

THE RELATIONSHIP BETWEEN OVERALL DEALER SATISFACTION, SATISFACTION WITH THE ATTRIBUTES OF DEALER SERVICE, INTENDED DEALER LOYALTY AND INTENDED BRAND LOYALTY: A DUTCH AUTOMOBILE CASE

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The relationship between satisfaction and loyalty is a greatly overlooked one in the literature.

This study brings together the fields of dealer satisfaction, intended dealer loyalty and intended brand loyalty in an attempt to model the effects of dealer satisfaction on intended dealer loyalty and intended brand loyalty.

A feasibility study is carried out for the Dutch market of a particular brand of automobiles, having a 3% marketshare.

INTRODUCTION

Loyalty is one of the ways in which consumers being satisfied with a particular product or service may express their satisfaction. Until now, this subject has not received much attention in the literature on consumer satisfaction and brand loyalty.

The literature on brand loyalty/brand switching does contain many studies about repeat purchasing behavior. However, the consumer antecedents that determine such behavior are hardly discussed. In turn, brand loyalty/brand switching is rarely investigated as a behavioral action in satisfaction studies.

This preliminary study aims at providing more insight into the relationship between dealer satisfaction and dealer loyalty/brand loyalty. Since it might be expected that in case of the automobile industry, dealer satisfaction and intended dealer loyalty, next to brand satisfaction and intended brand loyalty, have an effect on final brand choice behavior. This study however, focuses only on intentional behavior and not on actual behavior.

A REVIEW OF THE LITERATURE

Andreasen (1977:313) labels quantification of repeat purchases as one of the objective measures of final satisfaction. Consequently, switching could be used as a means to investigate consumer satisfaction/dissatisfaction as an objective measure of final dissatisfaction.

Brand switching is regarded as one of the ways in which dissatisfied consumers may express their dissatisfaction (see, for instance, Day 1982; Woodruff et al. 1982; LaBarbera and Mazursky 1983; Wilton and Nicosia 1986). This behavioral action, however, has received little attention, whereas complaining behavior has received much more attention in research.

On the other hand, studies on the actions of dissatisfied consumers indicate that brand switching is applied quite often in expressing dissatisfaction (see, for instance, Day and Landon, 1977; IPM/Interview, 1974, 1981; Francken, 1983). This action is practiced more often in the case of non-durables than in case of durables and services (Day and Landon, 1976).

Due to the fact that the concepts of brand loyalty and repeat purchase behavior are treated more or less as

synonyms in consumer satisfaction/dissatisfaction research, it may be hypothesized that dissatisfaction is a factor initiating brand switching, while satisfaction is a factor leading to brand loyalty or repeat purchase behavior (Kasper, 1982; Bloemer, 1988).

A look at the brand loyalty literature (for instance, Newman and Werbel, 1973; Bass, 1975; Jacoby and Chesnut, 1978; Naert and Leeflang, 1978), reveals a lot of attention has been given to the concepts of loyalty and repeat purchase behavior; brand loyalty correlates; brand loyalty models; and the interrelationships between brand loyalty and store loyalty.

Quite often, authors stress a distinction should be made between repeat purchase behavior that focuses only on behavior, and loyalty, which encompasses the antecedents of behavior. With respect to the concept and operationalization of brand loyalty most studies focus on the phenomenon 'repeat purchase behavior' as such, while the antecedents of this behavior (for instance satisfaction) are hardly considered. This is not the case in Jacoby and Chesnut's definition of brand loyalty (1978: 80, 81): 'Brand loyalty is (1) the biased (i.e. nonrandom), (2) behavioral response (i.e. purchase), (3) expressed over time, (4) by some decision-making unit, (5) with respect to one or more alternative brands out of a set of such brands, and (6) is a function of psychological (decision-making, evaluative) processes'.

A study of Newman and Werbel (1973) is one of the few brand loyalty studies we know in which the effects of satisfaction on brand loyalty are investigated. It appears that brand loyalty to major household appliances varies directly with perceived satisfaction with the old brand. However, a closer look at their findings depicts the correlation is not perfect in the sense that not all satisfied consumers will be brand loyal. Similarly, not every consumer who is not fully satisfied appears to be non-loyal.

