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**DISTRIBUTION LOYALTY:
TOWARDS A CONCEPTUAL MODEL**

A thesis
submitted in partial fulfillment
for the
Degree of
Doctor of Philosophy (Ph.D)
at
the University of Waikato
by

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2006

ABSTRACT

Despite the increasing importance of business-to-business loyalty, distributor loyalty (loyalty between a distributor and a supplier) has attracted very limited academic research. This thesis develops and tests the construct of distributor loyalty through a synthesis of the related fields of customer loyalty and commitment.

The thesis comprises seven chapters that outline three phases of research. Phase one involves the development of a provisional conceptual model through a combination of deductive and inductive approaches. The second phase describes the process and results of developing and testing measures for use in the model. The final phase outlines the empirical testing of the model on a sample of 151 respondents (27% response rate).

The research uses a positivist ontological paradigm, and adopts a foundationalist epistemological perspective that means the majority of the data analyses are empirically based. Initial tests validated the conceptual model. However, refinement of the model resulted in improved performance, with the explanation of variance rising to 58%.

The revised model comprises: a) three antecedents (trust, satisfaction and shared values); b) a moderating variable (contractual obligations); and c) a two-part dependent variable, where the behavioural component (repeat purchase behaviour [RPB]) mediates the relationship between the antecedents and the attitudinal component of the dependent variable (absolute attitude). Significant interactions were confirmed between: a) satisfaction and contractual obligations, b) trust and RPB, and c) shared values and RPB.

The research represents an important start to the development of a robust theory of distributor loyalty in three ways: a) the related fields of customer loyalty and commitment have been synthesised to identify contributions to the conceptualisation of distributor loyalty; b) how distributor loyalty is perceived and conceived from a practical perspective has been determined by interviewing industry suppliers and distributors; and c) a conceptual model of distributor loyalty has been developed and empirically tested.

The study concludes that further research into distributor loyalty is imperative if we are to build a comprehensive theory about the nature and components of distributor loyalty. Further research is especially important because it will investigate a research field that is in its infancy.

ACKNOWLEDGMENTS

This thesis has been made possible due to the generosity and talents of some wonderful people who have shared parts of my life. Firstly, thank you to Mohan Jesudason, for lighting the fire of my academic curiosity; your passion for knowledge and life are an inspiration. To my parents, Judy and Geoff, I'm so grateful for the freedom you gave me to follow my own path in life. To my life partner, Lynley McMillan, who has maintained a steadfast faith in my ability to complete this journey; your love, support, and dedication are greatly appreciated. To my supervisor's (Dr Carolyn Costley and Dr Michele Akoorie), thank you for your guidance, wisdom, knowledge, and encouragement over the past six years. Thank you also to Scott Koslow for valued assistance in the methodology adopted in this thesis. Finally, to all of the respondents who contributed so selflessly to the generation of new knowledge in distributor loyalty; without your cooperation this thesis would not have been possible – thank you!

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CHAPTER ONE

INTRODUCTION AND INDUSTRY OVERVIEW

1.1 Background to the Research

Consumer loyalty is a much sought asset in contemporary business. The prevalence of programmes designed to increase customer loyalty in the later decades of the 20th century signals the perceived importance of customer retention to organisational profit. The evidence that loyalty pays handsome dividends is well established (Mark & Silverman, 1992); it costs five to seven times more to find new customers than to retain existing ones (Dowling & Uncles, 1997; Stuebring, 1996); and a 5% improvement in customer retention can improve the net present value of a customer by up to 95% (Reichheld, 2001).

While evidence of the benefits of building and retaining loyal customers is clear for a manufacturer or retailer, the evidence of benefits for the customers themselves is less convincing. In a consumer environment, being a loyal customer is regarded as being lazy (Miller, 1998) or even “stupid” (Rosenspan, 1998, p. 24). To address the perceived inequity, loyalty programmes typically attempt to create reward-based programmes, which are criticised as being little more than bribery programmes (Butscher, 1998).

While creating loyalty programmes is relatively easy, creating true loyalty appears more challenging. Loyalty programmes based predominantly on tangible incentives can at best create loyal behaviour. But even this behavioural goal is rarely achieved. Polygamous loyalty is rife. For example, by 1993, airline customers belonged on average to more than three airpoints programmes (Dowling & Uncles, 1997). Indeed, Rosenspan (1998) opines that loyalty is becoming a rare commodity in every human situation.

To build genuine loyalty requires an understanding of what loyalty is and how it is formed. Academic attention to the field of customer loyalty dates back to the

pioneering work of Copeland (1923). However, it is only recently that conceptual models of customer loyalty have been developed. These models incorporate both behavioural and attitudinal components (O'Malley, 1998).

The customer loyalty field can be divided into a number of sub-fields such as store, brand, service and vendor (distributor) loyalties (Dick & Basu, 1994). A great deal of emphasis has been placed on investigating brand and store loyalty in the past 50 years. In contrast, little attention has been invested in understanding how loyalty operates in business-to-business relationships, such as that between vendor, or *distributor*, and supplier. This thesis therefore explores the field of distributor loyalty, defines and conceptualises the construct, and ascertains how customer and distributor loyalty differ.

1.2 Outline of this Thesis

1.2.1 Chapter One: Introduction and Industry Overview

The first chapter provides a background and framework for this thesis beginning with a brief history of loyalty research. The research problem is identified, along with a rationale for the research. The chapter concludes with sections on the methodological paradigm, definitions of terms, and delimitation of the research.

1.2.2 Chapter Two: Social History and Economic Context

Chapter two presents an historical overview of loyalty that illustrates the changing nature and role of loyalty in a societal context. The overview begins by tracing the origins of the requirement of people to trust and how this need has increased since much of society has moved from self-sufficiency to inter-dependence. Similarly, the function of loyalty through history is outlined, from five centuries ago, when the word *loyalty* was introduced, to present-day Western society.

1.2.3 Chapter Three: Literature Review

The literature review encompasses extant literature from the separate fields of customer loyalty and commitment. The review includes conceptualisations, definitions and measures of the constructs in the literature. An integration of the two fields concludes the chapter.

1.2.4 Chapter Four: Phase One Research

Phase one of the thesis research involves developing a conceptual model of distributor loyalty. The chapter begins with identifying the gaps in our knowledge about distributor loyalty, followed by the research subject and its environment. The method and results of this first phase of the research are subsequently outlined. The preliminary conceptual model is then integrated with the existing loyalty and commitment literature to develop a conceptual model that can be empirically tested.

1.2.5 Chapter Five: Phase Two Research

Phase two of the research is the development of measures to test of the conceptual model, beginning with a review of existing measures. The method and results are presented and the measures for the antecedents and dependent variable, represented in the conceptual model, are developed.

1.2.6 Chapter Six: Phase Three Research

Phase three involves empirically testing the conceptual model, and the chapter begins with an outline of the theoretical rationale. The method and results are presented and the chapter concludes with a preliminary discussion.

1.2.7 Chapter Seven: Conclusions and Implications

Chapter seven commences with a summary of the research hypotheses, assumptions, and findings. There follows an outline of the conclusions about distributor loyalty, then theoretical and practical implications. The limitations of the research are then presented. The final section of the chapter outlines broad conclusions about the research.

