Value, satisfaction, loyalty and retention in professional services

Rene Trasorras
Trasorras Intelligence Group, Tampa, Florida, USA, and
Art Weinstein and Russell Abratt
H. Wayne Huizenga School of Business and Entrepreneurship, Nova Southeastern University, Fort Lauderdale, Florida, USA

Received October 2008
Revised February 2009
Accepted February 2009

Abstract

Purpose – The purpose of this paper is to assess customers' perceived value of professional services and how this influences satisfaction, loyalty and ultimately retention.

Design/methodology/approach – A survey is conducted among professional service providers in the Tampa Bay, Florida (USA) Metropolitan Statistical Area, which includes attorneys, financial professionals, physicians, dentists and private investigators.

Findings – There is a highly significant relationship between service and customer retention, quality and customer retention, image and customer retention, price and customer retention, and value and customer retention. There is a significant relationship between value and satisfaction on customer retention; between value and loyalty's effect on customer retention; and among value, satisfaction and loyalty on customer retention.

Research limitations/implications – Statistically, the findings cannot be generalized beyond the scope of this study and the Tampa area. However, this can be tested in further research.

Practical implications – The service, quality, image and price model had a significant correlation to customer retention. The four components of value – service, quality, image and price – are each directly related to customer retention and therefore should be used by service professionals and managers as an important strategy to retain their clients.

Originality/value – Professional services is an under researched area in the value, satisfaction and customer retention area and this study fills this gap.

Keywords Customer satisfaction, Customer loyalty, Professional services, United States of America

Paper type Research paper

1. Introduction

Creating superior value and keeping customers are critical strategic marketing issues for companies in today's highly competitive environment. Many firms experience customer defections even when they believe customers were satisfied with their service. A key question that organizations should ask is what could they have done differently had they known that a customer intended to defect? How could they have demonstrated to the client the value their service delivers? On the other hand, was the defection a result of diminished value? Companies should focus heavily on customer value and retention/relationship management to increase profit over the long-term.

Value is subjective and dependent on who is making that determination. What may be a valuable feature to one customer, another customer may view as an added expense. With this in mind, a company must create a unique value-driven strategy to succeed in the marketplace. Consider the financial services arena.

Marketing Intelligence & Planning
Vol. 27 No. 5, 2009
pp. 615-632

0263-4503
DOI 10.1108/02634500910977854

Charles Schwab & Company's value emphasis consists of delivering low price and convenient investment trading through highly automated systems. In contrast, Edward Jones, a Missouri-based privately held securities broker, has become America's storefront stock broker. Using 9,000 single-broker offices across the USA, intimate, face-to-face personal relationships are nurtured with customers embracing their conservative philosophy rather than online trading.

Service opportunities create value in business and consumer markets. As service economies transition into information-led economies, it is estimated that about half of the work performed in industrial countries will be knowledge work (Kaplan and Norton, 2001). Much of this expertise results from the professional services sector, which is characterized by employees with specialized knowledge and advanced education or training. This includes business-to-business organizations such as accounting, advertising, consulting, legal and marketing research firms as well as business-to-consumer providers such as attorneys, dentists, financial planners, insurance firms, physicians, etc.

From an academic research perspective, professional services are a neglected yet vital economic sector. The purpose of this paper is to assess how customers perceive the value of professional services, a major driver of advanced economies. We assess service, quality, image and price as customer value components. This study adds to the growing body of knowledge by examining the constructs of value, satisfaction and loyalty, singularly and in combination for their effect on customer retention. Data is collected and analyzed from a cross-section of B2B and B2C professional service providers and users including attorneys, financial professionals, medical practitioners and private investigators in the Tampa Bay area, the second most populous region in Florida.

2. Overview of the literature

2.1 Customer value

Creating perceived value for customers is a key success factor for professional service firms. The customer value construct has gained traction in numerous streams of marketing literature in recent years (Khalifa, 2004). Some of the more important customer value ideas that have been discussed over the past 15 years are reviewed.

Vantrappen (1992, p. 53), stated that "value creation for the customer means that the firm meets the customer's quality, delivery and cost expectations." Expectations for one customer can be different for another. Vantrappen (1992, p. 59), said that "each customer has unique and evolving needs: another customer expects to find different attributes in the product; and the same customer will expect different attributes next time he uses it."

Slater and Narver (1994, p. 23) lay out a paradigm for attaining superior performance and creating value. They stated that:

> [...] creating superior customer value requires more than just focusing on customers. The key questions are which competitors, and what technologies, and whether target customers perceive them as alternate satisfiers. Superior value requires the seller to identify and understand the principle competitors' short-term strengths and weaknesses and long-term capabilities and strategies [...]

Slater (1997, p. 165) proposed that "[...] the central organizational challenge in the customer value-based theory of the firm is to maximize the effectiveness of the firm's customer value creation activities." He emphasized finding out what it is that the customer wants and work to meet those needs.

Christopher (1996, p. 58) noted that "[. . .] customer value is created when the perceptions of benefits received from the transaction exceed the costs of ownership." Christopher (1996) cites three sources of competitive advantage with respect to this question: operational excellence, product leadership and customer intimacy. One of these strategic approaches can be a company's main source of value creation (Treacy and Wiersama, 1995).

Woodruff (1997) proposes that, "[. . .] adopting a customer value delivery orientation requires organizations to learn extensively about their markets and target customers." Deciding how to compete on what customers value now and in the future raises difficult questions. Woodruff (1997) adds that, "to build customer value delivery capability often requires finding and overcoming organizational culture, procedural, and learning barriers."

Different buyers value different attributes. Parasuraman (1997, p. 157) states:

> [. . .] a basic proposition underlying the proposed framework is that customers criteria for assessing value may change over time; specifically, they may become increasingly abstract as new buyers progress towards becoming long-term customers.

Previously recognized value by specific buyers may diminish or disappear. Long time customers may defect for various uncontrollable reasons.