Garfein (1987) reports a case study in which he investigates the relationship between consumer satisfaction with the service rendered by a credit card company and the use of the card. He reports that strongly satisfied consumers increase their card use in (only) 45% of all cases and that strongly dissatisfied consumer decrease their card use in (only) 53% of all cases.

Kasper (1988) found that satisfaction, resp. dissatisfaction with a color tv-set in general does, indeed discriminate between brand loyal and brand switching consumers. But again, the correlation is not perfect.

Consumer satisfaction/dissatisfaction may be used as a variable operationalizing some of the antecedents of consumer behavior. We believe more insight in brand loyalty patterns may be obtained by using consumer satisfaction/dissatisfaction as explanatory variables.

In this study we will try to demonstrate that consumer satisfaction with a dealer, as well as with a brand, also determines whether a consumer will be loyal

to a brand and a dealer.

Therefore, our model fits in the category of brand loyalty through psychological commitment (see Engel and Blackwell, 1982: 596).

However, in operationalizing the concepts of brand loyalty and dealer loyalty, car owners were only asked what they would do in the future. So, intentions are at stake. That is why the concepts of intended brand loyalty (IBL) and intended dealer loyalty (IDL) are used.

A SIMPLE MODEL OF CONSUMER SATISFACTION AND REPEAT PURCHASE BEHAVIOR

In this section we will describe the model we developed on the basis of our research of the literature.

Several researchers have examined the dynamic aspect of the purchase-repurchase process in which satisfaction is treated as the feedback of purchase and use-behavior. In the revised Howard and Sheth model (Howard, 1974) the consumption of the brand determines the satisfaction level which, in turn, affects the revised attitude as well as the intention to repurchase the brand. In Oliver's (1980a) cognitive model of the purchase process, the revised intention to repurchase the brand is formulated in a way similar to that suggested by Howard. Because of the theoretical and practical issues related to the distinction between satisfaction and attitude (LaTour and Peat, 1979; Oliver, 1981; Oliver, 1980b), we propose to use a simple model, as presented in figure 1.

However, in this simple model, not only consumer satisfaction with the brand is taken into account, but also consumer satisfaction with the dealer (or the service). Just as an interrelationship between store loyalty and brand loyalty, exists (see for instance: Carman;1970, Cunningham, 1956; Cunningham, 1961; Krishnan and Mills, 1987; Lamb and Goodhardt, 1988; Stearns et al. 1982; Tranberg and Hansen, 1985) it might be expected that, in case of automobiles, an interrelationship between dealer loyalty and brand loyalty exists. Dealer loyalty and brand loyalty do not only together determine whether the same brand will be bought from the same or another dealer or whether another brand will be bought from the same or another dealer. But also dealer loyalty as an intervening variable that strengthens brand loyalty.

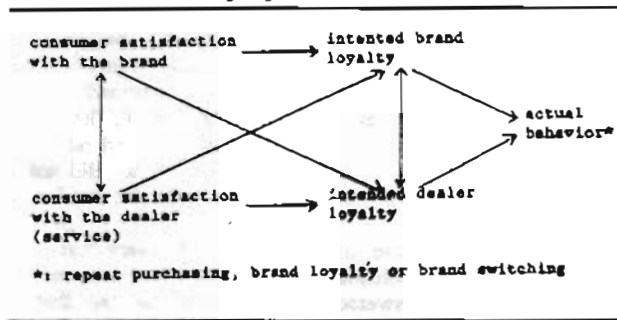
In the same way, as a distinction can be made between dealer loyalty and brand loyalty, one can distinguish between consumer satisfaction with the brand and consumer satisfaction with the dealer (or service).

Both types of satisfaction will exert influence on the decision which brand will be bought from which dealer.

