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STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

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DIMENSIONALITY OF CUSTOMER LOYALTY: A STUDY IN THE INDIAN CONTEXT

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ABSTRACT

The views on loyalty have oscillated between uni-dimensional and two-dimensional views. The dimensionality of loyalty construct has important theoretical and practical issues. Consensus is absent in the marketing literature on how loyalty should be conceptualized and measured. The purpose of the present study is to re-examine the two dimensional structure of loyalty in mobile phone services context in India. Structural equation modeling approach was used to compare a totally disaggregated first-order model with a model which considers behavioral and attitudinal loyalty as two separate factors. The results provide support for a two-dimensional view of customer loyalty. The findings highlight the potential value of including both behavioral and attitudinal loyalty in customer loyalty model.

KEYWORDS

Customer Loyalty, behavioral loyalty, attitudinal loyalty, structural equation modeling.

INTRODUCTION

ince the beginning of the 1990's, the topic of customer loyalty has gained importance both in marketing theory and practice (Odin et al. 2001; Bennett and Rundle-Thiele 2005; Bandyopadhyay and Martell 2007; Russell-Bennett et al. 2007; Cahill 2007; Han, Kwortnik Jr. and Wang 2008). The increased interest in customer loyalty can be attributed to the emergence of relationship marketing paradigm (Gronross 1994; Berry 1995). The relationship marketing approach emphasizes the maintenance of mutually profitable and long-term relationships between customers and company (Ravald and Gronross 1996).

The development of long-term customer relationships has long been regarded as a valuable tool for building effective marketing strategies by marketing academics and practitioners (Reichheld and Sasser 1990; Heskett et al. 1994; Zeithmal et al. 1996; Bennett and Bove 2002; Agustin and Singh 2005). Research has shown that it is financially desirable to retain existing customers because obtaining new customers is costly (Rust and Zahorik 1993). Researchers have found a positive relationship between customer loyalty and long-term financial performance (Anderson et al. 1994; Heskett et al. 1994; Reichheld and Sasser 1990, Jones and Sasser 1995; Ryals 2002). Customer loyalty translates into benefits such as increased profits from repeat purchase and cross buying, lower marketing costs, more efficient operations and free word-of-mouth advertising (Reichheld 1996; Anderson and Mittal 2000; Colgate and Norris 2000; Castaneda 2010). According to Ganesh et al. (2000), loyal customers are at the heart of a company's most valuable group because of their current and potential future value.

Considering the positive benefits of customer loyalty, developing and increasing customer loyalty is crucial factor in company's growth. One of the crucial issues of today is to understand how or why a sense of loyalty of develops in customers (Pritchard et al. 1999). A review of previous literature highlights a lack of agreement over the definition and operationlization of the construct of loyalty. There is no consensus in the literature on what loyalty is, and what constitutes the major driving forces of brand loyalty (Li and Petrick 2008). The purpose of the present study is to examine the dimensional structure of loyalty in the Indian context.

LITERATURE REVIEW

Customer loyalty as a concept has its origins in the 1920's. The views on loyalty have oscillated between uni-dimensional and two-dimensional views (Russell-Bennett 2002). There are two schools of thought to define and operationalize customer loyalty: stochastic and deterministic approach. The stochastic approach defines loyalty in terms of observable behavior i.e. i.e. the pattern of past purchases (Tucker 1964; Cunningham 1956; McConnell 1968). The deterministic approach considers loyalty as an attitude and seeks to explain it in terms of attitudes, values and beliefs (Bennett and Bove 2002). Recent research in area of customer loyalty has acknowledged multidimensional view of customer loyalty, which is important, both to understand dimensions and measures of loyalty (East et al. 2005; Rundle-Thiele 2005).