Value is determined by the customer. Some may identify the least expensive product or service as a source of value, while others may say the same thing about the most expensive of those items. Johnson *et al.* (1999, p. 2) explained, "buyers perceptions of value represent a trade-off between the quality or benefits they perceive in the product relative to the sacrifice they perceive by paying the price." Value is subjective and specific to the eye of the consumer. It is the identification of value in selected market segments that matters. Realize that the quality of the product, service and customer-supplier relationship as well as price perceptions and image are used by customers to evaluate corporate value attributes (Hoisington and Naumann, 2003). The authors stress that image is quite important as a differentiator when the product or service offering is difficult to evaluate.

As Weinstein *et al.* (2004) explain, the concept of customer value is as old as ancient trade practices. Similar to early barter transactions, today's buyers must carefully evaluate sellers' offerings to assess if goods or services received meet or exceed trade items/costs. Hence, customer value is the trade-off between the benefits gained from the product (quality, service and image) versus the sacrifices required to obtain it (e.g. costs, stress, time, etc.). Johnson and Weinstein (2004, p. 10) add, "a strong competitive advantage can be gained through consistently providing superior customer value." One way customers measure the value of their transactions is via the service, quality, image and price (SQIP) approach. This customer value formula looks at service, quality, image and price, individually and synergistically (Johnson and Weinstein, 2004; Weinstein *et al.*, 2004. Since tradeoffs exist among the SQIP elements, companies cannot expect to be market leaders in all areas. So a company must determine where its strengths lie and create a strategy to build superior value there.

In a study in the financial services industry, Roig *et al.* (2006) found that the principle source of competitive advantage is for companies' to compose an offer that provides customers with a perceived value higher than that of the competition. Hence, the value received is a competitive edge that can lead to brand recognition, loyalty or product/service preference. Smith and Colgate (2007) offered a typology identifying four major types of customer value that can be created by organizations – functional/instrumental, experiential/hedonic, symbolic/expressive and cost/sacrifice.

The preceding review of the customer value literature leads us to posit our first set of five research hypotheses:

H1. There is a significant correlation between the service received from the professional service firm and customer retention.

H2. There is a significant correlation between quality received from a professional service firm and customer retention.

H3. There is a significant correlation between the image of a professional service firm and customer retention.

H4. There is a significant correlation between the prices charged by a professional service firm and customer retention.

H5. There is a significant correlation between overall value received from a professional service firm and customer retention.

2.2 Satisfaction

In service markets, customer satisfaction is often measured as the difference between service expectations and the experience. Oliver (1980) looked at satisfaction via disconfirmation of expectations. Satisfaction is subjective, and customers who have indicated they are satisfied have also defected to competing firms. According to Oliver (1980, p. 461), "satisfaction [...] can be seen as a function of the expectation (adaptation) level and perceptions of disconfirmation."

Churchill and Surprenant (1982, p. 492) said that:

> [...] an individuals expectations are: (1) confirmed when a product performs as expected, (2) negatively disconfirmed when the product performs more poorly than expected, and (3) positively disconfirmed when the product performs better than expected. Dissatisfaction results when a subject's expectations are negatively disconfirmed.

Fornell and Wernerfelt (1987) stated that there will always be some customer dissatisfaction due to a variety of causes (including, at least for certain types of products, customer desire for variety). According to Zahorik and Rust (1992), satisfaction has long been recognized as an important construct in models of buyer behavior and models of customer reactions to service design often incorporate it as a variable. As part of a renowned, longitudinal research program known as the American Customer Satisfaction Index (ACSI), Fornell *et al.* (1996) found that service firms have significantly lower customer satisfaction scores than manufacturing firms. Their study also revealed that satisfaction is more quality-driven than price-driven in service markets.

Expectations play a significant role in customer satisfaction. Jones *et al.* (2003, p. 11) stressed that, "when expectations are met or exceeded, customers report higher levels of satisfaction. Therefore, an important step in managing customer expectations is creating realistic expectations." Ranaweera and Prabhu (2003, p. 82) add that "it is a held belief that the more satisfied the customers are, the greater is their retention." Fecikova (2004) believes that the key to organizational survival is the retention of satisfied internal and external customers. She proposes measuring satisfaction to manage it effectively.

Her recommendations include customer satisfaction surveys, focus groups, standardized packages for monitoring satisfaction and computer software.

Therefore, we put forward the following hypothesis:

H6. There is a significant relationship between value and satisfaction received from a professional service firm and customer retention.

2.3 Loyalty

Customers who feel they have obtained value from a product or service may develop loyalty. Loyalty, in turn, breeds retention which translates into higher corporate profits. Reichheld and Sasser (1990) concluded that customer defections had a stronger impact on the financial performance of an organization than other factors, as it pertained to gaining competitive advantage. Since there is a learning curve that both the company and customer must travel, research suggests the longer a company keeps a customer, the more profitable that customer becomes.

In order to retain customers, it is important to know why customers leave. Not only does a company lose their future profit potential, but negative experiences are shared with colleagues, and that may spur additional defections. Keaveney (1995) looked at multiple causal factors such as pricing, inconvenience, core service failures, service encounter failures, employee responses to failures, attraction by competitors and ethical problems. No single factor was seen as consistent with the switchers, rather various combinations of factors led to customer defection.

Reichheld (1997, p. 19) discussed how after years of studying companies his own view of business economics was changed. He stated:

> [. . .] my colleagues and I developed a new business model based on two principles – value creation, which generates the forces that hold these businesses together, and loyalty, which is inextricably linked to value creation as both a cause and effect [. . .]

Reichheld's argument was clear, without a form of utility (value), there is no loyalty. He argues that the delivery of superior value affects the service organization and creates internal loyalty among employees via pride and satisfaction in their work.

Although loyal customers are generally satisfied, satisfaction scores do not necessarily translate well into loyalty behaviors (Oliver, 1999). According to Oliver's analysis, satisfaction is a necessary first step in loyalty formation but other factors can impact the customer's relationship with the organization such as personal determinism and social bonding.

Dalton (2003) cites three factors that drive customer loyalty – value, trust and going the extra mile. He states that customers are loyal to people who help us solve problems and expand beyond what is expected. With respect to trust, Dalton (2003, p. 4) adds, "we are loyal to people whom we trust, whom we know will come through for us and will put our interests first." He argues that loyalty can be derived from a customer if the provider of the service or product espouses the customers' needs. Jones and Farquhar (2003, p. 72), said that "customers are more likely to be retained if there is a customer-oriented climate in which contact staff can deliver service quality efficiently and effectively." As competition increases, the need for customer loyalty and retention will become increasingly important. Recent research on loyalty found that this construct is comprised of two dimensions – recommendation and patronage (Lam *et al.*, 2004).

