firm's product or service or they do not need it anymore, the level of satisfaction of remaining customers is not relevant. Therefore, the only control the firm has is through increasing customer loyalty, which in turn increases its retention rate.

Figure 4: Linking Loyalty to Market Share



Oliver (1997) suggests a direct link:

Quality → Satisfaction → Loyalty → Profitability.

According to Oliver (1997), loyalty works in four ways to increase profits: 1) loyalty guarantees a customer base, 2) loyalty allows more accurate budgeting inside a firm, 3) loyalty allows more strategic planning with the associated advantages that come along, and 4) loyalty decreases marketing costs. These four ways are direct and indirect ways. As such, Oliver (1997) recognizes that it is not an easy task to quantify the profits due to loyalty. He addresses some difficulties in the measurement of increased profits due to an increase in loyalty. In the first place, profit is an economic outcome of the firm, while loyalty is a behavioral construct. Second, profit is a function of revenues and costs, while loyalty is a function of several cognitive and attitudinal factors in a complex proportion. Despite difficulties, an empirical study (Sellers 1993) showed the payoffs of a 5 percent increase in loyalty over lifetime profits per customer for eight different industries. The average gain was 73 percent.

Consumer Value

This refers to the object of exchange produced by a firm and delivered to a customer. It normally includes a marketing mix (4 P's – product, price, promotion, place) with an effort to provide a product or service above expectations. Zeithaml and Bitner (1996) mention that a customer always has an idea (an expectation) of the quality, reliability, or performance of the product or service he or she is acquiring. According to these authors, there is always a gap between what a customer expects of a product or service and what he or she actually receives. If the gap is in favor, or above expectations, the provider is making an effort called consumer orientation.

Consumer orientation is understood as giving the customer's needs priority, as opposed to the buyer's needs (selling orientation) or to the competitor's pressures (Nwankwo 1995). Bejou et al. (1998) suggest that consumer trust is positively influenced by the belief that a salesperson is operating in the customer's best interest (customer orientation) and negatively influenced by the belief that a salesperson is operating in the seller's best interest (selling orientation). The present dissertation argues that consumer value is what the firm's side provides in order to be able to obtain consumer trust. As such, consumer value would be considered the precursor of customer loyalty.

Oliver (1997) contends that quality should be part of consumer value. According to him, consumer value without quality cannot yield satisfaction. Quality allows satisfaction in a number of ways: 1) a consumer value with quality fulfills higher expectations, 2) quality lowers failure rates, 3) quality increases reputation, 4) quality leads to more positive word of mouth.

CHAPTER II

LITERATURE REVIEW

Customer Loyalty

Because there is not a consensus on what customer loyalty is, this dissertation first discusses the concept of customer loyalty and then concentrates on the antecedents of customer loyalty.

A distinction that has reached consensus after several years of research is that customer loyalty is not repeating purchasing behavior, even though both components can be highly related (Jacoby and Chesnut 1978, Jacoby and Kyner 1973). A consumer may repeatedly purchase a product or prefer a store for many reasons other than loyalty. For instance, lower price alternatives easily produce repeated purchases. Some customers may remain loyal because there is no alternative product. Other consumers may not look for alternatives (assuming there are plenty of them) even if sometimes the provider falls short of expectations.

Only the latter group is said to express loyal behavior, one that is based on a positive attitude and even on an emotional attachment. Thus, behavioral loyalty that is based on an attitudinal and/or emotional loyalty is what constitutes 'true' customer loyalty. True loyalty requires a mature psychological relationship to the brand, product, or company (Craft 1999, Day 1969) or as Jacoby (1971, p. 26) stated, "true loyalty implies repeat purchasing based upon cognitive, affective, evaluative, and dispositional factors --the classic primary components of an attitude." For example, a truly loyal user would repeatedly patronize a particular haircut store or beauty salon and at the same time possess a positive sense of attitudinal loyalty or allegiance toward that service provider.

Figure 5 offers further clarification by showing how attitudinal loyalty and behavioral loyalty relate, and by identifying where 'true' loyalty lies in the relationship. This dissertation uses true loyalty as the authentic meaning of customer loyalty.

Figure 5: A Typology of Customer Loyalty

		Weak	Strong
Behavioral Loyalty (Repeat purchasing)	High	Spurious	True
	Low	Low	Latent

Attitudinal Loyalty

Adapted from Dick and Basu (1994).

Consumer loyalty is repeat buying because of commitment to a brand or firm, whereas, inertia (or habit or laziness) is repeat buying without commitment (Assael

1998). For instance, for unimportant brands, if a brand is reasonably satisfactory, a consumer may buy again because it is not worth the time and trouble to go through a decision process. Consumer loyalty can be approached by behavioral (repetitive purchase) and cognitive (favorable attitude) measures (Assael 1998). Day (1969) first developed a composite perspective for brand loyalty. His definition argued that in order to be truly loyal, the consumer must hold a favorable attitude toward the brand in addition to repeatedly purchasing it. In his words, "loyalty implies repeat purchasing based upon cognitive, affective, evaluative, and dispositional factors – the classic primary components of an attitude" (Day 1969). Jacoby and Chestnut (1978) stress the importance of using both approaches simultaneously. They also provide a conceptual definition for brand loyalty.

> *Brand loyalty is the biased (i.e., non-random) behavioral response (i.e., purchase), expressed over time by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (decision-making evaluative) processes* (Jacoby and Chestnut 1978).

Oliver (1997) presented a definition involving three components, namely, cognition, affect, and behavioral intention. His definition is as follows.

> *Customer loyalty is a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior* (Oliver 1997).

This definition views at 'true' loyalty and is the definition adopted by the present dissertation.

Antecedents of Customer Loyalty

Jones and Sasser (1995) asked the question, 'Why do satisfied customers defect?' because it was clear to them that many factors other than customer satisfaction can influence customer defection. One factor relates to choice or the availability of an alternative product. Customers may remain loyal because there is no alternative product (zone of defection), or because they do not look for any alternative (zone of affection), whereas, customers may be willing to switch if they find a better product (zone of indifference). Consequently, firms should increase the percentage of the customers who do not look for alternatives (zone of affection) even if one individual experience is less than satisfactory.

But how can companies increase the zone of affection beyond satisfying the customer repeatedly, or at least most of the time?

Other common-sense factors said to relate to the availability and easy application of information are a sense of entitlement, greater commoditization, more insecurity, and time scarcity (Schriver 1997). Even some managerially developed factors are mentioned as ways to turn buyers into loyal customers by developing complicated relationships such as building programs modeled after the 'frequent flier' miles, locking customers in with value-added service, and increasing the 'hassle factor' for customers to avoid breaking up (Shapiro and Varian 1998). Nonetheless, the above factors refer almost exclusively to repeat purchasing, not to customer loyalty.

Pritchard, Howard, and Havitz (1992) offer three key antecedents of customer loyalty: a) importance of the purchase decision, b) perceived differences in product performance, and c) satisfaction. Accordingly, loyal customers may be people who are highly involved decision-makers who perceive greater differences in product performance among various offerings and who are highly satisfied with their buyer-seller relationship experience. An empirical test of the relationships between loyalty and each of the three antecedents mentioned (Pritchard and Howard 1997) found that positive relationships occur only among true loyal consumers.

Despite its merits, the Pritchard and Howard (1997) test does not provide explanation chains as needed. To the question, 'Why do satisfied customers defect?' Pritchard and Howard (1997) answered by concluding that satisfied customers do not defect, whereas other researchers contested that satisfied customers do defect. For instance, Baumol and Taylor (1999) found that, besides service quality, customer satisfaction does not influence customer-switching intentions (an opposite concept of customer loyalty), whereas perceived switching costs, customer value, and variety-seeking tendencies do.

Peppers and Rogers (1993) offer an approach to develop loyalty: build relationships one customer at a time, that is, treat each customer as a unique individual on the basis that every customer has a long-term value, but one that is different by customer. Yet, a one-on-one approach requires an on-going relationship between the customer and the seller, where the seller really knows what the customer wants, and the customer knows what to expect from the seller.

But can companies develop on-going relationships? What are the requirements that both sellers and customers alike have to fulfill in order to produce long-term positive relationships?

This dissertation suggests that loyalty is produced by customer satisfaction, but not directly. That is, there are some mediating variables at work between them. Customer loyalty depends directly on relationship commitment. Relationship commitment depends directly on consumer trust. Both, commitment and trust are built through a cognitive or affective process out of a first satisfying experience.

Relationship Commitment

Commitment is recognized as an essential ingredient for successful long-term relationships (Dwyer et al. 1987, Morgan and Hunt 1994). Commitment has been defined as *...an enduring desire to maintain a valued relationship* (Moorman, Zaltman, and Deshpande 1992). Gundlach et al. (1995) argue that commitment has three components: an instrumental component of some form of investment, an attitudinal component that may be described as affective commitment or psychological attachment, and a temporal dimension indicating that the relationship exists over time.

In business-to-business exchange relationships, commitment is most often measured in terms of instrumental behaviors such as making specialized investments and resource commitments to benefit the other party. In business-to business exchanges, enduring relationships lead and at the same time, depend on relationship commitment and consumer trust. According to Morgan and Hunt (1994, p.20), "successful relationship marketing requires relationship commitment and trust." The latter two variables are shown to be key mediating variables in the formation and performance of networks of cooperation in channels of distribution. The existence of commitment and trust also reduce the propensity to leave the network, reduce uncertainty, increase acquiescence (i.e., the degree to which a partner accepts or adheres to another's specific requests or policies), and increase the belief that conflict will be functional (i.e., when disputes are resolved amicably, such conflicts can be referred to as "functional conflicts" because they provide a medium through which problems can be aired and solutions arrived at) (Morgan and Hunt 1994).

This dissertation suggests that relationship commitment and consumer trust are similar key-mediating variables in business-to-consumer exchanges. Various authors have hypothesized or tested separately the commitment-loyalty link or the trust-loyalty link. For Berry and Parasuraman (1991), relationships are built on the foundation of mutual commitment, and for Assael (1998), brand loyalty is "commitment to a certain brand" arising from certain positive attitudes.

Jacoby and Kyner (1973) asserted that the notion of commitment provides the essential basis for distinguishing between brand loyalty and other forms of repeat purchasing behavior, and for assessing the relative degrees of brand loyalty. Concurrently, "repurchase is not sufficient evidence of brand loyalty" (Newman and Werbel 1973, p. 404) and measures of purchase patterns may be a product of 'spurious loyalty' (Day 1970). Nonetheless, according to Samuelson and Sandvik (1997), commitment describes bonds (or attitude strength) between the customer and a particular brand, thus extending the meaning of loyalty over the simple repeat purchasing of a brand (behavioral phenomenon).

From a different perspective, Amine (1998) compared the downstream approach to brand loyalty (interest in describing and counting out the consumers' repeat purchasing of a brand) with the upstream approach (interest in different motives for consumers to remain loyal) and concluded that commitment has a central role in the upstream approach to brand loyalty.

Finally, Pritchard, Havitz, and Howard (1999) tested the commitment-loyalty relationship and found that the mediating effect model (where commitment is a key mediating variable) is superior to rival direct effect models (where commitment is only one of several mediating variables) in explaining loyalty. Consequently, commitment is directly linked to customer loyalty, whereas other formative processes (such as the informational, identification, and volitional) are only indirectly related to loyalty. They described and operationalized customer commitment as a stable preference that was bound by an attitude of resistance to change. The problem with this type of view is that instead of representing commitment, resistance to change might be representing laziness or habit.

Thus, proposition 1.

P_1: Relationship commitment is a necessary precursor of customer loyalty in business-to-consumer exchanges.

Based on this proposition, the ensuing hypothesis states that the higher the commitment, the higher the loyalty.

H_1: There is an increase in customer loyalty to the service provider following an increase in the commitment to the service provider.

Consumer Trust

A general understanding of trust must first be established. Then, it will be specifically addressed as consumer trust. Moorman, Deshpande, and Zaltman (1993) and Hosmer (1995) suggest definitions of trust:

> *Trust is a willingness to rely on an exchange partner in whom one has confidence* (Moorman, Deshpande, and Zaltman 1993).
>
> *Trust is the reliance by one person, group, or firm upon a voluntarily accepted duty on the part of another person, group, or firm to recognize and protect the rights and interests of all others engaged in a joint endeavor or economic exchange* (Hosmer 1995).

Trust is well documented as a mediating variable, one that is affected by some antecedent variables, and as a consequence, one that enhances the benefits of a relationship (Morgan and Hunt 1994, Aulakh et al. 1996, Moorman, Deshpande, and Zaltman 1993, Doney and Cannon 1997). In a partnership, trust is a mediating variable, which enhances benefits such as increasing cooperation, acquiescence, functional conflict, decreasing propensity to leave, and uncertainty (Morgan and Hunt 1994). In the literature, trust is associated with better partnership performance (Aulakh et al. 1996), better utilization of resources (Moorman, Deshpande, and Zaltman 1993), and better predictions of future interactions (Doney and Cannon 1997).

The above-mentioned studies consider trust as a mediating variable in the relationship-marketing domain, generally in a business-to-business situation where the formation of partnerships is highly recommended. So, it has to be clear by now that trust is viewed as an essential ingredient for successful relationships. However, the focus of the present dissertation is on trust as the consumers' confidence in the quality and reliability of the provider firm. The concept of trust in the transactional marketing domain is not directly addressed in the literature (Bagozzi 1995, Sheth and Parvatiyar 1995). There is even skepticism as to whether consumers are capable of forming exchange relationships similar to the interorganizational partnerships of profit-seeking firms. For example, business-to-business relationship focuses on the importance of norms of reciprocity in making exchanges mutually beneficial to both parties. Bagozzi (1995) contends that we don't understand how this aspect of reciprocity applies to relationships between consumers and organizations. There is conceptual literature (e.g., Berry 1995, Czepiel 1990, Gronroos 1990) emphasizing the importance of a relationship marketing perspective between consumers and service firms, yet there are few empirical studies on the topic.

Previous research has emphasized trust as confidence in the honesty and integrity of the other party, such as a salesperson (e.g., Swan et al. 1999, Crosby et al. 1990). But a consumer can trust a firm, brand, product, service, etc. Instead of focusing on trust of individuals, this dissertation approaches consumer trust at the most general level.

Based on the previous definitions of trust and on the consideration that a consumer is a decision-making unit who plays the role of buyer in an exchange relationship, this dissertation suggests the following formalization of the consumer trust concept:

> *Consumer trust is an attitude of confidence developed over time by some decision-making unit with respect to the quality and reliability of the product and service provided by an organization.*

From this definition, it can be concluded that consumer trust is not restricted to brands. Also, that consumer trust can arise through identification, where a consumer believes the object of trust reflects and reinforces some aspect of the consumer's self-concept. Additionally, that consumer trust may also arise through performance well above the level that the consumer expects. This may sound similar to the Total Quality Management Philosophy (TQM), but there is a difference. Such a difference is that normally TQM focuses only on the seller perspective (i.e., the efforts of the seller in providing quality), whereas the inclusion of consumer trust in the present model focuses on both sellers' efforts and consumer cognitive/affective aspects.

