The Effect of Relationship Satisfaction in Customer Loyalty: Case Study of Moroccan Agri-Food Industries

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Abstract

Agri-food industries are an important sector in Moroccan economy with 30% of total industrial production in the country. The objective of this paper is to investigate the relationship between agri-food industries and their distributors. It aims to study how relationship satisfaction affects distributor's loyalty. Data of our empirical research were collected from 85 agri-food firms in Souss Massa Drâa region. Structural equations' modeling was used to ensure the validity of our study. The results of this study suggest the importance of relationship satisfaction in distributor's loyalty strategies. In addition; it revealed the existence of mediating effect of distributor's attitude on relationship satisfaction and behavioral loyalty. Therefore, to maintain distributor's loyalty, a producer may enhance attitudinal loyalty. In efforts to emphasize distributor's attitude, agri-food business should focus on building relationship satisfaction.

Keywords: Agri-food businesses, Loyalty strategy, Relationship marketing, Relationship satisfaction, Structural equation modeling.

Abbreviations: Souss Massa Drâa (SMD), Structural Equation Modeling (SEM), Partial Least Square (PLS).

1. Introduction

The competitive environment of industrial markets encourages companies to focus their marketing efforts to maintain and expand their market share. Thus, customer loyalty represents a critical success factor for the company. It helps to obtain competitive benefits and to increase productivity (Reichheld, 1996). In addition, the defensive approach of customer loyalty is considered more profitable than the offensive approach of the marketing mix. Indeed, it has been shown that retaining a customer is five times less costly than conquering new one (Jones & Sasser, 1995). This conclusion highlights the role of loyalty in developing the company's profitability. The existing literature on loyalty focus on the issue of loyalty programs, their efficiency and profitability (Daams et al., 2008; Meyer-Waarden & Benavent, 2009 ; Liu et al., 2011 ; Dorotic et al., 2011 ; Gómez et al., 2012 ; Evanschitzky et al., 2012). However, loyalty strategies remain a subject rarely explored by researchers (Benavent et al., 1999/2000).

This research aims to study loyalty strategies for distributors in Moroccan agri-food sector. The objective is also to find out the relationship between Moroccan producers and their distributors, and to emphasize how relationship satisfaction affects distributor's loyalty. In response to these objectives, this paper is divided into five sections.

First, we introduce the research and explain the objectives, second, we review the current literature on loyalty strategies and customer relationship satisfaction in B to B context, and we develop the hypothesis and the model based on this literature; third, we present the research methods; fourth, we analyze the results from estimating this model using PLS, and finally, we discuss the results, we present their implications, their limits and further research.

2. Conceptual background and hypotheses

2.1 Customer loyalty

Developing customer loyalty is related to actions for increasing the dependence of the consumer on the product or a brand (Crié, 2002). Meyer & Oevermann (1995) have defined the concept of loyalty by enhancing present and future buying behavior and other reasons for the relationship. These authors consider the development of customer loyalty as all the actions of a company to influence current and future customer buying behavior in a positive way. Accordingly, these actions have the objective to stabilize and expand the customer relationship (Homburg & Bruhn, 1998). The marketing literature suggests that customer loyalty can be defined in two distinct ways (Jacoby & Kyner, 1973). Researchers who have studied the two-dimensional approach suggested that focusing on behavior alone cannot capture the reasons behind the purchases (Day, 1969; Jacoby & Kyner, 1973; Dick & Basu, 1994). According to Day (1969) observing a systematic repurchase behavior without incorporating a positive attitude of the customer is a false loyalty.

The author considers that the true loyalty necessarily derive from intent. Indeed, the attitudinal approach that considers customer loyalty stems from his rational decision to make the purchase. The concept of customer loyalty is defined as a commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999). So, loyalty has both an attitudinal and behavioral dimension (Dick & Basu, 1994). It is supposed that customers who are behaviorally loyal to a firm display more favorable attitudes towards the firm, in comparison to competitors. However, in some cases behavioral loyalty does not necessarily reflect attitudinal loyalty, since there might exist other factors that prevent customers from defecting (Aldlaigan & Buttle, 2005; Liljander & Roos, 2002; Reinartz & Kumar, 2002).