1.3 The Research Problem

Scientific research currently lacks an integrated conceptualisation of distributor loyalty. This lack, combined with a dearth of distribution loyalty measures, underscores deficiencies in our knowledge about distributor loyalty. In particular, while distributor loyalty and customer loyalty are proposed to be related (Dick & Basu, 1994), we do not know how distributor loyalty differs from customer loyalty. Indeed, the gaps in our knowledge are fundamental at present. We do not know how distributor loyalty should be conceptualised or measured.

Therefore this thesis aims to identify how distributor loyalty should be conceptualised. Essentially it will be presumed that while customer loyalty shares common aspects with distributor loyalty (e.g. a dependent variable composed of attitudinal and behavioural components), the differences between the two loyalties result from the greater relational emphasis required in attaining distributor loyalty. This greater relational emphasis explains the differences in antecedents between the two constructs. There are two critical gaps in the current literature that merit close attention. Firstly, valid and reliable measures of distributor loyalty are not available and need to be developed. Secondly, the differences between customer loyalty and distributor loyalty are not apparent and must be identified. The research will address these two core areas.

1.4 Rationale for the Research

The benefits of attaining customer loyalty are well established: loyal customers are more valuable to a company than non-loyal customers. While the majority of academic research has focused on the aspects of customer loyalty that centre on the end consumer, considerable value is represented by business-to-business relationships such as that between a supplier and a distributor. Indeed, the function of a distributor can be fundamental to the delivery of a value proposition from a supplier to the end customer. This view of distributor function constitutes the essence of the present research problem.

The research problem is important on both theoretical and practical grounds. Firstly, business-to-business relationships have not been fully investigated within a loyalty conceptual framework before. Historically, business-to-business relationships have been studied using commitment as the dependent variable. Consequently we have no understanding of how distributor loyalty should be conceptualised. Secondly, there are no scientifically valid measures of distributor loyalty available, which seriously limits the capacity of researchers to investigate this important field.

At present, practitioners (i.e. suppliers) are relying on instinct and practical experience to develop and manage loyal business-to-business relationships. The research firstly will provide practitioners with an understanding of the antecedents that must be effectively managed to build distributor loyalty. Secondly, it will generate valid measures of the attitudinal and behavioural components of distributor loyalty. Finally, it will equip practitioners to use and improve their capacity to develop loyal relationships with distributors.

1.5 Contribution to Knowledge

The construct of distributor loyalty has received limited attention in the academic literature. This thesis makes three major contributions to knowledge: a) the related fields of customer loyalty and commitment are synthesised to identify how they can contribute to the conceptualisation of distributor loyalty; b) practitioners are interviewed to ascertain how distributor loyalty is perceived and conceived from a practical perspective; and c) a conceptual model of distributor loyalty is developed and empirically tested.

1.6 Research Paradigm

1.6.1 Ontological Perspective

Ontology involves identifying the assumptions made about the world, that is, it is a specification of a conceptualisation (Gruber, 1993). The thesis research has adopted a *positivist* ontological paradigm, which entails seven key assumptions: a) the world is external and objective, b) the observer is independent, c) science is value free, d) the focus is on facts; e) the observer looks for causality and fundamental facts; f) the observer uses deduction; and g) the observer operationalises concepts to measure.

1.6.2 Epistemological Perspective

Epistemology requires identifying assumptions about the relationship between the knower and the known, that is, what distinguishes true knowledge from false knowledge. The thesis adopts a *normative* approach, which accepts that the quality of the reasons of a belief is what converts true beliefs into knowledge (Klein, 2005). Within the normative tradition, a *foundationalist* approach is adopted, that is, reasons rest on a foundational structure comprising basic beliefs (Klein, 2005). Within the foundationalist approach, an *empiricist* perspective is adopted, that is, knowledge is a product of human experience (Heylighen, 1993). The *empiricist* approach is core to scientific enquiry and includes five core assumptions: research is a) independent, b) based on large samples, c) involves testing theories, d) utilises experimental design, and e) requires verification.

1.6.3 Methodological Perspective

The adoption of an empirical epistemological paradigm for the research required using a quantitative methodology to establish validity, reliability, and generalisability of the research findings. Three phases of research were undertaken.

Phase one, the development of a conceptual model, was undertaken using a combination of inductive and deductive approaches. Inductive enquiry was adopted to develop the provisional model from the experience of industry practitioners (distributors and suppliers). A deductive approach was then undertaken when the

provisional model was integrated with the extant literature to develop a finalised model for testing.

Phase two, the development of valid and reliable measures to test the conceptual model, utilised quantitative methods. Phase three, the testing of the conceptual model, was undertaken using self-reported, cross-sectional data collected from a sample of distributors.

In summary, a *positivist* ontological paradigm is adopted in the thesis. The epistemological paradigm is one of empiricism, which is found within the *foundationalist* branch of the *normative* approach. The methodological paradigm is predominantly quantitative in approach, however, a qualitative approach is utilised in the development of the practitioner's conceptual model.

1.7 Definitions of Concepts and Terms

1.7.1 Loyalty

The Concise Oxford Dictionary (1983) defines loyalty as: “true, faithful, to duty, love or obligation: faithful in allegiance to Sovereign, government or mother country.”.

1.7.2 Customer loyalty

Oliver defines customer loyalty as: “A deeply held commitment to rebuy or repatronise a preferred product/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 behaviour.”. (1999, p. 34)

1.7.3 Distributor loyalty

The definition of distributor loyalty is a modification of Oliver's 1999 definition of customer loyalty: “A deeply held commitment to [consistently source] products/services [from a supplier] in the future, thereby causing [same-supplier]

purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour”.

1.7.4 The Life Insurance Industry

The life insurance industry is one that supplies products and/or advice to end-customers that involve the recommendation of life insurance and contractual savings product solutions.

The definition is limited to exclude: a) fire and general products insurance sales, for example house and car insurance; b) financial planning advice that results in the recommendation of investment products, for example managed funds; c) mortgage products and other “banking” financial services, such as savings and cheque accounts.

1.7.5 Distributor

A distributor is defined as an intermediary who, through a contract with a supplier, has the right to engage in marketing and selling a supplier’s product to an end customer. (Note: in the context of this study, ownership of the service does not pass onto the distributor. Therefore the distributor’s role is one of an intermediary not a retailer).

1.8 Explanations of Terminology

1.8.1 Distributor

As life insurance is the subject of the research, the term *distributor* is used to describe the role of the intermediary in marketing, selling and servicing life insurance sales. The life insurance industry usually refers to these people as brokers, advisers, or agents. Beyond the life insurance industry the role of distributor is sometimes referred to as that of a vendor (Dick & Basu, 1994).

1.8.2 Supplier

In the thesis context of life insurance, *supplier* describes the entity that supplies financial service products for a distributor to sell. While most suppliers manufacture

the products they sell, a growing number are including products in their range that are manufactured by other organisations. Therefore supplier and manufacturer are not necessarily the same entity.

1.8.3 Contractual Obligations

Contractual obligations are the legally binding agreement between a distributor and a supplier that define the amount of a distributor's business that must be placed with that supplier. The degree of contractual obligations between a distributor and a supplier vary considerably from a broker (who has no contractual obligations) through to an employee of a supplier (who is typically contractually obliged to place 100% of his or her business with the supplier).