In summary, because commitment entails risk, parties in an exchange would seek only trustworthy partners (McDonald 1981, Morgan and Hunt 1994). Therefore, trust is a major determinant of relationship commitment (Achrol 1991, Moorman, Zaltman, and Deshpande 1992, Morgan and Hunt 1994). Thus, the second proposition.

P_2: Trust leads to relationship commitment in business-to-consumer exchanges.

The second hypothesis is derived from proposition 2.

H_2: There is an increase in relationship commitment to the service provider following an increase in trust to the service provider.

Antecedents of Relationship Commitment and Consumer Trust

In business-to-consumer exchanges, both cognitive and affective sources seem to inform, identify, and move the levels of commitment and trust that will impact customer loyalty to the brand, product, or company (Dick and Basu 1994, Petty, Cacioppo, and

Schumann 1983). Amine (1998) hypothesized that commitment has two main causes: cognitive motives such as perceived risk or perceived variations in performance among the competitive brands and affective reasons such as attachment or emotional feelings towards the brand.

The cognitive process allows consumers to maintain their consistent purchasing behavior as long as the benefits attached to the brand exceed the cost of switching to another brand. Raj (1985) refers to this factor as the perceived extent of choice: brand loyalty in a product class varies with the number of significant competing brands within the category. This process considers that customers remain loyal for practical reasons. The consequence of the process involves several variables, some of them influencing commitment and some of them influencing trust. The variables influencing commitment are product choice (the number of alternatives a customer has), product familiarity (the level of knowledge about the product), perceived risk (the probability of getting a low quality product), cost of switching (the cost of modifying an existing infrastructure), and sunk costs (the costs of losing an actual investment) (Amine 1994, Morgan and Hunt 1994). The variables influencing trust are product familiarity and communication (the level of information exchange between parties) (Bejou, Ennew, and Palmer 1998, Milne and Boza 1998).

Conversely, the affective process allows consumers to maintain their relationship with a brand, product, or company on the basis of their affective attachment to and identification with it. There is a holistic evaluation of the brand in terms of liking it or attachment to it. The affective objective of the relationship is to reduce the customers' propensity to substitute another brand for the habitual one. The consequence of the process also involves several variables, some of them influencing commitment and some of them influencing trust. The ones influencing commitment are consumer involvement (the amount of interest a consumer shows) and shared values and norms (the level of identification with the provider) (Dick and Basu 1994, Mittal and Lee 1989, Morgan and Hunt 1994, Petty, Cacioppo, and Schumann 1983, Richards 1998). The ones influencing trust are opportunistic behavior (the self-interest seeking of the provider perceived by the customer) and shared values and norms (Morgan and Hunt 1994).

Thus, the following propositions:

P_3: Cognitive and affective processes precede the formation and performance of commitment and trust both geared toward customer loyalty in business-to-consumer exchanges.

P_{3a}: The outcomes of the cognitive process that have an impact on commitment are product choice, product familiarity, perceived risk, cost of switching, and sunk costs [Generates hypotheses H_{3a1}, H_{3a2}, and H_{3a3}].

P_{3b}: The outcomes of the cognitive process that have an impact on trust are product familiarity and communication [Generates hypotheses H_{3b1} and H_{3b2}].

P_{3c}: The outcomes of the effective process that have an impact on commitment are consumer involvement and shared values and norms [Generates hypotheses H_{3c1} and H_{3c2}].

P_{3d}: The outcomes of the affective process that have an impact on trust are opportunistic behavior and shared values and norms [Generates hypotheses H_{3d1} and H_{3d2}].

Product Choice

There is a debate about this variable. Some scholars argue (among them Sheth & Parvatiyar 1995) that consumers prefer a reduction of choices and that they are always ready to find a preferred brand and to remain loyal as long as they do not feel cheated. Others argue (e.g., Bagozzi 1995) that reduction of choices could be a consequence (of finding a trustable brand), but not a motive to produce commitment. What is true is that the greater the number of choices, the higher the complexity in brand selection. For instance, Ursic and Helgeson (1990) consider that the number of choices has the greatest impact on how the consumer makes his or her decision. They contend that brand choice proceeds in two phases: brand comparison and attribute comparison. In the first phase, the consumer screens out a number of options based solely on brand name recognition. In the second phase, consumers compare the attributes among brands in order to arrive at a final choice. For the authors, brand comparison elicits more complex processes in the minds of the consumer. The contention of the present dissertation is that the higher the number of choices, the less likely consumers will be committed to a single brand. The reason is that a consumer may be tempted to try new options at any moment.

The following hypothesis will test whether commitment decreases as the consumer searches for more choices.

H_{3a1}: There is a decrease in commitment to a single service provider following an increase in the number of choices the consumer seeks.

Product Familiarity

Product familiarity refers to the degree of knowledge regarding a product or service. Even though product familiarity has not been associated directly to consumer trust and commitment in the literature, there is reason to believe that a relationship exists among them. For instance, Blair and Innis (1996) found out that warranty length is not so important when the customers are highly knowledgeable regarding a product. Furthermore, Hellier (1995) found out that service familiarity influences repurchase intentions because it decreases the level of the perceived risk of maintaining the actual service, while it is assumed that commitment is positively related to the perceived risk of switching providers (see below). Andaleeb and Anwar (1996) found out that customers' product knowledge did not influence their trust in salespeople.

Another association that might imply a relationship between product familiarity and consumer trust and commitment is the one indicating that product familiarity makes the customer less price sensitive. Rao and Sieben (1992) suggested that an increase in prior knowledge of a product is associated with an increase in both the upper limit and the lower limit of the acceptable price range. Rao and Monroe (1988) related product familiarity with quality evaluation. For them, if a product does not have significant quality variations, the use of price as an indicator of quality decreases with familiarity.

Another element at work in the linkage between consumer trust and product familiarity is exposure. Berger and Mitchell (1989) noted that consistent information from repeated exposure could provide greater brand-relevant cognitive elaboration and enhance a consumer's trust in a resulting attitude.

Some researchers have suggested a direct relationship between product familiarity and commitment (Pritchard et al. 1999). But for them, the concept of product familiarity includes the element of confidence (i.e., trust). The present dissertation considers that trust is a separate concept, although it is closely related.

The following hypotheses will test whether commitment and trust increases as the knowledge of the service provider also increases.

H_{3a2}: There is an increase in commitment to the service provider following an increase in familiarity with the service provider.

H_{3b1}: There is an increase in trust in the service provider following an increase in familiarity with the service provider.

Regarding the antecedents of product familiarity, Wright and Lynch (1995) indicated that direct product experience is superior to advertising in gathering information about products. Additionally, product familiarity could be achieved by exposure to information and receiving consistent information (Berger and Mitchell 1989).

Perceived Risk, Cost of Switching, and Sunk Cost

Consumers are often imperfectly informed about product or service attributes. This uncertainty may persist even after an experience with a product or service because some attributes might not be revealed fully to a consumer right after the first experience. This uncertainty can create perceived risk for products or services (Erdem 1998). Formally speaking, perceived risk is the probability that a consumer faces getting either a low quality product or a product that does not match his or her tastes.

Consumer researchers have studied perceived risk mainly to uncover the rational aspects of the construct such as consumers' prior knowledge of the quality and price differences between alternative offerings in a product category (Dowling and Staelin 1994). Suggesting that perceived risk also has an emotional component, Chaudhuri (1997) found a linkage between perceived risk and brand loyalty.

Part of the perceived risk is the cost of switching and sunk costs. Consumers are likely to patronize the same brand or service in order to avoid perceived costs, such as those of an already paid membership (sunk costs) or the costs of modifying an existing infrastructure (cost of switching). Some practitioners understand this and suggest ways to increase these costs to retain consumers (Shapiro and Varian 1998). According to these authors, the QWERTY keyboard is a clear example of how switching costs work. A better keyboard would save money in training and productivity, but QWERTY will prevail because switching costs would be enormous.

Researchers found that those who had incurred a sunk cost inflated their estimate of how likely a project was to succeed compared to the estimates of the same project by those who had not incurred a sunk cost (Arkes and Blumer 1985). A logical extension of this is that customers incurring a sunk cost tend to perceive better qualities in their actual choice and become more committed to it. Staw and Ross (1987) suggest that commitment to losing projects arises in several areas of life, from maintaining losing stock to pursuing a romantic relationship that is dissatisfying. As such, the consumer has a bias toward the alternative of the sunk cost regardless of the economic logic of the situation. A sunk cost is something that matters to the average customer. The economic concept that sunk costs are irrelevant to the final decision has been rejected by several psychological researchers (Arkes and Blumer 1985, Shantau 1986, Thaler 1979, Harrison and Shanteau 1987).

Additionally, there is some evidence regarding the temporality of sunk costs. According to Gourville and Soman (1998), sunk costs depreciate with time. In other words, the longer in the past the investment, the lower the impact of the sunk cost perception on the customer. Consequently, a sunk costs effect would be most likely in place right after the first experience with a product or service.

The following hypothesis will test whether commitment increases as the risk perception of switching the service provider also increases. The perception of risk includes the perception of higher switching costs and/or the perception of sunk costs.

H_{3a3}: There is an increase in commitment to the service provider following an increase in the perceived risk (including perception of switching costs and sunk costs) of switching the service provider.

Communication

Consumer communication is the mechanism by which a firm lets its customers know about the characteristics of a product or service. This function of the firm is normally classified under promotion activities and is part of the consumer value package.

In a short-term type of relationship, the communication could be restricted in its scope. Communication only needs to get the attention of potential customers to find a niche in the consumer's mind, in the hope that when faced with two competing choices, the customer will select for example, the one that he or she remembers best. To accomplish that, a simple process is enough. Things such as delivering a funny message, a creative phrase, a catchy tune, etc. accomplish this. LaBarbera et al. (1998) suggest that by utilizing visuals that are consistent with consumers' personality-type processing styles, advertisers can have greater appeal and generate higher purchase intentions for a variety of products. Grewal et al. (1997) show that comparative ads are more effective than non-comparative ads in generating attention, message and brand awareness, levels of message processing, favorable sponsored brand attitudes, and increased purchase intentions and purchase behaviors. Gotlieb and Sarel (1991) suggest, within a communication framework, that adaptation level theory could help explain the cognitive process that consumers use to develop perceived quality, which will in turn eventually result in purchase intentions. Adaptation level theory provides a framework to examine the effects of established brand prices in a rival advertisement, new brand prices, and source credibility on the perceived quality of the new brand.

In contrast, communication intended to develop a long-term relationship has to first build consumer trust. This type of communication is a more complex process, a process in which the firm listens to the consumer, interprets such information, *does something* about it, and then delivers a message according to what was done. It is important to emphasize that customer satisfaction starts by providing a product or service tailored to fulfill specific needs. A communication process derived in such circumstances has to make a special impression on the customer. Morgan and Hunt (1994) insist that relevant, timely, and reliable communication will result in greater trust.

The following hypothesis will test the relationship between trust and the level of communication.

H_{3b2}: There is an increase in trust in the service provider following an increase in the level of communication with the service provider.

Consumer Involvement

This refers to the amount of interest and effort that a consumer is willing to devote to the consumption process. Consumer involvement with a product or a purchasing decision is usually considered to be a function of the personal relevance or importance of that product or decision (Petty and Cacciopo 1983).

A relationship between customer involvement and consumer commitment can be deducted from the literature. Thomas (1998) explains why customer involvement is essential to enhance and leverage long-term customer-supplier relationships. Richards (1998) sustains that customer involvement plays a role in the process of building commitment, which in turn is a precursor of loyalty. Another study also suggests brand commitment as a consequence of involvement (Mittal and Lee 1989). Some researchers have found that higher consumer involvement in the decision increases relative attitudes of attachment and the likelihood of loyalty toward a specific service provider (Assael 1998, Pritchard and Howard 1997). The literature also shows that uninvolved message recipients, compared to those who are highly involved, are characterized by less attention to information on attributes and more reliance on superficial cues (such as an attractive endorser) available in the message (Celsi and Olson 1988, Petty and Cacciopo 1983). Bolfing (1988) indicated that involvement does affect consumer selective perception processes.

The next hypothesis suggests that commitment will increase as customer involvement with the service provider also increases.

H_{3c1}: There is an increase in commitment to the service provider following an increase in customer involvement.

Some authors mention customer satisfaction and the fulfillment of consumer goals as the variables that lead to consumer involvement (Shaffer and Sherrell 1997, Mittal and Lee 1989). Shaffer and Sherrell (1997) examined the association between involvement and satisfaction. They found that higher levels of customer involvement were associated with greater expectations and performance ratings for a service. They conducted research on the health care industry analyzing separately the tangible (installations) and intangible aspects (physicians' attention) of the service. Their results are valid for the intangible or ambiguous dimension (physicians' attention). Mittal and Lee (1989) proposed a model to conceptualize involvement. In such a model, three sets of consumer goals are construed as sources of involvement, namely utilitarian, sign, and hedonic values. The implication is that the fulfillment of certain consumer goals is required to generate involvement.

Shared Values and Norms

Some firms seek a feeling of identity either through advertisement or through special attention delivered by employees (Cebrzynski 1998). The idea is to create an emotional bond between customers and the firm based on shared values. Harley Davidson is an example of a firm that relies on a sense of community (Kiely 1997). According to the director of a marketing firm (Michael Kiely, director of Boomerang Integrated Marketing & Advertising in Sydney, Australia), the best way in which to acquire customer loyalty is by building a community around the product or service (Kiely 1997).

Morgan and Hunt (1994) define shared values as *the extent to which partners have beliefs in common about what behaviors, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong* (Morgan and Hunt 1994). They use shared values as the only concept that is a precursor of both trust and commitment. Dwyer et al. (1987) also suggest that shared values contribute to the development of commitment and trust.

The following hypotheses will test both whether commitment and trust increases as the values and norms of the consumer are more similar to those of the service provider.

H_{3c2}: There is an increase in commitment to the service provider following an increase in shared values and norms of the consumer with the service provider.

H_{3d1}: There is an increase in trust in the service provider following an increase in shared values and norms of the consumer with the service provider.

Opportunistic Behavior

According to Morgan and Hunt (1994), opportunistic behavior is a factor able to decrease trust. Opportunistic behavior is understood as the self-interest sought by one of the parties in a relationship. When each party is looking for self-interest, trust is damaged. For instance, a consumer may feel that the vendor is engaged in opportunistic behavior when he or she has to sign a long-term contract (one that seems overwhelming) to get a rebate on the price of a product or service. On the other hand, a firm may feel that the customer is engaged in opportunistic behavior when, for example, such a customer takes advantage of a "no-questions asked" return policy more often than the average customer.

The following hypothesis will test the relationship between trust and opportunistic behavior.

H_{3d2}: There is a decrease in trust in the service provider following an increase in opportunistic behavior.

