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COULD CUSTOMER-TO-CUSTOMER INTERPERSONAL RELATIONSHIPS PREVENT CUSTOMERS FROM FOLLOWING THEIR PREFERRED SERVICE EMPLOYEE TO A COMPETITOR?

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ABSTRACT

The trustworthiness of customers' loyalty intentions towards the service provider has been the concern of many marketing scholars. This paper examines the drivers of three levels of customers' loyalty (i.e. firm loyalty, employee-owned loyalty, customer-to-customer loyalty). Findings showed that social and functional benefits received from a preferred service employee or other close customers have differential effects on the three levels of loyalty.

INTRODUCTION

Customers attend many service places (Rosenbaum, 2008) or online communities (Dholakia et al., 2009) to get access to social (i.e. friendship) and functional (e.g. reduced risk, help) benefits when they interact with service employees (Reynolds & Beatty, 2002), and other customers (Moore, Moore and Capella, 2005). These benefits are likely to keep customers emotionally attached to the service place (Rosenbaum, 2008), but they may encourage customers to follow their preferred service employee (i.e. employee-owned loyalty) (Palmatier, Scheer & Steenkamp, 2007). Equally, social and functional benefits received from other customers may also create additional bonds to the service firm (Rosenbaum, 2008). As a result, they may also develop loyalty intentions towards other customers (Curth, Uhrich, & Benkenstein, 2014). Different forms of loyalty might face disruption when a preferred service employee (Palmatier et al., 2007) or a close customer(s) (Curth et al., 2014) switches to a competitor. How would interpersonal relationships with other customers/a

preferred service employee give a strong reason to stay rather than to follow a preferred service employee or other preferred customers? Although the extant literature proposed many different ways (e.g. retention strategies of service employees) to reduce the dangers of employee-owned loyalty, little is known about how would companies leverage relationships among other customers to counter the negative side of employee-owned loyalty.

LITERATURE REVIEW

Collective versus Individual-based Loyalty

Relationship marketing literature extensively examined customers' interactions with the firm and a preferred employee (Reynolds & Beatty, 2002), while the service environment literature considered other customers as an integral part of the service environment (Bitner, 1992). In more recent literature, other customers are considered an important element of the service experience (Rosenbaum, 2008). Customers could form multi-level relationships with a specific organization (Palmatier et al., 2007). According to Arbore, Guenzi and Ordanini (2009), customer loyalty is formed on two related levels: collective level (i.e. firm loyalty) and interpersonal level (e.g. employee-owned loyalty). Customers' loyalty towards a service employee, refer to "behaviours that signal the motivation to maintain a relationship specifically with the focal service employee" (Palmtier et al., 2007: 186). Customers could also form friendship ties with other customers, which might be the main reason to patronize a particular service place (Rosenbaum, 2008). Accordingly, it is expected that customers could form loyalty bonds with certain customers (Curth et al., 2014; Guenzi and Pelloni, 2004). This term is identified in this paper as "customer-to-customer loyalty." It is conceptualised as behaviours that signal customers' interest to maintaining relationship with certain customers.

Relationship Benefits: Social and Functional Benefits

According to Grayson (2007), commercial relationship is built on both instrumental (i.e. functional) and intrinsic (e.g. friendship) (i.e. social benefits) orientations. Social benefits

refer to the emotional aspect of the relationship as reflected in many distinctive features such as "personal recognition of customers by employees, the customer's own familiarity with employees, and the creation of friendships between customers and employees" (Dagger and O'Brien, 2010: 1634). Functional benefits refer to advice, information and help, resulting in a convenient error-free service experience (Beatty et al., 1996).

