THE RELATIONAL DRIVERS OF COMMITMENT FOR DIFFERENT CUSTOMER GROUPS

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ABSTRACT

Services providers struggle to develop customer commitment. Within the services literature, questions exist regarding the simultaneous influence of quality, satisfaction, and value and its role on commitment, which is exacerbated by evidence that different customer groups may react differently to the influence of these constructs. The present research addresses these gaps in understanding of how to enhance longer-term commitment of low versus high relational retail customers. This study employs a cross-sectional, single retailer approach surveying 503 customers of a large pet supply chain. Conditional process analysis was used to test hypothesized indirect and direct relationships. Results were consistent with predictions. For low relational customers, satisfaction with employee encounters interacted with customer service quality to influence customer value. Specifically, customer value was positively enhanced with increasing quality perceptions when satisfaction was high. The influence of this interaction on customer continuance commitment was fully mediated by customer value. For high relational customers, service quality was fully mediated by customer value in influencing customer continuance commitment. High relational customers' satisfaction with employee encounters directly influenced their continuance commitment. This is one of few studies to simultaneously employ service quality,
satisfaction, and value constructs in models to examine indirect and direct effects for different relational customer groups. This research uniquely addresses the development of relational strategies to enhance the "lock-in" commitment - a strategically important outcome variable.

INTRODUCTION

Intense competition and decreasing loyalty characterize the retail environment in which firms struggle to develop strategies to enhance longer-term commitment from customers. As a result, the marketing literature has recently called for the revitalization of relationship marketing, a better understanding of the customer experience, a deeper understanding of the relationship between value *to* customers and value *from* customers, and the need for more nuanced considerations of customer commitment (Sheth 2016; Lemon and Verhoef 2016; Kumar and Reinartz 2016; Keiningham *et al*. 2015). Specifically, Sheth (2016) highlights the importance of "relationship" in relationship marketing and points to the need for greater customization and responsiveness in relationships. He terms the required shift in perspective as moving from "managing relationships with customers" to "managing joint ventures" with customers as a means of enhancing the process and outcomes of relationship marketing.

Another thread in the recent literature connects evolving thinking related to the

customer experience domain to prior work in the areas of satisfaction and quality, relationship marketing, and commitment. Lemon and Verhoef (2016) point to a strong need for the examination of how existing concepts (quality, satisfaction, commitment) interact in affecting the customer experience. These authors also tie the engagement of customers, a key aspect of the customer experience, to interactive experiences in focal relationships through specific touch points with service employees and social communities. They conclude that the outcomes of customer experience should be assessed through the effects of such touch points.

Owing to the centrality of value creation and capture in business, recent literature on customer value points to the need for more alignment between customer perceived value and customer-generated value (to the firm) (Kumar and Reinartz 2016). This implies the explicit consideration of linking perceptual and behavioral (recency-frequency-monetary value) measures as well as linking backward-looking (past) with forward-looking (future oriented) measures. Further, these authors note that customer perceived value has been omitted in some recent models and suggest that perceived value is an important mediating construct with influence over and above quality and satisfaction.

Finally, Keiningham *et al.* (2015) propose and test a more fine-grained conceptualization of customer commitment - an important relational outcome. They find differential effects for five distinct commitment dimensions on repurchase intent. Importantly, different results are associated with different contexts (goods vs. services). These authors also note that future research should examine different contexts such as how different customer groups (e.g., high versus low value customers) impact how different types of commitment work.

In summary, recent literature points to specific gaps related to the need for greater understanding of the influence of customization and responsiveness for critical customer touch points, for example, interactive experiences with service employees. Further, there is a need to explore how existing service relationship concepts (quality, satisfaction, perceived value, commitment) interact. Finally, at its foundation, relationship marketing seeks to understand differences among customer groups, particularly with respect to the aforementioned service relationship concepts and links to customer-generated value in order to better understand the customer experience as a means of effectively conceptualizing and implementing relational strategies. Based on the need to address these gaps, this research will simultaneously examine the relationships among perceived customer quality, satisfaction, and value and their indirect and direct effects on continuance ("lock-in") commitment for different service customer groups (identified as low and high frequency-monetary value) within the retail context of important customer service touch points.

QUALITY, SATISFACTION, AND VALUE

The question related to relationships among perceived quality, satisfaction and value is strongly rooted in the services literature. While there is consensus that these constructs are distinct (Cronin and Taylor 1992) there is much less agreement as to how these concepts interrelate. Service quality, a cognitive performance construct, is conceptualized as a measure of the provider's performance (Cronin and Taylor 1992) with important dimensions often tied to the performance of critical service touch points (i.e., service employees) (Zeithaml 1988). In general, quality has been found to be an antecedent of both satisfaction and value (c.f.

Patterson and Spreng 1997; Taylor 1997; Caruana *et al.* 2000; Baker *et al.* 2002) although it also has been conceived to be directly related to intentions (Zeithaml *et al.* 1996).

Satisfaction, in contrast to quality, is conceived as an overall affective evaluation based on how a customer feels about the service experience (or an aspect of the experience) (Rust and Oliver 1994; Petrick 2004). The satisfaction literature has typically viewed this construct as a key mediator of the influence of quality and value on intention or loyalty (c.f., Anderson and Fornell 1994; Bolton and Lemon 1999; Srivastava and Rai 2013). The possibility has also been raised and support found for satisfaction moderating the effects of quality on subsequent variables (Taylor and Baker 1994).

Perceived value is generally conceived as the consumers overall assessment of a service based on what is received and what is given or what a consumer gets for what they give up (Zeithaml 1988; Caruana *et al.* 2000). Some literature supports the notion of quality and satisfaction working through this construct (c.f., Cronin *et al.* 1997; Sirohi *et al.* 1998). Kumar and Reinartz (2016) note that customer perceived value has been omitted in some recent models and suggest that perceived value is an important mediating construct with influence over and above quality and satisfaction.

