ABSTRACT

The term “loyalty” has been used carelessly in the literature with respect to customer loyalty, and typically little effort has been made to differentiate between loyalty to a brand or service. When a service is referred to, the “brand” is the service provider. However, a consumer can have brand loyalty without having loyalty to a particular service provider (service loyalty). For example, consumers may be loyal to the Toyota brand, but not to a particular Toyota dealership. The distinctions between loyalty to a service provider, and “brand” loyalty have not been adequately addressed in the research literature. Further, customer loyalty can have many different forms, and the interactions between the different types of customer loyalty may have important consequences on consumer purchase decisions. This article addresses some of the similarities and differences between “brand” and “service provider” loyalty. In addition, a framework is presented for understanding the product/service dimensions for achieving customer loyalty, and some managerial implications related thereto are explored.

INTRODUCTION

Customer loyalty has become increasingly important to organizations as they strive to achieve high levels of product and service quality and customer satisfaction. The research on customer loyalty to a service provider, however, remains well underrepresented in the research literature, compared to brand loyalty (Salegna and Goodwin 2005). This is surprising since increased customer loyalty is continually cited as one of the most important predictors of long-term profitability (e.g., McCaslin 2001).

A service provider herein represents an organization whose activities fall within the service sector, including health care services, financial services, professional services (e.g., legal), educational services, hospitality/travel/tourism services, sports/arts/entertainment services, telecommunications services, rental/leasing services, personal services (e.g., hairstyling), retail services, repair/maintenance services (e.g., lawn care; auto repair), governmental services (e.g., police service), and nonprofit services (e.g., religions; museums) (Fisk et al. 2004). This is in contrast to the concept of brand loyalty, which typically refers to the loyalty a consumer displays towards a particular brand (e.g., Colgate Total toothpaste), regardless of where that brand is purchased (e.g., Kroger or Safeway). A consumer can have brand loyalty without having loyalty towards a particular service provider. For example, consumers may be loyal to the Toyota brand, but not to a particular Toyota dealership either for product purchase or product servicing after purchase.

There is still no consensus on what the definition and constructs of loyalty are in customer loyalty research, or how to measure it (e.g., Grisaffe 2001). The majority of early marketing studies defined loyalty as primarily a behavioral construct. The frequency of purchases, when given a choice, would be an indicator of a customer’s loyalty to an organization. According to Oliver (1999, p. 43), "Past researchers had assumed that loyalty could be described sufficiently by patterns of repeat purchase behavior." A broader definition of brand loyalty was first presented by Jacoby and Chestnut (1978, p. 80-81) where they stated that six conditions must be met. Brand Loyalty is defined as “(1) the biased (i.e., nonrandom), (2) behavioral response (i.e., purchase), (3) expressed over time, (4) by some decision-making unit, (5) with respect to one or more alternative brands out of a set of such brands, and (6) is a function of psychological (decision-making, evaluative) processes.” Jacoby and Chestnut expanded the definition of brand loyalty to include “evaluative processes,” and several other authors acknowledged an attitudinal dimension of loyalty (e.g., McMullan and Gilmore 2003). Still, the term loyalty continues to be defined and operationalized in many studies as either repeat purchase intent or actual purchase behavior.
LOYALTY TO A SERVICE PROVIDER DEFINED

There have been attempts in the literature to develop classification categories for loyalty to a service provider. Dick and Basu (1994) stated that loyalty has two dimensions: relative attitude and repeat patronage behavior. They identified four loyalty categories: loyalty (positive relative attitude, high repeat patronage), latent loyalty (positive relative attitude, but low repeat patronage), spurious loyalty (high repeat patronage, low relative attitude), and no loyalty (low on both dimensions). The high patronage of spurious loyal customers is explained by factors such as habitual buying, financial incentives, convenience, lack of alternatives, etc. A problem with this matrix though is that all of the categories use the term loyalty.

Even a dissatisfied customer who is a repeat customer would be classified as loyal using a behavioral-based definition of loyalty. This may occur whenever choices are few, and the customer has little alternative but to tolerate mediocre or poor service (e.g., local phone, airlines, health care, etc.). Also, a customer who patronizes an organization out of convenience may also be classified as “loyal” using the common definition of this term from the literature. Other situations include habitual buying, avoiding risk, loyalty programs, unique product or service solution, high switching barriers, and financial incentives (e.g., Craig 2000). In all of these situations, there is not a strong emotional commitment between the customer and the organization. Therefore, given a superior alternative there is a high risk that customers will leave.