It might be expected that consumer satisfaction with the brand is a major determinant of intended brand loyalty and that consumer satisfaction with the dealer is a major determinant of intended dealer loyalty. Moreover, consumer satisfaction with the brand might affect intended dealer loyalty, whereas consumer satisfaction with the dealer might affect intended brand loyalty.

In the model, we suppose consumer behavior will be determined by each of the four presented elements as such, but also some simultaneously occurring processes may be relevant.

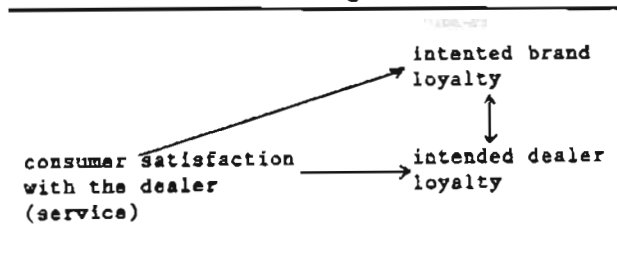
**Figure 1
A Simple Model of Satisfaction,
Intended Loyalty and Actual Behavior**



OBJECTIVES OF THIS STUDY

Only part of our simple model, as presented in figure 2, is incorporated in this preliminary study.

**Figure 2
Model Investigated**



The purpose of this study is to find out:

1. whether the overall consumer satisfaction with the dealer can be used as a predictor variable for intended dealer loyalty;
2. whether the overall consumer satisfaction with the dealer affects intended brand loyalty;
3. whether the consumers' satisfaction with the different attributes of the services rendered by the dealer can be used as a predictor variable for intended dealer loyalty.
4. whether the consumers' satisfaction with the different attributes of the services rendered by the dealer affects intended brand loyalty.
5. whether an interrelationship between intended brand loyalty and intended dealer loyalty exists.

METHOD AND RESPONSE

The data for our study were obtained from an existing survey. Unfortunately, we were not involved in the design of the study. However, the data can further our insight into the relationship between satisfaction and loyalty to a certain extent.

The purpose of the survey was to investigate the satisfaction of the customers with different aspects of the service rendered by automobile-dealers of a specific brand.

Also, the relationship between the satisfaction with the different aspects of the service and intended dealer loyalty/intended brand loyalty of the customers was a subject of the survey.

In March 1987, a mailed questionnaire had been sent to 31,000 automobile owners of the particular brand. From the 31,000 survey's sent, 12,823 were returned (41.4%). Only 10,084 responses could be used in the analysis, due to the fact that 2,739 respondents had no contact with the dealer during the last year, so we did not obtain a score concerning the satisfaction with the service from them.

Furthermore, for our analysis it was necessary that both questions about intended dealer loyalty and intended brand loyalty were answered. As a result of the fact that respondents who indicated that they were not sure or that they did not have the intention to buy the same brand again, did not have to answer the question from which dealer they intended to buy the same brand, the number of useful questionnaires decreased to 7,608.

QUESTIONNAIRE

The questionnaire contained various sections with a number of questions.

- a. The questionnaire contained six background variables:
 - two about the respondents; age and sex
 - two about the car; car-age and car-type
 - two about the usage characteristics; private and/or business and number of miles a year
- b. Eight different aspects of the dealer service were investigated, each having a number of sub-items:
 - responsiveness (6)
 - communication (6)
 - kindness/ personal care (4)
 - competence (6)
 - complaint handling (5)
 - administrative service (5)
 - physical environment (6)
 - general (1)

In parentheses are the number of sub-items used for evaluating each aspect. So in total 38 different items had to be judged and one overall or general satisfaction score could be given. The scale used was a 5-point Likert-type scale reaching from very good to very bad.

- c. One question about intended brand loyalty, operationalized on a 5-point scale reaching from (almost) definitely buying the same brand again to (almost) definitely not buying the same brand again.
- d. One question about intended dealer loyalty, operationalized on a 7-point scale;
 - intention to buy the same brand from the dealer where the car has been bought and who is servicing the car now;
 - intention to buy the same brand from the dealer where the car has been bought, but who is not servicing the car now;
 - intention to buy the same brand from the dealer who is servicing the car now

- but where the car has not been bought;
- intention to buy the same brand from a completely other dealer (having the same brand);
- intention to buy the same brand from a dealer not being a dealer of this brand;
- intention to buy the same brand from an individual;
- other.