The preceding review is not meant to be exhaustive as excellent extensive reviews can be found in the literature (c.f., Cronin *et al.* 2000; Petrick 2004). Cronin *et al.* (2000) note that many studies do not include all three constructs and therefore do not allow for a more complete understanding of their simultaneous effects. As highlighted in the introduction, Lemon and Verhoef (2016) reemphasize the need for the examination of how concepts such as quality, satisfaction, and commitment interact in affecting the customer experience.

COMMITMENT AS A RELATIONAL OUTCOME

Much of the research on service quality, satisfaction, and/or value has examined the effects of these constructs on purchase intention. The present study extends literature by examining a related but equally important service outcome – continuance commitment.

While the concept of brand loyalty has been extensively studied, there has been much less attention focused on retailer loyalty (Wallace *et al.* 2004). This is somewhat surprising given that repeat purchasers are critical to service providers given the need to recoup high customer acquisition costs and to forestall defection to competitors (Wallace *et al.* 2004; Fornell 1992). Further underscoring the importance of this area is a recent global survey of more than 18,000 customers that shows a continued decline in service loyalty (Sullivan 2015).

Commitment has been viewed as an important construct in understanding loyalty and customer retention. Oliver (1997) conceives loyalty as "…a deeply help commitment to rebuy or repatronize… despite situational influences and marketing efforts having the potential to cause switching behavior." (p. 392) Commitment is conceived as an enduring desire to maintain a relationship (Moorman *et al.* 1992). As such, commitment is a key motivational construct for understanding relational behaviors (Fullerton 2005; Dean 2007). It has been used to differentiate spurious loyalty from true loyalty (Oliver 1999; Wu 2011).

Empirical evidence supports the notion that commitment is a multifaceted construct consisting of affective, calculative, and normative facets (Meyer and Allen 1997;

Meyer and Herscovitch 2001). Within the context of business-to-consumer research, two dimensions have received attention: affective commitment tied to identification with the relational partner and calculative commitment associated with dependence, switching costs, and lack of alternatives (Fullerton 2003; Bendapudi and Berry 1997; Gilliland and Bello 2002). When employing commitment, a majority of marketing research has operationalized it as affective commitment (Fullerton 2003; Hennig-Thurau *et al.* 2002). The significance of the multidimensional commitment construct is that it reflects different underlying psychological states which have different implications for behavior (Bansal *et al.* 2004).

Recently, Keiningham *et al.* (2015) extends this work to include five components - affective, normative, economic (high financial sacrifice), forced (lack of alternatives), and habitual – with differential effects for the commitment dimensions on repurchase intent. Notably, distinct results are associated with different contexts (goods vs. services). These authors suggest that future research should examine different contexts such as how different customer groups impact how different types of commitment work.

Of relevance to the present study is the recognition of commitment as an indicator of relational quality, as it has been regarded as a consequence of positive relational interactions (De Wulf *et al.* 2001; Dwyer *et al.* 1987). Commitment is the key dependent variable in this study and is defined as *an enduring desire to continue a relationship with a retailer including a willingness to make efforts to maintain the relationship.* This conceptualization is consistent with the work of Morgan and Hunt (1994) and De Wulf *et al.* (2001) and, owing to this definition, can be termed "continuance" commitment. Note that this

type of commitment is more robust than calculative commitment or its decomposed components economic commitment, based on financial sacrifice, of forced commitment, based on a lack of alternatives, as it captures a consumer's willingness to make efforts to maintain the relationship (e.g., a desire to "go the extra mile" to remain a customer). As noted by Gustafsson *et al.* (2005), this type of commitment captures the competitiveness of the value proposition in binding customers in relationships, and as such it is an important strategic construct for understanding relational outcomes in competitive service contexts. Finally, Gustafsson *et al.* (2005) recommend the use of this type of commitment in studies interested in customer retention.

DIFFERENCES ACROSS CUSTOMER GROUPS

Within the marketing literature, questions exist regarding the simultaneous influence of perceived quality, satisfaction, and value which make it hard to understand differences across customer groups and ultimately conceptualize and implement relational strategies. In addition, evidence exists to support differential effects of such constructs for various customer groups (Garbarino and Johnson 1999; Tsai *et al.* 2006; Curtis *et al.* 2011). A foundational idea of relational marketing is that there is a continuum of customer relationships ranging from transactional to relational orientations (Dwyer *et al.* 1987; Jackson 1985). A clear implication of this line of thinking is the recognition that customers differ on their desired relationship and that companies should pursue different strategies depending on the orientations of their customers (Anderson and Narus 1990).

Extending this thinking has led to the idea of customer prioritization – that groups of customers receive different treatment depending on their level of actual or potential

sales (Zeithaml *et al.* 2001; Bolton *et al.* 2004). This approach should lead to more effective and efficient marketing with a focus on priority customers and ultimately to higher firm profits (Zeithaml *et al.* 2001). As noted in Homburg *et al.* (2008) despite proposed benefits, customer prioritization has been critiqued in terms of the potential to overlook lower priority customers which can lead to their dissatisfaction, defection, and negative word of mouth. Further, such an approach might mitigate benefits from economies of scale and a more balanced portfolio of customers (Homburg *et al.* 2008; Brady 2000).

The objective of this study is to examine relationships among perceived quality, satisfaction and value in explaining continuance ("lock-in") commitment for different retail customer groups. The present research employs low and high frequency-monetary (FM) value to categorize customers in terms of strategically significant customer-generated value to the firm (c.f. De Wulf *et al.* 2001; Sirohi *et al.* 1998). Two models are proposed with differing indirect and direct relationships among constructs depending on FM value. For low FM value customers, an interaction between quality and satisfaction that works through perceived value to influence continuance commitment is hypothesized. In contrast, for high FM value customers it is hypothesized that quality will work through value to influence continuance commitment with a direct effect of satisfaction on continuance commitment. Justification is now provided for differential relationships among constructs depending on the FM value of a customer group within the retail context of this study.