1.8.4 BDM

Business development managers (BDMs) are employed by suppliers to manage the relationship between a supplier and a distributor. BDMs are the frontline contact between a supplier and a distributor with key responsibilities that include developing relationships with new distributors and providing added value to existing distributors to ensure growth or at least maintenance of the relationship with the distributor.

1.8.5 RPB

Repeat purchase behaviour (RPB) is a term commonly utilised in customer loyalty literature to classify the loyal behaviour of a customer. Purchasing a product on multiple occasions is normally a prerequisite for the determination of loyal behaviour.

1.9 Delimitations of Scope and Key Assumptions

1.9.1 Industry

The research was conducted within the New Zealand life insurance industry. While this market shares similarities with most developed nations' insurance environments, the levels of regulation found in the New Zealand industry are lower than those found in comparable markets such as Australia and the United Kingdom (UK).

1.9.2 Locations

This study is undertaken within the geographical boundaries of New Zealand. Phase one of the research utilises distributors in Auckland and Tauranga. Phases two and three of the research encompass distributors across the country.

1.9.3 Unit of Analysis

The unit of analysis selected for investigation in this thesis is the most senior distributor of life insurance products within each distribution organisation. In most circumstances, this person is also the proprietor or a partner in the business (the only circumstance where this is not the case is when the respondent is an employee of a large financial institution such as a bank). In all circumstances the respondent's primary function is to personally distribute life insurance products, that is, they are primarily "salespeople" rather than "managers" of people.

1.9.4 Environmental Factors

The majority of the data collection for this thesis was undertaken in 2000 and 2001. On reflection this was a period of significant rationalisation in the New Zealand life insurance industry. During this time two of the largest suppliers merged resulting in an upheaval of a number of supplier–distributor relationships. Consequently, it is possible that this environmental factor impacted on distributors' evaluations of their loyalty to the two affected suppliers.

1.10 Summary

This chapter has laid the foundations for the thesis research. It has introduced the research problem (how should distributor loyalty be conceptualised?) and the research questions and demonstrated a rationale for the research. A definition for distributor loyalty modified from Oliver's (1999) definition of customer loyalty has also been presented. A positivist ontological paradigm and epistemological paradigm of empiricism is adopted for the research. The methodology has been confirmed as predominantly quantitative and deductive, although qualitative and inductive approaches are also utilised for the practitioners' conceptual model. The case for

adopting a pragmatic methodological approach has been argued. Definitions and explanations of the terms applicable to the present study have been presented along with the delimitations of scope and key assumptions. On these foundations, the thesis can proceed with a detailed description of the research, beginning with an historical overview of loyalty.

CHAPTER TWO

SOCIAL HISTORY OF LOYALTY

2.1 Etymological Background

The form of the word *loyal* in the English language can be traced back to the French word *loial*, which means to be faithful. In turn *loial* is based on the Latin word *legalis*, which translates as legal. The word *loyal* was introduced in English following the Norman Conquest, during the feudal phase of social order. The earliest appearance of the word in its present-day form can be traced back to the year 1531, although variants of the French form were used in English writing before then. One of the early senses of the term *loyal* connoted “being faithful in carrying out [legal] obligations”. (Onions, 1996)

From this brief outline of the roots of *loyalty*, some observations can be made. Firstly *loyalty*, as an English word, has existed for the past five centuries. However, the relatively recent history of the word does not preclude the existence of the concept prior to specific spelling being prescribed. Secondly, the earliest examples of *loyalty* show a sense of carrying out legal obligations faithfully. More general meanings of *loyalty*, such as in “consumer loyalty”, which exist with no legal basis for being faithful, have superseded this constrictive early use of *loyalty*.

2.2 Sociological

The transformation of society from the hunter–gatherer based, kinship-structured social order to the complex web of social and business structures that constitute modern bureaucratic society has been facilitated by the interpersonal construct of loyalty (Broom & Selznick, 1977). As society evolves towards co-dependent existence, humans are increasingly reliant on others for survival (Black, 1984). For example, modern families must rely on a multitude of other people to provide their food, clothing, shelter, power, employment, and transport in comparison with their

historical and agrarian ancestors who were self-sufficient in the earliest phases of urbanisation.

Given this trend it is plausible to look to the rise of modernity as undermining our ability to live independently in small clans or community groups. Commencing with the industrial revolution at the end of the 19th century, specialisation of labour, urbanisation and the development of large metropolitan cities have separated much of the Western world's population from the opportunity to live independently (Akoorie & Scott-Kennel, 2005). Consequently, the transition to modernity has increased our need to trust and be loyal. The requirement to live dependently means we are more vulnerable and reliant on others than our ancestors were because of the specialisation of skills and functions that constitute modern living. The need to trust and create loyal relationships is heightened in this environment, because trust and loyalty enable us to rely on others to meet the needs that we are unable to meet ourselves (Davis, 1965).

It also appears that the object of loyal affections has changed throughout history in response to sociological trends. In the Neolithic Age, kinship bonds meant that loyalty to the family was paramount (Broom & Selznick, 1977). This is not surprising given that kinship was the basis of the cooperative order by which survival resources, such as food, shelter, and clothing, were obtained. Failure to remain loyal to kinship placed an individual's and the family's survival in jeopardy.

In the transition from kinship-based to fealty-based social order (such as early forms of feudalism [Broom & Selznick, 1977]) the first non-familial foundation for loyalty was created. The importance of this transition is difficult to overstate in terms of humankind's ability to develop more complex social systems such as cities and ultimately nations. The ability of an individual to have an identity wider than kinship is therefore central to the progress of humankind towards modernity.

Feudalism progressed from a fealty-based social order into a status-based social order. The most important development of loyalty in this phase was in enlarging the scale of its application: fealty-based, smaller grouped, loyal individuals were replaced, in the status-based social order, by a large body of people who pledged loyalty to king and God (Pirenne, 1925). The accumulation of a critical mass of loyal subjects gave the monarchy and church unprecedented social and political power. Additionally, the concept of nationhood began to take hold during this phase, adding loyalty to country alongside loyalty to king and God as major loyal relationships to be upheld.

The concept of federalism led to the creation of states as a distinctive category, with the endorsement of 17th century theories such as those of Locke who argued that the authority of rulers is limited and of a human rather than 'divine' right (Akoorie & Scott-Kennel, 2005). The word *loyal* entered the English language in the contract phase of social order. Business enterprise, unfettered from the monarchy and the Catholic Church, developed a contract basis that gave rise to individual influence in political and economic matters. Consequently the scope of loyalty-based relationships increased substantially. For example, it was now possible to have legally binding relationships between businesses. As the direct control by the monarchy on individuals declined, less formalised and less authoritarian structures took its place, which, while creating greater individual freedom, also increased vulnerability to dishonest traders and untrustworthy business acquaintances. In this environment, the concept of remaining faithful to one's legal obligations became an important foundation in the building of the market economy.

Today's social order is characterised by extreme levels of urbanisation, supported by a complex array of bureaucratic frameworks (Broom & Selznick, 1977). Much of the monetary currency we now utilise is electronic; we communicate and do business with people whom we have never met personally; we fly in aircraft over which we personally have no ability to control; and we trust the promises of Adam Smith's (1776) "invisible hand" to maintain economic balance in our free markets. The trust

that individuals in a modern bureaucratic society are required to extend to others is unprecedented in historical terms (Hill, 2005). Developing and maintaining contact with loyal people is one method of mitigating the enormous risk we inherently undertake as we conduct our daily lives.