CONCEPTUAL FRAMEWORK

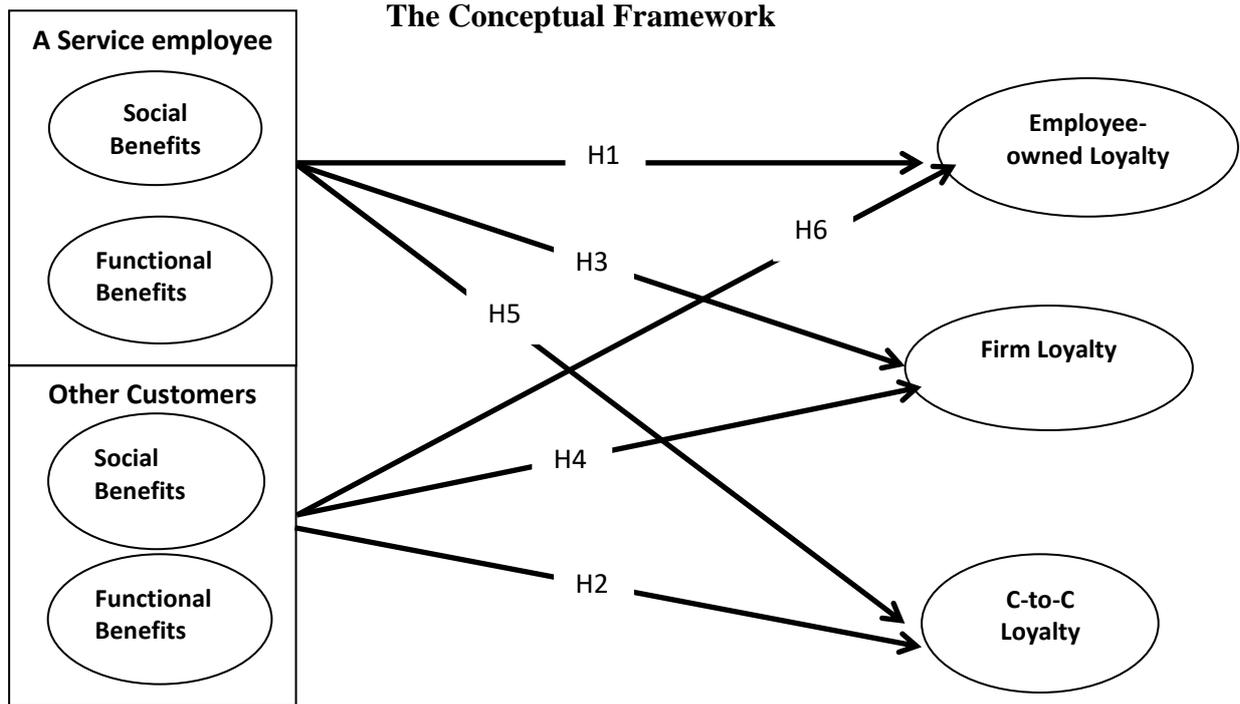
The conceptual framework of this paper is depicted in Figure (1). According to social judgement theory, customers decode consistent actions of a particular service person over time to form their perceptions and consequently, their personal loyalty (Arbore et al., 2009). Prior research showed that social benefits received from a particular service employee were found associated with employee-owned loyalty (Reynolds and Beatty, 1999). In a qualitative study, Beatty et al. (1996) illustrated that customers could develop a personal loyalty towards a sales associate based on their perceptions of his/her social and functional benefits.

H1: There is a positive association between relationship benefits (a. functional, b. social benefits) received from a service employee and employee-owned loyalty.

In parallel to customer-to-service employee relationship, customers can exchange information, know-how (Harris, Baron and Parker, 2000) and social benefits (Rosenbaum, 2008). Prior research found that social and functional benefits received from other online community members encouraged customers' to engage in behaviours that signal their intention to maintain their relationship with other customers (i.e. helping other customers) (Dholakia et al., 2009). Equally, Guenzi and Pelloni (2004) put forward an empirical evidence of the association between social benefits received from a certain close customer and loyalty intentions towards this customer.

H2: There is a positive association between relationship benefits (a. functional, b. Social benefits) received from other customers and customer-to-customer loyalty.