An important dynamic of the retail sector relates to the use of customer service staff knowledge and skills as a means of strengthening competitive advantage. Indeed, employees of the focal retailer of this research, a pet supply chain, earn pet nutrition advisor certification which allows them to provide customized solutions for health and weight management for the pets of their customers. Thus, as with many service industries the evaluation of the service is inextricably tied to the front-line employees (Gronroos 1990; Bitner *et al.* 1990) with front-line employees largely determining customers service perceptions (Brady and Cronin Jr. 2001; Wall and Berry 2007). Hartline and Ferrell (1996) suggest that the employee-customer relationship is the most important determinant of service quality. Beyond impacting service quality, perceptions of service employees were found to be key drivers for customer satisfaction, customer commitment, and customer retention and, as such, are significant determinants of firm success (Hennig-Thurau 2004). In keeping with the admonition in the literature that constructs should be tailored to the context of investigations (c.f. Cronin and Taylor 1992; Parasuaman *et al.* 1993) and that constructs such as satisfaction might be oriented to the focal employee providing the service (Davidow 2012), the quality and satisfaction constructs in this study focus on customer service and employee encounters.

For low FM value customers, a more transactional orientation should predominate with the desire for more limited communication and a performance for money mindset (Macneil 1980; Dwyer *et al.* 1987) indicative of lower involvement with the retailer and their personnel. Further, the principle of reciprocity, as a foundation of social exchange should also be in play (Bagozzi 1995). Reciprocity motivates parties to maintain the *nature* of a relationship (in this case, performance for money-oriented) in accordance with exhibited resources and behavior (De Wulf *et al.* 2001). Therefore, under such conditions, expectations related to more transactional (performance for money) reciprocity between parties should strengthen the

salience of perceived value and decrease the salience of social/interpersonal aspects of the relationship. Therefore, we propose that for low FM value customers, customer service quality will interact with (be moderated by) satisfaction with employee encounters to influence customer perceived value. Further, the interaction of customer service quality and satisfaction with employee encounters will work through (be mediated by) perceived value as this construct should be the immediate antecedent to continuance commitment for low FM customers.

Specifically, several studies support service quality as an antecedent to satisfaction (Brady and Robertson 2001; McDougall and Levesque 2000; Patterson and Spreng 1997; Cronin and Taylor 1992). Further, the possibility has been raised and support found for satisfaction moderating the quality-intention relationship (Taylor and Baker 1994). Literature also supports perceived value as the immediate antecedent to intention and loyalty with quality and/or satisfaction working through this construct (c.f., Cronin *et al.* 1997; Sirohi *et al.* 1998; Cretu and Brodie 2007). Therefore, owing to the more transactional nature of low FM value customers, it is proposed that the

cognitive, solutions-related (customer service quality) and affective (satisfaction with employee encounters) constructs will interact as less proximal determinants of commitment. Further, given the heightened "performance for money" mindset for more transactional customers, the interaction of quality and satisfaction should be mediated by perceived value ("what you get for what you pay"). Thus, it is hypothesized that:

H1a: For low FM value customers, customer service quality will interact with (be moderated by) satisfaction with employee encounters to influence customer perceived value such that higher quality perceptions will have a stronger effect on perceived value for higher perceptions of satisfaction (please refer to Figure 1).

H1b: For low FM value customers, the interaction of customer service quality and satisfaction with employee encounters will work through (be mediated by) perceived value to influence customer continuance commitment.

FIGURE 1
**Hypothesized Model for Low FM Value Customers**
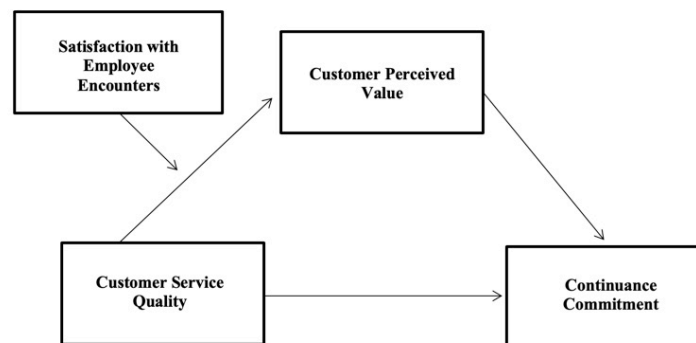
In contrast to low FM value customers, high FM value customers are more sensitive to interpersonal and emotional elements in interactive relationships (Macneil 1980; Dwyer *et al.* 1987; Garbarino and Johnson 1999) indicative of higher involvement with the retailer and their personnel. Again, reciprocity should also motivate parties to maintain the *nature* of the relationship (in this case, socially/emotionally-oriented) consistent with exhibited resources and behavior which should further reinforce the nature of the relationship. Therefore, under such conditions, expectations related to relational reciprocity between parties should increase the salience of the social/emotional aspects of interactions which should increase their prominence as drivers of continuance commitment. Thus, this study proposes that for FM value customers, the cognitive, solutions-related performance construct (customer service quality) will work through (be mediated by) customer perceived value to influence customer continuance commitment. In addition, the affective evaluation construct (satisfaction with employee encounters) will also directly influence customer continuance commitment.

Extensive literature supports a service quality to perceived value link (c.f. Zeithaml 1988; Cronin *et al.* 2000; Parasuraman and Grewal 2000; Petrick and Backman 2002). Further, value and satisfaction have been found to be direct antecedents of behavioral intention (c.f. Cronin *et al.* 2000; Oh 2000; Petrick and Backman 2002). Therefore, owing to the more relational nature of high FM value customers, it is proposed that the cognitive, solutions-related performance construct (customer service quality) will work through the customer perceived value ("what you get for what you pay") to influence continuance commitment. However, in addition to customer perceived value, high FM value customers, given the salience of interpersonal and emotional elements, should manifest a direct effect of the affective construct of satisfaction with employee encounters on continuance commitment rather than this construct combining with or working through the cognitive constructs of quality and value as with low FM value customers. It is formally hypothesized that:

H2a: For high FM value customers, customer service quality will work through (be mediated by) customer perceived value to influence customer continuance commitment (please refer to Figure 2).