2.2.1 Societal Values and the Context of Loyalty

Loyalty and societal values are closely linked because typically societal values identify and provide support for highly valued behaviours. For example, during the industrial revolution the societal value encompassed in the *protestant work ethic* supported the concept that working hard and remaining loyal to an employer was a worthy goal (Furnham, 1990). Conversely, by 1985, to remain loyal to one employer was frequently interpreted negatively as a lack of employee ambition (Furnham, 1990).

Loyal acts can be interpreted as heroic or illegal depending on the underlying societal belief system of the observer. For instance, aiding or abetting suicide is illegal in Western society while in Japanese society, self-sacrifice, such as that of WWII kamikaze pilots, was perceived as an act of great heroism (Lamont-Brown, 1997). Loyalty, while less of a risk than suicide, is none the less the result of societal belief systems. While societal belief systems can change over time the process is often evolutionary. For instance, the role of the Christian Church in Western society underwent considerable change in the last three decades of the 20th century (e.g. marriage ceremonies more commonly being conducted by secular marriage celebrants, and naming ceremonies assuming a similar function to traditional christenings). Secular schooling, combined with a reduction in community pressure to conform to societal norms of regular church attendance, provided individuals with more freedom to choose their principles and values.

Loyalty appears to be situation-specific. The relationship between national security and loyalty provides an interesting arena to observe permutations of loyalty. History is resplendent with examples of the leader who has asked followers to risk their lives in battle while the leader remains safely closeted from the dangers of battle (Schott,

1992). This is particularly common in modern warfare where leaders who declare war reside in different countries to where the war is being fought. Propaganda, ignorance, misinformation, and bigotry are common tools used by 'unethical leaders' to manipulate 'the loyal' into sacrificing freedom.

Loyalty can also serve as a mechanism for maintaining social continuity. Great religions, countries and economies have been built by leveraging loyal followers (Broom & Selznick, 1997). The reaction of the United States to the terrorist attacks, on 11 September 2001, provides evidence of the power of loyalty to bind an otherwise disparate group of people. Despite wide-ranging economic disparity and the fragmented ethnic origins of its citizens, the United States rallied against the attacks they perceived as an attack against 'free' society. However, loyalty is not always widespread at a national level. The low public agreement with the ongoing US involvement in Iraq illustrates that the sense of heightened nationalism following September 11, did not translate into indiscriminate loyalty towards US foreign policy.

Some commentators do not see loyalty as admirable. Rosenspan (1998) claims that many people view loyalty as being either lazy or plain stupid. While it is true that some people do remain loyal for reasons that could be interpreted as lazy (e.g. reduced incentive to seek comparisons), it does not logically follow that all loyalty should be viewed as something undertaken by only lazy or stupid people. This negative view is not widely supported by other researchers.

In summary, when stripped of its societal context, loyalty is essentially a neutral concept. Where substantial imbalances in education, wealth or power exist between the object of loyal devotion (e.g. a despotic leader or a cult leader) and the enactors of loyalty (e.g. powerless or indiscriminating followers) there is substantial scope for loyalty to be abused. Thus the purposes of loyalty are perceived and interpreted according to the societal beliefs of the observer.

2.2.2 Changes in Loyalty through Recent Generations

There are two main ways of considering loyalty: a) by durability, that is not how long it lasts, but whether it lasts (e.g. remaining 'loyal' to a marriage partner throughout life), and b) by intensity or sense of loyalty (e.g. the feeling of intense nationalism that the threat of a foreign military invasion can evoke within a nation's citizens). Durability of loyalty is at times confused with intensity or sense of loyalty, which may have led some commentators to generalise about the apparent decline of loyalty.

Historically, loyalty has meant a lifelong devotion to an entity considerably larger than an individual. For instance *baby boomers* (people born between 1939 and 1964) were loyal to their employers and in return were rewarded with paternalistic, lifelong employment relationships (Reichheld, 2001; Handy 1990). In personal relationships, society demanded compliance with the concept of a loyal heterosexual marriage that would result in a lifelong commitment along with the promise of fidelity and the unspoken purpose of procreation and rearing of children.

Generation X children (usually defined as those born in the late 1960s, 1970s and early-1980s) are the result of baby boomer marriages (Karp, Fuller & Sirias, 2002). Given the high incidence of divorce (approximately 50% of marriages fail), perceived reduced loyalty in personal relationships (Rundle-Thiele & Bennett, 2001) and employees made redundant by erstwhile lifetime employers (Handy, 1990), it is unsurprising that Generation Xers have rejected the loyalty paradigm of their parents. Generation Xers have different expectations from their parents. From a relational aspect, partnering is viewed as a commitment but not necessarily for a lifetime. Child-rearing is no longer the domain of only married or heterosexual couples. In terms of loyalty to work, Generation Xers view their working experience as the development of a portfolio of skills and knowledge. If the portfolio can be developed through one employer, then a prolonged period of employment may occur. However, the more likely scenario is a change of employer every three to four years. The question remains whether this makes Generation Xers any less loyal than their parents.

In their book titled *Bridging the Boomer-Xer Gap*, Karp et.al. (2002) propose that baby boomer managers view Generation X workers as lazy, uncommitted, and self-serving. In contrast Generation X employees regard their baby boomer bosses as naïve and misguided in their emphasis on work at the expense of play. Thus perhaps two different generations view loyalty in diametrically opposed manners. Baby boomers tend to adopt the *durability* construct of loyalty while Generation Xers follow the *intensity* construct.

Generation Xers are conceivably no more or less loyal than their baby boomer parents when intensity of loyalty is examined. Alternatively baby boomer parents could be justified in assessing a reduction in loyalty on the part of their children if they considered loyalty purely in terms of durability issues. Interestingly the Encyclopedia Britannica definition of loyalty underscores the importance of intensity of devotion and sense of identification with a particular object as opposed to emphasising the more overt component of durability of loyalty.

2.3 Summary

The word form loyalty can be traced back to the early 16th century to a time when society was moving from a system of absolute monarchy to one of popular sovereignty. In this time of burgeoning commerce, the requirement to be faithful to one's legal obligations became increasingly important. Similarly social trends, such as urbanisation, have isolated people from the possibility of being self-sufficient. In Western society civilians are commonly dependent on others to meet their food, shelter, health, and security needs. The prevalence of interdependence in modern society has also increased our need to trust others. Importantly, establishing and maintaining loyal relationships mitigates the continual need to assess trustworthiness in a society characterised by interdependence.

Interestingly the scope of loyalty has increased over time from an initial focus on being loyal to a contract through to a nation and perhaps a favoured sports team. In

the last fifty years the objects of loyalty have even come to include consumer brands. Therefore today it is legitimate to question whether a consumer is truly loyal to a specific brand of toothpaste. While some commentators cite a diminished value of loyalty, it is more probable that what have changed are the forms of expression (intensity or durability, or both). While baby boomers conceive of loyalty in terms of durability, their Generation X children are more inclined to use intensity-based measures. Therefore the importance of understanding the values of social group or cohort should not be underestimated when investigating loyalty.

