

VALUE, SATISFACTION, AND LOYALTY: AN EVOLVING CONCEPTUALIZATION

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ABSTRACT

A little over a decade ago Taylor and Hunter (2003) reported an exploratory investigation into the relative roles of perceived value, satisfaction, trust, and brand attitude in explaining loyalty within the (B2B) eCRM industry in the *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*. The following revisits the findings of this study in light of the many advances in service marketing theory since the article's publication. An annotated literature review is presented that highlights the continuing evolution of the concept of "value" vis-à-vis loyalty and satisfaction research toward value co-creation consistent with the influential arguments of Vargo and Lusch's (2004) service dominant logic (hereafter, SDL) and the service logic (hereafter, SL) perspective advocated by the Nordic School of Service Marketing (Gronroos 2008, 2011). The conclusions of this review include (1) the basic predictive relationships identified in Taylor and Hunter's (2003) model appear supported by subsequent studies, however, (2) significant advances in service marketing theory are providing exciting new insights and avenues of inquiry in the areas of satisfaction and loyalty management.

INTRODUCTION

Taylor and Hunter (2003) present an exploratory study considering how brand loyalty forms within the context of electronic customer relationship management (eCRM). Somewhat surprisingly, the results failed to support a direct relationship between satisfaction and loyalty in this electronic context, rather, a relationship fully mediated by brand attitudes. Perceived value and relationship trust were also identified as exogenous influences in the model. In particular, satisfaction was identified to mediate the relationship between perceived value and loyalty.

Our article was published a year before the release of Vargo and Lusch's (2004) highly influential article presenting SDL. The perspective of Taylor and Hunter (2003) largely reflects a pre-SDL viewpoint wherein perceived value is conceptualized as essentially the delivery *by the marketer* of a perceived ratio of what a stakeholder "gets" versus "gives up." In the current discussion we briefly review the literature that has emerged in the decade since the publication of our article in order to highlight the evolution of service marketing thought in helping to better understand the important concept of stakeholder loyalty. First, we briefly review SDL as it is understood at this point in time. Second, we consider some of the support and criticism that has emerged in the literature related to the SDL perspective. Finally, we articulate how the evolving concept of value co-creation is beginning to impact our fundamental perspectives of ongoing service relationships, and perhaps even the function of exchange itself. We conclude with an assertion of the continued importance of concepts such as satisfaction and loyalty as explanatory concepts in marketing theories and explanations of behaviors.

Service Dominant Logic (Vargo and Lusch 2004) & Service Logic (Gronroos 2008, 2011)

SDL has created a great deal of dialogue among marketers. In short, the SDL perspective is based on the view that the dominant logic of exchange (and marketing) has been based on a goods-based model inherited from economics. This goods-based perspective focuses on tangible resources, embedded value, and transactions. The SDL perspective purports an alternative perspective wherein the focus is on intangible resources, the co-creation of value, and relationships. Vargo and Lusch (2004) assert that the central implication of the SDL

viewpoint is a general change in perspective from (1) the goods-based view that implies that the qualities of manufactured goods, the separation of production and consumption, standardization, and non-perishability are normative qualities to (2) a service-centered view of exchange that implies that the goal is to customize offerings, to recognize that the consumer is always a co-producer, and to try and maximize consumer involvement in efforts to increase the customization of services to better fit customer needs.

This perspective appears consonant with that of Prahalad and Ramaswamy (2004) who similarly identify how the meaning of value and the process of value creation are recognized to be rapidly moving toward personalized customer experiences based on informed, networked, empowered, and active consumers. Thus, Prahalad and Ramaswamy (2004) argue that the co-creation of value (versus value delivery) fundamentally challenges the traditional distinction between supply and demand, instead suggesting that demand is much more contextual.