This question had to be answered only in case the respondent has stated that he/she would (almost) definitely or probably buy the same brand again. (This was a serious weakness in the questionnaire, limiting our possibilities to solve our problem properly; see also the section about method and response.)

ANALYSIS

For our analysis we could only use those respondents having answered the question about intended brand loyalty, as well as the question about intended dealer loyalty. Therefore, the following operationalizations of intended dealer loyalty and intended brand loyalty are used:

Intended Brand Loyalty

1. (almost) definitely buying the same brand again
2. probably buying the same brand again

Intended Dealer Loyalty

1. intention to buy the same brand from the dealer rendering services at the car (=same dealer).
2. intention to buy the same brand from another dealer (=other dealer)
3. all other possibilities to buy the same brand again (=else)

The 7,608 respondents can be subdivided on these two lines as follows:

Table 1
Number of Respondents on Intended Dealer Loyalty and Intended Brand Loyalty

Intended Brand Loyalty	Intended Dealer Loyalty			Else	Total
	Same Dealer	Other Dealer	Else		
(Almost)					
Definitely	4741	368	72	5181	
Probably	2132	201	94	2427	
Total	6873	569	166	7608	

$X^2 = 52.2, df=2, p<.0001$

RESULTS

A general remark at the beginning of this section refers to the figures presented in table 1. A chi square test on this matrix shows that significant differences exist

between respondents indicating that they would (almost) definitely buy the same brand and respondents indicating that they would probably buy the same brand, and their degree of intended dealer loyalty. The more likely it is to buy the same brand of car again, the more likely it is to repurchase it from the same dealer.

Our first objective was to investigate whether the overall consumer satisfaction score with the services rendered by the dealer could be used as a predictor variable for intended dealer loyalty.

Table 2 depicts that as long as the service of the dealer is judged better, the greater the degree of intended dealer loyalty will be. However, it is remarkable to see that customers judging the dealer service as good show a significantly smaller degree of dealer loyalty than those judging the dealer service as very good.

Table 2
Overall Satisfaction with the Service and Intended Dealer Loyalty

Intended Dealer Loyalty	Satisfaction with the Service			
	Very Good	Good	Not good (Very) /Not bad	Bad
Same Dealer	95.5% (3651)	89.0% (3104)	55.1% (190)	26.4% (23)
Other Dealer	3.4% (130)	8.2% (287)	33.9% (117)	65.6% (57)
Else	1.2% (44)	2.8% (98)	11.0% (38)	8.0% (7)
100% =	3825	3489	345	87

$\chi^2 = 1029.4, df=6, p<.0001$

Our second objective was to investigate whether the overall consumer satisfaction score with the services rendered by the dealer affects intended brand loyalty.

From table 3 it becomes clear that as long as the service of the dealer is judged better, the greater the degree of intended brand loyalty will be.

Again, significant differences exists between car-owners judging the dealer's service as good and car-owners judging the dealer's service as very good.

The results presented in table 2 and table 3 hold for the overall or general satisfaction score of the customers with the service of the dealer. However, similar conclusions can be drawn with respect to almost every item of the 38 different sub-items on which the service could be evaluated. Consequently, the third and fourth objective of our study are achieved.

The results discussed above are results based on partial analyses of the relation between dealer satisfaction and intended brand loyalty, respectively dealer satisfaction and intended dealer loyalty. One should realize that interactions between these two loyalty issues may occur and that they should be taken into account in the analysis. Therefore analyses depicting these simultaneously occurring effects should be performed. First, we applied analysis of variance to get somewhat more insight into the

possible interaction effects. Next we applied hierarchal

Table 3
Overall Satisfaction with the Service and Intended Brand Loyalty

Intended Brand Loyalty	Satisfaction with the Service			
	Very Good	Good	Not good (Very) /Not bad	Bad
(Almost) Definitely	69.4% (2920)	42.4% (1943)	28.1% (166)	20.7% (36)
Probably	19.9% (838)	30.8% (1412)	24.9% (147)	21.3% (37)
Do Not Know	9.7% (409)	24.0% (1101)	36.9% (218)	32.2% (56)
No Intention	1.0% (42)	2.9% (131)	10.2% (60)	25.9% (45)
100% =	4209	4587	591	174

$\chi^2 = 1365.6, df=9, p<.001$

log linear analysis to get a better insight into the proposed causal relationships.