The discussion in this section on customer loyalty inspires us to propose our next hypothesis:

H7. There is a significant relationship between value received from and loyalty felt toward a professional service firm and customer retention.

2.4 Retention

Levitt (1983) examines value and customer retention via the buyer-seller relationship. Levitt (1983, p. 2) said that, "the relationship between a seller and a buyer seldom ends when a sale is made." Increasingly, the relationship intensifies after the sale and helps determine the buyer's choice the next time around. According to Levitt (1983), it is expectations and not things. How this relationship is managed is critical to its continuation. He warns that in the absence of sound management, the relationship will deteriorate. The failure of the service provider to address what may be causing the dissension will no doubt alter the relationship.

Hellier (1995) tested a customer retention model in the insurance services sector and found relationships among perceived value (largely expressed through quality), customer satisfaction, loyalty and switching costs and repurchase intent (retention). Product and brand preference were intervening factors.

According to Johnson *et al.* (1999, p. 12), relationship enablers are key components that strengthen the bonds that lead to long-term customer-supplier relationships. The relationship enablers consist of trust, commitment, dependence, cooperation and information exchange. McNaughton *et al.* (2001, p. 991), state, "marketing orientation theory, no matter the sector in which it is applied, focuses on the process whereby market orientation creates customer value." So value created through market orientation and employing relationship enablers can facilitate an atmosphere that causes customers to stay. The link between market orientation and performance is widely accepted. Clearly understanding one's market and its elements can lead to a competitive advantage.

An integrated customer value and retention model was developed by Weinstein (2002). This framework conceptualized the key relationships among customer value, satisfaction, loyalty, retention and business performance. Superior value locks in customers over the long-term. Strategic insights are provided on how to maintain and grow business relationships via a dual emphasis on customer retention and attraction.

Retention can also be measured based on customer profitability. Pfeifer *et al.* (2005, p. 11) state that, "[...] some customers are more equal than others, and firms can prosper by learning to identify and capitalize on customer differences." They quote a research study by Reichheld and Sasser (1990) which reported that a 5 percent increase in retention would increase profits by 75 percent. Reichheld and Sasser (1990, p. 12) call this "the net present value of the profit streams for the average customer life."

Based on the customer retention research stream, we advance our final hypothesis:

H8. There is a significant relationship among value, satisfaction received from and loyalty felt toward a professional service firm and customer retention.

3. Methodology

This section discusses the sample, measures and their reliability and how the data is analyzed.

3.1 Sampling approach and profile

The data was collected from professional service providers and users in the Tampa Bay, Florida (USA), Metropolitan Statistical Area consisting of Tampa, Saint Petersburg and the surrounding vicinity. Using a convenience sample of business contacts, meetings with key decision makers in private sector firms were arranged. Surveys were provided to these service firm executives to distribute to their associates or customers with a targeted completion date of one week from receipt. Cover letters accompanied each questionnaire explaining the need to complete the entire research instrument. On a limited basis, telephone calls, e-mail and personal visit follow-ups were employed to encourage participation.

Two hundred questionnaires were distributed with an $n = 149$ (74 percent response rate). As an incentive, participants received a summary of the results of the research. The samples included attorneys (61 percent), financial professionals – accountants, bankers, insurance agents (22 percent), physicians and dentists (14 percent) and private investigators (3 percent). The majority of the respondents (83) were female (56 percent); 64 males accounted for 43 percent of the sample, two persons were not identified by gender. The age distribution was fairly evenly distributed: under 30 (42, 28 percent); 30-39 (35, 23 percent); 40-49 (39, 26 percent); 50 or over (33, 22 percent);, respectively. The respondents were extremely well educated – about half (74) were college graduates with 22 advanced degrees. Forty-two percent (63) of the participants had professional/technical degrees or had some level of college education. Only 12 respondents (8 percent) did not attend college at all. Nearly, two-thirds of the respondents (97, 65 percent) worked for very small organizations with less than 20 employees. The remainder worked for small, medium and large organizations with 20-99 employees (23, 15 percent), 100-499 employees (7, 5 percent) or 500 or more employees (22, 15 percent), respectively.

3.2 Measurement

The dependent variable in this study is customer retention. Simply stated, a client will either repurchase from their current professional service provider or they will defect to another firm. We used the three item, five-point repurchase intent scale by Eggert and Ulaga (2002) which demonstrated a high reliability of $\alpha = 0.91$.

The independent variables are service, quality, image, price, value, satisfaction and loyalty. The study will examine what effect one or a combination of these IVs has an on customer retention. The results may shed light on the dominant characteristic(s) of a firm that demonstrates a high level of retention. This information can be used by marketing practitioners to decrease customer defections and increase company profits.

Oliver's (1994) service scale demonstrated a strong $\alpha = 0.90$. He argues that the level of service received directly influences the satisfaction derived. The scale by Teas (1990) was used to measure quality of service; it assessed the difference between expected service quality and perceived service quality, $\alpha = 0.83$. The scale used to measure image is a reputation scale developed by Brown (1995). This scale measures a buyer's perception of a service provider/supplier as to their reputation, trustworthiness, good or bad, reliability and believability and demonstrated a high $\alpha = 0.92$. Lichtenstein *et al.* (1993, p. 238) researched multiple price constructs. The scales used to measure price-quality schema in our study had acceptable α scores of 0.78 and 0.90. They add, "both the coefficient α and composite reliability estimates suggested strong internal consistency." Scales for value and satisfaction were obtained from a study conducted by Eggert and Ulaga (2002). These constructs were shown to be reliable as they had satisfactory Cronbach α scores of 0.77 and 0.89, respectively. Finally, the loyalty construct was a five item, seven-point scale derived from Zeithaml *et al.* (1996) which yielded an excellent $\alpha = 0.91$. Additional details on the measurement scales may be found in Table I.