SDL has continued to evolve since Vargo and Lusch's (2004) original publication. Lusch et al. (2007) assert that the most fundamental implication of SDL is that firms gain a competitive advantage by adopting a business philosophy based on the recognition that all entities collaboratively create value by serving each other. Vargo and Lusch (2008) refine the SDL perspective based on the following issues: (1) the observation that some of the wording of the original propositions is overly dominant on a goods-dominant logic lexicon; (2) concern that the SDL perspective is too managerially oriented; (3) the need to more explicitly recognize the interactive, networked nature of value creation; and (4) the observation that the original presentation of SDL was not sufficiently explicit in acknowledging value creation as phenomenological and experiential in nature.

However, there has not been universal adoption of the SDL perspective among service marketers. For example, Gronroos (2008, 2011) argues that discussions of SDL and its consequences for value creation and marketing the inner meaning of the value-in-use notion and

the nature of service marketing have not been thoroughly considered. Specifically, he discusses the differences between value-in-exchange and value-in-use, concluding that value-in-exchange in essence concerns resources used as a value foundation which are aimed at facilitating customers' fulfillment of value-in-use. If one accepts value-in-use as a foundational value creation concept, customers are the value creators. Thus, adopting a service logic makes it possible for firms to get involved in customers' value-generating processes. This is how value co-creation is conceptualized in the Nordic School of Service Marketing. Gronroos and Gummerus (2014) clarify this perspective by comparing and contrasting the SDL perspective from their proposed service logic (SL) perspective. In short, these authors assert that the SDL perspective is based on a metaphorical view of co-creation and value co-creation in which the firm, customers, and other actors participate in the process that leads to value for customers. Thus, the approach is arguably firm-driven; the service provider drives value creation. Alternatively, the SL perspective claims an analytical approach, one wherein the co-creation concepts can arguably significantly reinvent marketing from a service perspective. In this view, value gets created in customer processes, and value creation is customer driven.

Regardless of whether the SDL or SL perspective is preferred, it is clear that marketing theory is moving beyond the value-delivery perspective underlying much of the work in the early 2000's, such as Taylor and Hunter (2003). The emerging theories appear to emphasize much more clearly the value co-creation process. However, prior to reviewing the emerging evidence related to how value co-creation occurs, we first demonstrate the linkage between these emerging perspectives and loyalty as a central concept in Taylor and Hunter's (2003) article.

Loyalty & Service Dominant Logic

Taylor and Hunter (2003)'s model attempts to help explain the formation of consumer loyalty from a value creation-and-delivery perspective based upon cross-sectional data. We have

learned much about the concept of “loyalty” over the last decade. Aksoy et al. (2014) review conceptualizations of loyalty to date and identify four commonalities typically ascribed to the concept of loyalty: (1) a perceived specialness of a relationship; (2) favorable treatment to objects of loyalty; (3) a desire to maintain the relationship even when sacrifice is required; and (4) defense and reinforcement of the relationship. Based on these observations, Aksoy et al. (2014, p. 38) define loyalty as, “Loyalty is the recognition of the specialness of a relationship, the creation of a bond as the result of the relationship, and the defense and reinforcement of this relationship.” Note that this definition requires (1) an object other than one’s self, and (2) a combination of commitment to the relationship with behaviors designed to maintain the relationship. Oliver (2014) notes that loyalty, in whatever form, is goal-driven, ubiquitous, and speculates that it begins the moment we are born with its genetic predispositions. These two perspectives do not appear inconsistent on their face.

Bolton and Christopher (2014) make the case that an SDL perspective and the co-creation of value are theoretically supportive of mutually beneficial long-term relationships in marketing. Auh et al. (2007) further demonstrate a relationship between co-production and (attitudinal and behavioral) customer loyalty, not inconsistent with an SDL or SL perspective. An SDL/SL perspective of loyalty also appears consistent with Dagger and Danaher’s (2014) argument that commitment, trust, and satisfaction remain critical relationship constructs. Further, the mediating role of brand attitude in the satisfaction → loyalty relationship appears confirmed by Jaiswal, and Niraj (2011).