2.2 Customer loyalty strategies

There is a consensus in the literature that loyalty is an important determinant of firm performance (Anderson et al., 1994; Hallowell, 1996; Reichheld, 1996; Silvestro & Cross, 2000; Leverin & Liljander, 2006). In strategic vision, authors consider loyalty as "a strategy which identifies, maintains and increases the yield of the best customers, through a value-added relationship, interactive and focused on the long term" (Barlow, 1992 ; cited by Benavent & Meyer-Waarden, 2004, p. 97). Therefore, the customer loyalty strategy is designed as a marketing process for selecting customers, maintaining them and developing their value. Benavent & Meyer-Waarden (2004) classified loyalty strategies into two types, which differ according to their specific objective.

The first strategy is the "customer heterogeneity management" based on the establishment of "discrimination" between customers to manage their diversity and needs. This strategy is required when the company has very heterogeneous clients and the "discrimination" between them is achieved by applying marketing mix. The second loyalty strategy is the "customer relationship management". This type of loyalty strategy is established to increase or maintain the level of customer business with the company. It applies to changing customer behavior in order to increase their value (Benavent & Meyer-Waarden, 2004). Indeed, the customer lifetime value means profitability of each customer category. So, their profit streams across the entire customer life cycle by implementing the exit barriers on the relationship for each customer category. In practice, to retain customers in a complex environment, firms combine the two types of loyalty strategies that are: "customer relationship management" and "customer heterogeneity management" (see Figure 1 in the appendix). The strategic orientation that the company aims determines its loyalty strategy.

When the company focuses its actions towards discrimination of their customers, the loyalty strategy applied is placed under the customer heterogeneity management. While the company which gives importance to relational elements to build customer loyalty strategy is placed in customer relationship management.

Loyalty strategy by "customer relationship management" gives great importance to the loyalty by the relational elements. Conceptually, loyalty strategies seek to build stronger and more durable relationships with customers. Durable relationships encourage customers to do something about a problem they have had with a product or service rather than quietly defecting from the brand (Duffy, 1998).

So, building customer loyalty is considered as a business strategy that helps businesses to boost loyalty and maximize share of their customers by developing relational elements such as relationship satisfaction. The strategic orientation of the company influences its loyalty strategy. If a company seeks to discriminate their customers by transactional elements, it applies "customer heterogeneity management" loyalty strategy. And if the company gives importance to relational elements to build customer loyalty, it applies "customer relationship management" strategy. Loyalty strategy by "customer relationship management" gives great importance to relationship elements. Conceptually, loyalty strategies seek to build stronger and more durable relationships with customers. Durable relationships encourage customers to do something about a problem they have had with a product or service rather than quietly defecting from the brand (Duffy, 1998). So, building customer loyalty is considered as a business strategy that helps businesses to boost loyalty and maximize share of their customers. They use to develop relational elements such as relationship satisfaction.

2.3 Relationship satisfaction

Numerous research have studied customer satisfaction in marketing literature (Howard & Sheth, 1969 ; Hunt, 1977 ; Oliver, 1981; Labarbera & Mazursky, 1983 ; Dufer & Moulins , 1989 ; Ngobo, 1997 ; Oliver, 1997; Homburg & Rudolph, 1999). In industrial market, customer satisfaction has a particular interest to maintain relationships with customer distributors. According to Homburg & Rudolph (1999), customer satisfaction plays an important role in establishing, developing and maintaining successful relationships with customers. In a relationship context, relationship satisfaction is used to measure customer evaluation (Rosen & Surprenant, 1998; Abdul-Muhmin, 2002, Chen, 2012). In the traditional model of expectancy disconfirmation suggested by Oliver (1980), satisfaction results from the comparison of an initial standard and perceived variance from that standard. It is determined by economic or relational elements. Customer satisfaction is considered as a general concept that has been processed into two aspects, transactional and relational. Homburg & Rudolph (2001) define satisfaction as "a relationship constructs describing how a supplier fills the expectations of a customer in the following areas: characteristics of the product, information related to product, services, taking orders, complaints management, interactions with commercial and with internal staff " (p. 17-18). Thus, satisfaction appears as a concept highly integrated in the relationship. De Wulf et al. (2001) consider the relationship satisfaction placed in affective theory. It is defined as a consumer's affective state resulting from an overall appraisal of his or her relationship with a retailer (Anderson & Narus, 1990).