Customer Satisfaction (First Experience)

Customer satisfaction is an overall evaluation based on the total purchase and consumption experience with a good or service over time (Anderson et al. 1994). This type of satisfaction can be distinguished from *first experience satisfaction*, which is an immediate post-purchase evaluative judgment or an affective reaction to the most recent (first) experience with the firm (Oliver 1993). *First experience satisfaction* is the variable where the model suggested by the present dissertation starts. Without a first satisfying experience it is unlikely that a customer can build trust. A first satisfying experience might be the cornerstone for trust.

Oliver (1997) contends that satisfaction encompasses more than one dimension. He specifically mentions that what is understood as satisfaction involves satisfaction with events that happen during consumption, satisfaction with final outcomes, and satisfaction with the level of satisfaction received. Based on Oliver's ideas, the present dissertation separates the concept of satisfaction into three dimensions. First, satisfaction obtained with the product or service (consumption-based satisfaction). Second, satisfaction obtained during the interaction with the service provider (transaction-based satisfaction). And third, satisfaction obtained by using the services of the actual provider in comparison to using the services of other providers (competition-based satisfaction). The three concepts could be grouped together without altering the conceptualization of the model. It is believed that by separating them, the understanding of the process will improve.

The entire process starts when a first satisfied experience in the relationship between a consumer and a seller takes place. Thus, a satisfactory first experience must precede the process toward customer loyalty (Anderson at al. 1994). According to Oliver (1983, p. 418), "a satisfactory purchase experience would appear to be a requirement for the type of continued interest in a product that may lead to repeat purchase." Thus,

P_4: The first positive experience in customer satisfaction precedes the entire process leading to customer loyalty.

This dissertation suggests that a first positive experience in customer satisfaction is a requirement for the formation of customer loyalty. The way to verify this proposition is by testing the relationship between commitment to a service provider and customer loyalty given a positive first experience of the customer.

H_4: There is a positive relationship between commitment to a service provider and customer loyalty following a positive first experience of customer satisfaction.

Figure 1 shows all the variables and proposed relationships. Overall, customer loyalty requires relationship commitment. Trust leads to commitment. After a first satisfactory experience in the relationship between a consumer and a seller, cognitive and affective processes take place. The outcomes of such processes (several variables) have an impact on either commitment or trust.

CHAPTER III

RESEARCH METHODOLOGY

According to Brinberg and Hirschman (1986) there are three different domains in research: conceptual, methodological, and substantive. The path, i.e., moving from one to another, depends on the type of research. In the present case, the conceptual domain has priority because the aim of this dissertation is to suggest a theoretical model. Consequently, the propositions were developed first in a deductive way. The next step is the selection of the substantive domain (i.e., the industry sector where the hypotheses are to be tested). For the purposes of the present dissertation, the service sector is attractive as the substantive domain for two reasons. First, this sector is growing in importance in the United States. The second reason is the service sector strongly emphasizes consumer satisfaction, which is one of the variables of the model. Specifically, the long-distance carrier service was selected. Thus, the hypotheses were suggested to cover this domain. Finally, the methodological domain is selected at the end to test the hypotheses. The present chapter is going to describe a research design able to test the hypotheses.

Research Design

To test the model of customer loyalty, a survey design was chosen. A survey is to question people and record their responses for analysis. This type of design is adequate when the purpose of the study is to generalize from a sample to a population so that inferences can be made about some behavior of this population (Creswell 1994). The use of latent variables will be implemented to find out how the proposed model of customer loyalty fits reality. A survey design helps in developing constructs for such latent variables through the use of factor analysis. Additional reasons for the adoption of a survey design are its economy and its advantage to collect data more easily (Creswell 1994, Cook and Campbell 1976). Even though the survey is cross-sectional (the survey information is collected at one point in time), the nature of the questions will allow the collection of consumers' past experiences.

Additionally, the survey design allows the use of structural equation modeling, which is a technique that tests the hypothesized model of customer loyalty against one or more rival models derived from the literature. For the purposes of testing the model of customer loyalty hypothesized by this dissertation, two rival models are suggested as the best competing models (see figures 2 and 3). In one of them (figure 2), Pritchard's Model, the concept of consumer trust is absent. Pritchard's Model will be challenging the parsimony of the model suggested by the present dissertation. The second rival model (see figure 3), Garbarino's Model, suggests trust and commitment as outcomes in parallel to customer loyalty. Garbarino's Model will be challenging the relevance of including trust and commitment as mediating variables.

Measurement

This section addresses the measurement of several constructs: customer loyalty, commitment, trust, satisfaction, choice, risk, familiarity, communication, involvement, shared values, and opportunistic behavior. The approach was to profit from valid research by using previously developed scales. However, adaptations had to be used either because of the specificity of the empirical domain and/or because no appropriate scales were available. To validate the instrument as a whole, considering the adaptations performed and the grouping of the particular set of scales adopted, a pre-test was implemented using residents of Southeastern Texas as a sample population. The procedure in the development of the instrument was as follows.

Customer Loyalty

Raju (1980) developed a seven-item, seven point Likert-type summated ratings scale to measure the degree to which a person reports being loyal to what he or she has been using rather than trying something new and/or different. The reliability reported was .700 with a sample of 105 students. Later, Lichtenstein et al. (1990) suggested a modification of Raju's scale with only five items. They tried to assess a consumer's general tendency to buy the same brands over time rather than switching around to try other brands. The reliability reported was .88. The following three questions were adapted (to reflect the long-distance phone service) from Lichtenstein et al. (1990):

1 Even though long-distance carriers are available in a number of options, I always use the same one.
2 If I like a service, I rarely switch from it just to try something different.
3 Once I get used to a service, I hate to switch.

Two questions were omitted because they do not fit the long-distance service domain (i.e., "I generally buy the same brands…" "I am likely to continue to buy…").

Lichtenstein et al. scale was aiming at measuring the behavioral component of loyalty. In order to incorporate the attitudinal component, two items were adapted from Sirgy et al. (1991).

Sirgy et al. (1991) developed a three-item, summated rating scale purported to measure the constancy and devotion that a consumer expresses in describing his/her shopping at a specified store. Their study was composed of 110 adults who had just shopped in one of two upscale clothing stores. The reliability of the scale was .85. The questions adapted from Sirgy et al. (1991) were:

4 I am very loyal to my long-distance carrier.
5 I consider my long-distance carrier to be the ideal carrier.

The third question from the Sirgy et al. scale was not considered appropriate because it looks for frequency of purchase in terms of time (i.e., weeks).

Consumer Trust and Commitment

Most of the existing measures of trust and commitment focus on specific business-to-business situations, and hence, are not directly generalizable to the consumer context (Moorman, Deshpande, and Zaltman 1993, Gundlach et al. 1995). Exceptions are the work of Kelley and Davis (1994), who examine consumer commitment to health clubs, and the work of Gabarino and Johnson (1999), who examine trust and commitment to a theater.

In the case of commitment, the following questions were adapted from Garbarino and Johnson (1999):

1 I am proud to be a customer of this long-distance carrier.
2 I feel a sense of belonging to this long-distance carrier.
3 I care about the long-term success of this long-distance carrier.

The adaptation of this scale consisted of three aspects. First, the type of service was changed: from a theater to long-distance phone service. Second, one question that included the concept of loyalty ("I am a loyal patron of this theater") was eliminated.

Third, two new questions were included to reinforce the concept of pride and to add the concept of identification. The two new questions were:

4 I feel proud to know that my long-distance carrier is doing better than the competition.
5 I feel identified with my long-distance carrier company.

In the case of trust, the following questions were adapted from Garbarino and Johnson (1999):

1 This long-distance carrier can be counted on to produce a good service.
2 I can always trust the service of this carrier to be good.
3 This long-distance carrier is a reliable one.
4 The quality of the service of this long-distance carrier is consistently high.
5 I am always sure that the outcome of the service represents a valuable one.

The original scale consisted of seven items. This scale was adapted with the reduction of two questions and the change of the service domain from a theater to long-distance phone service. Regarding the reduction of questions, one question was eliminated because it was considered to measure customer satisfaction instead of trust ("The performances at this theater always meet my expectations"). The second question was eliminated because the authors (Garbarino and Johnson 1999) recognized that it was not loading strongly on any construct.

Product Choice

A scale developed for consideration of alternatives in industrial buying behavior could be adapted to determine whether the consumer looks for additional choices. It is not important to determine whether there are actually more choices, but whether the consumer is aware of the number of choices available to him or her. Anderson, Chu, and Weitz (1987) generated a five-item, seven-point Likert-like scale measuring the percentage of situations a sales manager estimates his or her salespeople face in which customers are considering new product alternatives. The alpha reported was .57.

The only adaptation suggested to this scale was the change from industrial buying to consumer selection of long-distance services. The questions were:

1 I know that there are several possible alternatives to my present provider.
2 Before I selected my actual provider, I knew of several alternatives.
3 I often know about new possible alternatives to my present provider.
4 The long-distance service is a very competitive one.
5 More and more companies are starting business in long-distance service.

Product Familiarity

Bloch et al. (1989) developed a two-item, five-point Likert-type summated scale ranging from little or no knowledge to a great deal of knowledge. The scale measures a consumer's knowledge of a product in comparison with that of others. The reliability reported was .86 for a test on PCs. Both questions were taken as part of the final instrument. However, these questions only addressed relative knowledge. To complement that scale, other questions regarding familiarity and a more specific knowledge were included from other sources. The questions taken from Bloch et al. (1989) were:

1 Relative to other people, I have a great deal of knowledge of long-distance carriers.
2 Relative to most of my friends, I have a great deal of knowledge of long-distance carriers.

A five-item, seven-point, Likert-type scale was developed by Murray and Schlacter (1990) to measure the degree of familiarity a consumer has with shopping for some specified product. A mean alpha of .82 was reported for the scale, averaging over 15 different products. From this scale, only one item was taken:

3 I am familiar with many options of this service.

The rest of the questions were excluded because of their reference to repeated buyer behavior (i.e., "I have a great deal of experience in buying a product like…" "I frequently shop…" etc.) a concept inappropriate in selecting a long-distance service provider.

Lichtenstein et al. (1990) developed a scale (four-item, seven-point Likert-type) to assess a consumer's perceived knowledge of brands in a specified product category as well as the evaluative criteria. They reported a reliability coefficient of .77. The questions adapted to the long-distance phone service were:

4 I have a lot of knowledge about how to select the best option within long-distance carrier services.
5 I have a clear idea about which service characteristics are really important in providing me with maximum satisfaction.

Two questions were omitted from the original scale. One of the questions was omitted because it was the reversed score of item number five ("I do not have a clear idea about which service characteristics are really important ones in providing me with maximum satisfaction"). The second one was omitted because of its reference to repeated buying behavior ("Please rate your level of knowledge of the products you buy").

Perceived Risk

Eroglu and Machleit (1990) developed a four-item Likert-type scale purported to measure a consumer's level of perceived risk associated with the purchase of some specified product. They reported an alpha of .86 for the scale. Only one question was taken from this scale:

1. The decision to contract this service involves high risk.

Two original questions were not included because of their reference to the complexity of a product ("This is a technologically complex product" and "The product I was shopping for is an expensive product"). Another question was not included because of its reference to experience purchasing a product, a concept already considered in product familiarity ("I don't have much experience in purchasing this product").

No other scales that are able to capture the nature of the construct were found. Four questions were developed to complement the scale. Those questions were:

2 I am concerned about making a mistake in contracting a long-distance service.
3 If I have to switch my long-distance carrier, I might lose some already earned benefits.
4 I think that there is a hidden cost if I switch my long-distance carrier.
5 Switching among long-distance carriers involves an additional cost in terms of time and effort.

Communication

Anderson, Lodish, and Weitz (1987) generated a ten-item, semantic differential scale to measure communication in a channel relationship. Morgan and Hunt (1994) used a modification of such a scale with 4 items. None of them reported reliability of the scales. The five questions just adapted to fit the long-distance service were:

1 My long-distance provider keeps me informed of new services.
2 My long-distance provider explains to me the characteristics of the service.
3 The personnel that work at my long-distance provider company always listen to my suggestions.
4 If I want to, I can have detailed conversations with personnel from my long-distance provider regarding my account
5 As far as I know, my long-distance provider cares about receiving feedback from its customers.

The other five questions of the Anderson, Lodish, and Weitz scale were omitted because they were somewhat specific to a business-to-business relationship (i.e., "Special incentives offered to salespeople", "Quality of principal's recognition programs", "Evaluation of training programs…", "Expectations communicated formally versus informally", and "Involvement in principal's planning").

Customer Involvement

Srinivasan and Ratchford (1991) developed a scale (six-item, seven-point Likert-type) to measure the interest a person shows regarding a specific product. The scale was applied using cars as the product. The reliability coefficient obtained was .86. The five questions adapted to reflect the long-distance service were:

1 I have great interest in long-distance carriers.
2 Long-distance carrier service is fascinating.
3 I have a compulsive need to know more about long-distance carriers.
4 I like to make comparisons about long-distance carriers.
5 I like to engage in conversation with friends about long-distance carriers.

One question was omitted because it was assumed inappropriate for the long-distance phone service ("I'm crazy about...").

Shared Values and Norms

Hunt, Wood, and Chonko (1989) used questions regarding corporate ethics. They asked respondents to assume two perspectives. In the first one, respondents should indicate, based on their beliefs, the level of agreement of the other partner with the statements. Second, respondents should indicate their own level of agreement with the statements. The difference between both answers subtracted from 7 measures the similarity in shared values. They suggested five questions regarding the ethical behavior of managers inside an organization. The five questions were adapted to reflect the ethical behavior of a firm inside the long-distance service industry.

1 In order to succeed in this business, it is not necessary to compromise one's ethics.
2 In this business, unethical behavior shouldn't be tolerated.
3 In this business, it is not justifiable to engage in unethical advertisement.
4 It is unethical the way long-distance carriers try to get new customers.
5 It is unethical to call customers from competitors and try to convince them to switch long-distance providers.

Opportunistic Behavior

John (1984) developed a five-item, Likert-type scale to measure, among other things, the degree to which a partner engages in opportunistic behavior in its relationship. Morgan and Hunt (1994) used a three-item version of the scale. The three questions adapted to reflect the long-distance service were:

1 To accomplish its own objectives, my long-distance provider sometimes alters the consumed minutes in its favor.
2 To accomplish its own objectives, my long-distance provider sometimes promises to do things without actually doing them later.
3 My long-distance provider sometimes makes an appearance of service as if it were profitable for me, but actually the provider is looking for its own advantage.

Two additional questions developed exclusively for this study were included. These questions aimed to incorporate the perception that a customer has regarding how much the provider cares for him or her. The questions are:

4 I think that my long-distance provider does not care about me.
5 My long-distance provider only cares about my money.

Customer Satisfaction (Consumption-Based)

Westbrook and Oliver (1981) developed a general (6-item, Likert-type, summated ratings) scale to measure a consumer's degree of satisfaction with a class he/she recently took. The authors reported an alpha of .92. The questions adapted to reflect the long-distance service were:

1 This is one of the best services I have ever received.
2 This service is exactly what I need.
3 This service has developed out as well as I thought it would.
4 This service has fulfilled adequately my expectations.

