The Role of Commitment on the Customer Benefits – Loyalty Relationship in the Service Industry

Won-Moo Hur, Hoseo University, Korea
Minsung Kim, Inha University, Korea
Kyungdo Park, Sogang University, Korea

The purpose of this study is to identify appropriate combinations between various types of commitment and benefit, to enhance loyalty behaviors, such as customer retention, cross-selling, and customers’ positive word-of-mouth, in matured service market. The result showed that calculative commitment had a significant effect only on customer retention, whereas affective commitment was contributed to developing all types of active loyalty behaviors (e.g. positive word-of-mouth, cross-selling). On the other hand, affective commitment was significantly influenced by symbolic and experiential benefits, and calculative commitment was by functional and economic benefits. The significant mediating role of commitment was also identified.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/13326/volumes/v35/NA-35

[copyright notice]:
This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyright.com/.
The Role of Commitment on the Customer Benefits–Loyalty Relationship in the Service Context

Won-Moo Hur, Hoseo University, Korea
Minsung Kim, Inha University, Korea
Kyungdo Park, Sogang University, Korea

Introduction
The purpose of this study is to examine the relationships among customer’s perceived benefits, commitment, and loyalty. This purpose was developed based on the limitations identified in the previous loyalty studies. First of all, studies investigating antecedents of loyalty heavily focused on satisfaction (Fornell et al., 1996; Bolton, 1998), overlooking the importance of commitment as an antecedent of loyalty. Considering that satisfaction is the result of a service experience (backward looking) whereas commitment is critical for long-term relationship with a service (forward looking), the relationship between commitment and loyalty should be examined in detail (Gustafsson et al., 2005). Secondly, even though a number of recent studies identified that loyalty is not unidimensional (Ganesh et al., 2000; Dick and Basu, 1994), its relationships with various dimensions of commitment was under-researched (Verhoef, 2003). This study reflected multi-dimensional aspect of loyalty, so that customer retention, cross-selling, and positive word-of-mouth were distinguished and included to measure loyalty. By doing so, customer loyalty management strategies were developed, based on the resulting causal relationships between the types of loyalty behaviors and the dimensions of commitment. Third, there has been studies dealing with benefit-loyalty relationship with satisfaction as a mediator (Lee and Cunningham, 2001) the role of commitment in the relationship between benefit and loyalty has not been investigated enough. In this regard, this study compared two models, ‘benefit → loyalty,’ vs. ‘benefit → commitment → loyalty,’ to identify the effect of commitment on the relationship.

Concepts and Hypotheses
Considering of the previous studies and the applicability of the research constructs to mobile communication industry (e.g. Bolton 1998), benefit in this study was defined and measured by functional, economic, experiential, and symbolic benefit. In terms of commitment, this study distinguished affective commitment as a psychological aspect from calculative commitment as a physical and economic gain/loss aspect. This study agreed on the previous studies supporting that loyalty behaviors, such as customer retention, cross-selling, and positive word-of-mouth, are varied as the type of loyalty differs (Ganesh et al. 2000; Dick and Basu, 1994). Nine hypotheses are derived from the definitions of constructs in this study, reflecting the relationships among benefits, commitment, and loyalty. In detail,
it is hypothesized between benefits and commitment that functional and economic benefits with calculative commitment (H1 and H2),
while experiential and symbolic benefits with affective commitment (H3 and H4) as having positive relationships. In terms of the
relationships between commitment dimensions and loyalty behaviors, affective commitment is hypothesized as having positive
relationships with all three types of loyalty behavior (H6, H8, and H9), whereas calculative commitment is hypothesized as having positive
relationships only with customer retention and cross-selling (H5 and H7).

Methods
225 Respondents were randomly selected and participated in the survey, and 204 cases were used in this study after screening process.
Total 27 items were used in the survey to measure four types of benefits, two of commitment, and three types of loyalty behaviors.
Reliability of the measurement was tested using Cronbach’s α, and it ranged from 0.704 to 0.954, implying that all constructs have
internally consistent items. On the other hand, validity of the measurement model was tested using confirmatory factor analysis; resulting
lambda and phi values showed good discriminant and convergent validity.

Results and Conclusion
Hypotheses are tested through structural equation modeling using LISREL (8.50). Structural model showed a good fit to the data,
suggesting that the research model was well developed (χ²/df= 1.382, GFI=0.908; CFI=0.972; RMSEA=0.040). About each hypothesis,
eight were accepted and only the relationship between calculative commitment and additional sales was not supported. Affective
commitment, on the other hand, significantly affect on all three types of loyalty behavior, including from the passive loyalty of “customer
retention (t=0.174, p<0.05)” to the active loyalty of “positive word-of-mouth (t=0.535, p<0.05).” Especially that affective commitment
showed the strongest effect on positive WOM pointed out the important role of affective commitment to induce active and strong type
of loyalty. The mediating role of commitment was tested by comparing two models ‘benefit → loyalty’ and ‘benefit → commitment →
loyalty.’ As a result, the model with commitment as a mediator showed better fit (Maruyama, 1998), indicating that the effective loyalty
enhancement should focus more on letting benefits link with commitment appropriately than simply offering benefits directly.

Implication and Future Research
This study identified two distinctive paths; one is functional and economic benefits → calculative commitment → customer retention
(passive loyalty), the other is symbolic and experiential benefits → affective commitment → cross-selling or positive WOM (active
loyalty). This provides notable implications. First of all, companies should be able to design their own benefits and relative customer
relationship marketing strategy depending upon their goal (e.g. passive loyalty vs. active loyalty). Second, calculative commitment is
mainly useful for defensive strategies, such as customer retention, whereas affective commitment helps to enhance three types of loyalty
behaviors. This means that the economic benefit based marketing tools (e.g. price discount) on which marketers have heavily depended
so far are not enough to establish a stronger loyalty, and marketing activities boosting up the emotional bonding with customers should
be exercised to enhance loyalty. Thirdly, the benefits alone, without the link with commitment, did not significantly affect on loyalty,
suggesting that companies are better to concentrate on building and maintaining the link between the two, instead of focusing on benefit
offerings.

A number of directions for future research were also proposed. First, this study defined and limited benefits having four dimensions
even though there are still other types of benefits. Including other types of benefits in relation to commitment and loyalty will help the
external validity of the results. Second, this study treated three types of loyalty behaviors as static because the main issue was about the
causal relationships among constructs. However, incorporating the dynamic model reflecting the relationships among loyalty behaviors
(e.g. customer retention, cross-selling, and positive WOM) will be a further interesting study.

References