3.3 Data analysis

SPSS statistical software package 11.0 was used to analyze the data. The hypotheses and their relationships were tested through correlation and regression analyses. The research used correlation analysis when individually measuring service, quality, image, price and value in relation to customer retention (*H1-H5*). We used correlation analysis to examine the relationship between service and retention, quality and retention, image and retention, price and retention and value and retention. Correlation analysis indicates if a linear relationship exists between two variables. Although correlation will not tell us why the relationship is present, the correlation coefficient tells us if the relationship is significant or not. A perfect positive correlation has a coefficient of 1.0, no correlation = 0 and a perfect negative coefficient is -1.0.

Multiple regression was employed to assess the following three combinations of variables – value-satisfaction, value-loyalty, and value-satisfaction-loyalty – and their relationships to customer retention (*H6-H8*). Regression is an analysis of a predictor variable's relationship to a dependent variable. In our research, we used multiple regression via stepwise analysis. In stepwise regression, the order of entry for variables is based strictly on statistical criteria with an objective of determining which independent variables best predict the dependent variable (Tabachnick and Fidell, 1989, pp. 144, 147). By using the stepwise procedure, the SPSS program selects the variables in the order of their ability to contribute to the overall prediction. Hair *et al.* (2006) contend that stepwise estimation is a powerful and popular approach to variable selection since it assesses the contribution of each independent variable (based on greatest contribution) to the regression model.

4. Research findings

Our results for the two sets of hypotheses, correlation-based (Table II) and regression-based (Table III) are presented and discussed.

4.1 Findings: hypotheses 1-5

H1. Service and customer retention. There is a highly significant relationship between service and retention ($r = 0.73$, $p \leq 0.01$). This suggests that service is of great importance when considering repurchase intent with the service provider. Professional service providers must attune their services to cater to their clients' requests. Managers should interpret this as the need to provide superior service to their customers. Simply making the sale is no longer enough. Customers are much more informed today and require service not only during the sales process but, and possibly most importantly, post-sale. Allowing a customer to simply drift away due to inattention to their needs will result in losing that customer and any potential referral business. Conversely, great service will generate highly satisfied customers and much goodwill.

Managers must invest in relationships to earn future business. A good job performed may not translate to good service received. Services may break down and the firm may

Table I. Customer value, satisfaction, loyalty and retention measures

Measurement	Rating	Source
Customer value – three item, five point agreement scale (strongly disagree to strongly agree)	Compared to the price we pay, we get reasonable quality Compared to the quality we get, we pay a reasonable price The purchasing relationship delivers us superior net value	Eggert and Ulaga (2002)
Service – five item, five point rating scale (rate this service)	Poor-excellent One of the worst – one of the best Inferior-superior Low standards-high standards Low quality-high quality	Oliver (1994)
Quality – two item, ten point rating scale (extremely low quality to extremely high quality)	Overall quality of the service Provides high quality customer service	Teas (1993)
Image – six item, seven point comparative rating scale (compared to industry competitors)	The very worst – the very best The least reliable – the most reliable The least reputable – the most reputable The least believable – the most believable Not at all known – the best known The least trustworthy – the most trustworthy	Brown (1995)
Price – four item, five point agreement scale (strongly disagree to strongly agree)	Generally speaking, the higher the price of the product, the higher the quality The old saying "you get what you pay for" is generally true The price of a product is a good indicator of its quality You always have to pay a bit more for the best	Lichtenstein *et al.* (1993)
Satisfaction – two item, five point agreement scale (strongly disagree to strongly agree)	It is a pleasure to have a purchasing relationship with the supplier We are very satisfied with our supplier	Eggert and Ulaga (2002)
Loyalty – five item, seven point likelihood scale (not at all likely to extremely likely)	Say positive things about __ to other people Recommend __ to someone who seeks advice Encourage friends and relatives to do business with __ Consider __ your first choice to buy __ services Do more business with in the next few years	Zeithaml *et al.* (1996)
Retention – three item, five point agreement scale (strongly disagree to strongly agree)	Next time we will buy again from our current service provider In the foreseeable future we will consider our current supplier as part of our consideration set We intend to continue the purchasing relationship with our supplier	Eggert and Ulaga (2002)

be re-contacted by the client due to a real or perceived service failure. Attorneys have been challenged by the lack of vigor in their past representation or incorrect advice. Dentists and medical doctors have been second-guessed regarding past treatments to issues that may have now reappeared. Bankers, accountants and other financial professionals have all been questioned about work or services previously provided to a client. Hence, protocol must be in place to make sure that clients' issues are responsibly and adequately addressed to complete satisfaction, if possible.

H2. Quality and customer retention. We found a highly significant relationship between quality and retention ($r = 0.78$, $p \leq 0.01$). The importance of quality of the service received and the intent to repurchase from the provider is clearly indicated. Customers demand quality service in exchange for compensating a firm they have engaged. Practitioners must understand that customers will not settle for inferior service quality.

As a leader of a professional service firm, one should not allow the lack of quality to become the demise of that firm. These results tell us there is a strong interconnection between the quality received and customer retention. Simply stated, the higher the quality of service received the stronger the connection to retaining customers. Some questions clients may ask is, is the quality obtained from this firm consistent? Did they

Table II. Correlations and descriptive statistics

	Customer retention	Means	SD
Service	0.73^{**}	3.66^{a}	0.93
Quality	0.78^{**}	7.13^{b}	2.37
Image	0.75^{**}	5.13^{c}	1.22
Price	0.25^{**}	3.45^{a}	0.89
Value	0.51^{**}	3.44^{a}	0.82

Notes: $^{**}p < 0.01$; measured on $^{a}5$, $^{b}10$, and $^{c}7$-point scale, respectively

Table III. Results of the three best stepwise regression analyses

Variables entered	Unstandardized coefficient	Standard error	*T*-statistic	Significance
H6. Customer retention = value + satisfaction [a]				
Constant	0.67	0.34	1.98	0.049
Satisfaction	0.52	0.09	5.94	0.000
Value	0.37	0.11	3.45	0.001
H7. Customer retention = value + loyalty [b]				
Constant	0.63	0.26	2.42	0.017
Loyalty	0.43	0.04	11.69	0.000
Value	0.32	0.08	4.05	0.000
H8. Customer retention = value + satisfaction + loyalty [c]				
Constant	0.43	0.27	1.61	0.109
Loyalty	0.39	0.04	9.50	0.000
Satisfaction	0.19	0.08	2.43	0.016
Value	0.23	0.08	2.78	0.006