One question was omitted because it did not seem to apply in the context of long-distance phone service ("I have truly enjoyed this course"). A second question was moved to the scale of competing satisfaction below ("I am satisfied with my decision to choose this option").

Customer Satisfaction (Transaction-Based)

Carman (1990) developed a (5-item, Likert-type) scale to measure the degree to which a person thinks a service company's employees give attention to customers. The author reported an alpha of .82 when applied in a placement center. One item was omitted because long-distance services are covering basically a single need ("Employees of ____ do not know what your needs are"). The questions adapted to reflect the long-distance service were:

1 Employees from my long-distance company give me personal attention.
2 Employees from my long-distance company know what they are doing.
3 Employees from my long-distance company never are too busy to respond to customer requests promptly.
4 Employees from my long-distance company are polite.

Customer Satisfaction (Competing)

A scale measuring satisfaction in reference to competing alternatives was not found in the literature. The following questions were developed for this study:

1 Compared to the other providers, my long-distance company provides the best service.
2 Compared to the other providers, my long-distance company has the best reputation.
3 Compared to the other providers, my long-distance company provides customers with the best satisfaction overall.

The following question was adapted from Westbrook and Oliver (1981).

4 I am satisfied with my decision to choose this option over all other providers.

Instrument

The instrument is a questionnaire developed from the scales mentioned in the previous section. Here, all statements are phrased in a positive way. To collect the data, two versions of the survey were developed. One version phrased all the statements positively. The second version phrased about half of the statements positively, while the other half were reverse-coded. Each of the versions was applied randomly to the sample. The appendix shows both versions.

Sample

Population

Households of the United States are the subjects of this study. Every household is a user or a potential user, of long-distance phone services. The person inside the household who makes the selection of the long-distance service provider represents a consumer with buying decision power. It is assumed that only one person inside each household selects the service provider, even though all the members of the household are potential users of the service. Because the interest of the present dissertation deals with a service provided toward a single household, only one opinion per household was taken into consideration.

Frame

The sample was selected randomly from a national household database. The random selection ensures that the average American household will be depicted in the demographic description of the sample. InfoUSA was contacted to obtain the database. InfoUSA is a marketing company that possesses a database with information on about 120 million households in the USA. A set of 4,000 addresses was selected randomly from this database. A mail questionnaire was sent to the selected households. Non-users of long-distance call services were discarded because the study looked for those customers who currently have or have had experience with such a service.

Sample Size

To ensure test power, a sample size of 260 was the set goal. That number represents an adequate ratio of 20 to 1, with respect to the variables in the survey (Hair et al. 1995). The use of an incentive, in the form of a one-dollar donation to a charity per returned survey was implemented. The respondent was able to choose from one of four charities. Considering a response rate of 10%, a total of 2,600 questionnaires needed to be sent. To be cautious, 1,400 extra questionnaires were sent. With a total of 4,000, a response rate of only 6.5% was required to reach the goal of 260.

Response Rate

Table 3.1 shows the number of surveys sent state by state and the response rate also by state. Overall, a response rate of 5.3%, or a total of 209 questionnaires was obtained. Eleven questionnaires were eliminated due to either incomplete answers or because the respondent confessed not having experience with long-distance service providers. The usable sample was 198. Even though this usable sample of 198 was below target, the ratio of 15.2 to 1 with respect to the variables in the survey is still inside the acceptable range for statistical analysis (Hair et al. 1995).

A reminder postcard was sent to the whole sample of 4,000 after three weeks of the original mailing. Approximately 67% of the responses were obtained from the original mailing and 33% with the help of the reminder postcard. A test on the dependent variable customer loyalty found no significant differences between the mean of the early and late respondents.

Regarding the versions, 77.5% of the returned surveys were version A (all statements phrased in a positive way), while 22.5% were version B (about half of the statements reversed). A test on the dependent variable, customer loyalty found no statistical difference between the means of both groups.

The four states with highest response rates were Kansas (13.1%), Maryland (11.3%), North Dakota (11.1%), and Connecticut (9.5%). D.C. was in this group (11.1%). The five states with the highest number of responses were Texas (15), Florida (13), New York (12), California (12), and Pennsylvania (11). The states that did not send back any surveys at all were Mississippi, West Virginia, New Mexico, New Hampshire, Idaho, South Dakota, Montana, Nevada, Delaware, Vermont, and Wyoming.

Table 3.1

Response Rate

State	Sent	Sent (%)	Responses	Responses (%)	Response Rate
Florida	264	6.7%	13	6.2%	4.9%
New York	263	6.6%	12	5.7%	4.6%
Texas	261	6.6%	15	7.2%	5.7%
California	232	5.9%	12	5.7%	5.2%
Ohio	206	5.2%	6	2.9%	2.9%
Pennsylvania	202	5.1%	11	5.3%	5.4%
Michigan	164	4.1%	9	4.3%	5.5%
Illinois	163	4.1%	9	4.3%	5.5%
N. Carolina	158	4.0%	4	1.9%	2.5%
Georgia	131	3.3%	3	1.4%	2.3%
New Jersey	129	3.3%	10	4.8%	7.8%
Indiana	116	2.9%	7	3.3%	6.0%
Virginia	107	2.7%	6	2.9%	5.6%
Massachusetts	100	2.5%	2	1.0%	2.0%
Missouri	99	2.5%	7	3.3%	7.1%
Tennessee	95	2.4%	6	2.9%	6.3%
Wisconsin	88	2.2%	7	3.3%	8.0%
Minnesota	83	2.1%	8	3.8%	9.6%
Louisiana	77	1.9%	3	1.4%	3.9%
Kentucky	74	1.9%	4	1.9%	5.4%

S. Carolina	73	1.8%	3	1.4%	4.1%
Maryland	71	1.8%	8	3.8%	11.3%
Connecticut	63	1.6%	6	2.9%	9.5%
Colorado	60	1.5%	4	1.9%	6.7%
Washington	60	1.5%	4	1.9%	6.7%
Arizona	59	1.5%	4	1.9%	6.8%
Iowa	58	1.5%	2	1.0%	3.4%
Oklahoma	57	1.4%	3	1.4%	5.3%
Alabama	56	1.4%	5	2.4%	8.9%
Kansas	45	1.1%	6	2.9%	13.3%
Arkansas	40	1.0%	1	0.5%	2.5%
Mississippi	37	0.9%	0	0.0%	0.0%
Nebraska	31	0.8%	2	1.0%	6.5%
Utah	29	0.7%	1	0.5%	3.4%
Oregon	22	0.6%	2	1.0%	9.1%
W. Virginia	22	0.6%	0	0.0%	0.0%
New Mexico	21	0.5%	0	0.0%	0.0%
N. Hampshire	19	0.5%	0	0.0%	0.0%
Idaho	18	0.5%	0	0.0%	0.0%
S. Dakota	15	0.4%	0	0.0%	0.0%
Richmond	14	0.4%	1	0.5%	7.1%
Montana	14	0.4%	0	0.0%	0.0%
Nevada	14	0.4%	0	0.0%	0.0%
Delaware	12	0.3%	0	0.0%	0.0%
Maine	11	0.3%	1	0.5%	9.1%
D. C.	9	0.2%	1	0.5%	11.1%
N. Dakota	9	0.2%	1	0.5%	11.1%
Vermont	7	0.2%	0	0.0%	0.0%
Wyoming	3	0.1%	0	0.0%	0.0%
TOTAL	3961		209		5.3%

Regarding the one-dollar incentive for sending back the survey, only half of the sample asked to make the donation to a specific charity. Among those that asked for a specific charity, 39.7% preferred the American Red Cross, 24.6% preferred the Salvation Army, 19.2% preferred Vanished Children, and 16.5% preferred The Nature Conservancy.

Sample Characteristics

Table 3.2 shows the demographic aspects of the respondents. The sample was grossly representative of the United States population, except for a certain bias toward the existence of retired people (probably the ones with more spare time to answer the survey). The demographics of the sample were as follows. The gender was 52.3% male and 47.7% female. Regarding marital status, 60.7% were married, 23.0% single, 8.2% widowed, and 8.1% divorced or separated. The median number of members in the household was 2. The median number of relatives outside the state was 6. Regarding age, 38.1% of the sample were over 50 years of age, 23.9% in the age range of 21-30, 22.8% in the age range of 31-40, 14.2% in the age range of 41-50, and the remaining 1.0% were less than 20 years old.

The ethnic background was predominantly Caucasian (75.5% of the sample). The highest minority was Latino or Hispanic (13.3%), Asian origin was represented with 7.1% of the sample, African-American was 2.6%, and other ethnic origin was 1.5%. Most of the sample was born in the U.S. (89.7%). Other nationalities were represented only by 10.3% of the sample, with no other country having more than 2%. Regarding occupation, the predominant percentage of the sample was that of retired people (25.0%). Probably the length of the survey discouraged some employed people to answer it. Among the employed respondents, managers/owners were represented with 7.8% of the sample, education related 7.2%, financial/accounting/banking 7.2%, engineering/technician 6.1, health related 5.6%, students 5.6%, and several others (under 5% each) 35.5%. Because of the high participation of retired people, a mean analysis on the dependent variable, customer loyalty was conducted. The test found no significant differences between the mean of retired people and all other occupations.

The annual household income with highest representativity in the sample was the range $30,000 to $40,000 (17.9%). Other ranges were as follows. The low-income range (under $10,000) represented 13.6% of the sample. The income range of $10,000 to $20,000 was 10.3%. The income range of $20,000-$30,000 came in at 12.5%. The income range of $40,000-$50,000 represented 11.4% of the sample. The income range of $50,000-$60,000 was 7.1%. The income range of $60,000-$70,000 represented 4.9% of the sample. The income range of $70,000-$80,000 came in at 9.8%. Finally, 12.5% of the sample reported an income above $80,000.

Table 3.2

Sample Characteristics (N=209)

Variable and Category		Percent
Gender	Male	52.3%
	Female	47.7%
Marital status	Married	60.7%
	Single	23.0%
	Widow	8.2%
	Divorced	7.7%
	Separated	0.5%
Members in house	1	20.3%
	2	31.3%
	3	20.8%
	4	16.7%
	5	6.3%
	6	3.6%
	7	1.0%
Members outside State	None	15.1%
	1-5	34.3%
	6-10	22.9%
	11-15	7.2%
	16-20	6.0%
	Over 20	14.5%

Age Range	Under 20	1.0%
	21-30	23.9%
	31-40	22.8%
	41-50	14.2%
	Over 50	38.1%
Ethnic background	Caucasian	75.5%
	African American	2.6%
	Asian	7.1%
	Latino or Hispanic	13.3%
	Other	1.5%
Country of birth	U.S.	89.7%
	Others (under 2% each)	10.3%
Occupation	Retired	25.0%
	Owner/managerial	7.8%
	Education related	7.2%
	Financial/Accounting/Banking	7.2%
	Engineering/Technician	6.1%
	Health related	5.6%
	Student	5.6%
	Others (under 5% each)	35.5%
Income	Under $10,000	13.6%
	$10,000-$20,000	10.3%
	$20,001-$30,000	12.5%
	$30,001-$40,000	17.9%
	$40,001-$50,000	11.4%
	$50,001-$60,000	7.1%
	$60,001-$70,000	4.9%
	$70,001-$80,000	9.8%
	$80,001-$90,000	2.2%
	Over $90,000	10.3%

Service

The most popular long-distance service provider in the sample was AT&T. It was reported as the current provider by 50.8% of the sample. Second place corresponded to MCI (19.0% of the sample). Sprint had 9.2%, Excel 3.1%, and other providers shared the remaining 17.9%. Regarding the amount of time with the current provider, 21.5% of the sample has stayed one year or less, 12.4% of the sample has stayed between one and two years, 7.7% has stayed between two and three years, 3.8% has stayed between three and four years, 6.2% has stayed between 4 and 5 years, 8.6% has stayed between 5 and 10 years, and 39.7% has stayed more than 10 years with the current provider.

The average number of long-distance minutes in the previous month was 213, with 90 minutes being the median value, and 200 the mode. Regarding the usage of additional services, 3.1% of the sample reported the usage of favorite numbers, 7.3% reported the usage of internet discounts, 3.6% reported the usage of airline mileage, 2.1% reported the usage of special rates at special times, and 3.0% reported the usage of several other services (under 1% each) such as 800 service, free credit card membership, and a points reward system.

About half of the sample (50.7%) had never switched providers. Some, 39.0% had switched only once, and 10.3% had switched more than once. Among the reasons to switch, price/cost was the most common (49.1% of the time), but other important reasons were: looking for better service/bad previous service (12.1%), change of address (8.3%), bonus to sign in/promotion (6.5%), salesperson's skills (5.6%), disagreement with a certain policy (4.6%), and other reasons (13.8%).

The use of pre-paid long-distance cards was reported by 15.3% of the sample. Among the card users, 44.4% of the sample did not care which card was used. They normally used the least expensive card, 33.3% used AT&T cards, 11.1% used Nickel cards, and 11.2% used other cards.

Methods of Analysis

Two methods of analysis are considered: regression analysis and structural equation modeling. Both are required to test the validity of the model suggested. Regression analysis is a statistical technique that can be used to analyze the relationship between a single dependent variable and one or more predictor variables. In this particular case, regression analysis helps determine whether the variance of the dependent variable (customer loyalty) is being explained by the predictors suggested in the model. A high coefficient of determination implies a good explanation. There are some limitations in regression analysis that avoid its employment as the only tool of analysis. One is the problem of multicolinearity. Whenever some of the independent variables are correlated, the separated impact of each one over the dependent variable is affected. A second problem is that regression analysis considers all predictor variables as independent. But in the case of the model proposed, some predictor variables depend on others. For instance, Commitment is hypothesized to be dependent on Trust, and Trust to be dependent on Consumption Satisfaction. Although some indirect effects can be analyzed, regression analysis cannot handle a complex model. For that reason it is important to complement the analysis with a second method: structural equation modeling.

Structural equation modeling using EQS provides help in determining path relationships. EQS also helps in deciding whether the model of customer loyalty suggested by this dissertation fits the reality better than rival models derived from the literature. The different measures of goodness of fit provided by EQS indicate the likelihood that the variables relate in the suggested manner. In other words, it will provide evidence that the structure approximates to the correct structure. In summary, regression analysis will provide indication about the strength that the model possesses in predicting loyalty, while structural equation modeling will provide indication whether the variables are placed in the correct sequence.

CHAPTER IV

RESULTS AND DISCUSSION

Four analyses were conducted with the data. First, factor analysis served to verify that every question represented part of its hypothesized scale. After conducting a confirmatory factor analysis, the scales were validated. Then, following the factor loadings, thirteen constructs were formed adding the corresponding items. Second, a correlation analysis served to observe the existence of relations between pairs of constructs hypothesized to be related. Results showed strong correlation coefficients (significant at the .01 level) in all predicted pairs with the exception of two: risk-commitment (significant only at the .05 level) and choice-commitment (not significant at all).