2.4 Hypotheses

Customer loyalty has been widely studied and related to relational variables (Bejou & Palmer, 1994; Dorsch et al., 1998; Palmatier et al., 2006). Specially, satisfaction was studied and related to the loyalty (Athanassopoulos et al., 2001; Hallowell, 1996; Silvestro & Cross, 2000; Bennett & Rundle-Thiele, 2004; Oliver, 1999). Kotler (1994) considers that the key to customer loyalty is satisfaction. In business to business research, in their study, Eriksson & Vaghut (2000) demonstrate that there is a link between satisfaction and loyalty. They showed that as relationship satisfaction increases, the customer retention increases two. Our research aims to assess the relationship between relationship satisfaction and loyalty in Moroccan agri-food firms. In order to measure loyalty, we adopted a multidimensional theory. Consequently, we measure customer loyalty by attitudinal loyalty as well as behavioral. Providing the theory and evidence of past research on loyalty and relationship satisfaction, it is possible to lay out the following research issues: How relationship satisfaction affects distributor loyalty in Moroccan agri-food industries? Does relationship satisfaction increase both aspects of distributor loyalty? The following hypotheses were developed based on the theory and past evidence discussed above.

Hypothesis 1: Relationship satisfaction is positively related to behavioral loyalty.
Hypothesis 2: Relationship satisfaction is positively related to attitudinal loyalty.
Hypothesis 3: Attitudinal loyalty is positively related to behavioral loyalty.

Variables research, links and hypotheses are summarized in the research model in Figure 2 in the appendix.

3. Methodology

3.1 Data collection

The data were collected using a survey of agri-food industries in Souss Massa Drâa region in Morocco. The study produces yearly results regarding several agri-food industries (fruit and vegetable packaging house, dairy industry, fish industry). The questionnaire used in the survey queries the relationship between producer and distributor, the loyalty strategy of the producer, and includes a set of questions regarding the three constructs of our model perceived by the producer:

1) Distributor relationship satisfaction;
2) Attitudinal loyalty of distributor;
3) Behavioral loyalty of distributor;

The first set of questions in the questionnaire is used to evaluate how the producer has selected a distributor to retain, and to identify the type of this distributor (grocery stores, retailers or wholesalers). All other questions relative to relationship satisfaction and loyalty in the questionnaire refer to the identified distributor. The sample size is 85 observations for agri-food industries.

3.2 Operational measures

All constructs in the proposed model are based on reflective multi-item scales. Indicators of relationship satisfaction, attitudinal loyalty and behavioral loyalty are the ones used in the B to B context (Kumar et al., 1992; Ganesan, 1994 ; Baker et al., 1999 ; Too et al., 2001) and have been validated across many industries. All indicators are measured with a five-point Likert scale with end points of "strongly disagree" and "strongly agree".

3.3 Estimation

The structural model consists of three latent variables. It includes the three constructs shown in Figure 2. The model was estimated using Partial Least Squares (PLS). This option is mainly motivated by the nature of the data. In fact we are measuring categorical variables with an unknown non-normal frequency distribution, which is usually negatively skewed. In this context PLS can be a preferable alternative to the use of maximum likelihood methods (Fornell & Bookstein, 1982; Chin, 1998; Vilares et al., 2008). All data analyses were done using SmartPLS (Ringle et al., 2005) and SPSS statistics.

4. Results

4.1 Measurement reliability and validity

We first examine the reliability and the validity measures for the model constructs (Table 1). All Cronbach's Alphas exceed the 0.7 threshold (Nunnally, 1978) and are usually higher than 0.8, except the measure of behavioral loyalty (0.6). The latent variable composite reliabilities are higher than 0.80 for our measures (Fornell & Larcker, 1981), showing a high internal consistency of indicators measuring each construct and thus confirming construct reliability. The Average Variance Extracted (AVE) is also always higher than 0.5 (Fornell & Larcker, 1981), indicating that the variance captured by each latent variable is significantly larger than variance due to measurement error, and thus demonstrating unidimensionality and a high convergent validity of the constructs.
Reliability and convergent validity of the measurement model was also confirmed by standardized loadings for indicators (Table 1) and Bootstrap t-statistics for their significance (Anderson & Gerbing, 1988). All standardized loadings exceed the 0.7 threshold and they were found, without exception, significant at 1 percent significance level, thus confirming a high convergent validity of the measurement model. Discriminate validity is assessed determining whether each latent variable shares more variance with its own measurement variables or with other constructs (Fornell & Larcker, 1981; Fornell & Bookstein, 1982; Chin, 1998).