Figure (1)
The Conceptual Framework



In line with resource exchange theory (Foa, 1971), customers are likely to appreciate resources received from others (e.g. service employees) and in turn, reciprocate by sharing same or other resources with them (cited in Chan and Li, 2010). Accumulated empirical evidence showed that customers may feel indebted not only towards the source of resources but also to the medium of exchange such as a service place (Rosenbaum, 2008) or an online community (Dholakia et al., 2009). Gruen, Osmonbekov and Czaplewski (2006) asserted that functional benefits received from interactions with online community are likely to enhance customers’ ability to use the service and in turn, it is expected to enhance their loyalty towards the service provider. In the context of customer-to-customer interactions, prior research found that social benefits exchanged among other customers are positively associated with customers’ loyalty intentions towards the service provider (Moore et al., 2005; Rosenbaum, 2008).

H3: There is a positive association between relationship benefits (a. functional, b. social benefits) received from a service employee and firm-owned loyalty.

H4: There is a positive association between relationship benefits (a. functional, b. Social benefits) received from other customers and firm-owned loyalty.

According to the relationship marketing paradigm, relationship benefits are likely to increase customers' dependence on relationship as well as their perceived cost when they consider ending a particular relationship (Hennig-Thurau, Gwinner & Gremler, 2002). Compared to other switching barriers (e.g. procedural and functional barriers), social switching barrier (e.g. losing friendships) was found to have the strongest impact on customers' intentions to stay with the firm (Burham Frels, and Mahajan, 2003). Accordingly, it is expected that customers would weigh the benefits received from different interpersonal relationship partners (i.e. other customers and a service employee) when consider switching to a competitor. Guenzi and Pelloni (2004) provided a preliminary evidence of negative association between social benefits received from a preferred service employee and customers' tendency to follow another close customer to a competitor.

H5: There is a negative association between relationship benefits (a. functional, b. social benefits) received from a service employee and customer-to-customer loyalty.

H6: There is a negative association between relationship benefits (a. functional, b. Social benefits) received from other customers and employee-owned loyalty.

METHODS

Health clubs were chosen as a research context. Unlike services that require brief interactions (e.g. retail banking), social benefits are more likely to occur within services that require high level of repeated personal interactions (e.g. GYM). A total of 320 self-administrated questionnaires were collected using a systematic sample from two branches of a national branded GYM located in a greater Cairo. Out of 320 surveys, 58 respondents were found exercising alone and another 15 responses were found incomplete, resulting in 247 valid

responses, which is in line with sample size in other comparable studies (Guenzi and Pelloni, 2004; Moore et al., 2005). The survey was pre-tested on twenty customers. A seven-point Likert scale was used in this study. The sample was dominated by males (78%), where 65% of the respondents were aged between 18 and 24 years. They were also well-educated (60% of them hold a bachelor degree). Their average length of membership was around seven months.

DATA ANALYSIS

The Partial Least Square approach of the Structural Equation Modelling was used for the data analysis. All the study's measures were first factor analyzed (Barlett's test of sphericity ($P = 0.000$), KMO (0.828)). Then, they were subjected to confirmatory analysis using the PLS-SEM approach. Table (1) reports factor loadings and associated composite reliability and AVE of the constructs, which were found above the recommended (Jöreskog and Sörbom 1996). The square root of the AVE for all factors exceeded the correlation values of all possible pairs, which support the discriminant validity, as shown in Table (2). The results of the path analysis are reported in Table (3).

DISCUSSION OF RESULTS

Customers develop a multi-level loyalty towards a particular organization: firm loyalty, employee-owned loyalty and customer-to-customer loyalty (Guenzi and Pelloni, 2004). The tensions between these forms of loyalty materialize when a preferred service employee switches to a competitor with similar services (e.g. Beatty et al., 1996). This paper extends this discussion by examining the differential effects of social and functional benefits coming from two different sources (i.e. a preferred employee and a group of preferred customers) on the three forms of loyalty (i.e. firm loyalty, employee-owned loyalty and customer-to-customer loyalty). Unlike prior research (Curth et al., 2014; Guenzi and Pelloni, 2004) which concentrated on social benefits when examining customer-to-customer loyalty, this paper examined the consequences of functional and social benefits.