Notes: Dependent variable: customer retention; ^{a}F-value = 50.08, $p = 0.000$, R^2 (2,146 degrees of freedom) = 0.41; ^{b}F-value = 118.86, $p = 0.000$, R^2 (2,146 degrees of freedom) = 0.62; ^{c}F-value = 83.88, $p = 0.000$, R^2 (3,145 degrees of freedom) = 0.63

make promises and keep them? Did they show interest in clients beyond the specific tasks at hand? Professional firms should be able to answer these questions in the affirmative in favor of the client. Firms need to set specific goals for attaining a desired level of quality and carefully measure whether they are meeting those goals. Practitioners within a firm must be made aware of these goals and be properly directed or retrained, if necessary.

H3. Image and customer retention. Again, we see a highly significant relationship between image and customer retention ($r = 0.75, p \leq 0.01$). Image is an important part of value. When considering repurchase intent, customers desire a positive image with their professional service provider.

There is a strong interrelationship between corporate image and customer retention. Therefore, firms must manage their public perceptions carefully. Attempting to be all things to all people could result in mediocre work and a sullied image or reputation. A professional service firm must examine what they do best and concentrate on narrowing their list of offerings to selected areas of expertise to maximize their efficiency and effectiveness. Attempting to obtain work outside of this domain may result in service to a client which does not meet the desired expectations. These sub-standard experiences may severely hamper the firm's image and lead to customer defection.

H4. Price and customer retention. Although smaller in magnitude than the previous three hypotheses (based on the correlation coefficient), we still see a highly significant relationship between price and customer retention ($r = 0.25, p \leq 0.01$). Price can be a sensitive topic among professional service providers. The fear of attrition or a mass exodus of clients if prices are increased is a constant concern. This research indicates a strong linkage between price and customer retention.

Professional service firms must understand how this linkage can affect the firm. Price is as much a part of where the firm is positioned in the market as it is to the overall image of the firm. If we were to equate price with quality one may assume that the higher the price is being charged, the higher the quality being received. Therefore, where is the professional firm currently positioned in their market? A firm has many things to consider with respect to the price they charge. How are they perceived? How much will their market bear? What are competitors charging for similar services? Why are their clients currently purchasing from them? Is it price alone that brings the client in or is it something else? What is the lifetime value of a typical customer worth? These are but a few of the questions to be considered when setting or adjusting prices.

H5. Value and customer retention. Again, we find a highly significant relationship between value and customer retention ($r = 0.51$, $p \leq 0.01$). The creation of value should be a constant priority to practitioners. Customers expect something in return for what they give up for professional services, that "something" is value. How a firm creates and delivers it is pivotal to a customer's ongoing relationship with that firm. Since value is ultimately defined by the customer, professional service managers must constantly evaluate how value is delivered. Customers continuously demand more and will expect service after the sale as a component of the overall value equation.

Given that the association between value and customer retention is evidenced, how can firms enhance their perceived value in the eyes of their clients? Special knowledge of their clients industry sectors and needs is a good starting point. Training staff to thoroughly understand "the business" pays dividends in building long-term client relationships. Trade publications and associations are inexpensive ways to connect with clients. Another approach is via technical automation such as installing an interface with the clients' computer system to more easily place requests or access information from the service firm. In short, solving client problems, attentively listening to their needs and assisting the client to understand exactly what can be done for them will enhance the value of the service provider.

4.2 Findings: hypotheses 6-8

H6. Value and satisfaction's effect on customer retention. We found a highly significant relationship between value and satisfaction on customer retention. ($R^2 = 0.407$, $p = 0.000$). This was determined by using the stepwise regression method. Satisfaction accounted for 35.7 percent ($R^2 = 0.357$) of the variability in customer retention. When value is added to the equation, this increases the explained variance by 5 percent. The remaining 59.3 percent is attributed to "other" influences.

R^2 represents the variance explained by the independent predictor variable(s) for our dependent variable (customer retention). The higher the R^2, the greater the influence of the predictor variables. We observed a 5 percent increase in variability when value was added to the analysis. Therefore, satisfaction accounts for approximately 88 percent of the predictive value in this customer retention regression model.

Hence, satisfaction and value are major reasons to repurchase. In this specific analysis, satisfaction takes a superior position in the influence for customer retention, but satisfaction's position is enhanced by the presence of value in the overall equation. A service firm then must seek to satisfy their client base. But simple satisfaction alone may not lead to a client returning for a second purchase. Having the client feel highly satisfied instead of simply satisfied should be the business goal. Did the firm successfully service client needs? Were the deadlines given to the client met? Was the firm accessible to the client? Was the client involved in the service process and were they kept apprised of the firm's progress? These types of activities, along with good service products, can raise levels of satisfaction and entice clients to move from occasional business transactions to ongoing customer relationships.

H7. Value and loyalty's effect on customer retention. Our research found a highly significant relationship between value and loyalty's effect on customer retention ($R^2 = 0.620$, $p = 0.000$). Using stepwise regression to analyze the predictor variables, we see that value accounted for a 4.6 percent increase in predictive variability when added to loyalty (predictor) – the dependent variable is customer retention. Loyalty accounts for 57 percent ($R^2 = 0.574$) of the predictive value. When both variables are present, the predictive value increases to $R^2 = 0.620$. Therefore, customer loyalty is a key driver in customer repurchase decisions.

Practitioners should strive to uncover what fosters loyalty in their business and exploit those factors. Loyalty in turn generates retention, which translates into higher profits for the company. Here, again, we see value adding to, but subordinate to another attribute, loyalty. Loyalty demonstrates a natural association with customer retention. We also know from previous research that loyalty is of consequence both in and outside of the professional service firm.