CHAPTER TWO

SOCIAL HISTORY OF LOYALTY

2.1 Etymological Background

The form of the word *loyal* in the English language can be traced back to the French word *loial*, which means to be faithful. In turn *loial* is based on the Latin word *legalis*, which translates as legal. The word *loyal* was introduced in English following the Norman Conquest, during the feudal phase of social order. The earliest appearance of the word in its present-day form can be traced back to the year 1531, although variants of the French form were used in English writing before then. One of the early senses of the term *loyal* connoted “being faithful in carrying out [legal] obligations”. (Onions, 1996)

From this brief outline of the roots of *loyalty*, some observations can be made. Firstly *loyalty*, as an English word, has existed for the past five centuries. However, the relatively recent history of the word does not preclude the existence of the concept prior to specific spelling being prescribed. Secondly, the earliest examples of *loyalty* show a sense of carrying out legal obligations faithfully. More general meanings of *loyalty*, such as in “consumer loyalty”, which exist with no legal basis for being faithful, have superseded this constrictive early use of *loyalty*.

2.2 Sociological

The transformation of society from the hunter-gatherer based, kinship-structured social order to the complex web of social and business structures that constitute modern bureaucratic society has been facilitated by the interpersonal construct of *loyalty* (Broom & Selznick, 1977). As society evolves towards co-dependent existence, humans are increasingly reliant on others for survival (Black, 1984). For example, modern families must rely on a multitude of other people to provide their food, clothing, shelter, power, employment, and transport in comparison with their

historical and agrarian ancestors who were self-sufficient in the earliest phases of urbanisation.

Given this trend it is plausible to look to the rise of modernity as undermining our ability to live independently in small clans or community groups. Commencing with the industrial revolution at the end of the 19th century, specialisation of labour, urbanisation and the development of large metropolitan cities have separated much of the Western world's population from the opportunity to live independently (Akoorie & Scott-Kennel, 2005). Consequently, the transition to modernity has increased our need to trust and be loyal. The requirement to live dependently means we are more vulnerable and reliant on others than our ancestors were because of the specialisation of skills and functions that constitute modern living. The need to trust and create loyal relationships is heightened in this environment, because trust and loyalty enable us to rely on others to meet the needs that we are unable to meet ourselves (Davis, 1965).

It also appears that the object of loyal affections has changed throughout history in response to sociological trends. In the Neolithic Age, kinship bonds meant that loyalty to the family was paramount (Broom & Selznick, 1977). This is not surprising given that kinship was the basis of the cooperative order by which survival resources, such as food, shelter, and clothing, were obtained. Failure to remain loyal to kinship placed an individual's and the family's survival in jeopardy.

In the transition from kinship-based to fealty-based social order (such as early forms of feudalism [Broom & Selznick, 1977]) the first non-familial foundation for loyalty was created. The importance of this transition is difficult to overstate in terms of humankind's ability to develop more complex social systems such as cities and ultimately nations. The ability of an individual to have an identity wider than kinship is therefore central to the progress of humankind towards modernity.

Feudalism progressed from a fealty-based social order into a status-based social order. The most important development of loyalty in this phase was in enlarging the scale of its application: fealty-based, smaller grouped, loyal individuals were replaced, in the status-based social order, by a large body of people who pledged loyalty to king and God (Pirenne, 1925). The accumulation of a critical mass of loyal subjects gave the monarchy and church unprecedented social and political power. Additionally, the concept of nationhood began to take hold during this phase, adding loyalty to country alongside loyalty to king and God as major loyal relationships to be upheld.

The concept of federalism led to the creation of states as a distinctive category, with the endorsement of 17th century theories such as those of Locke who argued that the authority of rulers is limited and of a human rather than 'divine' right (Akoorie & Scott-Kennel, 2005). The word *loyal* entered the English language in the contract phase of social order. Business enterprise, unfettered from the monarchy and the Catholic Church, developed a contract basis that gave rise to individual influence in political and economic matters. Consequently the scope of loyalty-based relationships increased substantially. For example, it was now possible to have legally binding relationships between businesses. As the direct control by the monarchy on individuals declined, less formalised and less authoritarian structures took its place, which, while creating greater individual freedom, also increased vulnerability to dishonest traders and untrustworthy business acquaintances. In this environment, the concept of remaining faithful to one's legal obligations became an important foundation in the building of the market economy.

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the last fifty years the objects of loyalty have even come to include consumer brands. Therefore today it is legitimate to question whether a consumer is truly loyal to a specific brand of toothpaste. While some commentators cite a diminished value of loyalty, it is more probable that what have changed are the forms of expression (intensity or durability, or both). While baby boomers conceive of loyalty in terms of durability, their Generation X children are more inclined to use intensity-based measures. Therefore the importance of understanding the values of social group or cohort should not be underestimated when investigating loyalty.

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

This chapter commences with a brief historical outline of the literature concerning customer loyalty and commitment constructs because these constructs are proposed to be related to distributor loyalty. The theoretical perspective of both of these constructs is then separately critically examined, with definitions and measures of loyalty and commitment outlined separately. The chapter concludes by integrating the definitions and measures of both constructs.

3.2 Brief Historical Outline

3.2.1 Loyalty

To date, loyalty research has focused predominantly on the domain of customer loyalty (i.e. loyalty between a customer and another entity). Customer loyalty is commonly reduced into sub-categories such as store loyalty, service loyalty, vendor loyalty and brand loyalty (Dick & Basu, 1994). Research in the customer loyalty field commenced in the early part of the 20th century. While Copeland (1923) is regarded as the original contributor (he developed the concept of brand insistence), Brown (1952,) is popularly recognised as the first major contributor to loyalty research, and brand loyalty, in particular (Jacoby & Chestnut, 1978).

The specialist field of brand loyalty occupied much of the early attention of client loyalty research for several reasons. Firstly, fast moving consumer goods (FMCG) have short repurchase cycles that enable researchers to track developments in purchase patterns over contracted time spans. Secondly, data collection is simplified by the use of paper receipts (ticket tape) information from stores. Finally, and perhaps most importantly, the attainment of brand loyalty offers a potentially high level of reward for manufacturers because findings can be converted into influence strategies that can deliver additional

sales in a short turn-around. There are many potential benefits for a brand that can establish or increase its number of loyal customers.

Despite the potential for improved firm performance, brand loyalty research is hampered by inconclusive, ambiguous, and often contradictory findings (Jacoby & Kyner, 1973). Jacoby and Kyner (1973) proposed a number of reasons for this. Firstly, researchers have not developed conceptual frameworks *before* building operational measures, and thus failed to build adequately on previous research. This has contributed to the second reason: multiplicity of operation definitions. Divergent operational definitions without underpinning to a conceptual framework resulted in the third reason: failure to compare or generalise research findings. Critically the field's reliance on ticket tape data has meant that only behavioural components of loyalty were considered and the attitudinal component of brand loyalty was not adequately investigated.

Although repeat purchase behaviour and brand loyalty appear similar, Day (1969) outlined a fundamental difference. He hypothesized that loyalty had an attitudinal facet (in addition to the behavioural component) and this required explication. While Brown (1952) had alluded to an attitudinal component, Day (1969) is recognised as the major influence in gaining acceptance of the two-component view of loyalty.

Over the next decade, researchers began to integrate the additional component of attitude in brand loyalty measures. When Jacoby and Chestnut (1978) reviewed the brand loyalty definitions, 33 of the 53 measures identified were exclusively behavioural, 12 were purely attitudinal, and eight were composite. Jacoby and Chestnut (1978) noted that many of the contemporary measures were composite in nature.