FIGURE 2
Hypothesized Model for High FM Value Customers
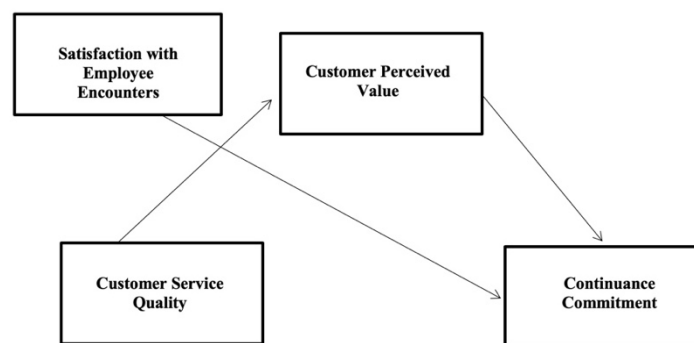
H2b: For high FM value customers, satisfaction with employee encounters will directly influence customer continuance commitment.

METHOD

Context, Procedure, and Sample

Customers of a pet supply retailer were selected as the sampling frame for this research. Specifically, customers of a top ten pet supply retailer were studied. The market for pet food, supplies, and over the counter medicine is between $35-40 billion annually with a typical dog or cat owner spending around $500 per year for these pet supply categories (American Pet Products Association Inc. 2016). The industry has been growing with increasing competition consisting of expanding pet supply chains, increasing Internet retailers, and expanding grocery and mass outlets competing in this category (Kalaygian 2016).

Interesting customer service dynamics characterize the industry. First, many pet owners treat their dog and/or cat as a family member and are thus willing to spend more for premium products and services for their pets. Second, over 50% of dogs and cats are overweight and as a consequence there is a need for weight management for these animals consisting of customized food options. Third, consistent with other competitive service industries loyalty is on the decline in the pet supply industry. Finally, in response to industry dynamics some retailers are focusing on upgrading customer service staff knowledge and skills as a means of strengthening their value proposition (Stewart 2014; Carter 2016).

This study employs a cross-sectional, single retailer approach that provides control over contextual effects (c.f. Garbarino and Johnson 1999; Jap and Ganesan 2000; Liu 2007). Even though the relationships are constrained to a single retailer, an acceptable amount of variance can be expected given that the retailer has multiple retail locations where customer experiences could differ. Data originated from customers of 14 stores in Wisconsin, Alabama, and Texas.

An online survey was used to solicit customers with a $10 coupon as an incentive for survey completion. Customers were randomly selected for participation based on frequency of visits and dollars spent over the prior 180 days to obtain low and high frequency-monetary (FM) groups - an approach similar to that used by marketing researchers and retailers (c.f. Garbarino and Johnson 1999; De Wulf *et al.* 2001; Kumar and Reinartz 2016). The distribution procedure resulted in approximately 500 usable questionnaires with respondents partitioned into low (n=299) and high (n=204) FM value groups.

Seventy-eight percent of the respondents were female. A majority of respondents were married (54%). Most respondents were between the ages of 35-54 (41%), followed by 26-34 (22%). Respondents tended to be college graduates (41%) or have some college experience (28%). Many respondents reported management/professional occupations (43%). Approximately 1/3 of respondents reported household incomes between $50,000-$100,000.

Measures

The questionnaire included mostly multi-item measures of the constructs presented in the models in Figures 1 and 2 in addition to demographic descriptors. Construct measures were adapted from previously published scales that have exhibited acceptable levels of reliability and validity. In keeping with the recommendation in the services literature that constructs be tailored to important context-specific aspects, quality and satisfaction constructs focus on customer service and employee encounters.

Perceived customer service quality consisted of three, ten-point items relating to the perceived performance of the retailer's customer service, its consistency, and the ability of employees to answer questions; this is consistent with prior research with a focus on solutions-based (service delivery) aspects of a service (Howat *et al.* 1999). *Perceived satisfaction with employee encounters* was measured via three, five-point items relating to customer feelings of satisfaction, pleasure, and happiness associated with their experience with the retailer's employees, consistent with Rust and Oliver (1994) and Jones *et al.* (2000). *Perceived customer value* consisted of a single, ten-point item asking customers to rate the value of the retailer–what you get for the price you pay, consistent with Bolton and Drew (1991), McDougall and Levesque (2000), and Cretu and Brodie (2007). *Continuance commitment* consisted of three, five-point items relating to the customer's desire to "go the extra mile" to remain a customer and to keep visiting the retailer even if it became harder to reach, as well as if prices increased (adapted from De Wulf *et al.* 2001).

RESULTS

Following Garbarino and Johnson (1999) mean differences for theoretical constructs were examined to verify relational aspects of low and high FM value customer groups as these were partitioned based on the strategically and managerially relevant indicators (frequency of visits and sales). Table 1 summarizes differences for the customer groups. All four constructs are significantly different in the expected direction ($p < .00$) supporting the theoretical assumptions for low vs. high FM value customers with the high FM value group having stronger relational indicators corresponding to greater frequency of visits and sales.

Recall that the purpose of this study is to test indirect (i.e., moderating and mediating relationships) as well as direct effects of the quality, satisfaction, and value constructs influence on continuance ("lock-in") commitment for different retail customer groups (low and high FM value).

TABLE 1
Differences Between Low and High FM Value Customers

Constructs	Low FM Value Customers Mean (SD)	High FM Value Customers Mean (SD)	p
Customer Service Quality	8.31 (1.68)	8.98 (1.33)	.00
Satisfaction with Employee Encounters	4.38 (0.76)	4.59 (0.55)	.00
Perceived Value	7.59 (1.88)	8.40 (1.69)	.00
Continuance Commitment	2.89 (0.90)	3.28 (0.89)	.00

As a precursor to analyses, reliability, convergent validity, and discriminant validity were assessed for multi-item measures by FM value group. For each group, all multi-item measures were above recommended thresholds for composite reliabilities (range across groups =.83-.94) and Cronbach's Alphas (range =.83-.93). Confirmatory factor analysis (AMOS 18) was used to assess the convergent validity of measures. Across each group, observed indicators were all statistically significant ($p < .01$) for their corresponding factors. Measurement model fit statistics χ^2 (24) = 40.75, $p < .02$, NNFI = .98, CFI= .99, RMSEA = .05 (low FM value group) and χ^2 (24) = 29.44, $p < .20$, NNFI = .98, CFI= .99, RMSEA = .03 (high FM value group), suggest that observed indicators are representative of constructs. Across groups, the amount of variance extracted (AVE) for each multi-item construct ranged from .62-.83.