In this vein, we compared the square root of the AVE for each construct with the correlations with all other constructs in the model (Table 2). A correlation between constructs exceeding the square roots of their AVE indicates that they may not be sufficiently discriminable.

We can observe that the square roots of AVE (shown in boldface in the main diagonal of both matrices) are always higher than the absolute correlations between constructs. We conclude that all the constructs show evidence for acceptable validity.

4.2 Testing hypotheses

PLS path modeling was also used to evaluate the structural model. Furthermore, the PLS path modeling analysis provided path coefficients for direct and total effects within the PLS path model. As PLS does not rely on distributional assumptions, it was necessary to conduct a non-parametric bootstrap procedure to obtain confidence intervals as basis for significance tests for all model parameters. We opted for 1000 bootstrap samples to evaluate the significance of the path coefficients (Davison & Hinkley 1997; Henseler, Ringle, & Sinkovics 2009). We provide the path estimates in Table 3. In Hypothesis 1, we postulate that relationship satisfaction does not affect directly distributor's behavioral loyalty (T : 1,4614). Thus, the result doesn't support Hypothesis 1. With Hypothesis 2, we investigate the effect of relationship satisfaction on distributor's attitudinal loyalty. We find significant positive effect (T : 12.588 ; $p < .001$). So, the results supported Hypothesis 2.

Finally, we propose in Hypothesis 3 that distributor's attitudinal loyalty influences their behavioral loyalty, and we find a significant positive effect (T :3.047; $p < .001$). Thus, Hypothesis 3 is supported. After testing the three hypotheses of our model, we seek to test the significance of the mediating effect of distributor's attitudinal loyalty on relationship satisfaction and behavioral loyalty. To test the mediating effect, we adopt Baron & Kenny approach (Baron & Kenny, 1986). Specifically, we first established direct paths between relationship satisfaction and behavioral loyalty. We then added the mediating variable to the model (attitudinal loyalty). According to Baron & Kenny, full mediation would occur only if the direct path from relationship satisfaction to behavioral loyalty was insignificant, and the indirect path through attitudinal loyalty was significant. Table 4 (see the appendix) summarizes the results of the Baron & Kenny (1986) procedure. Attitudinal loyalty appeared to have a full mediating role. The direct path between relationship satisfaction and behavioral loyalty became insignificant when the attitudinal loyalty mediator was added.

In addition, the indirect path through attitudinal loyalty was significant. In summary, the Baron & Kenny procedure supported our model's incorporation of attitudinal loyalty as mediator between relationship satisfaction and behavioral loyalty. Results in table 4 show that mediating effect is significant ($p <.001$). They propose that attitudinal loyalty has a total mediating effect on the link relationship satisfaction and behavioral loyalty. To confirm this proposition, we apply Sobel test (Table 5). Indeed, the Sobel test has been a traditional method of testing the significance of mediation effects (Sobel, 1982). Results of Sobel test show that the mediating effect is significant ($p < .00138$). Thus, we confirm that attitudinal loyalty has Full mediation effect on relationship satisfaction and behavioral loyalty.

5. Conclusion

4.3 Discussion and implications

Customer loyalty is an important construct for marketers and defines a means to develop relationship with customers and hence increased business and customer retention (Kumar & Shah, 2004). The aim of this study was to investigate the relationship producer-distributor in agri-food industries, and to analyze the role of relationship satisfaction in loyalty strategy applied by theses industries. Study results indicate that, relationship satisfaction appears decisive in the supplier-distributors relationship. It has an important effect on loyalty strategy. Relationship satisfaction strongly influences attitudinal loyalty. Indeed, Hypothesis 2 supported (path coefficient 0,688).