Assuming that service provider loyalty implies more than just the intent to do future business with an organization, it is reasonable to expect the existence of a psychological dimension of loyalty that includes satisfaction and emotional commitment to an organization (Yu and Dean 2001). Not surprisingly, a model for customer loyalty towards a service provider emerges as conceptually different from a model for brand loyalty. The concept of service provider loyalty, a newer area of research that is gaining popularity (Salegna and Goodwin 2005), can be seen to have evolved into a multidimensional construct that includes behavioral, cognitive, and affective processes.

While there are some points of similarity between these two fields of loyalty-based research, the differences are significant enough to warrant an examination of the interactions between service provider loyalty and brand loyalty. Brand loyalty has received the majority of the attention in the research literature, and research on the interactions between brand and service provider loyalty, which we posit is critically important, is lacking with regard to customer loyalty. In an effort to help fill this gap, the following definition for service provider loyalty is used, “True service loyalty is the consumer’s desire to frequent a particular service provider, resulting from high customer satisfaction, high emotional commitment, and sustained repeat purchase behavior.” (Salegna and Goodwin 2005). Two key parts of this definition, customer satisfaction and emotional commitment require extended coverage and are discussed next.

CUSTOMER SATISFACTION AND EMOTIONAL COMMITMENT

Oliver (1999) defined satisfaction as pleasurable fulfillment, and Day (1984) defined satisfaction as a postchoice evaluative judgment concerning a specific purchase selection. The majority of the research studies examining the link between satisfaction and loyalty, which included attitudinal dimensions of loyalty, surfaced in the 1990s. One obvious reason for the popularity of these studies during this time period was the increased interest in total quality management issues and their relationship to customer satisfaction and profitability. While many studies have found a positive relationship between satisfaction and loyalty (e.g., Bloemer and De Ruyter 1998; Fornell et al. 1996), other researchers have not found a significant relationship (e.g., Bowen and Chen 2001; Cronin and Taylor 1992). So what some thought to be a rather simple relationship: service quality leads to satisfaction, which in turn leads to loyalty, has turned out to be anything but simple.

Reichheld (1996) studied different types of businesses and found that 60 to 80 percent of customers who defected had stated on a survey that they were satisfied or very satisfied just prior to defecting. Another study showed that at the highest satisfaction rating, as many as 19.5 percent of consumers in health care, and 32.4 percent of consumers for car repair services were willing to switch (Mittal and Lassar 1998). Therefore, while dissatisfaction may lead to switching behavior, satisfaction may well contribute to customer loyalty, but does not guarantee loyalty even at high levels of
Satisfaction is more like an order-qualifier for loyalty, an important piece of the puzzle, but satisfaction alone does not sufficiently explain customer loyalty.

Morgan and Hunt (1994, p. 23) defined relationship commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely.” Bloemer and Odekerken-Schroder (2002) used Morgan and Hunt’s definition of commitment, and found that satisfaction leads to trust, which leads to commitment, which results in loyalty. They also found that commitment “had the strongest impact on purchase intentions, followed by the impact of commitment on price-sensitivity, and word of mouth.”

When relationship commitment is defined as including desires or emotions, this construct has been referred to as “emotional commitment” (Yu and Dean 2001). Work in this area, borrowed from the area of organizational behavior, has differentiated between affective (emotional) and continuance commitment (e.g., Allen and Meyer 1996). Affective commitment, as this concept is related to consumers, is the desire to do business with an organization. Continuance commitment occurs when the costs to switch are greater than the costs to stay.

Emotional or affective commitment is only likely to occur if satisfaction is present. For example, studies have shown that high switching costs may lead to commitment (behavioral outcome), but high switching costs would not result in increased emotional commitment, and in fact, the opposite would likely occur. Yu and Dean (2001) also found that emotional commitment, which they referred to as the emotional component of satisfaction, had a stronger impact on loyalty than the cognitive component of satisfaction. In addition, the emotional commitment to an employee in an organization has a positive effect on the consumer’s commitment to the service provider. (Perrien et al. 1995).

Figure 1 shows the interactions between brand loyalty and service-provider loyalty for different levels of emotional commitment and satisfaction.