BEHAVIORAL LOYALTY

Behavioral approach to customer loyalty has been at the core of early marketing research. The behavioral approach suggests that the repeat purchasing of a brand over time by a consumer expresses their loyalty (Tucker 1964; McConnell 1968; Chaudhuri and Holbrook 2001). The major assumption of defining loyalty from behavioral perspective is that repeat purchasing captures the loyalty of a consumer towards the brand of interest (Bandyopadhay and Martell 2007). The most frequently used measures of behavioral loyalty are: sequence-of-purchase (Tucker 1964; McConnell 1968; Dekimpe et al. 1997); proportion-of-purchase (Cunnigham 1956; Jones and Sasser 1995; Dekimpe et al. 1997) and purchase probability measures (Javalgi and Moberg 1997). The advantage of behavioral measures are that they measure observable behaviors (Odin et al. 2001) and thus help marketers to understand how people buy primarily in markets where data is readily available (Rundle-Thiele 2005). Another advantage of behavioral measures is that they are not incidental as they are based on purchasing behavior over a period of time (Mellens et al. 1996). The behavioral measures are useful and easy to measure through panel and scanning data (Amine 1998).

A major shortcoming of loyalty measures based on repeat purchase behavior is that they make no attempt to understand the underlying repeat purchase (Dick and Basu 1994). The behavioral measurements fail to distinguish customers who buy products and service strictly for habit or convenience from those whose repeat purchase behavior is based on genuine attachment (Amine 1998; Pritchard et al. 1999; Palmer et al. 2000; Odin et al. 2001). High repeat purchase may reflect situational constraints, such as brands stocked by retailers; where as low repeat purchase may simply indicate lack of choice, variety seeking or different usage situations etc. (Dick and Basu 1994; Mellens et al. 1996; Hart et al. 1999).

ATTITUDINAL LOYALTY

To overcome the limitations of behavioral approach, researchers have proposed measuring loyalty by means of an attitudinal dimension in addition to behavioral dimension (Day 1969; Jacoby and Kyner 1973; Srinivasan, Anderson et al. 2002). The attitudinal perspective assumes that consistent buying of a brand is a necessary but not sufficient condition to 'true' brand loyalty and it must be complemented with a positive attitude towards this brand to ensure that this behavior will be pursued further (Amine 1998). Attitudinal measures of brand loyalty incorporate consumer preferences and dispositions toward brands to determine levels

of loyalty (Javalgi and Moberg 1997). The attitudinal measurements are concerned with the sense of loyalty, engagement and allegiance (Bowen and Chen 2001). Attitudinal loyalty refers to the level of consumer's psychological attachments and attitudinal advocacy towards the supplier (Chaudhuri and Holbrook 2001). The attitudinal measures based on stated preferences and commitment, distinguish loyalty from repeat buying and are also less sensitive to short-run fluctuations (Mellens et al. 1996). Attitudinal loyalty measures help brand managers to understand reasons for customer's purchase of their brands as well as those of competitors and also help to identify strengths and weaknesses of their brands (Bandyopadhay and Martell 2007). Attitudinal measures are not an accurate representation of reality as they rely on consumer declaration and not on observed behavior and it is possible that consumers may not provide true information (Mellens et al. 1996; Odin et al. 2001). Another disadvantage of attitudinal measurements is that while operationalzing attitudinal loyalty, researchers use either antecedents or consequences of loyalty (Odin et al. 2001).

COMPOSITE LOYALTY

A number of researchers have stressed the need to combine behavioral and attitudinal aspects of loyalty (Day 1960; Jacoby and Kyner 1973; Bowen and Chen 2001; Back and Parks 2003). The composite approach to loyalty considers customer's favorable attitudes, intentions and repeat purchasing as measure of true loyalty (Shoemaker and Lewis 1999; Rundle-Thiele 2005). The composite approach to loyalty claims that to be truly loyal the consumer must hold a favorable attitude toward the brand in addition to repeat purchasing it (Jensen and Hansen 2006). Dick and Basu (1994) conceptualized loyalty as the strength of the relationship between an individual's relative attitude and their repeat patronage. Recent studies have operationalized loyalty using the composite approach (Pritchard et al. 1999; Ganesh et al. 2000; Chaudhuri and Holbrook 2001; Yi and Jeon, 2003; Rauyren and Miller 2007; Li and Petrick 2008).