As the focus for marketers changed from *product* to *customer* in the later part of the twentieth century, researchers responded by changing their research emphasis from *brand* loyalty to *customer* loyalty. Customer loyalty differs from brand loyalty in two significant aspects. Firstly, customer loyalty stresses external aspects (meeting customer needs) while brand loyalty stresses internal aspects (selling more product). This shift of

focus from brand loyalty to customer loyalty signals a move to greater emphasis on the marketing input (i.e. identifying and meeting consumer wants) rather than simply generating sales (i.e. selling product). Secondly, the customer loyalty field is wider in scope, including other related forms of loyalty such as store, service, and vendor loyalty (Dick and Basu, 1994).

With the change in emphasis from internal to external aspects, understanding the customer's cognitive processes has become increasingly important. Unfortunately, a plethora of operational definitions combined with a paucity of conceptual frameworks has proved problematic in terms of understanding attitudinal influences on behaviour (Dick and Basu, 1994). Dick and Basu's seminal article in 1994 helped overcome the definitional impasse, by developing a conceptual framework.

The Dick & Basu (1994) conceptual model incorporates many of the contemporary aspects of customer loyalty. For example: a) loyalty is proposed to be composite of attitude (*relative attitude*) and behavioural (*repeat purchase behaviour*), b) the antecedents to loyalty are behavioral and attitudinal, c) the social context of loyalty acts as a moderating influence, d) there are a number of consequences that can be considered both attitudinal (motivational) and behavioural. Dick and Basu (1994) emphasised that the model needs empirical testing, and noted the loyalty field has entered a maturation phase.

Despite wide acceptance of the Dick and Basu model, academics have only recently commenced empirical testing (e.g. Garland & Gendall, 2004). Other researchers have sought to further the conceptual understanding of loyalty using different frameworks. Richard Oliver (1997) progressed from investigating customer satisfaction in the 1980s, to the related customer loyalty field. In exploring the link between satisfaction and loyalty, Oliver (1997) concluded that satisfaction is a necessary step in loyalty formation, but it becomes less significant as loyalty begins to consolidate. Oliver (1997) developed a conceptual framework based on social components, to explain how loyalty forms. This framework outlines four levels of loyalty ranging from the most basic (product

preference) through to ultimate loyalty, which is a combination of product superiority, personal fortitude, social bonding and their synergistic effects. In a later article Oliver (1999) cautioned that some products cannot hope to attain customer loyalty due to their commodity status or customer disinterest. In these circumstances the best option is to aim for customer satisfaction. Significantly, Oliver (1999) specifically excludes the application of his model to business relationships due to the added complexity of interaction involved in these types relationships. This suggests that the customer loyalty model alone is not sufficient to explain or predict complex channel relationships.

Although the Dick and Basu (1994) model has not been subjected to empirical testing, Oliver's (1997) model was recently tested in e-commerce where the results supported Oliver's model (Harris & Goode, 2004). While there is still considerable debate on how best to conceptualise and measure customer loyalty there is general agreement on the following: a) loyalty has attitudinal and behavioural components (e.g. Day, 1969; Dick & Basu, 1994; Harris & Goode, 2004; Jacoby & Chestnut, 1978; Knox, 1996; Oliver, 1997, 1999); b) antecedents are predominantly attitudinal in nature (Dick & Basu, 1994; Knox, 1996); c) loyalty relationships are moderated by social norms (Dick & Basu, 1994, Oliver 1997); d) loyalty exists and presents in different levels (Dick & Basu, 1994; Kandampully, 1997; Knox, 1996; Oliver 1997, 1999); e) customer loyalty results in behavioural and motivational consequences (Dick & Basu, 1994; Reichheld, 1996; Stuebring, 1996; Butscher, 1996); and f) satisfaction is a necessary precondition for the attainment of loyalty but in itself is insufficient to lead directly to loyalty (Evans, 1999; Mitchell, 1998; Oliver, 1999; Reichheld, 1996). Additionally, because Oliver (1999) advises that a customer loyalty framework alone is insufficient to capture the complexities of channel relationships, it is prudent to examine the relationship management dynamic (in the related but distinct) commitment field. Therefore the next section provides a brief historical overview of the field of commitment.

3.2.2 Commitment

The transition from asymmetric to symmetric channel relationships through relationship marketing resulted in commitment becoming an important construct in the channel

relationships area (Gundlach, Achrol & Mentzer, 1995). Short-term exchanges increasingly gave way to relational exchanges such as working partnerships (Anderson & Narus, 1990) to such an extent that by 1990 commitment had become the most common dependent variable used in buyer-seller relationship studies (Anderson & Weitz, 1992).

While customer loyalty had its genesis in the brand loyalty stream of investigation, relationship-marketing researchers were examining the commitment construct by applying findings of interpersonal relationship research to the business setting. Dwyer, Shurr, and Oh (1987) considered the framework of interpersonal attraction and interdependence between spouses as useful in understanding buyer-seller relationships. The definitional work on the commitment construct had its roots in the sociology and psychology disciplines (e.g. Becker, 1960). While early sociological perspectives investigated the societal and social factors that constrained or committed individuals to a consistent line of action, the psychology field defined commitment in terms of decisions that bind an individual to a behavioural disposition (Pritchard et al., 1999).

The transition to relationship marketing required a change in emphasis from conceptualising channel relationships as being composed of distinct short-term transactions to being longer in duration and reflecting an ongoing relationship (Dwyer et al., 1987). Researchers challenged the wisdom of distant channel relationships between manufacturers and distributors, because they were ineffective in coordinating marketing activities (Stern & El-Ansary, 1990).

Prior to the advent of the *network paradigm*, inter-firm relationships were fundamentally competitive. Channel members vied for power, attempted to create dependence in their channel partnerships and managed as best they could the resultant conflict. With the advent of the network paradigm, coercive power has become less influential in channel relationships. To be an effective global competitor requires a firm to be a trusted cooperator (Morgan & Hunt, 1994). Power-driven dependence and conflict have now largely given way to partnership cooperation based on trust and shared interest in the

outcomes of the relationship (Brown, Lusch, & Nicholson, 1995). The move to a relational basis for channel partner research necessitated conceptual frameworks for the relational state of commitment.

While some propose a single-component view of commitment (e.g. Meyer & Allen, 1984) others (e.g. Morgan & Hunt, 1994; Anderson & Weitz, 1992; Meyer, Allen & Smith, 1993) suggest that a multi-component view more accurately reflects the importance of distinct sub-components of commitment. Three major forms of commitment are found in the literature: a) affectual; b) continuance, and c) behavioural. Affectual commitment reflects feelings of unity or cohesion in a relationship (Kim & Frazier, 1997) while continuance commitment involves determining the durability of a relationship through good and difficult business conditions. The third form of commitment (behavioural) involves the visible signs of commitment to a relationship (e.g. Narus & Anderson 1989).

Critically, the marketing move to a relational focus increases the importance of social determinants of behaviour such as trust and commitment (Gundlach et al., 1995). The problem posed by this development is that researchers are now facing very complex, overlapping and at times ambiguous constructs that have not received adequate attention in the segmentation of commitment's theoretical domain. This poses serious problems in terms of the intended meaning of each concept and the potential relationships amongst each of the concepts (Morrow, 1983). Significantly, the diverse operational definitions indicate that researchers do not yet have a clear understanding of what commitment in a channel relationship entails (Kim & Frazier, 1997).