<table>
<thead>
<tr>
<th>Emotional Commitment</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Dissatisfied</td>
</tr>
<tr>
<td>I</td>
<td>*Not Likely</td>
</tr>
<tr>
<td>II</td>
<td>Service-Provider and Possibly Brand Based Loyalty</td>
</tr>
<tr>
<td>III</td>
<td>Only Brand Based Loyalty Possible</td>
</tr>
<tr>
<td>IV</td>
<td>Highly Satisfied</td>
</tr>
<tr>
<td>Low</td>
<td>Dissatisfied</td>
</tr>
<tr>
<td></td>
<td>III</td>
</tr>
<tr>
<td></td>
<td>No Loyalty</td>
</tr>
</tbody>
</table>

It is assumed here that emotional commitment is only high when personal relationships are involved (as may be present if service provider loyalty exists), and that a service or product (tangible) brand, would not elicit the same degree of emotional attachment. Certainly, customers may have a “relationship” with a brand that elicits emotional feelings of attachment, however, these types of personal connections with a brand typically do not result in the same level of emotional commitment found in personal relationships between a customer and employee(s) within an organization. The other dimension, level of satisfaction, refers to the customer’s satisfaction with the services provided by an organization—from being very dissatisfied to being a totally satisfied customer.

Loyalty is not likely to result in quadrant I, since satisfaction is low emotional commitment is not likely to be present making this combination very unlikely to occur. Quadrant II shows the interaction between high customer satisfaction and emotional commitment. Keiningham et al. (2005) found that both brand preference and customer
satisfaction with a service provider are positively related to customer’s share of spending. Even more importantly, they found that satisfaction moderated the relationship between brand preference or loyalty, and share of wallet. This suggests that customer loyalty to a service provider affects the view of the brand, resulting in increased brand loyalty. Therefore, organizations have an opportunity to increase profitability by effectively managing both brand preference and customer satisfaction.

If satisfaction and emotional commitment were both low (or non-existent), loyalty would not be present (quadrant III). Finally quadrant IV illustrates the situation where satisfaction exists, but there is no emotional commitment to the service provider. In this case, the consumer may display loyalty to a brand (based on attitude and behavior), but not to the particular service provider. This is characteristic of a consumer that may purchase a particular brand automobile (e.g., Hyundai), but not show a preference for a particular dealership. Obviously, it would be in the interest of organizations to move customers in quadrant IV to quadrant II in order to leverage the synergistic effects of brand and service provider loyalty, resulting in increased long-term profitability.

PRODUCT BRAND LOYALTY AND SERVICE PROVIDER LOYALTY INTERACTIONS

The interactions between brand and service loyalty have important consequences on consumer attitudes and purchase behavior. One can have brand loyalty per se in the absence of any emotional commitment to a seller, and therefore not have service provider loyalty. In addition, service provider loyalty, as used in this article, is limited to a particular service provider and does not include all sellers of the same brand name. Figure 2 shows possible interactions between product brand and service provider loyalty.

Consumers in quadrant I show strong relational-based loyalty to a service provider, but have little product brand preference. If service brand loyalty (e.g., loyalty to Bergner’s) does not exist, then by definition, no loyalty to a service provider is possible. Category I is where the consumer will buy any brand, but only at a particular store (service brand loyalty). If the consumer usually purchases most of their clothing at one particular Bergner’s then high Service Provider Loyalty may also exist.

Quadrant IV is the opposite, where customers have loyalty to a product brand, but not to a service provider. Category IV would be an example of a consumer that will purchase the Polo brand (product brand loyalty) at any store or at any Bergner’s (service brand loyalty).
Category II depicts a situation where the consumer is brand loyal, both in terms of the product and organization. For instance, a consumer will purchase Polo, and will do so only at Bergner’s. If this consumer usually frequents a particular Bergner’s, then high Service Provider Loyalty may also exist, but is not assured. Harley Davidson would provide another good example. In this case, the consumer strongly identifies with the Harley brand (dealership and product), and a particular Harley dealership. The synergies between brand (product or service) and relational based loyalty are evident in quadrant II, where relational commitment can increase brand preference, and share of wallet.

Finally, only service brand loyalty or no loyalty is expected in quadrant III, where product brand loyalty and service provider loyalty are low, or non-existent. Category III is illustrative of a consumer that will buy any brand of clothing, and will do so either at any store or only at a Bergner’s.