METHODOLOGY

Two studies were conducted to address the research issue. In both the studies, data were collected with the help of questionnaire that comprised measured of behavioral and attitudinal loyalty. The measurement items of behavioral and attitudinal loyalty are derived from Chaudhuri and Holbrook (2001); Evanschitzky et al. (2006); Gremler and Brown (1996) and Zeithmal et al. (1996). The purpose of the first study was to test internal consistency of the scale. Study two was designed to test the dimensional structure of loyalty.

STUDY 1

Data was obtained through self-administered questionnaires from 250 postgraduate business students of a major university in India. Convenience sampling was used to collect data. The sample consisted of 132 (52.8%) females and 118 (47.2%) males.

RESULTS OF STUDY 1

Item-total correlation, corrected item-to-total correlation and means and variances of items were examined for each dimension. Items with high correlations with the total score of other constructs, low corrected item-to-total correlation and smaller means and variances were deleted (Churchill 1979; Kumar and Beyerlien 1991; Nunnally and Bernstein, 1994; Tian et al. 2001). This process resulted in deletion of 4 items of 'behavioral loyalty' and 3 items of 'attitudinal loyalty'.

The internal consistency of the items belonging to each construct was then examined using Cronbach alpha and exploratory factor analysis at the subscale level (Ruekert and Churchill 1984; Flynn 1991). Principal component analysis was used to examine whether items in each measure load on one factor or not. Table 1 indicates that items in each subscale load on one factor. All the obtained eigenvalues exceed the criterion of 1.0 (Flynn 1991).

Cronbach alpha is concerned with the degree of interrelatedness among a set of items designed to measure a single construct (Netemeyer et al. 2003). Table 1 depicts the reliability alphas for various constructs. As can be seen, the coefficient alpha values are above .60 which is an acceptable limit for early stages of basic research (Nunnally and Bernstein 1994).

TABLE 1: RELIABILITY AND INTERNAL CONSISTENCY OF MEASURES

Construct	Item Label	Eigen Value	Factor Loading	Cronbach Alpha	Variance Explained
Behavioral	BL1	1.159	.761	.692	57.951
Loyalty	BL2		.762		
Attitudinal	AL1	1.965	.811	.887	65.494
Loyalty	AL2		.797		
	AL3		.820		

STUDY 2

Data was collected through self-administered questionnaires from 1000 mobile phone users. The survey was carried out in the northern part of India. A total of 855 usable responses were obtained for an overall response rate of 85.5 percent. The sample included 58.2% of males and 41.8% of females. The age profile of respondents ranged from 20 years to 45 years with almost 87% of the respondents in the age group between 20 years and 24 years. Regarding current provider subscription, 38 per cent of the respondents were using Airtel followed by Vodafone (22 %), BSNL (17 %), Spice (15 %), IDEA (3 %), Reliance Communications (1.7%) and TATA Indicom (1.4%).

RESULTS OF STUDY 2

For testing the dimensional structure of loyalty, Confirmatory Factor Analysis was used. We proposed two alternative models. We used different model fit measures to compare the competing models. The alternative models were compared on the following criteria:

- **Comparative Fit Index (CFI)** – CFI indicates the overall fit of the model-implied covariance matrix to the sample covariance matrix (Hair et al. 1998).
- **Incremental Fit Index (IFI)** – IFI addresses the issues of parsimony and sample size in the model (Byrne 2001).
- **Tucker Lewis Index (TLI)** – TLI measure is used to compare alternative models against a null model (Shumacker and Lomax 1996). TLI shows how effective the model is compared to a null model (Dion 2008).
- **Normed Fit Index (NFI)** – NFI indicates the proportion in the improvement of the overall fit of the researcher's model relative to a null model (Kline 1998).
- **Root Mean Square Error of Approximation (RMSEA)** – RMSEA is related to the difference in the sample data and what would be expected if the model were assumed correct (Dion 2008). Lower values of RMSEA indicate a better model fit (Hair et al. 1998).
- **Akaike Information Criterion (AIC)** – AIC addresses the issue of parsimony in the assessment of model fit (Byrne 2001). When choosing between several models, the smallest AIC estimate indicates the model with the best fit (Kline 1998).
- **Browne-Cudeck Criterion (BCC)** – When comparing two models, smaller values of BCC represent a better fit of the hypothesized model (Schreiber et al. 2006).
- **Expected Cross Validation Index (ECVI)** – ECVI measures the discrepancy between the fitted covariance matrix in the analyzed sample, and the expected covariance matrix that would be obtained in another sample of equivalent size (Byrne 2001). When choosing between several models, the smallest ECVI estimate indicates the model with the best fit (Schermelleh-Engel, Moosbrugger and Muller 2003).

MODEL A - DISAGGREGATED FIRST-ORDER MODEL

In Model A (Figure 1), customer loyalty was examined using a totally disaggregated first-order model. In this, 5 items were proposed to measure a single first-order factor called loyalty. This model generated a poor model fit. The fit indices obtained are $\chi2$ = 404.497; df = 5; CFI = 0.734; NFI = 0.732; IFI = 0.735; TLI = 0.468; and RMSEA = 0.306 (see Table 2).

MODEL B – FIRST-ORDER FACTOR MODEL

In Model B (Figure 2), it was hypothesized that the 5 items formed two correlated first-order factors – behavioral and attitudinal loyalty. In this model, each of the six factors was treated a separate factor. The fit indices for Model B are $\chi2$ = 48.975; df = 4; CFI = 0.970; NFI = 0.968; IFI = 0.970; TLI = 0.925; and RMSEA = 0.115 (see Table 2).

FIGURE 1: DISAGGREGATED FIRST-ORDER MODEL (MODEL A)
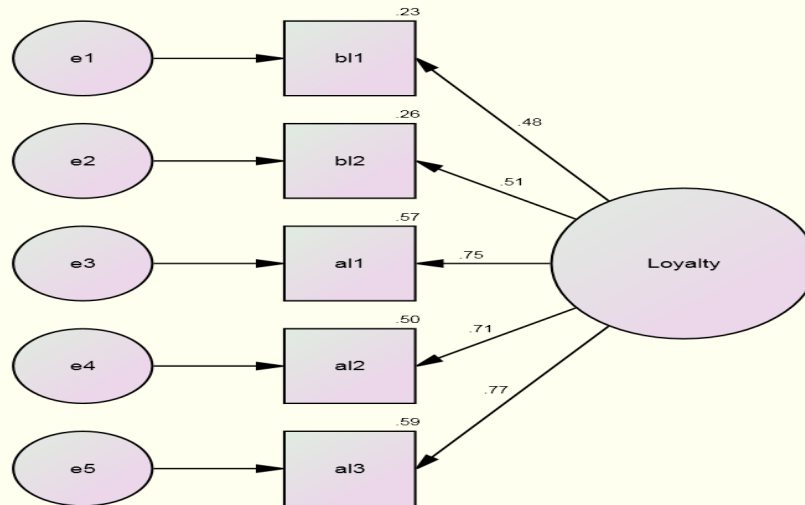
FIGURE 2: FIRST-ORDER FACTOR MODEL (MODEL B)
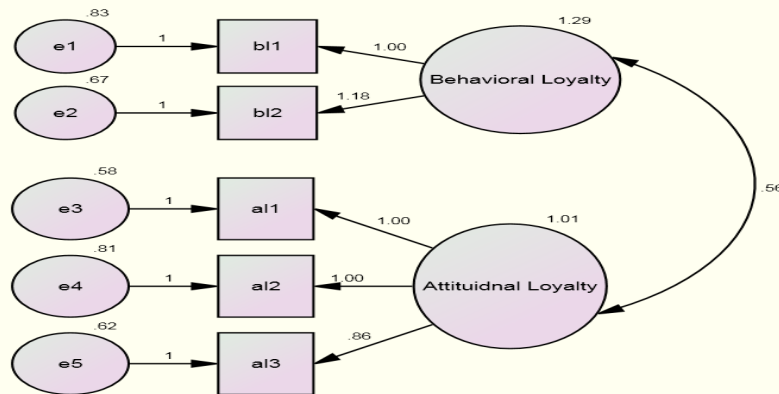
Table 2 shows that model B has the lowest χ^2 value, the highest CFI, IFI, TLI, and NFI values, and very close to the lowest RMSEA. The models were also compared the models based on AIC, BCC, and ECVI. It can be seen that Model B has the smallest values for AIC, BCC and ECVI. The factor structure of loyalty is best represented by Model B. The results that loyalty is comprised of behavioral and attitudinal dimensions. The findings are similar to results of Jones and Taylor (2007), who concluded that loyalty captures, in essence, what referred to as "what the person does" (behavioral loyalty) and the psychological meaning of the relationship (attitudinal loyalty).