Therefore, the professional service firm must create a loyal workforce if it intends to have a loyal client base. Dissension and dissatisfaction within a firm will resonate out to the marketplace. An unhealthy internal environment can only lead to disillusionment. The service provider must breed teamwork into their company. A firm that functions as one is free of petty disagreements and rivalries which detract from the goal of gaining repeat business. A sense of mission must be shared by all employees. This will build superior client service and a commitment to quality products which will enhance the firms' image. Making selective employee hires is crucial – be picky about who represents the firm. Creating loyalty or referral programs may assist the firm in identifying their best customers. These customers can share the factors that lead to not only their loyalty but also their advocacy.

H8. Value, satisfaction and loyalty's effect on customer retention. We found a highly significant relationship between value, satisfaction and loyalty on customer retention. ($R^2 = 0.634$, $p = 0.000$). Here, we used three variables and loyalty (predictor) accounted for 57.7 percent ($R^2 = 0.577$) of explained variance. When we added value into the regression model, the predictive variability increases, $R^2 = 0.620$, or an increase of 4.3 percent. When we add the satisfaction variable, our predictive variability increases slightly to $R^2 = 0.634$ (an increase of 1.4 percent). Since our objective is to attain the highest R^2 with the fewest number of variables, we may conclude that satisfaction has the least influence of the three predictors in this customer retention model.

This conclusion is quite interesting. Earlier, we observed satisfaction as the dominant consideration over value when assessing customers intentions to repurchase. That example said that value, although important, contributed less to the customers' decision than did satisfaction. Yet when combined with loyalty, although still subordinate to loyalty, value played a larger role than satisfaction in influencing customers repurchase decisions. One can extrapolate that a sharp focus on creating value and enhancing loyalty is an effective marketing strategy.

Satisfaction has had much written about it and we understand that various levels of satisfaction may exist and those levels may have a direct influence on a customers' repurchase intent. Satisfied customers have been known to defect so firms should seek to highly satisfy (delight) customers. Value creation is paramount in the success of a professional service provider. But what is value and how is it perceived? Polling the customer may be in order to identify true value drivers. Loyalty clearly is the most powerful variable of the trio used in the moderated regression analysis. Identifying why customers are loyal (or disloyal) should be the first step to maintain or increase loyalty and ensure customer retention.

5. Management implications

The results of this study are important for practitioners in the professional services sector. A major contribution of this work was that it analyzed multiple variables both individually and collectively. We found that the SQIP model had a significant correlation to customer retention. The four components of value – service, quality, image and price – are each directly related to customer retention. Of these four variables, price was the least important consideration – but, it still matters. Managers should recognize this value formula as both a strategic and tactical component of business design. Hence, customers are more likely to place more weight on service quality issues and the reputation of the service provider.

Today, customers have many alternatives to choose from and various avenues of obtaining information to compare and assess what they have received. Overall, service can mean the difference between having a customer return to patronize your business. Service during and more importantly, after the sale can lead to increased satisfaction, loyalty, customer retention and profits for a professional service firm.

In addition to great customer service, clients seek quality products from the service provider. Brand management is part of the customer retention equation. A brand image is what one believes when exposed to corporate communications and the product mix, e.g. Ikea (innovative Scandinavian design), Nordstrom (superior service and quality), Sears (mainstream American values) and Wal-Mart (low prices). In this example, all four companies are leading retailers, but their market perceptions vary greatly in the minds of consumers. Each value proposition is meticulously managed to illicit the "right" perception when their name is mentioned. Companies must understand and convey what they want to be known for, what they do and what they deliver. By doing so, value creation and target marketing can lead to ongoing customer relationships and long-term retention.

Consider the difference between FedEx and the United States Postal Service (USPS). Business customers are willing to pay more due to the perceived value derived from the service and quality received from FedEx versus the Postal Service. As a provider of parcel deliveries, FedEx has built a consistent image of respect and trust. This has led to a more satisfied and loyal client base then USPS for the delivery of urgent business documents. United Parcel Service has carved their own market position via their image-based campaign, "Look What Brown Can Do For You."

Our research showed that value, satisfaction and loyalty continue to play major roles in customer retention. Clearly, value creation is one of the main forces behind customer retention. Adding value for customers should be paramount in the minds of professional service firms; and, they should avoid gimmicks in doing so to build a lasting client base. The creation of client satisfaction and loyalty is impossible without first creating superior value for customers.

Satisfaction has to be evaluated at various levels by customers:

> Completely satisfied customers are to a surprising degree – much more loyal than satisfied customers. To put it another way, any drop from total satisfaction results in a major drop in loyalty (Jones and Sasser, 1995, p. 89).

The authors add, "A completely satisfied customer typically believes that the company excels in understanding and addressing his or her personal preferences, values, needs or problems" (p. 98).

Loyalty has been linked in previous empirical studies to customer repurchase intent. This study also witnessed strong support for this relationship. When assessed with value, a significant relationship to customer retention emerged. Like customer satisfaction, loyalty also has varying degrees:

> Customers with high or true loyalty are characterized by strong attitudinal attachment and high repeat patronage. They almost always patronize a particular company or brand and are least vulnerable to competitive offerings. (Baloglu, 2002).

Low or limited loyalty means that there is little repeat patronage, buyers are primarily price shoppers and highly susceptible to competitors. Hence, according to Bendapudi and Berry (1997), loyalty motivations can be categorized as constraint-based ("having" to stay in the relationship) or dedication-based ("wanting" to stay in the relationship).

Our study discovered that loyalty was, by far, the most important component in a customers' repurchase intent. When coupled with value, the combination proved to be very powerful in influencing a customer to return. Satisfaction was also important in influencing a customer to repurchase, but evaluating satisfaction requires ascertaining: first, what level of satisfaction the customer experienced, and second, comparing the experience to expectation.

6. Areas for further research

The research took place in the greater Tampa Bay area. The economy of central Florida (the second most populous region in the fourth most populous state) as well as the cultural makeup of the region must be taken into consideration when interpreting these results. Replicating this study in other important Metropolitan Statistical Areas in the USA and abroad (e.g. the European Union and Asia-Pacific) is recommended.

The study focused on specific professional services with a heavy dependence on attorneys and financial sector managers. More diversified samples of professional service providers to include architects, computer analysts, engineers, management consultants and marketers (e.g. advertising and public relations executives, market researchers, etc.) is a worthy follow-up opportunity. Given the shift from an industrial to service/information-oriented economy, similar research can be conducted in business-to-business, consumer, and web-based services.