Third, regression analysis served to show the ability of the predictor variables to explain the variance of the dependent variable (customer loyalty). The R^2 of .300 calculated using only commitment, reinforces the idea that commitment is a good predictor of loyalty. However, it would not be valid to reach conclusions based on a single statistic, which is why a fourth analysis was conducted. Structural equation modeling, using EQS for Windows served to test the hypotheses. Seven of the hypotheses were supported. A tested model was then developed through the elimination of the non-supported paths. Structural equation modeling also served to compare the tested model against two rival models. The combined results of goodness of fit and tests of statistical significance showed a superiority of the tested model over the rival models.

Factor Analysis

A confirmatory factor analysis was conducted using the data. The analysis was performed in two groups. The first group consisted of the proposed items of the core variables: loyalty, commitment, trust, consumption-based satisfaction, transaction-based satisfaction, and competition-based satisfaction. The second grouped the proposed items of the secondary variables: familiarity, choice, risk, involvement, shared values, communication, and opportunistic behavior. The maximum likelihood method for both construct groups was applied to conduct the confirmatory factor analysis. This type of method is appropriate when the objective is to identify the constructs hidden in the original variables (Hair et al. 1995). It was hypothesized that the 62 items should load in 13 different factors.

Previous to the factor analysis, some tests were conducted to verify the adequacy of the sample (Hair et al. 1995). All of them suggested a sample that was ready to use factor analysis. The Kaiser-Meyer-Olkin measure of sampling adequacy for groups one and two was, respectively, .937 and .776, above the minimum target of 0.5 suggested by Hair et al. (1995). Bartlett's Test of Sphericity provided a Chi-Square of 4515.67 and 3054.006 for groups one and two, respectively, which is statistically significant at the .001 level. The Goodness-of-Fit Test provided a Chi-Square of 612.78 and 512.69 for groups one and two respectively, which were also statistically significant at the .001 level.

Factor analysis with SPSS for Windows (version 10) using the maximum likelihood method for the first group produced four factors with Eigenvalues above the threshold value of one (see table 4.1). The twelve satisfaction items composed one of the factors. This result was somewhat expected, because those twelve items are supposed to reflect different dimensions of satisfaction. To be more specific, (the model assumes that the three satisfaction constructs are an antecedent of trust and their treatment together or separated has no effect on further analysis) factor analysis was instructed to separate six factors. The justification to split in six factors when the Eigenvalues suggest only four is based on the confirmatory nature of the test. Satisfaction was conceived as formed by three separated entities, although the existence of a high correlation among them is not surprising (see chapter II). Only results with the six factors will be shown (see table 4.3).

Table 4.1

Factor Analysis – Six Highest Eigenvalues of the Core Variables

Factor	Eigenvalues	% of Variance	Cumulative %
1	13.560	50.224	50.224
2	2.502	9.268	59.492
3	1.592	5.895	65.386
4	1.304	4.830	70.216
5	.986	3.654	73.870
6	.859	3.181	77.051

Table 4.2 shows the eight highest Eigenvalues for the second group of variables. In this case the maximum likelihood method produced seven factors with Eigenvalues over one, exactly the seven that were hypothesized. The seven factors are shown in table 4.4.

Table 4.2

Factor Analysis – Eight Highest Eigenvalues of the Moderating Variables

Factor	Eigenvalues	% of Variance	Cumulative %
1	6.883	19.665	19.665
2	3.730	10.658	30.324
3	3.618	10.338	40.662
4	2.218	6.338	47.000
5	1.871	5.346	52.345
6	1.501	4.290	56.635
7	1.358	3.880	60.515
8	.997	2.792	63.307

Tables 4.3 and 4.4 show the factor loadings and reliabilities for both groups after a Varimax rotation. Varimax rotation was selected because it is referred to as a very successful tool in facilitating the interpretation of the factor matrix (Hair et al. 1995). In table 4.3 all items corresponded to their hypothesized constructs with one exception: loyalty5. This item loaded strongly within the commitment construct. After reviewing the text (*I consider my long-distance carrier to be the ideal carrier*), it was decided to move the item from loyalty to commitment, basically to avoid bias during the regression analysis. For organizational purposes, the item loyalty5 was renamed as commitment6. In table 4.3, all Cronbach alphas are over .8 above the threshold score of .7 recommended by Nunnally (1978) as a minimum score for testing purposes. Furthermore, all loadings are over .48. Results in table 4.3 clearly validate the scales and allow the formation of constructs by adding the corresponding items.

Table 4.3

Factor Analysis – Core Variables

Construct	Item	Factor Loading	Alpha
Loyalty	Loyalty1	.694	.8135
	Loyalty2	.728	
	Loyalty3	.772	
	Loyalty4	.481	
Commitment	Commitment1	.772	.9387
	Commitment2	.760	
	Commitment3	.662	
	Commitment4	.838	
	Commitment5	.819	
	Commitment6	.558	
Trust	Trust1	.732	.9296
	Trust2	.778	
	Trust3	.689	
	Trust4	.708	
	Trust5	.491	
Consumption Satisfaction	Cons. Satis1	.498	.9188
	Cons. Satis2	.675	
	Cons. Satis3	.506	
	Cons. Satis4	.643	
Transaction Satisfaction	Tran. Satis1	.578	.8299
	Tran. Satis2	.612	
	Tran. Satis3	.666	
	Tran. Satis4	.533	
Competition Satisfaction	Comp. Satis1	.713	.9179
	Comp. Satis2	.679	
	Comp. Satis3	.692	
	Comp. Satis4	.706	

The only problem observed in table 4.4 is with the construct choice. The rest of the reliabilities are approximately .7 or higher. The reliability of choice is .6277 and one of the items, choice5, has a loading of .148. It was decided to retain this item for three reasons. First, the concept of the item clearly belongs to the construct (*More and more companies are starting business in long-distance service*). Second, during a pre-test of the survey, this particular item loaded correctly in the construct. Third, it is preferable to maintain the validity of the construct even though the reliability is somewhat deteriorated. Results in table 4.4 validate the seven scales hypothesized in chapter III.

Table 4.4

Factor Analysis – Moderating Variables

Construct	Item	Factor Loading	Alpha
Familiarity	Familiarity1	.893	.8860
	Familiarity2	.877	
	Familiarity3	.712	
	Familiarity4	.691	
	Familiarity5	.636	
Choice	Choice1	.606	.6277
	Choice2	.508	
	Choice3	.434	
	Choice4	.314	
	Choice5	.148	
Risk	Risk1	.469	.6998
	Risk2	.431	
	Risk3	.532	
	Risk4	.661	
	Risk5	.559	
Involvement	Involvement1	.595	.8441
	Involvement2	.747	
	Involvement3	.847	
	Involvement4	.630	
	Involvement5	.724	
Shared values	Shared1	.692	.8601
	Shared2	.830	
	Shared3	.820	
	Shared4	.635	
	Shared5	.467	
Communication	Communication1	.407	.8168
	Communication2	.476	
	Communication3	.659	
	Communication4	.767	
	Communication5	.591	
Opportunistic Behavior	Opportunistic1	.651	.8059
	Opportunistic2	.476	
	Opportunistic3	.777	
	Opportunistic4	.528	
	Opportunistic5	.613	

Although tables 4.3 and 4.4 show a clear separation of the factors according to the scales previously hypothesized, an additional test was performed to verify that all of them belong to separate constructs. The test consisted of two regression analyses having the construct Loyalty as the dependent variable and all the rest of the constructs as independent variables (the constructs were formed by adding the items of each factor according to tables 4.3 and 4.4). One of the regression analysis was executed using the stepwise method as a basis of comparison and the second using the enter method. The basic idea of the test is to observe the existence of a significant increase in R^2 from one method to the other. If such an increase exists, it will show the presence of multicolinearity and it will create the suspicion that perhaps the variables are not separate constructs. Table 4.5 shows the results of this test.

Table 4.5

Regression Analysis – Multicolinearity Test

Dependent Variable	Predictor Variable	B	Std. B	t	Sig.	R^2 (Model)
Loyalty[a]	(Constant)	12.099		7.865	.000***	.399[a]
	Commitment	.291	.462	5.680	.000***	
	Involvement	-.245	-.280	-4.688	.000***	
	Trust	.192	.212	2.644	.009***	
Loyalty[b]	(Constant)	14.615		3.934	.000***	.431[b]
	Commitment	.282	.447	4.687	.000***	
	Trust	.214	.238	2.552	.012*	
	Opportunistic	-.069	-.081	-.972	.333	
	Choice	.027	.021	.313	.755	
	Familiarity	-.094	-.105	-1.528	.129	
	Risk	.103	.104	1.635	.104	
	Communication	-.044	-.046	-.490	.625	
	Involvement	-.220	-.251	-3.676	.000***	
	Shared Values	-.047	-.058	-.764	.446	
	Consumption Sat.	.127	.121	1.078	.283	
	Transaction Sat.	-.068	-.054	-.546	.586	
	Competition Sat.	-.087	-.076	-.733	.464	

[a] Method: Forward Stepwise
[b] Method: Enter
*** significant at the .001 level
** significant at the .01 level
* significant at the .05 level

Observing table 4.5 it can be noticed that the increase in R^2 from one method (stepwise) to the other (enter) is .031. The small amount guarantees that the constructs are not representing the same phenomena. In other words, table 4.5 reinforces the validity of the selected scales.

Correlation Analysis

Summated scales were created with the results provided by the factor analysis (following tables 4.3 and 4.4). The scales were then used to run a correlation analysis. Table 4.6 shows the correlation coefficients. A high number of statistically significant correlations were found. The objective of the correlation analysis was to observe the existence of relations between pairs of constructs hypothesized to be related. According to the model proposed, a significant correlation coefficient was expected between the pairs of constructs marked with bolded fonts in table 4.6. Results show strong correlation coefficients (significant at the .01 level) in all predicted pairs with the exception of two: risk-commitment (significant only at the .05 level) and choice-commitment (non significant at all). The results indicate the general feasibility of the model proposed and generate the suspicion that perhaps risk and choice are not working in the development of customer loyalty.

Additionally, it was expected that some of the highest values were those correlation coefficients that are core to the model. Results supported this expectation. The correlation coefficients that are core to the model are loyalty-commitment .548, commitment-trust .493, trust-consumption-based satisfaction .674, trust-transaction-based satisfaction .614, and trust-competition-based satisfaction .653.

Table 4.6

Correlation Coefficients

	Loyalty	Commit.	Trust	Opport.	Choice	Famil.	Risk
Loyalty	1.000						
Commit.	**.548*** **	1.000					
Trust	.493***	**.683*** **	1.000				
Opportun.	-.371***	-.555***	**-.525*** **	1.000			
Choice	.103	**.133**	.262***	-.068	1.000		
Familiar.	-.016	**.247*** **	**.218** **	-.105	.299***	1.000	
Risk	.154*	**.143* **	.018	.156*	-.156*	-.174*	1.000
Commun.	.273***	.577***	**.541*** **	-.513***	.153*	.247***	-.009
Involv.	-.150*	**.237** **	.163*	-.017	-.130	.209**	.083
Shared v.	.128	**.425*** **	**.387*** **	-.480***	.034	.136	.001
Cons. sat.	.394***	.668***	**.674*** **	-.541***	.227**	.315***	-.033
Trans. sat.	.285***	.547***	**.614*** **	-.450***	.185**	.179*	-.037
Comp. sat.	.360***	.593***	**.653*** **	-.509***	.280***	.277***	-.026

Hypothesized relationships are bolded
*** Correlation is significant at the .001 level.
** Correlation is significant at the 0.01 level.
* Correlation is significant at the 0.05 level.

Table 4.6 Continued

Correlation Coefficients

	Commun.	Involv.	Shared v.	Cons. sat.	Trans. sat.	Comp. sat.
Loyalty						
Commit.						
Trust						
Opportun.						
Choice						
Familiarity						
Risk						
Commun.	1.000					
Involv.	.182*	1.000				
Shared v.	.545***	.307***	1.000			
Cons. sat.	.656***	.211**	.444***	1.000		
Trans. sat.	.688***	.227***	.366***	**.702*** **	1.000	
Comp. sat.	.568***	.077	.361***	**.775*** **	**.679*** **	1.000

Hypothesized relationships are bolded
*** Correlation is significant at the .001 level.
** Correlation is significant at the 0.01 level.
* Correlation is significant at the 0.05 level.

Regression Analysis

Three separate analyses were performed using customer loyalty, relationship commitment, and consumer trust as dependent variables. Table 4.7 shows the analyses that include the predictors hypothesized by the model. The method used was Enter. The justification for the use of this method is that all constructs are supposed to impact their corresponding dependent variable and the use of the Enter method (inclusion of all the variables as predictors) allows the observation of what is happening with each one of them.

The first analysis, having loyalty as the dependent variable has an adjusted R^2 of .297 with the predictor commitment. The high statistical significance of this relationship (at the .001 level) justifies the idea that commitment is directly related to loyalty as was expressed previously by several authors (Morgan and Hunt 1994, Jacoby and Kyner 1973, Pritchard, Havitz, and Howard 1999). Morgan and Hunt (1994) suggested the linkage commitment-loyalty in business-to-business exchanges. It seems, after observing table 4.7 that it also holds in consumer-provider exchanges. Jacoby and Kyner (1973) suggested that the existence of commitment differentiates repurchase behavior from loyalty. The significance of the regression commitment-loyalty (it is important to remember that in the formation of the construct loyalty, in attempting to represent "true loyalty," some attitudinal elements were included) seems to confirm the research of Jacoby and Kyner (1973). Pritchard, Havitz, and Howard (1999) have been the main defenders of the commitment-loyalty linkage, and the results presented in table 4.7 seem to justify their efforts, even though they used a different conceptualization of commitment. Table 4.7 shows that the link commitment-loyalty is also valid with the enhanced conceptualization of both constructs: commitment and loyalty.

The second analysis, having commitment as the dependent variable, finds four significant predictors: trust, familiarity, risk, and shared values. The adjusted R^2 of this model is .523. Even though it was expected that all predictors were significant, two of them fail to contribute in a significant way to explain the dependent variable commitment. They are: choice and involvement. Their small contribution might suggest that the formation of commitment is independent of the number of alternatives the consumers have or the level of involvement the consumers engage. Regarding choice, the results in table 4.7 seem to confirm the ideas of Bagozzi (1995). This author, in a debate with Sheth and Parvatiyar (1995) claimed that reduction of choices could be a consequence of finding a trustable brand, but not a motive to produce commitment. Another expected result in this test was the existence of a high level of significance of trust as a predictor of commitment. Table 4.7 corroborates this expectation. Trust is the predictor with the highest level of significance, standardized coefficient, and partial R^2. This result points toward the idea, shared by several authors (Achrol 1991, Moorman, Zaltman, and Deshpande 1992, Morgan and Hunt 1994), that trust is a major determinant of relationship commitment.