With respect to discriminant validity, for both groups, the amount of variance extracted for each construct is greater than the squared correlation between constructs. Overall, results provide support for convergent and discriminant validity of construct measures (Fornell and Larker 1981; Hu and Bentler 1999; Hair *et al.* 2006; Bagozzi and Yi 1988). Summated scores of the multi-item scales were used to address the research hypotheses. Tables 2 and 3 present measure items and loadings for the customer groups used in this study. Tables 4 and 5 provide the means, standard deviations, and correlations of the measures for each group.

TABLE 2
Results Of Confirmatory Factor Analysis For Low FM Value Customers

Constructs and Items	Standardized Coefficient
Customer Service Quality *(scaled: poor(1)/excellent(10))*	
How would you rate these aspects of XXX?	
Customer service	.97
Consistency across visits	.87
Employee ability to answer pet-related questions	.86
Satisfaction with Employee Encounters	
How do you feel about your employee encounter experience at XXX?	
Dissatisfied(1)/Satisfied(5)	.92
Displeased(1)/Pleased(5)	.86
Unhappy(1)/Happy(5)	.95
Continuance Commitment *(scaled: strongly disagree(1)/strongly agree(5))*	
Indicate your level of agreement with the following statements regarding your relationship with XXX.	
Would keep visiting XXX even if it became harder to reach	.75
Would keep buying at XXX even if prices increase	.80
Would "go the extra mile" to remain an XXX customer	.82

Note: All standardized coefficients are significant at *p*<.0

TABLE 3
Results Of Confirmatory Factor Analysis For High FM Value Customers

Constructs and Items	Standardized Coefficient
Customer Service Quality *(scaled: poor(1)/excellent(10))*	
How would you rate these aspects of XXX?	
Customer service	.92
Consistency across visits	.88
Employee ability to answer pet-related questions	.88
Satisfaction with Employee Encounters	
How do you feel about your employee encounter experience at XXX?	
Dissatisfied(1)/Satisfied(5)	.87
Displeased(1)/Pleased(5)	.74
Unhappy(1)/Happy(5)	.90
Continuance Commitment *(scaled: strongly disagree(1)/strongly agree(5))*	
Indicate your level of agreement with the following statements regarding your relationship with XXX.	
Would keep visiting XXX even if it became harder to reach	.74
Would keep buying at XXX even if prices increase	.80
Would "go the extra mile" to remain an XXX customer	.87

Note: All standardized coefficients are significant at $p<.01$.

TABLE 4
Descriptives Statistics for Study Constructs for Low FM Value Customers

	Mean	Standard Deviation	X1	X2	X3	X4
X1 Customer Service Quality	8.31	1.68	--			
X2 Satisfaction with Employee Encounters	4.38	.76	.76**	--		
X3 Perceived Value	7.59	1.88	.66**	.48**	--	
X4 Continuance Commitment	2.89	.90	.46**	.39**	.51**	--

** Correlation is significant at $p<.01$.

TABLE 5
Descriptives Statistics for Study Constructs for High FM Value Customers

	Mean	Standard Deviation	X1	X2	X3	X4
X1 Customer Service Quality	8.98	1.33	--			
X2 Satisfaction with Employee Encounters	4.59	.55	.74**	--		
X3 Perceived Value	8.40	1.69	.61**	.44**	--	
X4 Continuance Commitment	3.28	.89	.51**	.44**	.59**	--

** Correlation is significant at $p<.01$.

For low FM value customers, hypotheses suggest that the moderating effect of satisfaction on quality works through value to influence continuance commitment. Considered together, the two hypotheses represent a mediated moderation model (Preacher *et al.* 2007).

Following Preacher *et al.* (2007), two regression equations were estimated for customers in the low relational group. For the first equation, quality, satisfaction, and the interaction term, (quality x satisfaction) are entered as predictors of customer perceived value. For the second equation, the quality, satisfaction, interaction term, and perceived value are entered as predictors of continuance commitment.

Conditional process analysis is required with the hypothesized model as the effect of the independent variable should differ in strength as a function of the proposed moderating effect and then work through the proposed mediator to impact the dependent variable (Hayes 2013). That is, the effect of quality should be conditional on the level of satisfaction and work through customer value to influence continuance commitment. The study variables were loaded into the Process macro (Hayes 2013) in SPSS 21. Mean centering was used given the potential negative effects of collinearity between regressor variables (independent variables and interaction terms) required for analysis (Shieh 2011). Results of the analysis to test the conditional effects model (Figure 1) are presented in Table 6.

Table 6 shows that H1a (for the low FM value group) is supported with the proposed interaction effect (quality x satisfaction) highly significant ($p<.00$) in the regression equation predicting customer perceived value (R^2 change $= .02$, F (1, 295) $= 8.20$, $p<.00$). Further, H1b (also for the low FM value group) is supported with the mediator effect of customer perceived value highly significant in the regression equation predicting continuance commitment ($p<.00$) while the direct effect of the interaction term is nonsignificant ($p<.44$).

To depict the nature of the interaction effect associated with the first regression equation predicting customer perceived value for individuals in the low FM value group, slopes are plotted for individuals one standard deviation above the mean (Mean = 5.00) and for individuals one standard deviation below the mean (Mean = 2.84) for satisfaction. Figure 3 displays the interaction effect on customer perceived value. For highly satisfied customers, higher quality had a stronger effect on perceived value (F (1, 132) =40.83, $p<.01$) than for customers with lower satisfaction (F (1, 38) =10.19, $p<.01$), although both effects are highly significant.