These authors further demonstrate a nonlinear nature associated with these relationships. Interestingly, Picon et al. (2014) present evidence that perceived switching costs – to a greater extent – and the perceived lack of attractiveness of alternative offerings – to a lesser extent – are significant mediators in the relationship between satisfaction and loyalty. Lariviere et al. (2014) present longitudinal evidence that how loyalty develops varies across customer segments. Dawes et al. (2015) most recently examines changes in long-term loyalty

across the United States and the United Kingdom and finds evidence of the continued importance of brand loyalty in marketing settings.

In summary, subsequent empirical evidence and calls to embrace an SDL/SL perspective do not appear to jeopardize the basic predictive findings of Taylor and Hunter (2003), nor threaten to make consideration of consumer loyalty moot. The next section considers the concept of value co-creation more carefully.

Value and Value Co-Creation

Vargo et al. (2008) agree that the creation of value is the core purpose and central process of economic exchange. The SDL perspective is presented by the authors in this context as: (1) service, the application of competences (such as knowledge and skills) by one party for the benefit of another represents the underlying basis for exchange; (2) the appropriate unit of analysis for service-for-service exchange is the service system, which is a configuration of resources (including people, information, and technology) connected to other systems by value propositions; and (3) service science is the study of service systems and the co-creation of value within complex configurations of resources. Thus, the SDL perspective asserts that value is fundamentally derived and determined in use (i.e., the integration and application of resources in a specific context) rather than in exchange (i.e., embedded in form output and captured by price). Sheth and Usley (2007) welcome the movement away from exchange → need satisfaction model as the basis for marketing theory and practice in their discussion of revising the definition of marketing from an disciplinary perspective.

A number of authors have recently extended our shared understanding of co-creation as value-in-use versus value-in-exchange. Payne et al. (2008) assert that relatively little is actually known about specifically how customers engage in co-creation. They propose a theoretical framework that focuses on value co-creation as process-based, consistent with the SDL/SL perspectives, and related to knowledge management. Frow and Payne (2011) extend this thinking by

concluding that value propositions play a key role in co-creating value between various stakeholders, acting as value alignment mechanisms within a marketing system and, that SDL logic helps enterprises address value propositions in a more holistic and integrated manner. Gronroos and Voima (2013) argue that value creation, from the SL perspective, refers to customers' creation of value-in-use; co-creation is a function of interaction. Both the firm's and the customer's actions can be categorized by spheres (provider, joint, customer), with their interactions being either direct or indirect – leading to different forms of value creation and co-creation.

Merz et al. (2009) extends the SDL/SL viewpoint to brand logic. These authors show how brand scholars have shifted their focus over the past several decades from viewing the brand as an identifier to viewing the brand as a dynamic and social process. In doing so, the branding literature has embraced the SDL perspective. Iglesias et al. (2013) build upon Merz et al.'s (2009) perspective by proposing a brand value co-creation framework built upon the argument that value is conversationally co-created by different stakeholders in a fluid brand space. This emphasis on social context appears consonant with the arguments of Edvardsson et al. (2011) for expanding our understanding of social exchange in value co-creation.

We are also making initial progress in measurement of value co-creation. Yi and Gong (2013) propose an operationalization of value co-creation comprised of two dimensions: (1) customer participation behavior (information seeking, information sharing, responsible behavior, and personal interaction), and (2) customer citizenship behavior (feedback, advocacy, helping and tolerance). Ranjan and Read (2014) alternatively propose alternative measures based on the major dimensions of co-production and value-in-use.

CONCLUSION

Service marketing theory has evolved substantially since the early 2000's. It appears clear that movement away from traditional goods-based theoretical foundations will

continue over the foreseeable future. This does not mean that empirically supported theoretical findings from the past are no longer valid. Instead, growth in the depth of our understanding of marketing processes, behaviors, and outcomes appears possible based on emerging SDL/SL theoretical advances. Does this mean that traditional constructs such as loyalty and customer satisfaction will lose their efficacy as explanatory variables in marketing theory and process? We think not. However, there appears to be some exciting new avenues of theoretical consideration based on issues related to congruence in co-production of value (e.g., co-satisfaction, co-loyalty, etc.). We encourage our colleagues to embrace these challenges.

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