The third analysis, having trust as the dependent variable, finds four significant predictors: the three satisfaction constructs, plus opportunistic behavior. The adjusted R^2 of this model is .516. The hypothesized predictors that fail to be significant are shared values, familiarity, and communication. This implies that the formation of trust depends only on the level of satisfaction and the feeling that the provider is not taking advantage of the consumers. Consumers might not need to have common values with the providers, or know a lot about them, or even interact very often with the providers to trust them. The fact that the three types of satisfaction are significant predictors of trust builds on the idea of some scholars (Anderson et al. 1994, Oliver 1983) that satisfaction precedes the entire process leading to customer loyalty. Morgan and Hunt (1994) proposed opportunistic behavior as a factor that works against trust in a business-to-business exchange. The significance and the negative sign in table 4.7 of opportunistic behavior confirm that this also holds true in consumer-provider exchanges.

The high amount of the R^2 in all three of the models, and the fact that the core predictors hypothesized, namely commitment to loyalty, trust to commitment, and satisfaction (the three of them) to trust, are significant, gives reason to believe that the proposed theoretical model is resembling reality. Still, regression analysis is not conclusive to test the hypotheses because the method is unable to test the whole model. The observation of R^2 levels helps to understand which are the significant predictors of selected dependent variables, but regression analysis does this in isolation, meaning that the method is not considering the impact of all the variables simultaneously. For instance, regression can tell that there are four significant predictors to commitment (trust, familiarity, risk and shared values), but it does not consider the predictors of trust that could potentially modify the relationships. That is the reason why structural equation modeling is required as a complement to test the hypotheses. Structural equation modeling tests the feasibility of all the relationships to exist simultaneously.

Table 4.7

Regression Analysis – Proposed Model

Dependent Variable	Predictor Variable	B	Std. B	t	Sig.	R^2 (Partial)	R^2 (Model)
Loyalty	(Constant)	12.185		11.575	.000***		.300[a]
	Commitment	.345	.548	9.122	.000***	.300	
Commitment	(Constant)	-8.619		-2.056	.041*		.539[b]
	Trust	.872	.610	10.649	.000***	.471	
	Choice	-.106	-.052	-.881	.380	.002	
	Familiarity	.184	.131	2.223	.027*	.021	
	Risk	.217	.139	2.624	.009**	.015	
	Involvement	.034	.025	.440	.661	.003	
	Shared Values	.227	.178	3.163	.002**	.027	
Trust	(Constant)	13.445		4.453	.000***		.535[c]
	Cons Satisfac.	.309	.266	2.772	.006**	.451	
	Tran. Satisfac.	.259	.185	2.177	.031*	.039	
	Comp. Satisf.	.272	.212	2.428	.016*	.022	
	Opportunistic	-.179	-.186	-2.783	.006**	.021	
	Shared Values	-.032	-.036	-.588	.578	.001	
	Familiarity	.024	.025	.446	.656	.001	
	Communication	.031	.029	.353	.724	.000	

Method: Enter
*** significant at the .001 level
** significant at the .01 level
* significant at the .05 level
[a] Adjusted $R^2 = .297$, $F = 83.206$, $p = .000$
[b] Adjusted $R^2 = .523$, $F = 33.646$, $p = .000$
[c] Adjusted $R^2 = .516$, $F = 28.305$, $p = .000$

A final regression test was conducted to compare the strength of the relationship between the three satisfaction constructs and loyalty. One of the claims of the present dissertation is the concept that satisfaction is not enough to form loyalty. Thus, it is expected to find a lower R^2 when regressing satisfaction to loyalty than the R^2 found when regressing commitment to loyalty (according to table 4.7, the R^2 between commitment and loyalty is .300). Table 4.8 shows the results of a regression analysis having loyalty as dependent variable and the three satisfaction constructs as independent variables. The R^2 in this case is .162 and only one of three constructs is significant at the .05 level. The R^2 produced by commitment is almost twice the R^2 produced by satisfaction. This result corroborates the expectation of the importance of having mediating variables.

Table 4.8

Regression Analysis – Basic Model Satisfaction to Loyalty

Dependent Variable	Predictor Variable	B	Std. B	t	Sig.	R^2 (Partial)	R^2 (Model)
Loyalty	(Constant)	12.358		7.147	.000***		.162[a]
	Cons Satisfac.	.306	.292	2.581	.011*	.154	
	Tran. Satisfac.	-.019	-.015	-.155	.877	.000	
	Comp. Satisf.	.166	.144	1.300	.195	.008	

Method: Enter
*** significant at the .001 level
** significant at the .01 level
* significant at the .05 level
[a] Adjusted R^2 = .149, F = 12.168, p = .000

Structural Equation Modeling

Structural equation modeling is conducted to test the several paths hypothesized in the model. It also compares the model against two rival models. Structural equation modeling was selected to test the hypotheses because it is recognized as a more comprehensive and flexible approach to research design and data analysis than any other single statistical model in standard use by social and behavioral researchers (Hoyle 1995). The superiority of structural equation modeling over other statistical techniques is based on its ability to include several observed and latent variables simultaneously in predicted paths. Although the method cannot test causality, structural equation modeling can provide necessary (not sufficient) evidence in that direction.

Table 4.9 shows the significance of the paths and the goodness of fit of the proposed model. EQS for Windows Version 5.7 was employed in the construction of all tables in this section. Figure 6 shows the proposed model (derived from figure 1).

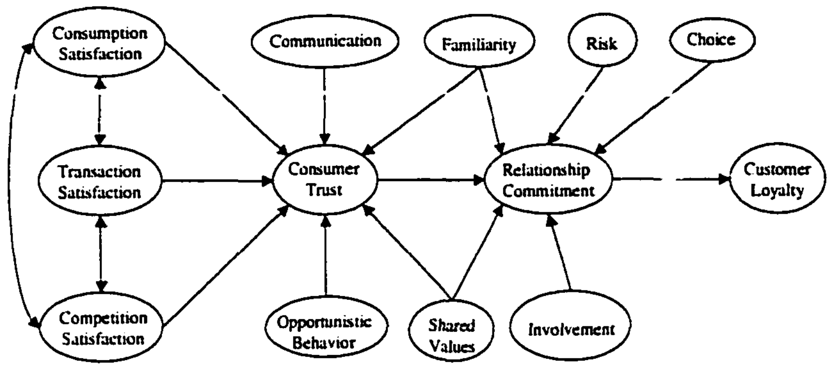
Table 4.9

Proposed Model

Parameter	H	Proposed Model: Standard estimates	t-value
Commitment to Loyalty	H_1	.632	7.38***
Trust to Commitment	H_2	.673	9.09***
Choice to Commitment	H_{3a1}	-.058	-1.10
Familiarity to Commitment	H_{3a2}	.126	2.34*
Risk to Commitment	H_{3a3}	.162	3.00***
Familiarity to Trust	H_{3b1}	.015	.283
Communication to Trust	H_{3b2}	-.029	-.560
Involvement to Commitment	H_{3c1}	.042	.783
Shared Values to Commitment	H_{3c2}	.150	2.77**
Shared Values to Trust	H_{3d1}	.046	.880
Opportunistic B. to Trust	H_{3d2}	-.191	-3.6***
Consumption Sat. to Trust	H_4	.304	3.36***
Transaction Sat. to Trust	H_4	.240	3.09***
Competition Sat. to Trust	H_4	.232	2.63**
Goodness of fit			p-value
Chi-Square		967.59	<.001
Degrees of Freedom		300	
H. Chi-Square/df		3.225	
Independence Chi-Square		3674.872	
Bentler-Bonett Index (NFI)		0.737	
Non-Normed Index		0.768	
Comparative Fit Index (CFI)		0.793	
LISREL GFI		0.685	
LISREL AGFI		0.619	
RMSEA		0.115	
Tests of statistical significance			
R^2 for Loyalty		.399	
R^2 for Commitment		.535	
R^2 for Trust		.533	

*significant at the .05 level
**significant at the .01 level
***significant at the .001 level

Figure 6: Proposed Path Model

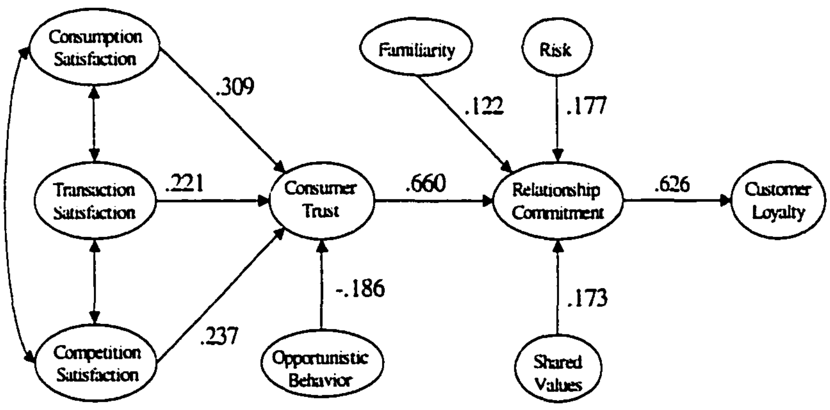


Overall Fit Measures

In general, the goodness of fit of the proposed model falls short of the standards indicating a good model fit. The Chi-Square is 967.59, NFI=.737, CFI=.793, GFI=.685, and RSMEA=.115. It is normally agreed that a good model should have a Chi-Square close to zero, NFI, CFI, and GFI above .9, and RMSEA below .10 (Hoyle 1995). Additionally, some of the paths are found to be non-significant: choice to commitment, familiarity to trust, communication to trust, involvement to commitment, and shared values to trust. These non-significant paths work against the goodness of fit indexes.

With the purpose of identifying an improved model a-posteriori, the non-significant paths were taken away. Figure 7 shows this "Tested Model". The goodness of fit improves considerably in the tested model. Table 4.10 shows a comparison between the proposed model and the tested model. The tested model has all paths significant at the .05 level and the Chi-Square is 635.17, NFI=.810, CFI=.861, GFI=.759, and RMSEA=.104. All of them are very close to the standards suggested by Hoyle (1995). The tested model is the one that is going to be compared against the rival models.

Figure 7: Tested Path Model



Chi-Square=635.47, NFI=.810, CFI=.861, GFI=.759, RMSEA=.104

Table 4.10

Proposed Versus Tested Model

Parameter	H	Proposed Model Standard estimates	Proposed Model t-value	Tested Model Standard estimates	Tested Model t-value
Commitment to Loyalty	H_1	.632	7.38***	.626	7.27***
Trust to Commitment	H_2	.673	9.09***	.660	8.82***
Choice to Commitment	H_{3a1}	-.058	-1.10		
Familiarity to Commitment	H_{3a2}	.126	2.34*	.122	2.22*
Risk to Commitment	H_{3a3}	.162	3.00***	.177	3.18***
Familiarity to Trust	H_{3b1}	.015	.283		
Communication to Trust	H_{3b2}	-.029	-.560		
Involvement to Commitment	H_{3c1}	.042	.783		
Shared Values to Commitment	H_{3c2}	.150	2.77**	.173	3.11***
Shared Values to Trust	H_{3d1}	.046	.880		
Opportunistic B. to Trust	H_{3d2}	-.191	-3.6***	-.186	-3.5***
Consumption Sat. to Trust	H_4	.304	3.36***	.309	3.36***
Transaction Sat. to Trust	H_4	.240	3.09***	.221	2.80**
Competition Sat. to Trust	H_4	.232	2.63**	.237	2.66**
Others					
Communic. to Commitment					
Opportunistic to Commit.					
Consumption Sat. to Loy.					
Consumption Sat. to Comm.					
Consumption Sat. to Trust					
Goodness of fit			p-value		p-value
Chi-Square		967.59	<.001	635.17	<.001
Degrees of Freedom		300		231	
H. Chi-Square/df		3.225		2.74	
Independence Chi-Square		3674.872		3341.04	
Bentler-Bonett Index (NFI)		0.737		0.810	
Non-Normed Index		0.768		0.843	
Comparative Fit Index (CFI)		0.793		0.861	
LISREL GFI		0.685		0.759	
LISREL AGFI		0.619		0.701	
RMSEA		0.115		0.104	
Tests of statistical significance					
R^2 for loyalty		.399		.392	
R^2 for Commitment		.535		.512	
R^2 for Trust		.533		.517	

* significant at .05
**significant at .01
***significant at .001

Test of the Hypotheses

The first hypothesis indicates a path that goes from commitment to loyalty. The standardized coefficient for this path is .632, significant at the .001 level (see table 4.10 for the proposed model). The R^2 for loyalty is .399 with commitment as a direct predictor. These strong results suggest that hypothesis one is supported. It can be claimed that commitment is a key predictor of customer loyalty.

The second hypothesis indicates a path that goes from trust to commitment. The standardized coefficient for this path is .673, significant at the .001 level. The R^2 for commitment is .535 with trust as one of the predictors. Even though other predictors for commitment exist, trust is the main predictor according to table 4.7 where trust was the most significant of the predictors (highest standard beta, t-value, and partial R^2). The combined results suggest that hypothesis two is supported. It can be concluded that consumer trust is a key antecedent in the formation of commitment.

Hypothesis three refers to the secondary variables linked to either commitment and/or trust and is separated into nine parts. There are two significant paths at the .001 level: risk to commitment and opportunistic behavior to trust, and one path significant at the .01 level: shared values to commitment. The implication is that hypotheses 3a3, 3c2, and 3d2 are supported. There is one path significant at the .05 level, namely, familiarity to commitment. This hypothesis (3a2) is only partially supported. There are five non-significant paths: choice to commitment, familiarity to trust, communication to trust, involvement to commitment, and shared values to trust. The conclusion is that hypotheses 3a1, 3b1, 3b2, 3c1, and 3d1 are not supported.

Hypothesis four refers to satisfaction as a precursor of trust. All three paths of satisfaction (consumption-based, transaction-based, and competition-based) to trust are significant either at the .001 or at the .01 level. Furthermore, the R^2 for trust, having the three aspects of satisfaction as the main predictor variables (table 4.7) is high: .535. These results suggest that hypothesis 4 is supported. Table 4.11 shows a summary of the hypotheses and the results derived from regression and structural equation modeling analyses.

An attempt to understand those hypotheses not supported follows. First, choice is not a significant predictor of commitment. This means that for the satisfied customer who already trusts a provider, the existence of several other providers has no effect on the formation of commitment. Considered from the perspective of the provider, if this provider works in the development of trust and commitment, the presence of more or less providers in the industry has small impact. Second, familiarity and communication are not significant precursors of trust. Knowing more or less the service or having more or less contact with the provider makes no difference in the formation of trust. Actually, the two cognitive elements have no influence in the formation of trust. This means that trust is basically an affective outcome.

Third, involvement is not a significant precursor of commitment. Customers may feel committed to a provider even though they are not really interested in the industry. Fourth, shared values are not a significant precursor of trust. Customers may trust a provider even though they do not share the way the provider conducts its business.