**IMPLICATIONS FOR CUSTOMER LOYALTY PROGRAMS**

For low involvement items (e.g., most convenience goods available at a Wal-Mart) the consumer may not be seeking a relationship, but rather low prices (category III in Figure 2). And while the consumer’s behavior may appear to be similar to category I in Figure 2, if prices increased it is unlikely that these same consumers would continue to frequent Wal-Mart. However, in some cases the consumer is looking for a relationship (e.g., where they get a haircut), and the product offerings do not create loyalty (category 1).

For customers falling in quadrant II of Figure 2 (relational and product brand loyalty), the risk exists that if the consumer becomes less satisfied, and ultimately less loyal to a product brand, then service brand loyalty and service provider loyalty are also likely to become negatively impacted as a result. Because most service encounters involve some type of personal contact, what differentiates truly loyal customers from the rest is their degree of emotional attachment to the service provider. In addition, if the contact person within the organization moves to another department or leaves, the customer may take their business elsewhere, with the potential to also impact brand loyalty. Illustrative of this point in the business-to-business sector is the study by Perrien et al. (1995) where it was found that a customer can be loyal to a person within an organization, but this loyalty may not be transferable to the organization itself if the contact person within the organization moves or leaves the organization. Indeed, Perrien et al. (1995) found that account manager turnover was the most frequent reason why businesses switched their commercial bank accounts.

Reichheld and Sasser (1990) found that when a company retained just 5% more of its customers, profits increased from 25 to 125%. In addition, it was reported in a Harvard Business Review article (Jones and Sasser 1995) that totally satisfied customers were six times more likely to be repeat customers, compared to merely satisfied customers. Therefore, a well thought out and implemented loyalty program can potentially have an enormous impact on the bottom line profitability of an organization. The following guidelines offer some suggestions to service providers when implementing consumer loyalty programs.

**Determine Which Customers Are Truly Loyal**

Even those customers considered “loyal” due to their level of relationship commitment, may eventually leave an organization if they perceive a competitor to offer more value. If the customer tries the competitor, and their level of satisfaction declines with the former organization, then emotional commitment is likely to be affected; and may eventually result in reduced purchase frequency, or even defection. Therefore, it is important to understand that loyalty really implies “conditional loyalty”, and puts an obligation on the relationship partner to keep the relationship together.

It is also important to note, that not all customers who spend a low amount of money with at an organization, and frequent the organization on a regular basis are loyal. In fact, Reinartz and Kumar (2002) found that customers who have been with the organization for a long time are not necessarily even profitable customers. These customers may be bargain seekers, and only frequent the organization due to price promotions. In these cases, the continuation of such programs may be encouraging bargain hunting shopping, rather than creating loyalty. Since the goal of many of these programs is to create customer loyalty, it would have to be concluded that the majority of these programs have failed (e.g., Bhatty et al. 2001). Ironically, Craig (2000) reports that firms in the airline industry, which have among the best structured loyalty development programs, also have the most dissatisfied customers.
Determine What Type of Relationship the Customer Wants

Not all customers want the same relationship with a service provider. For instance, Garbarino and Johnson (1999) found that satisfaction had an influence on future purchase intent of transactions customers, but this relationship was not significant for relational customers. Selnes and Hansen (2001) also concluded that self-service without personal attention may erode customer loyalty in the long run. Anderson and Narus (1991) suggest that organizations should categorize their customers on a continuum from transactional to collaborative exchanges. Bhatty et al. (2001) add that loyalty drivers must be customized, and will differ from industry to industry. This also means that “loyalty” reward programs focusing on monetary incentives may be important to some customers, and may increase continued patronage and profitability of the organization, even in the absence of creating true customer loyalty.

This would be true of low relationship involvement items (e.g., ketchup, coffee, paper towels), where the consumer may not have an interest in establishing a relationship with the organization, beyond continued patronage. However, even if a customer does not want a relationship with the product or service, they may still appreciate a relationship with the organization that provides them (Dowling 2002). Hess and Story (20005) found that many retailers successfully built relationships with customers, even in the absence of any strong brand loyalties with the products sold. In a related study, Johnson et al. (2006) found that perceived value had the most impact on a customer’s loyalty intentions initially in doing business with a firm, but later on in the life cycle a customer’s loyalty became more brand and relationship based.

Current research suggests that only about 20% of customers for any given product or service make their purchase decision primarily on price (Barnes 2006). This means that a large number of customers are not focused on price, and companies have an opportunity to win these customers by improving relationships with them, thereby providing a more personalized and valued customer experience. Lowering price may actually have a negative impact on the perception of quality, while creating more meaningful customer relationships offers the opportunity to increase customer loyalty, leading to increased profitability.