TABLE 6
Linear Regression Results for Low FM Value Customers

| | Consequent | | | | | |
| | Customer Perceived Value | | | Continuance Commitment | | |
Antecedents	Coeff.	SE	p	Coeff.	SE	p
CS Quality	.81	.08	.00	.07	.05	.15
Satisfaction with EE	.09	.18	.64	.18	.10	.07
Quality X Satisfaction	.17	.06	.00	.03	.03	.44
Perceived Value	---	---	---	.17	.03	.00
Constant	7.43	.10	.00	1.55	.24	.00
	$R^2 = .45$			$R^2 = .29$		
	$F(3,295) = 81.15, p<.00$			$F(4,294) = 30.34, p<.00$		

FIGURE 3

Interactive Effects of Customer Service Quality and Satisfaction with Employee Encounters On Customer Perceived Value For Low FM Value Customers
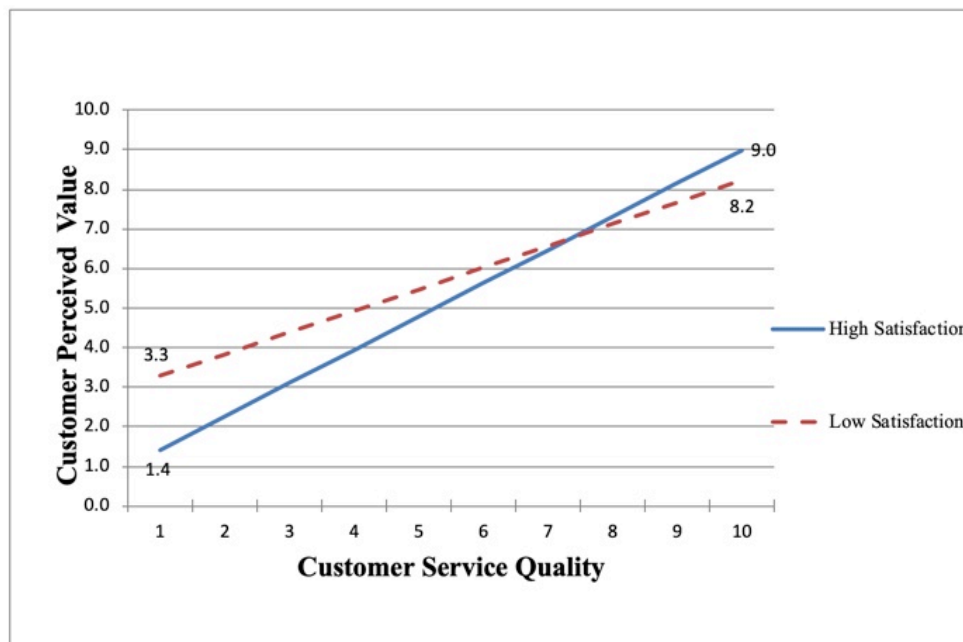
The test of mediated moderation can be derived from the conditional indirect effects that are provided by the bootstrapping results. Table 7 displays the bootstrapping results for the conditional indirect effect of the moderation at various levels (i.e., low = one standard deviation below the mean, medium = at the mean, and high = one standard deviation above the mean) working through perceived value to influence continuance commitment. The "Effect" column in Table 7 shows the combined effect of the interaction on continuance commitment at various values working through the mediator. Confidence intervals (lower level - upper level) that exclude zero are evidence of an effect statistically different from zero. Thus, mediated moderation would be indicated when there is evidence for mediation with the effect of the proposed moderator working through the effect of the proposed mediator. Support for mediated moderation is provided in that significant effects are indicated for all three confidence intervals as all exclude zero with effects increasing for higher levels of the moderator.

For the high FM value customers, hypotheses suggest that the effect of quality works through perceived value to influence continuance commitment. In contrast to the low FM value customers, a direct effect of satisfaction on continuance commitment is expected. Considered together, the two hypotheses represent a mediated and direct effects model. Again, two regression equations were estimated for customers in the high FM value group. As before, for the first equation, quality, satisfaction, and the interaction term, (quality x satisfaction) are entered as predictors of customer perceived value. For the second equation, the quality, satisfaction, interaction term, and perceived value are entered as predictors of continuance commitment. The study variables were loaded into the Process macro (Hayes 2013) in SPSS 21. Again, mean centering was used given the potential negative effects of collinearity between regressor variables. Results of the analysis to test the conditional effects model (Figure 2) are presented in Table 8.

TABLE 7
Indirect Effects Of Quality On Continuance Commitment Values of The Moderator for Low FM Value Customers

Mediator	Value of Moderator*	Effect	Bootstrap SE	Lower Level CI	Upper Level CI
Perceived Value	-.759	.119	.030	.065	.179**
Perceived Value	.000	.141	.033	.081	.209**
Perceived Value	.617	.159	.037	.092	.237**

*Values for moderator are for the mean and +/- one SD from the mean.
**signifies a 95% confidence interval.

TABLE 8
Linear Regression Results for High FM Value Customers

| | Consequent | | | | | |
| | Customer Perceived Value | | | Continuance Commitment | | |
Antecedents	Coeff.	SE	p	Coeff.	SE	p
CS Quality	.84	.11	.00	.13	.07	.06
Satisfaction with EE	-.04	.26	.88	.31	.14	.02
Quality X Satisfaction	.09	.10	.40	.10	.05	.07
Perceived Value	---	---	---	.24	.04	.00
Constant	8.35	.11	.00	1.26	.31	.00
	$R^2 = .38$			$R^2 = .41$		
	$F(3, 200) = 40.10, p<.00$			$F(4, 199) = 34.18, p<.00$		

Table 8 shows that H2a (for the high FM value group) is supported with the effect of quality significant ($p < .00$) in the regression equation predicting customer perceived value while the effects of satisfaction and the interaction term are not. Further, the mediator effect of customer perceived value is highly significant in the regression equation predicting continuance commitment ($p < .00$) while the direct effect of quality is nonsignificant. H2b (for the high FM valuer group) is supported with a significant direct effect of satisfaction on continuance commitment observed ($p < .02$) with no other significant effects other than perceived value in the equation predicting continuance commitment.

As a precaution, variance inflation factors (VIFs) were examined for low and high FM groups to assess the effects of collinearity among the independent variables and interaction terms. For the first equations, VIFs ranged from $2.15 - 3.12$. For the second equations, VIFs ranged from $1.60 - 3.06$.