Table 4.11

Summary of Results

Hypotheses	Results	
H_1: There is an increase in customer loyalty to the service provider following an increase in the commitment to the service provider.	Supported	p<.001
H_2: There is an increase in relationship commitment to the service provider following an increase in trust to the service provider.	Supported	p<.001
H_{3a1}: There is a decrease in commitment to a single service provider following an increase in the number of choices the consumer seeks.	Not Supported	
H_{3a2}: There is an increase in commitment to the service provider following an increase in familiarity with the service provider.	Partially Supported	p=.03
H_{3b1}: There is an increase in trust in the service provider following an increase in familiarity with the service provider.	Not Supported	
H_{3a3}: There is an increase in commitment to the service provider following an increase in the perceived risk (including perception of switching costs and sunk costs) of switching the service provider.	Supported	p<.001
H_{3b2}: There is an increase in trust in the service provider following an increase in the level of communication with the service provider.	Not Supported	
H_{3c1}: There is an increase in commitment to the service provider following an increase in customer involvement.	Not Supported	
H_{3c2}: There is an increase in commitment to the service provider following an increase in shared values and norms of the consumer with the service provider.	Supported	p<.001
H_{3d1}: There is an increase in trust in the service provider following an increase in shared values and norms of the consumer with the service provider.	Not Supported	
H_{3d2}: There is a decrease in trust in the service provider following an increase in opportunistic behavior.	Supported	p<.001
H_4: There is a positive relationship between commitment to a service provider and customer loyalty following a positive first experience of customer satisfaction.	Supported	p<.001

The Tested Model Compared to Rival Models

In general, the tested model works better than the rival models. In chapter I it was mentioned that two rival models were selected from the literature to challenge the model proposed in this dissertation. Those rival models were named Pritchard's Model and Garbarino's Model. In the first model (see figure 2), the authors Pritchard, Havitz, and Howard (1999) do not include the concept of consumer trust. Pritchard's Model does not start with customer satisfaction and suggests that the outcomes of the cognitive and affective processes impact relationship commitment, which in turn impact customer loyalty. The importance of including trust is at stake in the comparison against this rival model. The second rival model (see figure 3) is based on the model suggested by Garbarino and Johnson (1999), using trust and commitment as outcomes in parallel to customer loyalty. Furthermore, this model does not include the cognitive and affective variables that lead to trust and commitment. The challenge imposed by this model is the idea that trust and commitment are consequences of customer satisfaction, but they do not precede the formation of loyalty. In a way, Garbarino's Model is suggesting the basic model where the formation of loyalty only requires customer satisfaction. The use of Garbarino's Model as a rival model will test the relevance of including trust and commitment as mediating variables.

It is important to mention that the original authors (Grabarino and Johnson 1999, Pritchard, Havitz, and Howard 1999) developed their research in different industries. For instance, Garbarino and Johnson (1999) were looking at two types of customers in the theater industry and Pritchard, Havitz, and Howard (1999) tested their model in the tourism sector. As long as they used customer loyalty as a dependent variable, their models can be adapted (using the operationalization developed for the present dissertation) as rival models. The present dissertation is not criticizing the research of these scholars, but building upon their work.

Pritchard's model has low goodness of fit indexes (see table 4.12). The Chi-Square is 363.32, NFI=.568, CFI=.601, GFI=.727, and RMSEA=.171. Furthermore, the R^2 for loyalty is .343, lower than the R^2 of the tested model. In Pritchard's model, the absence of satisfaction and trust is working against the model fit. The lack of inclusion of these two elements limits the backward linkage with the provider. According to figure 1, satisfaction is where the process to form loyalty starts, when a provider fulfills (or fails to fulfill) the needs of a customer above expectations, as Zeithaml and Bitner (1996) suggested. And trust is required to create stronger bonds as the one implied by the formation of relationship commitment (Morgan and Hunt 1994). It can be then concluded that the presence of both constructs is relevant to the formation of customer loyalty.

Garbarino's model has better goodness of fit indexes (see table 4.12). The Chi-Square is 405.41, NFI=.848, CFI=.881, GFI=.812, and RMSEA=.123. However the R^2 for loyalty is .179, which is very low when compared to the R^2=.399 of the proposed model. The role of trust and commitment as mediating variables is then very important in the explanation of customer loyalty, even though it works against the goodness of fit. In general, the higher the order of a model (when a model includes a link series like satisfaction → trust → commitment → loyalty) the harder it is to reach high goodness of fit indexes. Failure to include trust and commitment as mediating variables is basically a failure to recognize the process that customers follow to develop loyalty.

Table 4.12 shows a comparison among models. Even though, Garbarino's model possesses better goodness of fit indexes, they are not big enough to validate its small values in R^2. Thus, it can be concluded that the tested model explains the reality better than any of the two rival models.

Table 4.12

Model Comparison

Parameter	H	Tested Model Standard estimates	Tested Model t-value	Pritchard's Model Standard estimates	Pritchard's Model t-value	Garbarino's Model Standard estimates	Garbarino's Model t-value
Commitment to Loyalty	H_1	.626	7.27***	.586	7.94***		
Trust to Commitment	H_2	.660	8.82***				
Choice to Commitment	H_{3a1}			.085	1.568		
Familiarity to Commitment	H_{3a2}	.122	2.22*	.126	2.32*		
Risk to Commitment	H_{3a3}	.177	3.18***	.251	4.63***		
Familiarity to Trust	H_{3b1}						
Communication to Trust	H_{3b2}						
Involvement to Commitment	H_{3c1}			.156	2.88**		
Shared Values to Commitment	H_{3c2}	.173	3.11***	-.003	-.058		
Shared Values to Trust	H_{3d1}						
Opportunistic B. to Trust	H_{3d2}	-.186	-3.5***				
Consumption Sat. to Trust	H_4	.309	3.36***				
Transaction Sat. to Trust	H_4	.221	2.80**				
Competition Sat. to Trust	H_4	.237	2.66**				
Others							
Communic. to Commitment				.325	5.99***		
Opportunistic to Commit.				-.455	-8.4***		
Consumption Sat. to Loy.						.423	5.62***
Consumption Sat. to Comm.						.686	9.99***
Consumption Sat. to Trust						.675	11.2***
Goodness of fit			p-value		p-value		p-value
Chi-Square		635.17	<.001	363.32	<.001	405.41	<.001
Degrees of Freedom		231		66		120	
H. Chi-Square/df		2.74		5.50		3.37	
Independence Chi-Square		3341.04		841.652		2674.18	
Bentler-Bonett Index (NFI)		0.810		0.568		0.848	
Non-Normed Index		0.843		0.513		0.860	
Comparative Fit Index (CFI)		0.861		0.601		0.881	
LISREL GFI		0.759		0.727		0.812	
LISREL AGFI		0.701		0.606		0.749	
RMSEA		0.104		0.171		0.123	
Tests of statistical significance							
R^2 for Loyalty		.392		.343		.179	
R^2 for Commitment		.512		.422		.470	
R^2 for Trust		.517				.456	

*significant at the .05 level
**significant at the .01 level
***significant at the .001 level

The present dissertation represents an attempt to understand the process in the formation of loyalty. After conducting an empirical study in the long-distance phone service industry, results point toward the idea that trust and commitment mediate between satisfaction and loyalty. Morgan and Hunt (1994) expressed before the existence of these two mediating variables in business-to-business exchanges. Other scholars have favored one of the variables like Pritchard, Havitz, and Howard (1999) that focused on commitment. Other scholars researched trust and commitment as a consequence of satisfaction, but not in a mediating role (Garbarino and Johnson 1999).

This dissertation demonstrates that the process leading to loyalty requires trust and commitment. Furthermore, results of this dissertation show that in the formation of commitment, familiarity and shared values are important and that the presence of opportunistic behavior deteriorates the formation of trust. Regarding familiarity, the contention of this dissertation was deducted from research developed by Rao and Sieben (1992). They suggested that price is less important when familiarity increases. Because committed customers do not care about price changes, it was hypothesized that an increase in familiarity leads to an increase in commitment. Results confirmed such a deduction.

Some authors suggested the linkage between shared values and norms and commitment (Cebrzynski 1998, Kiely 1997). Customers sharing something in common with the firm more easily become committed to the products or services of the firm. Morgan and Hunt (1994) were the only authors so far exploring the negative linkage between opportunistic behavior and trust. The present dissertation demonstrates that their points are valid.

CHAPTER V

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS FOR FUTURE RESEARCH

Summary and Conclusions

The major question in this research is whether customer satisfaction is enough to build customer loyalty or mediating factors are needed to build on satisfaction and finally reach customer loyalty. A major assertion in this study is that satisfaction is a necessary step, but not sufficient in the formation of loyalty. Consequently a theoretical model that shows the path from satisfaction to loyalty has been developed and tested. The results show that consumer trust and relationship commitment play a key-mediating role between satisfaction and loyalty, and that two processes (cognitive and affective) reinforce the formation of trust and commitment. The cognitive process is composed of the following factors: number of choices, familiarity, perceived risk, and communication. The affective process is composed of the following factors: involvement, shared values and norms, and opportunistic behavior.

After rigorous sample data collection and several statistical analyses (factor analysis, correlation analysis, regression analysis, and structural equation modeling analysis), it is concluded that the existence of trust and commitment as mediating variables is important to increase the explanation of customer loyalty. Although not all of the moderating variables were found significant, some of them were, namely, familiarity, risk, shared values, and opportunistic behavior. A post-hoc model is developed including only the significant variables (see figure 7). This tested model explains about 40% of the variance of the dependent variable customer loyalty and has goodness of fit indexes that are very close to the typical standards of a good model fit (Hoyle 1995).

It is believed that the present dissertation generates an improvement over the current knowledge in the field of consumer behavior by explaining that satisfaction does require some reinforcement to form loyalty.

Limitations

Even though some steps were taken to insure methodological rigor, this research is not without limitations. First, the response rate was below the initial target of 260. Only 209 surveys were mailed back. Among the respondents, a larger than normal proportion of retired people responded. This issue raises concerns of the generalizability of results to the entire population. Even though no evidence was found that retired people behave in a different way towards loyalty, the possibility of bias in some of the relationships exists.

A second limitation deals with the nature of the service, which is long-distance phone service. It is assumed that loyal customers remain loyal to a provider even though there is an existence of less expensive alternatives. But for some customers, long-distance phone service is perceived almost as a commodity, where prices reign (about half of the people that have switched provider at least once in the past, mention price as the reason to switch). Thus, it is possible that results of this research are influenced by this perception. If another test were conducted, it would be useful to do it in a different service sector where prices are a little less important, for example, a haircut service, a daycare center, or a dining establishment.

Future Research

The outcome of the present research was a tested model with the characteristics to become a theory. It is able to explain and to predict real phenomena under limits of accuracy. Furthermore, it was derived in a deductive way from recent marketing and psychological literature and tested with empirical data obtained randomly from a national frame. As such, it fulfills the requirements to potentially be called a theory (Hunt 1991). Future research should be oriented to this purpose. To do so, it is important to eliminate the limitations expressed in the previous section. First, a new research study should collect additional data in order to increase the sample size and repeat the statistical analyses. Second, a new research study should be conducted in a different service sector and be compared with the results obtained in the long-distance phone service. If the results obtained from these two actions are in the same direction than those obtained in the present dissertation, the model could be rightfully called a theory.

Another potential derivation from this research is in the direction of different ethnic backgrounds. The sample analyzed in the present research was predominantly of Anglo origin. It might be possible that different ethnic backgrounds approach the concept of customer loyalty differently from those of Anglo origin. The replication of the present research in other countries/cultures might beneficially increase the knowledge of firms looking for the formation of loyalty among their customers.

Another line of study is in exploring the concept of mutual trust, commitment, and loyalty between the provider and the buyer. The present dissertation worked only in the direction customer to provider. The exploration of a bi-directional concept will add to the better understanding of the process that leads to loyalty and the achievement of firm performance.

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APPENDIX

QUESTIONNAIRES

Survey on Consumer's Perspectives on Long-Distance Phone Services

Instructions

Thank you for completing this survey. Your help is very important for the success of this project.

This questionnaire attempts to collect the opinions of long-distance phone service users. **If you are the person in your household responsible for contracting this service, please answer the following questionnaire. If not, please give this questionnaire to the person in your household responsible for contracting long-distance phone services.**

This questionnaire consists of several sections. Please answer them all. Results of this survey will only be shown in *table formats*. All the information you provide will be *strictly confidential*.

Section I. Opinions about your long-distance service

Please circle the scale number (from 1 to 7) that best fits your answer for each statement below. Consider the scale:

Strongly Disagree	Mostly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Mostly Agree	Strongly Agree
1	2	3	4	5	6	7

Even though long-distance carriers are available in a number of options, I always use the same one	1 2 3 4 5 6 7
If I like a service, I rarely switch from it just to try something different	1 2 3 4 5 6 7
Once I get used to a service, I hate to switch	1 2 3 4 5 6 7
I am very loyal to my long-distance carrier	1 2 3 4 5 6 7
I consider my long-distance carrier to be the ideal carrier	1 2 3 4 5 6 7
I am proud to be a customer of this long-distance carrier	1 2 3 4 5 6 7
I feel a sense of belonging to this long-distance carrier	1 2 3 4 5 6 7
I care about the long-term success of this long-distance carrier	1 2 3 4 5 6 7
I feel proud to know that my long-distance carrier is doing better than the competition	1 2 3 4 5 6 7
I feel identified with my long-distance carrier company	1 2 3 4 5 6 7
This long-distance carrier can be counted on to produce a good service	1 2 3 4 5 6 7
I can always trust the service of this carrier to be good	1 2 3 4 5 6 7
This long-distance carrier is a reliable one	1 2 3 4 5 6 7
The quality of the service of this long-distance carrier is consistently high	1 2 3 4 5 6 7
I am always sure that the outcome of the service represents a valuable one	1 2 3 4 5 6 7
To accomplish its own objectives, my long-distance provider sometimes alters the consumed minutes in its favor	1 2 3 4 5 6 7
To accomplish its own objectives, my long-distance provider sometimes promises to do things without actually doing them later	1 2 3 4 5 6 7
My long-distance provider sometimes makes an appearance of service as if it was profitable for me, but actually the provider is looking for its own advantage	1 2 3 4 5 6 7
I think that my long-distance provider does not care about me	1 2 3 4 5 6 7
My long-distance provider only cares about my money	1 2 3 4 5 6 7

Section II. History of your long-distance services

Dates are approximate. Please write your answer to the question: *Who is your...*

Current provider? From (year) ________ to (year)________ Company: ______________________________

Reason for the switch from previous provider:
____

Previous provider? From (year)________ to (year)________ Company: ______________________________

Reason for the switch from previous provider:
____

Previous provider? From (year) ________ to (year)________ Company: ______________________________

Section III. Opinions about your current long-distance service

Please circle the scale number (from 1 to 7) that best fits your answer for each statement below.