The results of the analysis of variance on the overall satisfaction of the customer with the service, with the factors intended brand loyalty and intended dealer loyalty are shown in table 4. The analysis produced significant main effects of intended brand loyalty ($F(1,6939)=287.9, p<.0001$) and intended dealer loyalty ($F(2,6939)=258.1, p<.0001$) on the overall satisfaction. However, no interaction effect was found to be present in this case.

Table 4
Overall Satisfaction Scores for Different Degrees of Intended Brand and Dealer Loyalty

Intended Dealer Loyalty	Intended Brand Loyalty	
	(Almost) Definitely	Probably
Same Dealer	1.41 (4551)	1.68 (2080)
Other Dealer	2.11 (337)	2.26 (189)
Else	1.85 (65)	2.03 (86)

1: very good, 5: very bad

The expected interaction effect between intended brand loyalty and intended dealer loyalty has been researched more narrowly. For each of the 38 different aspects of the satisfaction with the dealer we provided an analysis of variance. For all of these 38 different items

significant main effects were found of intended brand loyalty and intended dealer loyalty. An interaction effect of intended brand loyalty and intended dealer loyalty did occur for some of the 38 satisfaction scores. Significant interaction effects between intended dealer loyalty and intended brand loyalty did occur with respect to the satisfaction scores on responsiveness, communication, kindness/personal care and administrative service.

No interaction effects occurred with respect to competence, complaint handling and physical environment.

When these findings are formulated in a broader, general sense, it may be stated that significant interaction effects occur in the field of the more affective, functional service items referring to the HOW of the service process. No interaction effects occurred in the field of the more cognitive, technical, procedural side of the service process: the WHAT SHOULD BE DONE. (see also Grönroos, 1984)

The way causality is handled in the analysis of variance, is the opposite when compared with the proposed theoretical model. We applied hierarchical log linear analysis to solve this problem and see whether the proposed causality in our first analysis may be reversed.

The results from these analyses indicate that positive relationships exist between satisfaction scores and intended brand loyalty and satisfaction scores and intended dealer loyalty for all the different service-items. A positive relationship between intended brand loyalty and intended dealer loyalty was found for some specific service-items. (Same items as for which an interaction effect was found in the analysis of variance.) So, based on these results we concluded that the proposed causality in the analysis of variance may be reversed as well.

Finally, we want to return to an 'unexpected finding' in the second row of table 4. These customers are very brand loyal but still prefer another dealer. Because the questionnaire did not contain enough information to explain his issue we can only speculate on it. Perhaps this is due to decisions the car-owner himself can not affect because his employer makes them (car of the company, lease-car etc.). It is also possible that the car-owner has moved.

RESEARCH AND MANAGEMENT IMPLICATIONS

One of the striking results from this study is that obviously small differences between good and very good satisfaction scores have a great influence on (intended) brand loyalty as well as on (intended) dealer loyalty. So merely doing things well is not enough to achieve loyal customers. Furthermore, there are indications that there is a relation between intended brand loyalty and intended dealer loyalty, apart from the influence of the satisfaction with the dealer.

We investigated only part of the simple model presented. Satisfaction scores with the brand used were not incorporated in the questionnaire. This omission should be solved in future research. Now we could only focus on the satisfaction with the dealers' service. Satisfaction with the car as such will probably also be an explanatory variable, as proposed in our model. If such a variable is taken into account, we can probably analyze the trade off between satisfaction with the car and

satisfaction with the service, car-owners as well as dealers will make in their decision processes.

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