Table 1: Confirmatory Analysis

Constructs	Loading	Com Reliab.	AVE
<i>Social Benefits-Other fellow customers</i> (Gwinner et al., 1998)		0.94	0.82
The friendship aspect of my relationship with certain GYM members is very important to me	0.85		
I enjoy spending time with other GYM members	0.92		
I value close, personal relationship I have with other GYM members	0.92		
I enjoy the company of other GYM members	0.91		
<i>Functional Benefits-Other Fellow Customers</i> (Reynolds and Beatty, 1999)		0.91	0.77
I value the convenience benefits certain GYM members provide me very highly*.	-----		
Certain GYM members provide information at an appropriate level of detail*	-----		
I benefit from the exercise/diet advice certain GYM members give to me	0.83		
I exercise better because of certain GYM members	0.91		
I am getting into shape because of certain/other GYM members	0.89		
<i>Social Benefits-A Preferred Service Employee</i> (Gwinner et al., 1998)		0.93	0.77
The friendship aspect of my relationship with my trainer is very important to me	0.87		
I enjoy spending time with my trainer	0.91		
I value close, personal relationship I have with my trainer	0.84		
I enjoy my trainer's company	0.89		
<i>Functional Benefits/Preferred Service Employee</i> (Reynolds and Beatty, 1999)		0.92	0.79
I value the convenience benefits my trainer provides me very highly.*	-----		
My trainer provide information at an appropriate level of detail*	-----		
I benefit from the exercise/diet advice my trainer gives to me	0.86		
I exercise better because of my trainer	0.90		
I am getting into shape because of my trainer	0.91		
<i>Customer Loyalty towards the Firm</i> (Zeithaml, Berry, Parasuraman, 1996)		0.89	0.73
You consider this GYM your first choice when choosing a GYM	0.81		
This is the GYM you prefer over others	0.91		
You would continue your membership with this GYM	0.84		
<i>Employee-owned Loyalty</i> (Palmatier et al., 2007)		0.90	0.70
If my trainer(s) moved to a new GYM with similar products, I would like to follow him/her if there is no binding subscription	0.80		
I would come less frequent to my current GYM, if my trainer(s) left the GYM	0.86		
I would be less loyal to this GYM, if my trainer(s) moved to a new GYM	0.84		
I feel greater loyalty toward my trainer(s) than to this GYM	0.85		
I would recommend this trainer(s) to others even if he/she moved to a new GYM*	-----		
<i>Customer-to-Customer Loyalty</i> (Palmatier et al., 2007)		0.94	0.81
If certain GYM members moved to a new GYM with similar products, I would like to follow them if there is no binding subscription	0.86		
I would come less frequent to my current GYM, if certain members left the GYM	0.93		
I would be less loyal to this GYM, if certain GYM members moved to a new GYM	0.92		
I feel greater loyalty toward certain GYM members than to this GYM	0.87		
I would talk positively about certain GYM members even if they moved to a new GYM*	-----		

**items removed during measurement purification*

Reasons to Leave the Selling Firm:

The findings demonstrated that customers' tendency to maintain their relationship with the focal service employee, even if s/he left to a competitor, was driven by social benefits in

terms of social conversations and friendships but not functional benefits. These results are consistent with prior research (e.g. Plamater et al., 2007). Reynolds and Beatty (1999) showed that, unlike social benefits, functional benefits received from a preferred employee were indirectly related to employee-owned loyalty via customers' satisfaction with the service employee. Interestingly, the results showed that social benefits received from other customers were found to *reduce* customers' tendency to follow their preferred service employee to another competitor, while functional benefits received from other customers were found to *increase* intentions to follow a preferred employee to a competitor. Possibly, customers may get used to certain level of social resources when they attend a service place (e.g. GYM). Any disruption to the supply of these social benefits received from a preferred service employee may encourage them to follow him/her to a competitor, unless these social resources were compensated from other customers. In contrast, advices and educational exercise tips received from other customers were the strongest predictor of customers' tendency to follow certain customers to a competitor, followed by social benefits. These findings are consistent with Guenzi and Pelloni (2004) in terms of the consistency of the effect of social benefits on customer-to-customer loyalty. However, their study did not examine perceptions of functional benefits received from other customers, as provided in this paper. It is well-established that functional benefits might be more important at the early stages of relationship, but at later stages, social benefits become more important (Dagger and O'Brien, 2010).