Determine the Focus of the Customer Loyalty Program

Loyalty programs tend to fall into one of three areas: 1) economic incentives, which encourage frequency of use and typically take the form of some type of card system (accumulate points, price discounts, earn mileage, punch cards, etc.), 2) relationship-based (upgrades, personalized service, extended privileges, etc.), or 3) a combination of the first two.

The literature offers mixed support for the effect of loyalty cards on customer behavior. In fact, research has shown that the term “loyalty card” is a misnomer, since they frequently do not increase customer loyalty. It appears that this type of approach has more success in retaining those customers already loyal, then increasing customer loyalty. Magi (2003) found that having a loyalty card did not affect the share of purchase (SOP) or the share of visits (SOV) in a study involving grocery stores. Most consumers are “polygamous” or loyal to a number of service providers/brands and when many competing organizations offer the same of loyalty programs (e.g., groceries, airlines) then the effect of these programs on customer loyalty may be greatly diminished. The effect of loyalty cards is further weakened when the consumer has multiple loyalty cards from the same type of service providers (Meyer-Waarden 2007).

To see the ubiquitous nature of traditional loyalty programs, one has to look no further than the airlines, grocery and financial sectors. It has been reported that there are 89 million members of frequent flyer programs in the world, 53% of US grocery customers carry a loyalty card, and 40% of all Visa and MasterCard issuers now have a rewards program (Capizzi and Ferguson 2005). While these programs are not likely to increase customer loyalty they may still have a place in a company’s loyalty program portfolio, and would be targeted primarily at those customers that demonstrate high repeat purchase frequency. For example, these customers of airlines may frequently travel buying discounted tickets and represent less of a profit margin, compared to frequent business travelers flying first class.

Customer share development is defined as the ratio of a customer’s purchases of a product category or services from one supplier, compared to the customer’s total purchases in that category from all suppliers (Peppers and Rogers 1999). More recent research has found a relationship between activities that increase affective loyalty and customer retention and share development (Verhoef 2003). Divett et al. (2003) found that increasing activities related to
approachability and responsiveness led to greater loyalty compared to a control group, however, the control group’s loyalty declined with time and the intervention group’s loyalty remained constant. Wirtz et al. (2007) reported that high attitudinal loyalty reduced the effect of switching costs on share of wallet. These findings also seem to support the assertions of some researchers that loyalty programs help to retain the current level of customer loyalty, rather than increase the level of customer loyalty. Others would assert that the loyalty programs did not go deep enough to make a substantial impact on the emotional commitment of customers (Barnes 2006).

Do Something New and Unique to Woo Customers

Most organizations have customers that are at least moderately satisfied, and it has been reported that about 85% of customers of all companies would be classified as “satisfied” (Keiningham, et al. 2005). However, as mentioned, the relationship between satisfaction and loyalty is neither linear, nor direct. Reichheld (1996) referred to the misconception that satisfied customers don’t defect as the “satisfaction trap.” Satisfaction by itself does not provide a good indicator of repeat purchase intent. Satisfaction is best viewed as a necessary precondition for loyalty, but may not lead to customer loyalty if emotional commitment is absent. Berman (2005) argues that customer “delight” is necessary to create true customer loyalty, and this is only accomplished by creating unique customer experiences that surprise the customer, exceeding their preconceived expectations.

It appears that what most organizations have not done is to create a memorable experience for their customers. Companies that build customer loyalty by creating memorable customer experiences are the ones that truly have differentiated themselves today from the mountains of companies touting their loyalty cards. The emotional bonds between companies and their customers are not easily imitated or severed, and this truly can give an organization a competitive advantage. Many successful loyalty programs provide their customers with “soft” benefits through personalization and preferential treatment that has an emotional impact on the customer, which goes far beyond what a point or frequency based loyalty card program can achieve (Hennig-Tharau et al. 2002). This approach may also provide the means of creating loyal customers among those who are not currently loyal customers.

There is a also great disconnect between what companies feel that they are delivering to their customers, and how customers perceive what they are getting. In a study by Bain & Company it was found that 80 percent of companies believed that they delivered a “superior experience” to their customers, however, customers rated only 8% of the same companies as delivering a superior experience (as reported in Barnes 2006). Companies that have a high percentage of their loyal customers representing low purchase frequency need to refocus their loyalty programs, and if possible, reach out in a more personalized way to those customers receptive of developing closer relationships.