The data was collected by leveraging personal contacts from small, localized and private firms with the exception of a national investment bank that participated. With the Internet being the great equalizer in the service economy it should be harnessed for academic research. Using this approach would allow for quicker, more efficient, and less expensive data gathering methods for both domestic and international markets. It is expected that this initiative would be targeted to larger public companies.

Previous researchers have warned about giving too much weight to loyalty:

> Loyalty, in fact, should be a red flag in marketing strategy discussions. It cries out for the same critical questioning; are customers really loyal or is another force at work? Loyal to what? A brand? A particular product? Is the loyalty reciprocal? How might a competitor undercut prevailing advantages and shift loyalties? (Henry, 2000).

We acknowledge the importance and potential pitfalls of loyalty. The key is to identify the true attitudinal and behavioral motivators of loyalty to better formulate a strategy for customer retention. Our research indicates that value-driven loyalty is directly related to customer retention. Therefore, efforts must be made to truly understand the value creation process within firms as this has been revealed as the key facilitator of customer loyalty and repurchase intent.

The major components – service, quality, image, price, value, satisfaction and loyalty – needed to retain customers will become the nexus for which companies succeed or fail in the new economy. New variables may be required to please service clients and an updated model of customer value, satisfaction, loyalty and retention should be explored. This calls for innovative ways of thinking about customer value and retention. While traditional benchmarks tend to focus on past and current purchase patterns in analyzing customer retention, overlooked measures are customers' future orientations. This includes evaluative metrics such as expected future use, anticipated regret, intent to switch and intent to remain loyal (Lemon *et al.*, 2002;

McDougall and Levesque, 2000). Finally, an examination of how multiple respondents in professional service firms would respond to the core SQIP and related value issues (satisfaction and loyalty) will lead to a better understanding of the relationship between corporate culture and customer retention.

References

Baloglu, S. (2002), "Dimensions of customer loyalty: separating friends from well wishers", *Cornell Hotel & Restaurant Administration Quarterly*, Vol. 43 No. 1, pp. 47-59.

Benapudi, N. and Berry, L.L. (1997), "Customers' motivations for maintaining relationships with service providers", *Journal of Retailing*, Vol. 73 No. 1, pp. 15-37.

Brown, S.P. (1995), "The moderating effects of insuppliers/outsuppliers status on organizational buyer attitudes", *Journal of the Academy of Marketing Science*, Vol. 23 No. 3, pp. 170-81.

Christopher, M. (1996), "From brand values to customer value", *Journal of Marketing Practice*, Vol. 2 No. 1, pp. 55-66.

Churchill, G.A. and Surprenant, A. (1982), "An investigation into the determinants of customer satisfaction", *Journal of Marketing Research*, Vol. 19 No. 4, pp. 491-504.

Dalton, P. (2003), "Customer loyalty: value, trust and going the extra mile", *ABA Bankers News*, Vol. 11 No. 9, pp. 1-4.

Eggert, A. and Ulaga, W. (2002), "Customer perceived value: a substitute for satisfaction in business markets", *Journal of Business and Industrial Marketing*, Vol. 17 Nos 2/3, pp. 107-18.

Fecikova, I. (2004), "An index method of customer satisfaction", *TQM Magazine*, Vol. 16 No. 1, pp. 57-66.

Fornell, C. and Wernerfelt, B. (1987), "Defensive marketing strategy by customer complaint management: a theoretical analysis", *Journal of Marketing Research*, Vol. 24, pp. 337-46.

Fornell, C., Johnson, M.D., Anderson, E.W., Cha, J. and Bryant, B.E. (1996), "The American Customer Satisfaction Index: nature, purpose, and findings", *Journal of Marketing*, Vol. 60, pp. 7-18.

Hair, J.F. Jr, Black, W.C., Babin, B.J., Anderson, R.E. and Tatham, R.L. (2006), *Multivariate Data Analysis*, 6th ed., Pearson, Prentice-Hall, Upper Saddle River, NJ.

Hellier, P.K. (1995), "Discovering the major factors influencing customer retention in services Industries", *Asia Pacific Journal of Quality Management*, Vol. 4 No. 2, pp. 62-5.

Henry, C.D. (2000), "Is customer loyalty a pernicious myth?", *Business Horizons*, p. 13.

Hoisington, S. and Naumann, E. (2003), "The loyalty elephant", *Quality Progress*, pp. 33-41.

Johnson, W.C. and Weinstein, A. (2004), *Superior Customer Value in the New Economy: Concepts and Cases*, CRC Press, Boca Raton, FL.

Johnson, W.C., Chinuntdej, N. and Weinstein, A. (1999), "Creating value through customer and supplier relationships", IMP 15th Annual Conference, pp. 1-15.

Jones, G.W. and Sasser, W.E. (1995), "Why satisfied customers defect", *Harvard Business Review*, Vol. 73 No. 6, pp. 88-99.

Jones, H. and Farquhar, J.D. (2003), "Contact management and customer loyalty", *Journal of Financial Services Marketing*, Vol. 8 No. 1, pp. 71-8.

Jones, M.A., Taylor, V.A., Becherer, R.C. and Halstead, D. (2003), "The impact of instruction understanding on satisfaction and switching intentions", *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, pp. 10-18.

Kaplan, R.S. and Norton, D.P. (2001), "Building a strategy-focused organization", *Ivey Business Journal*, May/June, pp. 12-19.

Keaveney, S.M. (1995), "Customer switching behavior in service industries: an exploratory study", *Journal of Marketing*, Vol. 59 No. 2, pp. 71-82.

Khalifa, A.S. (2004), "Customer value: a review of recent literature and an integrative configuration", *Management Decision*, Vol. 42 No. 5, pp. 645-66.

Lam, S.Y., Shankar, V. and Murthy, M.K.E.B. (2004), "Customer value, satisfaction, loyalty, and switching costs: an illustration from a business-to-business service context", *Journal of the Academy of Marketing Science*, Vol. 32 No. 3, pp. 293-311.