Receiving social and functional benefits from a preferred employee was found unrelated to customers' tendency to follow certain customers to a competitor. Prior research showed that social benefits received from a service employee may reduce customers' tendency to follow a preferred customer (Guenzi and Pelloni, 2004). As a post hoc test, the tendency to affiliate

and mix (i.e. measured by a single-item seven point scale) with other customers were found negatively related to customers' tendency to follow certain close customers.

Table 2: The Correlation Matrix

	1	2	3	4	5	6	7
(1) C-to-C loyalty	0.90						
(2) Firm loyalty	-0.06	0.85					
(3) Emp-owned loyalty	0.38	-0.01	0.84				
(4) Fun. benefits/employee	-0.01	0.29	0.23	0.86			
(5) Fun. benefits/other customers	0.54	-0.03	0.16	0.13	0.88		
(6) Soc. benefits/employee	0.12	0.22	0.40	0.64	0.21	0.88	
(7) Soc. benefits/other customers	0.44	0.10	0.06	0.25	0.59	0.40	0.90

The diagonal represents the Sq. root of AVE

Table 3: The Structural Model

	Beta	t-value	R ²
Social benefits/other customers → Firm loyalty	0.10	0.785	9.1%
Functional benefits/other customers → Firm loyalty	-0.15	1.231	
Social benefits/service employee → Firm loyalty	0.07	0.629	
Functional benefits/service employee → Firm loyalty	0.21**	2.138	
Social benefits/other customers → C-to-C loyalty	0.21**	2.478	32.7%
Functional benefits/ other customers→ C-to-C loyalty	0.43**	5.207	
Social benefits/service employee → C-to-C loyalty	0.01	0.176	
Functional benefits/service employee→ C-to-C loyalty	-0.11	1.270	
Social benefits/other customers → Employee-owned loyalty	-0.24**	2.445	20.4%
Functional benefits/ other customers→ Employee-owned loyalty	0.21**	2.477	
Social benefits/service employee → Employee-owned loyalty	0.46**	5.836	
Functional benefits/service employee→ Employee-owned loyalty	0.02	0.309	

Critical t-value = 1.645 (one-tail tests)

Reasons to Stay with Selling Firm: Firm-owned Loyalty

Unlike social and functional benefits coming from other customers, the study findings showed that the functional, but not social, benefits received from a preferred service employee are likely to enhance customers' loyalty intentions towards the service provider. These results are inconsistent with prior research that found that social benefits received from a preferred service employee were the dominant driver of customers' loyalty towards the service provider (Hennig-Thurau et al., 2002). Future research needs to identify conditions (e.g. relationship length, service category) under which social and functional benefits received from different sources (i.e. other customers, service employees) enhance customers' intentions towards the service provider.

Taken altogether, social conversations with a preferred service employee were more likely to make customers' tempted to follow him or her to a competitor, while receiving social benefits from other customers may reduce this temptation. In addition, social and functional benefits received from other customers, were adding up to one's loyalty towards them, but not towards the service provider. In contrast, functional benefits provided by a preferred service employee contribute to one's loyalty intentions towards the service provider. A possible explanation to these results may rests on the attribution research. Customers may attribute exercise tips and skills provided by the service employee to the service provider, but they may not think of other close customers in the same way. Companies need to play a more active role in facilitating positive customer-to-customer interactions to buffer against drawbacks of employee-owned loyalty. With respect to research limitations, the conceptual framework was tested in a single industry as well as the sample was dominated by male. The cross-sectional nature of the study may not support causality of some relationships.

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