However, relationship satisfaction doesn't affect directly behavioral loyalty (Hypothesis 1 not supported). This result is justified by the affective nature of this concept that cannot launch directly purchasing behavior. Relationship satisfaction influence directly attitudinal loyalty, but not behavioral loyalty. Furthermore, behavioral loyalty is explained directly by the attitudinal loyalty, and indirectly by relationship satisfaction. Hypothesis 3 supported (path coefficient 0,410). So, attitudinal loyalty has full mediating effect on behavioral loyalty and relationship satisfaction. This study helped to understand the loyalty strategy led by agri-food companies in SMD region. They seek to retain their distributors by increasing their positive attitude.

They use to maintain good relationships with their distributors and to satisfy them. This result reinforces previous studies that highlighted the importance of attitude in generating customer loyalty. It appears, as indicated by Oliver (1997), that loyalty is constructed in process « cognition-affect-conation ». Indeed, to become loyally, customers must be found in a cognitive sense first, then later in an affective sense, still later in a conative manner, and finally in a behavioral manner. Also, the author adds that customers can become "loyal" at each attitudinal phase relating to different elements of the attitude development structure. In our study, relationship satisfaction is predictor in attitudinal phase and then, the distributor continue his process of loyalty to do purchasing act (behavioral phase). The true behavior of loyalty may result after stronger affective and attitudinal state in relationships. This further reinforces the importance of distributor's attitude as mediator variable between relationship satisfaction and behavioral loyalty.

It appears that in the agri-food Moroccan context, companies have attitudinal perception of distributor's loyalty. They are aware that loyalty stems from the attitude which subsequently leads to purchase behavior. Therefore, these companies aim to develop relational variables that have emotional aspect as relationship satisfaction. This research interest for facilitating the decision making of managers regarding the development of their loyalty strategies distributors. They may reinforce their relationships with distributors and satisfy them to assure their positive attitude. Then, the distributors will be loyal and do it in behavioral manner (repurchasing). Also, we highlight a methodological contribution of our research. Structural equation methodology that we used with the Smart PLS, confirmed the research model. This method has extended the validity of our research by examining the convergent validity and discriminant validity of our study. Thus, as pointed out by Meyer-Waarden (2004), 53 loyalty measure indicators exist in the literature. However, no one of them has been tested for its convergent validity. This allows us to conclude that our research was a significant methodological contribution.

4.4 Limitations and future work

This research has several limitations that suggest that different approaches for future research may be useful in further exploring the issues investigated in this study. First, the study was conducted in specific branch of industry « agri-food firms » in SMD region which limits the external validity of the research. The results cannot be generalizable to other industries and business-to-business settings. The fact and culture that the case agri-food firms are relatively specific might affect the nature of distributor's relationships, in that it may be easier to develop closer relationships than in another industry and region. So, we propose to test the research model in other industries in different context. Second, our research is limited by using the « seller side » method. We have collected data only in the producers, and neglected the distributor's perception. We used the method of "Seller side" because it is the producers who develop loyalty strategies that are most affected by our questions. So, this method has affected the validity of our research. We propose in future research to conduct « dyadic study » to have a complete view.

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Appendix

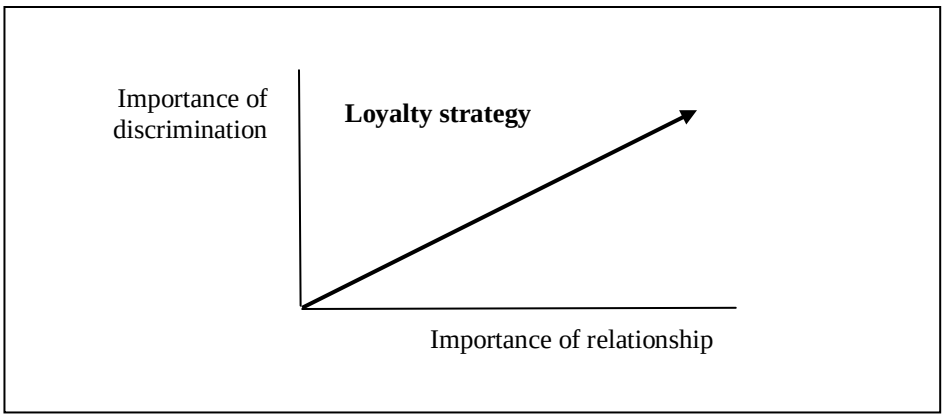

Figure 1 – Customer loyalty strategy; Benavent et al. (2004; p.100)