The search to understand the drivers of commitment has led some researchers to investigate the relationship between commitment and loyalty (e.g. Bowen & Shoemaker, 1998; Pritchard et al., 1999). However, given the state of general confusion in both fields, it is hardly unsurprising that the early findings are inconclusive. Indeed there is a noted lack of consensus regarding the loyalty–commitment relationship. Some, such as Oliva, Oliver, and MacMillan (1992) suggest the two constructs are unrelated. Others pose that

the concepts are synonymous (Assael, 1987) while Pritchard et al. (1999) and Knox, (1996) view commitment as related to loyalty.

The preceding review illuminates two fields in differing states of confusion. Whereas customer loyalty research is built on the foundation of brand research, commitment research utilises an interpersonal relationship framework. These two development paths have the potential to provide a richness of explanation, although attempting to create clarity in two chaotic fields has the potential to simply add to the confusion. The following section therefore clarifies the theoretical bodies of research for the loyalty and commitment fields.

3.3 Theories of Loyalty and Commitment

Neither the loyalty nor the commitment fields have received the rigorous level of theoretical conceptualisation they deserve, especially given the high level of academic attention they attract. The following section outlines and critiques the current theoretical models. At the conclusion of each section the themes of the various models are examined in an attempt to identify common and disparate aspects through a process of comparison.

3.3.1 Loyalty

In searching for seminal articles on conceptual frameworks of customer loyalty, five models were selected. The first model is the framework constructed by Day (1969) that first conceptualised loyalty as composed of both attitudinal and behavioural components. The second model developed by Yoram Wind (1970) is an early example of an attempt to represent a form of loyalty broadly similar to distributor loyalty (industrial source loyalty). Following Wind's (1970) model, a conceptual model of customer loyalty developed by Dick and Basu (1994) is examined. This model contributes three significant components: a) conceptualisation of the dependent variable of customer loyalty; b) identification of the broad groups of antecedents of customer loyalty; c) development of four potential states of loyalty based on the interaction between the behavioural and attitudinal dimensions. The final model reviewed (Oliver 1997) outlines the sequential stages of loyalty. This model proposes that weak forms of loyalty occurred in what Dick

and Basu (1994) had identified as the antecedent phase of customer loyalty. Oliver further refined his conceptualisation of customer loyalty in 1999. At the conclusion of this section a critique of the seminal models is undertaken.

Day

The earliest theoretical contribution to the loyalty field (Day, 1969) was developed in response to difficulties researchers were experiencing with brand loyalty. Brand loyalty was traditionally proposed to be composed predominantly of a behavioural component (purchase behaviour). Day (1969) outlined the contrary view that brand loyalty was a *composite* of behavioural and attitudinal components. The attitudinal component was defined as a strong internal disposition to the brand.

While Day (1969) did not develop a specific conceptual model for brand loyalty, his contribution was the introduction of the two-dimensional concept of brand loyalty. This allowed four important predictions. Firstly, overt behaviour (repeat purchase behaviour) is not always matched by a corresponding strong internal disposition to the brand, (e.g. the purchase may have been made for other reasons, such as convenience). The term *spurious loyalty* was coined by Day (1969) to describe this set of circumstances. Importantly, Day (1969) estimated that up to 30% of overt loyalty can be attributed to spurious loyalty.

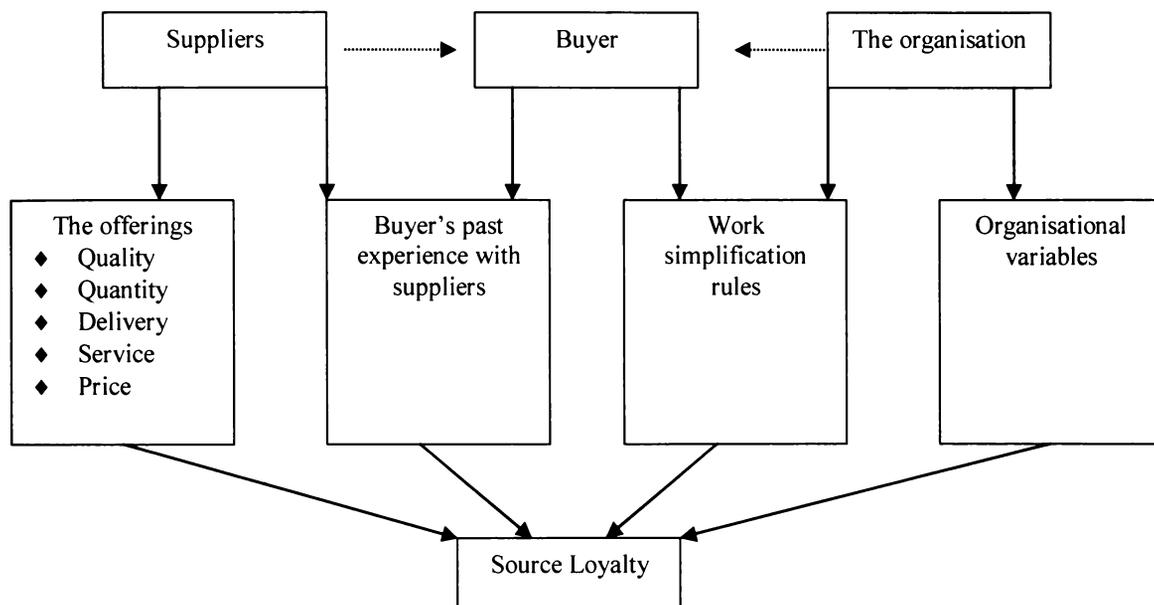
Secondly, understanding the process of attitude formation has become increasingly important in allowing marketers to improve their brand market share. Thirdly, loyalty is based on a rational decision after the consumer has evaluated the benefits of competing brands. Finally, through the inclusion of attitudinal criteria, loyalty becomes a brand-specific concept. This means buyers are given a brand loyalty score for each brand purchased in a given period, based on share of *total purchases and attitude* toward the brand.

Wind

Wind (1970) developed a conceptual model for industrial source loyalty (see figure 3.1). The model proposes tripartite involvement in the relationship (supplier, buyer and the

organisation the buying was being done for). Four groups of variables are modeled to act as antecedents to source loyalty: a) supplier offering, b) buyer's past experience with suppliers, c) work simplification rules, d) organisational variables such as pressure for cost savings. Behavioural and attitudinal components are included in the antecedent process; but the definition of source loyalty is purely behavioural in nature.

Figure 3.1 Wind's Model of Industrial Source Loyalty



Source: Wind, 1970

Wind (1970) tested the model using Regression analysis, which indicated that the four variables explain 80% of the variance in source loyalty. This suggested the design of marketing strategies should take explicit account of the organisational characteristics of the buying firm.