Thus, as a result of mean centering, a collinearity problem is not indicated (Hair *et al.* 2006).

In summary, consistent with predictions for low FM value customers, satisfaction with employee encounters interacts with customer service quality perceptions to influence the customer perceived value of shopping at the retailer. Specifically, customer perceived value is positively enhanced with increasing quality perceptions when satisfaction is also high. Further, the influence of this interaction on customer continuance commitment is fully mediated by customer perceived value. Consistent with predictions for high FM value customers, service quality perceptions were fully mediated by customer perceived value in influencing customer continuance commitment. Further, in contrast to low FM value customers, for high FM value customers, satisfaction with employee encounters directly influences customer continuance commitment.

DISCUSSION

With intensifying competition and decreasing loyalty, retailers are facing a daunting challenge to develop effective strategies. Recent marketing literature points to specific gaps related to the need for greater understanding of the influence of customization and responsiveness for critical customer touch points. In addition, there is a need to explore how existing service relationship concepts (quality, satisfaction, perceived value, commitment) interact. Finally, at its foundation, relationship marketing seeks to understand differences among customer groups, particularly with respect to the aforementioned service relationship concepts and links to customer-generated value in order to better understand the customer experience as a means of conceptualizing and implementing relational strategies.

Based on the need to address these gaps, this research simultaneously examined the relationships among perceived customer quality, satisfaction, and value and their indirect and direct effects on continuance ("lock-in") commitment for different service customer groups (identified as low and high frequency-monetary value) within the retail context of an important customer service employee touch point. This is one of the few studies to simultaneously employ service quality, satisfaction, and perceived value constructs in models to examine indirect and direct effects for different relational customer groups. The models evidence relatively large R-squares in explaining variance in customer perceived value and continuance commitment constructs.

This study proposes and finds support for differential relationships among customer perceived quality, satisfaction, value, and commitment for different frequency-monetary (FM) value customer groups in the pet supply industry. Specifically, for low FM value customers, satisfaction with employee encounters interacts with customer service quality perceptions to influence the customer perceived value of shopping at the retailer. Customer perceived value is positively enhanced with increasing quality perceptions when satisfaction is also high. Further, the influence of this interaction on customer continuance commitment is fully mediated by perceived value. For high FM value customers, service quality perceptions were fully mediated by customer perceived value in influencing customer continuance commitment. Further, in contrast to low FM value customers, for high FM value customers, satisfaction with employee encounters directly influences customer continuance commitment.

This research contributes to the extant marketing literature in a number of ways. First, this study complements work in relationship marketing which has reemphasized the importance of "relationship" and points to the need for greater customization and responsiveness in marketing efforts (Sheth 2016). Further, empirical work that has found differential effects for customers with different relational orientations (c.f. Garbarino and Johnson 1999; Tsai *et al.*, 2006) has been extended with the addition of unique constructs, relationships, and context.

Second, the study also addresses calls in the marketing and service literatures to include multiple constructs (e.g. quality, satisfaction, value, commitment) to allow for a more complete understanding of their simultaneous effects (Lemon and Verhoef 2016; Cronin, *et al.* 2000).

In addition, recall that recent literature on customer value has pointed to the need for more alignment between customer perceived value and customer-generated value (Kumar and Reinartz 2016). This study has employed a behavioral measure (prior frequency-monetary value to the firm) as a grouping variable and has also incorporated such

perceptual variables as customer quality, satisfaction, and value and to link past behavior to future continuance commitment.

Specifically, support for the interaction between quality and satisfaction perceptions was found, which parallels findings of Taylor and Baker (1994). However, this study adds to the literature by proposing and finding this effect working through customer perceived value to influence commitment for low FM value consumers. Taylor and Baker (1994) noted that interactive effects may vary across industries. This research extends thinking in this area by suggesting that these interactive effects might vary across relational customer groups which could alter how we think about findings in previous research.

Finding that quality is an antecedent of customer perceived value for both low and high FM value groups is consistent with prior relationships identified in the service literature (c.f. Cronin, *et al.* 2000). In addition, finding that perceived value is a proximal antecedent to commitment for both low and high value groups parallels results in the service literature which support value as an immediate antecedent to other key service outcomes (c.f. Cronin *et al.* 1997; Sirohi *et al.* 1998). This finding is also in line with the thinking of Kumar and Reinartz (2016) who suggest that customer perceived value is an important mediating construct with influence over and above quality and satisfaction and that perceived value be included in models examining customer-firm relationships.

In the present research, for high FM value customers, satisfaction was also found to be directly related to commitment. This finding supports literature that has conceived of this construct as an immediate antecedent of outcomes (c.f. Anderson and Fornell 1994; Cronin and Taylor 1992; Bolton and Lemon 1999; Patterson and Spreng 1997). It also begins to address questions in the literature as to whether customer perceived value is a substitute for satisfaction (Eggert and Ulga 2002). The notion that the nature of customer groups may provide boundary conditions as to how satisfaction works in combination with other constructs would be useful to explore in future relational models.

Taken together, results for the mediational effect of customer perceived value (for both customer groups) and the direct effect for satisfaction for high FM value customers supports calls in the literature for research that addresses transitioning mechanisms whereby consumers move from considerations of quality and superiority to more committed relationships (Oliver 1999). It appears that, in the context of the present study, for low FM value customers, perceived value may serve as an integrating mechanism for cognitive performance appraisals (perceived quality) and affective evaluations (satisfaction) in driving continuance commitment. Further, for high FM value customers, a different transitioning process is suggested with the cognitive components (quality and value) and the affective component (satisfaction) taking two distinct routes as antecedents to continuance commitment.