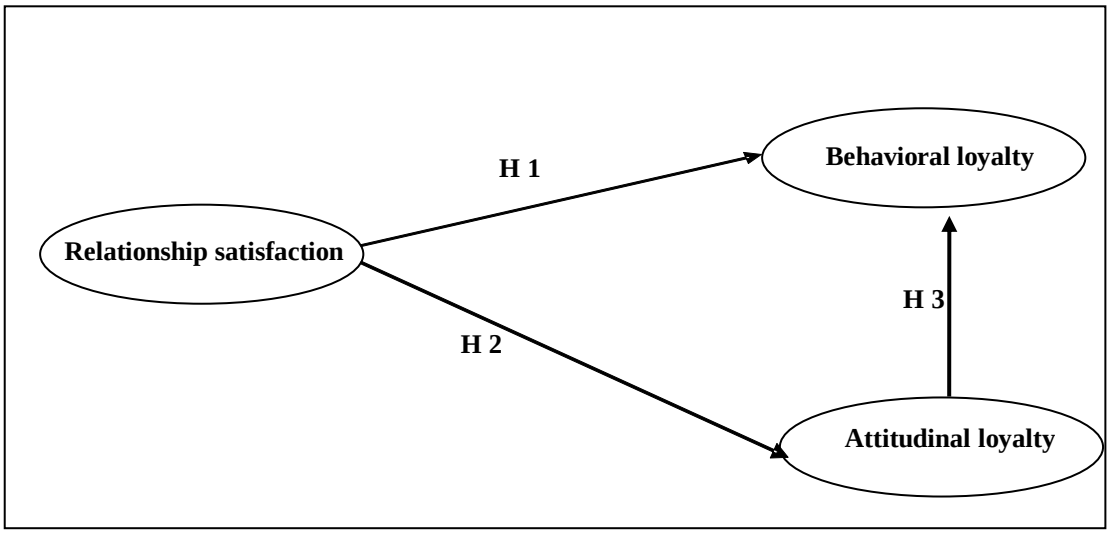

Figure 2: Research model of relationship satisfaction as determinant of customer loyalty

Table 1 – Reliability and validity measures

Latent variables	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
Behavioral loyalty	0,545	0,7819	0,3465	0,5855	0,545	0,1598
Attitudinal loyalty	0,553	0,8808	0,474	0,8377	0,5531	0,2565
Relationship satisfaction	0,827	0,9053	0	0,7909	0,827	0

Table 2 – Correlations between latent variables and square roots of average variance extracted

Latent variables	Behavioral loyalty	Attitudinal loyalty	Relationship satisfaction
Behavioral loyalty	*0,738*		
Attitudinal loyalty	0,5655	*0,744*	
Relationship satisfaction	0,508	0,6885	*0,909*

Note: Numbers shown in italics denote the square root of the average variance extracted

Table 3 – Structural model results and testing hypotheses

Hypotheses	T statistics	Support hypotheses
H1: Relationship satisfaction -> Behavioral loyalty	1,4614 (NS)	Not supported
H2: Relationship satisfaction -> Attitudinal loyalty	12,5879***	Supported
H3: Attitudinal loyalty -> Behavioral loyalty	3,0745***	Supported

Notes: *Significant at 0.05 level ; **significant at 0.01 level ; ***significant at 0.001 level, (NS) Not significative

Table 4 – Evaluation of mediating effect of attitudinal loyalty

	Indirect effect		Direct effect		Mediating effect
	B	T-statistics	B	T-statistics	
Relationship satisfaction	0,523	6,7298 (p<1%)	0,2257	1,4614 (NS)	**Full mediation**

Table 5 – Sobel test

Sobel test statistic:	2.99315711
One-tailed probability:	0.00138054