TABLE 2: MODEL FIT INDICES OF ALTERNATIVE MODELS

Model	χ^2	df	CFI	IFI	TLI	NFI	RMSEA	AIC	BCC	ECVI
Model A	404.497	5	.734	.735	.468	.732	.306	424.497	424.639	.497
Model B	48.975	4	.970	.970	.925	.968	.115	70.975	71.131	.083

CONCLUSION AND IMPLICATIONS

The data analysis provides support the two-dimensional structure of customer loyalty, which consists of behavioral and attitudinal dimensions. This was empirically examined by testing two competing models. In the first model, customer loyalty was examined using a totally disaggregated first-order model and in the second model, a two dimensional model of customer loyalty consisting of behavioral and attitudinal dimensions was examined. Comparative analysis of both models

revealed that the second model fits the data better than the first model. This provides support for the importance of including both behavioral and attitudinal dimensions of loyalty in a model of customer loyalty.

This study provides support for a two-dimensional view of customer loyalty. By measuring loyalty as a composite measure consisting of both behavioral loyalty and attitudinal loyalty, we provide evidence of the multidimensional nature of loyalty construct. There are several studies that have recommended that, for understanding long-term relationships both behavioral and attitudinal dimensions of loyalty are important (Day 1969; Dick and Basu 1994; Baldinger and Rubinson 1996). Research findings support the two-dimensional measures as better predictors of customer's loyalty (Chaudhuri and Holbrook 2001; Ganesh et al. 2000; Rauyren and Miller 2007; Yi and Jeon 2003). The findings of the present study are similar to results of Jones and Taylor (2007), who concluded that loyalty captures, in essence, what referred to as "what the person does" (behavioral loyalty) and the psychological meaning of the relationship (attitudinal loyalty).

The present study highlights the potential value of including both behavioral and attitudinal loyalty in customer loyalty model. The results also point out that in a service industry context, attitudinal loyalty positively influences behavioral loyalty. This means that development of customer loyalty in this setting involves decision-making rather than routine behavior. The loyalty measures developed in this study provides managers with an easy tool to identify attitudinal and behavioral differences among customers. Marketing managers can draw meaningful distinctions between customers who buy out of habit and those who buy because of emotional attachment to the company. The service providers can use the behavioral and attitudinal measures to segment their customer base according to type of loyalty exhibited by customers and accordingly develop strategies to enhance loyalty and hence profits. The segmentation of customers based on their loyalty may also help managers to direct differentiated communications and marketing messages according to the loyalty exhibited by customers.

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