Creating an environment where the customer comes away from a transaction with an “experience” and not just a service/product is the key to competing and winning customers in today’s competitive, global business environment. Keller (2001) argues that more companies need to build “brand relationships” where customers actively interact with one another through clubs, websites, etc. Examples of global brands with high consumer involvement (in both intensity and activity) include Harley-Davidson, Apple and eBay. Additionally, companies like Starbucks and Disney know full well the impact of creating customer experiences, and what they are “selling” transcends the tangible product level, where so many companies find their loyalty programs entrenched. Ponsonby-Mccabe and Boyle (2006) refers to this as creating a “brandscape” or experiential place where customers have a unique experience with a brand. The need for many companies to enhance customer experiences is supported by a recent study of senior business leaders, in which 85% of those interviewed said that organizations needed to go beyond differentiating on traditional product/service characteristics such as price, delivery, and lead time in order to effectively compete in today’s market (Mascarnhas et al. 2006).

OBSTACLES TO IMPLEMENTING A SUCCESSFUL CUSTOMER LOYALTY PROGRAM

The problem is that most loyalty programs do not actually increase customer loyalty, and ironically many of these programs actually drive up the costs of a business without increasing loyalty. In setting goals for a loyalty program, organizations need to be careful in how they define loyalty, and implement a loyalty program that is consistent with
achieving these goals. It has been said that many airlines would like to end their frequent flyer programs but they do not know how to do this without encountering a backlash from customers and legal complications. American and Delta had to settle lawsuits after attempting to alter the terms of their programs (Keiningham et al. 2005).

For purchases characterized by low involvement, low risk, impulse decisions, and need to experience variety the use of traditional loyalty schemes is also unlikely to greatly affect the buying behavior of customers. In addition, when purchase frequency is low, the use of loyalty card programs is not likely to have any effect on the share of visits, or share of wallet for customers owning a card. Wulf et al. (2003) found that customers were more likely to participate in a loyalty program if they had high purchase frequency and the program was exclusive, and not perceived to be available to every customer. Lacey et al. (2007) found that rewards based on preferential treatment were shown to positively affect relationship commitment, leading to increased purchases.

Other reasons cited by customers for why they do not participate in a loyalty program or want to increase their relationship commitment with a company include the upkeep of the program (e.g., physical and mental), time required, hollow or worthless benefits, and loss of personal privacy (Noble and Phillips 2004). This was a repeated theme in a study by Stauss et al. (2005) where “worthlessness” and “qualification barriers” were among the reasons cited for consumers’ frustrations with frequent flyer programs. And as stated prior, some customers are simply bargain shoppers and owe no allegiance to a particular company, other than shopping for the best price. For these customers, the use of economic incentives in a loyalty program are important, as long as the profit margin justifies the cost of the program. It should be noted that the use of the word “loyalty” in these situations is a misnomer (as it is with most loyalty cards), what it really is fostering is repeat business (behavioral), without attitudinal commitment.

Even the best companies experience service failures. Keaveney (1995) found that the two major reasons why customers switch were due to service failure, followed by poor service treatment. Mattila (2001) found that high relational customers, indicating higher relationship involvement, were more likely to forgive service failures. Magi (2003) also found that a person’s preference for social interaction can moderate the effects of satisfaction, and can help to protect a store from losing customers due to reduced levels of satisfaction. Therefore, it appears that creating a social bond with customers can reduce the risk of losing customers when service failure occurs. These findings also reinforce the importance for organizations to implement processes that assure a high level of service quality, which include service recovery plans.

CONCLUSION

This article examines the interactions between customer loyalty to service providers and brand loyalty, and provides a framework for understanding the impact of each. Loyalty is an elusive concept, and the proposed conceptual framework presented in this article attempts to add some structure to the issues associated with this concept. Global organizations that manage brand loyalty and service provider loyalty together, have a much better opportunity to leverage the benefits of both, resulting in increased profitability. The synergistic effect of various loyalty development programs on brand and customer loyalty to a service provider is an area ripe for further research.

The most successful loyalty programs today focus on creating customer experiences, and combine relationship-oriented activities with economic reward incentives. The track record of traditional point based loyalty card programs is very poor, and the sheer existence of so many programs, without economic payoff, leads one to question the rational of companies maintaining such programs. Organizations need to look to new and innovative means to win customers’ trust and business; the old economic model just does not work in most cases today.

REFERENCES