Lemon, K.N., White, T.B. and Winer, R.S. (2002), "Dynamic customer relationship management: incorporating future considerations into the service retention decision", *Journal of Marketing,* Vol. 66, pp. 1-14.

Levitt, T. (1983), "After the sale is over...", *Harvard Business Review*, September-October, pp. 1-8.

Lichtenstein, D.R., Ridgway, N.M. and Netemeyer, R.G. (1993), "Price perceptions and consumer shopping behavior: a field study", *Journal of Marketing Research*, Vol. 30, pp. 234-45.

McDougall, G.H.G. and Levesque, T. (2000), "Customer satisfaction with services: putting perceived value into the equation", *Journal of Services Marketing*, Vol. 14 No. 5, pp. 392-410.

McNaughton, R.B., Osborn, P. and Imrie, B.C. (2002), "Market-oriented value creation in service firms", *European Journal of Marketing,* Vol. 36 Nos 9/10, pp. 990-1002.

Oliver, R.L. (1980), "A cognitive model of the antecedents and consequences of satisfaction decisions", *Journal of Marketing Research*, Vol. 17 No. 4, pp. 460-9.

Oliver, R.L. (1994), "Conceptual issues in the structural analysis of consumption emotion, satisfaction and quality: evidence in a service setting", *Advances in Consumer Research*, Vol. 21, pp. 16-22.

Oliver, R.L. (1999), "Whence consumer loyalty?", *Journal of Marketing*, Vol. 63, pp. 33-44.

Parasuraman, A. (1997), "Reflections on gaining competitive advantage through customer value", *Journal of Academy of Marketing Science*, Vol. 25 No. 2, pp. 154-61.

Pfeifer, P.E., Haskins, M.E. and Conroy, R.M. (2005), "Customer lifetime value, customer profitability, and the treatment of acquisition spending", *Journal of Managerial Issues*, Vol. 17 No. 1, pp. 11-25.

Ranaweera, C. and Praghu, J. (2003), "On the relative importance of customer satisfaction and trust as determinants of customer retention and positive word of mouth", *Journal of Targeting, Measurement and Analysis for Marketing*, Vol. 12 No. 1, pp. 82-90.

Reichheld, F. (1997), "Business loyalty", *Executive Excellence*, Vol. 14 No. 6, p. 19.

Reichheld, F. and Sasser, W.E. (1990), "Zero defections: quality comes to services", *Harvard Business Review*, Vol. 68, pp. 105-11.

Roig, J.C.F., Garcia, J.S., Tena, M.A.M. and Monzonis, J.L. (2006), "Customer perceived value in banking services", *International Journal of Bank Marketing*, Vol. 24 No. 5, pp. 266-83.

Slater, S.F. (1997), "Developing a customer value-based theory of the firm", *Journal of the Academy of Marketing Science*, Vol. 25 No. 2, pp. 162-7.

Slater, S.F. and Narver, J.C. (1994), "Market orientation, customer value and superior performance", *Business Horizons*, pp. 22-8, March/April.

Smith, J.B. and Colgate, M. (2007), "Customer value creation: a practical framework", *Journal of Marketing Theory and Practice*, Vol. 15 No. 1, pp. 7-23.

Tabachnick, B.G. and Fidell, L.S. (1989), *Using Multivariate Statistics*, 2nd, Harper & Row Publishers, New York, NY.

Teas, R.K. (1993), "Expectations, performance evaluation and consumers' perceptions of quality", *Journal of Marketing*, Vol. 57, pp. 18-34.

Treacy, M. and Wiersama, F. (1995), *The Discipline of Market Leaders*, Addison-Wesley, Reading, MA.

Vantrappen, H. (1992), "Creating customer value by streamlining business processes", *Long Range Planning*, Vol. 25 No. 1, pp. 53-62.

Weinstein, A. (2002), "Customer retention: a usage segmentation and customer value approach", *Journal of Targeting, Measurement and Analysis for Marketing*, Vol. 10 No. 3, pp. 259-68.

Weinstein, A., Johnson, W.C. and Barrett, H. (2004), "Creating value in service organizations via the S-Q-I-P model", *Proceedings of the Atlantic Marketing Association, Chattanooga, TN: October 6-9*, pp. 202-8.

Woodruff, R.B. (1997), "Customer value: the next source for competitive advantage", *Journal of the Academy of Marketing Science*, Vol. 25 No. 2, pp. 139-53.

Zahorik, A.J. and Rust, R.T. (1992), "Modeling the impact of service quality on profitability: a review", *Advances in Services Marketing and Management*, Vol. 1, pp. 247-76.

Zeithaml, V.A., Berry, L.L. and Parasuraman, A. (1996), "The behavioral consequences of service quality", *Journal of Marketing*, Vol. 60, pp. 31-46.

About the authors

Rene Trasorras is president of Trasorras Intelligence Group, a Tampa, Florida-based firm. In addition, he is an Adjunct Instructor of Marketing at the University of Phoenix and Eckerd College. His Doctorate in Business Administration is from Nova Southeastern University, Fort Lauderdale, Florida. His work on customer loyalty and retention has been published in the *Proceedings of the Association of Marketing Theory and Practice*.

Art Weinstein is Professor and Chair of Marketing at the H. Wayne Huizenga School of Business and Entrepreneurship at Nova Southeastern University. He received his PhD from Florida International University, Miami. His research interests are in market segmentation, customer value, and marketing strategy. His papers have been published in the *Journal of Marketing Theory and Practice*; *Journal of Strategic Marketing*; *Journal of Targeting, Measurement and Analysis for Marketing*; *Journal of Global Marketing*; *Entrepreneurship: Theory and Practice*; and the *Journal of Small Business Management* amongst others.

Russell Abratt is Professor of Marketing at the H. Wayne Huizenga School of Business and Entrepreneurship at Nova Southeastern University. He received his PhD from the University of Pretoria, South Africa. His research interests are mainly in marketing strategy and corporate reputation. His papers have been published in the *Journal of Advertising Research, European Journal of Marketing, Industrial Marketing Management, Journal of Marketing Management, Journal of Retailing and Consumer Services* and *Journal of Business Ethics* amongst others. Russell Abratt is the corresponding author and can be contacted at: abratt@huizenga.nova.edu