Strongly Disagree	Mostly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Mostly Agree	Strongly Agree
1	2	3	4	5	6	7

I know that there are several possible alternatives to my present provider....................	1 2 3 4 5 6 7
Before I selected my actual provider, I knew of several alternatives............................	1 2 3 4 5 6 7
I often know about new possible alternatives to my present provider...........................	1 2 3 4 5 6 7
The long-distance service is a very competitive one...	1 2 3 4 5 6 7
More and more companies are starting business in long-distance service........................	1 2 3 4 5 6 7
Relative to other people, I have a great deal of knowledge of long-distance carriers.........	1 2 3 4 5 6 7
Relative to most of my friends, I have a great deal of knowledge of long-distance carriers.	1 2 3 4 5 6 7
I am familiar with many options of this service..	1 2 3 4 5 6 7
I have a lot of knowledge about how to select the best option within long-distance carrier services..	1 2 3 4 5 6 7
I have a clear idea about what service characteristics are really important in providing me with maximum satisfaction..	1 2 3 4 5 6 7

Section IV. Characteristics about your current long-distance service provider

Answer the following questions regarding your current long-distance service provider:

1) Adding the minutes of your last monthly bill, approximately how many minutes did you have *last month* in long-distance calls?

Approximately __________ minutes.

2) What type of services are you receiving from your current long-distance service provider? (Circle all that apply).

1 Basic package *2* Favorite numbers *3* Internet discount *4* Airline mileage

5 Others (specify) ____

3) Do you use pre-paid long-distance phone cards (please circle):

No Yes If yes, which one(s):________________________________

Section V. Your opinions about your current long-distance service

Please circle the scale number (from 1 to 7) that best fits your answer for each statement below.

Strongly Disagree	Mostly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Mostly Agree	Strongly Agree
1	2	3	4	5	6	7

I am concerned about make a mistake in contracting a long-distance service................	1 2 3 4 5 6 7
The decision to contract this service involves high risk..	1 2 3 4 5 6 7
If I have to switch my long-distance carrier, I might lose some already earned benefits.....	1 2 3 4 5 6 7
I think that there is a hidden cost if I switch my long-distance carrier...........................	1 2 3 4 5 6 7
Switching among long-distance carriers involves a cost in terms of time and effort..........	1 2 3 4 5 6 7
My long-distance provider keeps me informed of new services..................................	1 2 3 4 5 6 7
My long-distance provider explains to me the characteristics of the service...................	1 2 3 4 5 6 7
The personnel that works at my long-distance provider company always listens to my suggestions..	1 2 3 4 5 6 7
If I want to, I can have detailed conversations with personnel from my long-distance provider regarding my account...	1 2 3 4 5 6 7
As far as I know, my long-distance provider cares about receiving feedback from its customers..	1 2 3 4 5 6 7
I have great interest in long-distance carriers..	1 2 3 4 5 6 7
Long-distance carrier service is fascinating..	1 2 3 4 5 6 7
I have a compulsive need to know more about long-distance carriers..........................	1 2 3 4 5 6 7
I like to make comparisons about long-distance carriers..	1 2 3 4 5 6 7
I like to engage in conversation with friends about long-distance carriers.....................	1 2 3 4 5 6 7

Section VI. Your beliefs about the behavior of your current service provider

For the following statements, please answer twice. In the first column, please indicate your own level of agreement (using the scale from 1 to 7) with the following statements. In the second column, please indicate, based on your best guess, the level of agreement that your service provider may have with the same statements.

	Your personal opinion	Your best guess about the opinion that your service provider may have
In order to succeed in this business, it is not necessary to compromise one's ethics..	1 2 3 4 5 6 7	1 2 3 4 5 6 7
In this business, unethical behaviors shouldn't be tolerated..........	1 2 3 4 5 6 7	1 2 3 4 5 6 7
In this business, it is not justifiable to engage in unethical advertisement...	1 2 3 4 5 6 7	1 2 3 4 5 6 7
It is unethical the way long-distance carriers try to get new customers...	1 2 3 4 5 6 7	1 2 3 4 5 6 7
It is unethical to call customers from competitors and try to convince them to switch long-distance providers............	1 2 3 4 5 6 7	1 2 3 4 5 6 7

Section VII. Opinions about your long-distance service

Please circle the scale number (from 1 to 7) that best fits your answer for each statement below.

Strongly Disagree	Mostly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Mostly Agree	Strongly Agree
1	2	3	4	5	6	7

This is one of the best services I have ever received	1 2 3 4 5 6 7
This service is exactly what I need	1 2 3 4 5 6 7
This service has developed out as well as I thought it would	1 2 3 4 5 6 7
This service has fulfilled adequately my expectations	1 2 3 4 5 6 7
Employees from my long-distance company give me personal attention	1 2 3 4 5 6 7
Employees from my long-distance company know what they are doing	1 2 3 4 5 6 7
Employees from my long-distance company are never too busy to respond to customer requests promptly	1 2 3 4 5 6 7
Employees from my long-distance company are polite	1 2 3 4 5 6 7
Compared to the other providers, my long-distance company provides the best service	1 2 3 4 5 6 7
Compared to the other providers, my long-distance company has the best reputation	1 2 3 4 5 6 7
Compared to the other providers, my long-distance company provides customers with the best satisfaction overall	1 2 3 4 5 6 7
I am satisfied with my decision to choose this option over all other providers	1 2 3 4 5 6 7

Section VIII. Personal Profile

Answer the following questions about yourself (please circle or write):

1) Gender — 1 M — 2 F

2) Marital status — 1 Married — 2 Single — 3 Divorced — 4 Other (specify) ____________

3) How many members are in your household? ____________

4) How many family members live in another city/state/country? ____________

5) Your age — 1 Under 20 — 2 21-30 — 3 31-40 — 4 41-50 — 5 Over 50

6) Ethnic background — 1 European American — 2 African American — 3 Asian — 4 Latino or Hispanic — 5 Other (specify)

7) Country of birth ____________________________

8) If born abroad, when did you begin to live permanently in the U.S.? (Year) ____________

9) Occupation (description) ____________________________

10) Income — 1 Under $10,000 — 2 $10,001-$20,000 — 3 $20,001-$30,000 — 4 $30,001-$40,000 — 5 $40,001-$50,000 — 6 $50,001-$60,000 — 7 $60,001-$70,000 — 8 $70,001-$80,000 — 9 $80,001-$90,000 — 10 Over $90,000

Thank you for your cooperation. You may add your observations below or on a separate sheet of paper.

Survey on Consumer's Perspectives on Long-Distance Phone Services

Instructions

Thank you for completing this survey. Your help is very important for the success of this project.

This questionnaire attempts to collect the opinions of long-distance phone service users. **If you are the person in your household responsible for contracting this service, please answer the following questionnaire. If not, please give this questionnaire to the person in your household responsible for contracting long-distance phone services.**

This questionnaire consists of several sections. Please answer them all. Results of this survey will only be shown in *table formats*. All the information you provide will be *strictly confidential*.

Section I. Opinions about your long-distance service

Please circle the scale number (from 1 to 7) that best fits your answer for each statement below. Consider the scale:

Strongly Disagree	Mostly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Mostly Agree	Strongly Agree
1	2	3	4	5	6	7

Even though long-distance carriers are available in a number of options, I always use the same one	1 2 3 4 5 6 7
Even though I like a service, I switch from it just to try something different	1 2 3 4 5 6 7
Once I get used to a service, I hate to switch	1 2 3 4 5 6 7
I am not very loyal to my long-distance carrier	1 2 3 4 5 6 7
I consider my long-distance carrier to be far from the ideal carrier	1 2 3 4 5 6 7
I am proud to be a customer of this long-distance carrier	1 2 3 4 5 6 7
I feel a sense of belonging to this long-distance carrier	1 2 3 4 5 6 7
I don't care about the long-term success of this long-distance carrier	1 2 3 4 5 6 7
I feel proud to know that my long-distance carrier is doing better than the competition	1 2 3 4 5 6 7
I feel identified with my long-distance carrier company	1 2 3 4 5 6 7
This long-distance carrier cannot be counted on to produce a good service	1 2 3 4 5 6 7
I never trust the service of this carrier to be good	1 2 3 4 5 6 7
This long-distance carrier is a reliable one	1 2 3 4 5 6 7
The quality of the service of this long-distance carrier is consistently low	1 2 3 4 5 6 7
I am always sure that the outcome of the service represents a valuable one	1 2 3 4 5 6 7
To accomplish its own objectives, my long-distance provider sometimes alters the consumed minutes in its favor	1 2 3 4 5 6 7
My long-distance provider does not promise to do things without actually doing them later	1 2 3 4 5 6 7
My long-distance provider sometimes makes an appearance of service as if it was profitable for me, but actually the provider is looking for its own advantage	1 2 3 4 5 6 7
I think that my long-distance provider does not care about me	1 2 3 4 5 6 7
My long-distance provider only cares about my money	1 2 3 4 5 6 7

Section II. History of your long-distance services

Dates are approximate. Please write your answer to the question: *Who is your...*

Current provider? From (year) ________ to (year)________ Company: ______________________________

Reason for the switch from previous provider: ____

Previous provider? From (year)________ to (year)________ Company: ______________________________

Reason for the switch from previous provider: ____

Previous provider? From (year) ________ to (year)________ Company: ______________________________

Section III. Opinions about your current long-distance service

Please circle the scale number (from 1 to 7) that best fits your answer for each statement below.

Strongly Disagree	Mostly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Mostly Agree	Strongly Agree
1	2	3	4	5	6	7

I don't know how many possible alternatives to my present provider exist....................	1 2 3 4 5 6 7
Before I selected my actual provider, I knew of several alternatives............................	1 2 3 4 5 6 7
I often know about new possible alternatives to my present provider..........................	1 2 3 4 5 6 7
The long-distance service is a very competitive one..	1 2 3 4 5 6 7
Few companies are starting business in long-distance service................................	1 2 3 4 5 6 7
Relative to other people, I know very little about long-distance carriers......................	1 2 3 4 5 6 7
Relative to most of my friends, I know very little about long-distance carriers...............	1 2 3 4 5 6 7
I am familiar with very few options of this service...	1 2 3 4 5 6 7
I have a lot of knowledge about how to select the best option within long-distance carrier services..	1 2 3 4 5 6 7
I have a clear idea about what service characteristics are really important in providing me with maximum satisfaction..	1 2 3 4 5 6 7

Section IV. Characteristics about your current long-distance service provider

Answer the following questions regarding your current long-distance service provider:

1) Adding the minutes of your last monthly bill, approximately how many minutes did you have *last month* in long-distance calls?

Approximately ___________ minutes.

2) What type of services are you receiving from your current long-distance service provider? (Circle all that apply).

1 Basic package 2 Favorite numbers 3 Internet discount 4 Airline mileage

5 Others (specify) ____

3) Do you use pre-paid long-distance phone cards (please circle):

No Yes If yes, which one(s):______________________________

Section V. Your opinions about your current long-distance service

Please circle the scale number (from 1 to 7) that best fits your answer for each statement below.

Strongly Disagree	Mostly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Mostly Agree	Strongly Agree
1	2	3	4	5	6	7

I am concerned about make a mistake in contracting a long-distance service.....................	1 2 3 4 5 6 7
The decision to contract this service involves low risk..	1 2 3 4 5 6 7
If I have to switch my long-distance carrier, I might lose some already earned benefits.....	1 2 3 4 5 6 7
I think that there is a hidden cost if I switch my long-distance carrier............................	1 2 3 4 5 6 7
Switching among long-distance carriers involves an additional cost in terms of time and effort...	1 2 3 4 5 6 7
My long-distance provider never informs me of new services...................................	1 2 3 4 5 6 7
My long-distance provider never explains the characteristics of the service to me...........	1 2 3 4 5 6 7
The personnel that works at my long-distance provider company always listens to my suggestions...	1 2 3 4 5 6 7
Even if I want to, I can seldom have detailed conversations with personnel from my long-distance provider regarding my account..	1 2 3 4 5 6 7
As far as I know, my long-distance provider cares about receiving feedback from its customers...	1 2 3 4 5 6 7
I have great interest in long-distance carriers..	1 2 3 4 5 6 7
Long-distance carrier service is fascinating..	1 2 3 4 5 6 7
I have a compulsive need to know more about long-distance carriers...........................	1 2 3 4 5 6 7
I don't like to make comparisons about long-distance carriers..................................	1 2 3 4 5 6 7
I like to engage in conversation with friends about long-distance carriers.....................	1 2 3 4 5 6 7

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In this business, it is justifiable to engage in unethical advertisement..	1 2 3 4 5 6 7	1 2 3 4 5 6 7
The way long-distance carriers try to get new customers is not unethical..	1 2 3 4 5 6 7	1 2 3 4 5 6 7
It is not unethical to call customers from competitors and try to convince them to switch long-distance providers...........	1 2 3 4 5 6 7	1 2 3 4 5 6 7

Section VII. Opinions about your long-distance service

Please circle the scale number (from 1 to 7) that best fits your answer for each statement below.

Strongly Disagree	Mostly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Mostly Agree	Strongly Agree
1	2	3	4	5	6	7

This is one of the worst services I have ever received..........	1 2 3 4 5 6 7
This service is exactly what I need..........	1 2 3 4 5 6 7
This service has developed out real bad..........	1 2 3 4 5 6 7
This service has fulfilled adequately my expectations..........	1 2 3 4 5 6 7
Employees from my long-distance company give me personal attention..........	1 2 3 4 5 6 7
Employees from my long-distance company do not know what they are doing..........	1 2 3 4 5 6 7
Employees from my long-distance company are never too busy to respond to customer requests promptly..........	1 2 3 4 5 6 7
Employees from my long-distance company are not polite..........	1 2 3 4 5 6 7
Compared to the other providers, my long-distance company provides the best service.....	1 2 3 4 5 6 7
Compared to the other providers, my long-distance company has the worst reputation......	1 2 3 4 5 6 7
Compared to the other providers, my long-distance company provides customers with the best satisfaction overall..........	1 2 3 4 5 6 7
I am not happy with my decision to choose this option over all other providers..........	1 2 3 4 5 6 7

Section VIII. Personal Profile

Answer the following questions about yourself (please circle or write):

1) Gender	*1* M	*2* F			
2) Marital status	*1* Married	*2* Single	*3* Divorced	*4* Other (specify) __________	

3) How many members are in your household? __________

4) How many family members live in another city/state/country? __________

5) Your age	*1* Under 20	*2* 21-30	*3* 31-40	*4* 41-50	*5* Over 50
6) Ethnic background	*1* European American	*2* African American	*3* Asian	*4* Latino or Hispanic	*5* Other (specify)

7) Country of birth ____________________

8) If born abroad, when did you begin to live permanently in the U.S.? (Year) __________

9) Occupation (description) ____________________

10) Income	*1* Under $10,000	*2* $10,001-$20,000	*3* $20,001-$30,000	*4* $30,001-$40,000	*5* $40,001-$50,000
	6 $50,001-$60,000	*7* $60,001-$70,000	*8* $70,001-$80,000	*9* $80,001-$90,000	*10* Over $90,000

Thank you for your cooperation. You may add your observations below or on a separate sheet of paper.

VITA

Sergio Alonso

Sergio Alonso is enrolled in the Ph.D. Program at the University of Texas – Pan American. His educational background includes undergraduate studies in Chemical Engineering at the Universidad Nacional Autonoma de Mexico (UNAM), and a MBA degree at the Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESM) en Leon, Mexico.

Sergio Alonso has professional experience in the oil refining and rubber industry. He has also experience in the academic field. He collaborated as a faculty member in several major universities in Mexico.

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