This research further contributes to the marketing literature through the inclusion of a strategically important dependent variable – continuance commitment. Continuance commitment is defined as an enduring desire to continue a relationship including a willingness to make efforts to maintain the relationship and, as such, is a key "forward looking" construct for understanding relational behaviors. As noted earlier, a majority of service literature has employed purchase intention and a majority of relational literature has examined affective commitment. Most recently, Keiningham *et al.* (2015) propose a more fine-grained conceptualization of customer commitment which includes five distinct commitment

dimensions consisting of affective, normative, economic (high financial sacrifice), forced (lack of alternatives), and habitual. Importantly, different results are associated with different contexts (goods vs. services). Interestingly, the research of Keiningham *et al.* (2015) operationalized economic commitment in terms of the economic benefits of the relationship and found it to be a strong predictor of repurchase intention for services relative to goods. In the present research, continuance commitment was operationalized as a willingness to "go the extra mile" to remain a retail customer even if prices increased or it became harder to reach and is, thus, a more robust conceptualization of relational "stickiness" beyond economic commitment. Of note is the fact that the relational constructs (customer perceived quality satisfaction and value) were strongly related to this type of commitment albeit in different ways for low and high FM value retail customer groups.

While prior research has linked economic rewards to continuance commitment (Melancon *et al.* 2011), the present study found satisfaction with employee encounters (an affective construct) in addition to customer perceived value to be proximal antecedents of continuance commitment for high FM value customers. Affective relational elements that increase enjoyment and satisfaction with an entity have typically been associated with affective commitment (c.f. Allen and Meyer 1996). The idea that relational elements may also be related to continuance commitment has potentially important strategic implications and highlights the importance of examining antecedents and consequences of different types of commitment for different relational customer groups. For example, would advocacy, a relational outcome construct typically associated with affective commitment, also be associated with

continuance commitment for high FM value customers?

Future research can investigate the generalizability of these results to online retail contexts. Tsai *et al.* (2006) offer an example in this direction, however, they employed the oft used repurchase intention and not commitment as their key dependent variable. Given that online retailers are contributing to competitive intensity in many industries, continuance commitment would be of strategic significance to include in future studies in the online context. Would current findings hold under virtual rather than face-to-face interaction? Yen and Gwinner (2003) note the possibilities of personalization for virtual environments with current database capabilities.

Managerial Implications

Relational marketing implies that customers differ on their desired relationship and that companies should pursue more relational and/or transactional strategies depending on the orientations of their customers (Anderson and Narus 1990). This idea has been elaborated in the notion of customer prioritization – that customer groups receive different treatment depending on their level of actual or potential sales and that this should lead to more effective and efficient marketing (Zeithaml *et al.* 2001). However, prioritization has been criticized in terms of the potential to overlook lower priority customers which can lead to their dissatisfaction, defection, and negative word of mouth. Further, such an approach might mitigate benefits from economies of scale and a more balanced portfolio of customers (Homburg *et al.* 2008; Brady 2000).

To build and sustain customer relationships, firms need customer information that is consistent with relationship management theory. Doing so implies firms develop customer-specific practices that reflect customer-firm dynamics

(Sheth 2016; Venkatesan and Kumar 2004). The present research provides an example of such nuanced information related to customer relational processes which can provide guidance to firms in their interaction with customer groups (Jayachandran *et al.* 2005).

Findings point to consistency between low and high FM value pet supply customers in that service quality perceptions work through overall perceived value to influence continuance commitment. Thus, customer perceived value appears to be a mediator of the effects of quality perceptions. Findings also highlight differences between customer groups. For low FM value customers, satisfaction with employee encounters interacts with quality perceptions to influence overall perceived value which, in turn, influences commitment. Thus, solutions-based, "value for the money" messages (face-to-face, print, and online) would appear to be important for both customer groups. However, they should be the focal point of marketing for low FM value customers. In contrast, for high FM value customers, satisfaction with employee encounters also directly influences customer continuance commitment along with customer perceived value. Thus, for these customers, customized, face-to-face employee interactions that include "deeper" co-sharing of information and co-learning combined with relational nurture would also be important (Sheth 2016; Mittal and Sheth 2001). In addition, expressions of caring with respect to the owner and their pet (employee benevolence) would also be consistent with high relational customer communication desires and outcomes (Saxby *et al.* 2015). In this way, such relationship marketing efforts can more effectively impact customer relationship performance which can ultimately manifest in better retention of both high and low FM value customer groups (Jayachandran *et al.* 2005).

Limitations

As with any single study, this research has several limitations. The study is limited to one industry, pet suppliers. Although a unique context, its dynamics parallel similar business-to-consumer services with an equivalent degree of employee-customer interaction, yet generalization of these results should be made with caution. Another limitation relates to the study's cross-sectional, single-source design. Future longitudinal research could assess similar relational processes over time. This limitation notwithstanding, measures showed good discriminant validity and common methods variance is not as likely to account for interaction effects, a focus of this study, as method variance should increase correlations consistently between construct measures (Aiken and West 1991).

An additional limitation relates to the single item measure of perceived value that is used in research in organizational and consumer contexts. The work of Wanous *et al.* (1997) and Fuchs and Diamantopoulos (2009) suggest that the use of single-item measures is not necessarily a "fatal flaw" in research. These researchers argue that single-item measures are acceptable if what is being measured is not ambiguous to the respondent. In the present context, respondents, being repeat customers, were quite familiar with the experience of shopping at the pet store and as such the single-item measure was deemed acceptable. Although the measure follows practice in prior research, future research could employ multi-item measures of this construct (Kumar and Reinartz 2016). Future research could also employ additional aspects of quality and satisfaction beyond customer service aspects; although, this is an important competitive element of the pet supply industry as well as other retail settings. Further, the notion of the locus of loyalty has been raised in related research (Salegna and Fazel 2011). This idea

could be applied to the present research in that affective commitment could be applied to front-line employees as well as to the retailer. Finally, additional constructs and measures could be included. For example, variables such as trust (c.f., Garbarino and Johnson 1999; Tsai *et al.* 2006) and positive word of mouth (c.f. Petrick 2004) have been employed in related research and might provide additional insights in models related to low and high relational customers.

In conclusion, there appears to be a need for continuing research on the complexities among customer perceived quality, satisfaction, value, and commitment for different types of customer groups. However, it is certainly a worthy pursuit as understanding of relationships among these constructs will allow service providers to more effectively understand and operationalize relationships with customers that ultimately allow for better alignment between the co-creation of customer and firm value.

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