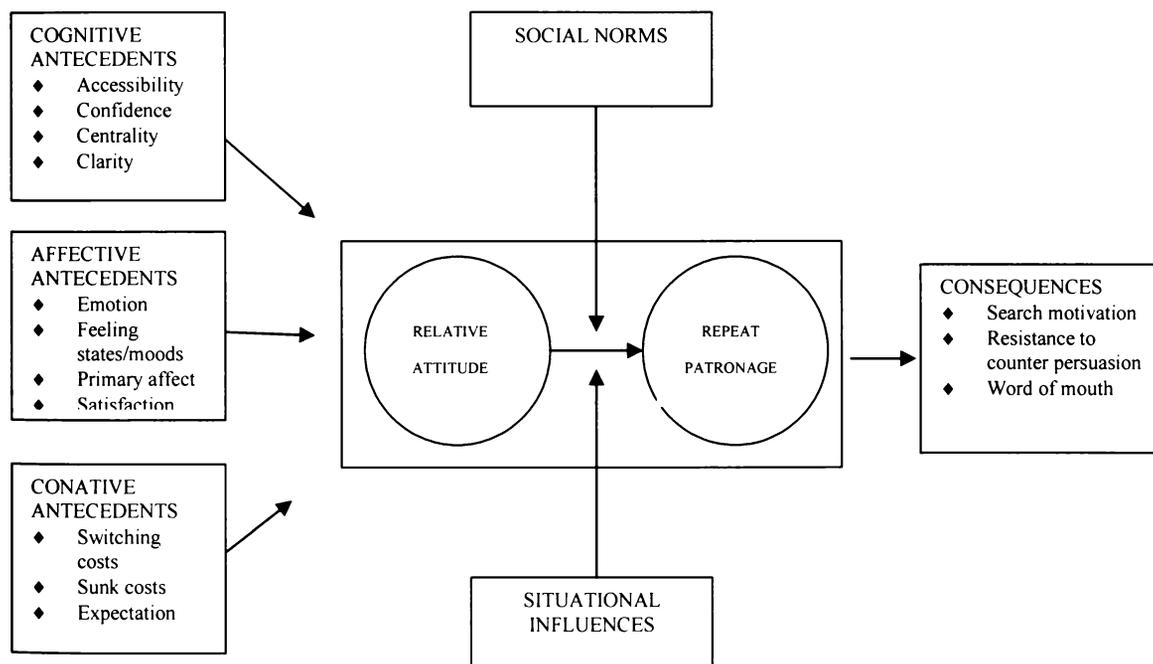
It is important to recognise that Wind's (1970) model over-estimates the level of loyalty because the definition does not distinguish between loyal and spuriously loyal behaviour

(Day, 1969), because no consideration was given to an attitudinal component. Wind's (1970) model confounds spurious loyalty with true loyalty.

Dick and Basu

Dick and Basu's (1994) integrated framework is based on the conceptualisation of loyalty as the relationship between relative attitude (towards a brand, service) and repeat patronage behaviour. The model contains three broad groups of antecedents; cognitive, affective and conative, which impact on the development of relative attitude (see figure 3.2). Social norms, and situational influences are posed as mediating the relationship between relative attitude and repeat patronage behaviour. Finally, customer loyalty is hypothesised to lead to three key consequences; reduced search motivation, increased resistance to counter persuasion and increased incidence of word of mouth.

Figure 3.2 Conceptual Framework for Customer Loyalty



Source: Dick & Basu, 1994

The authors deconstruct relative attitude to illuminate the impact it has on loyalty. Relative attitude is comprised of attitudinal strength and attitudinal differentiation. When these two factors are at their highest, the peak attitudinal state is attained. Dick and Basu (1994) also plotted relative attitude and repeat patronage on a matrix to identify four loyalty states. According to this model loyalty is only attained in one of the four circumstances (when relative attitude and repeat patronage are high). When relative attitude is high but repeat patronage is low, latent loyalty is present. Building on the conceptual work of Day (1969), Dick & Basu (1994) propose spurious loyalty as the state in which there is 'loyal' behaviour but no attitudinal differentiation. Finally where both repeat patronage and attitudinal differentiation are low, no loyalty is proposed to exist. The four states of loyalty are outlined in figure 3.3.

Figure 3.3 Four States of Loyalty

		Repeat Patronage	
		High	Low
Relative attitude	High	Loyalty	Latent loyalty
	Low	Spurious loyalty	No loyalty

Source: Dick & Basu, 1994

The Dick and Basu (1994) model potentially provides a rich predictive tool for researchers in developing effective strategies for the management of customer loyalty. However, it is regrettable that little empirical testing has been conducted on the model in

the ensuing years, especially given the high level of acceptance the model has attained in the marketing field.

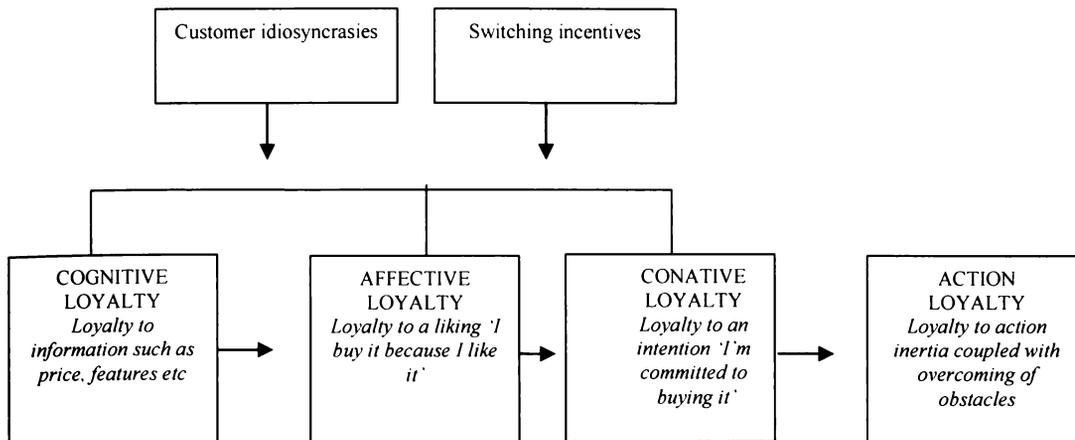
Oliver (1997)

Oliver's (1997) model proposes that customers move through a sequential loyalty process (see figure 3.4), beginning with cognitive loyalty, which is based only on aspects such as price and features. Consequently, it is comparatively weak and easily dislodged by competitor offerings. The second phase involves affective loyalty, which is the development of a liking of the product by the customer. Conative loyalty, the third phase, involves intentionality in terms of their future purchases. The final and strongest state is action loyalty, where the customer has attained inertia toward competitor offerings and will even overcome obstacles to ensure their preferred purchase is made.

Oliver (1997) proposes two moderating influences: a) customer idiosyncrasies, and b) switching behaviour. It is important to note that these only moderate the first three phases of loyalty, the fourth (action loyalty) is proposed to be impervious to these influences.

Perhaps the greatest predictive contribution this model offers the field is that loyalty (albeit in a weak form) begins to develop from the moment an offering is perceived as superior in basic variables such as price and features. Conceptually this is a large departure from previous conceptualisations. Satisfaction is proposed as a building block in the affective stage and hence customer dissatisfaction is an insurmountable hurdle beyond the cognitive stage. The model was recently empirically tested in the e-business sector by Harris and Goode, (2004) In general terms the data supported the proposition of Oliver's (1997) phases of loyalty. Importantly, Oliver (1997) specifically cautions against the direct application of this model to the business-to-business environment (such as distributor loyalty) because the relational dimension adds complexity.

Figure 3.4 Four Phases of Loyalty

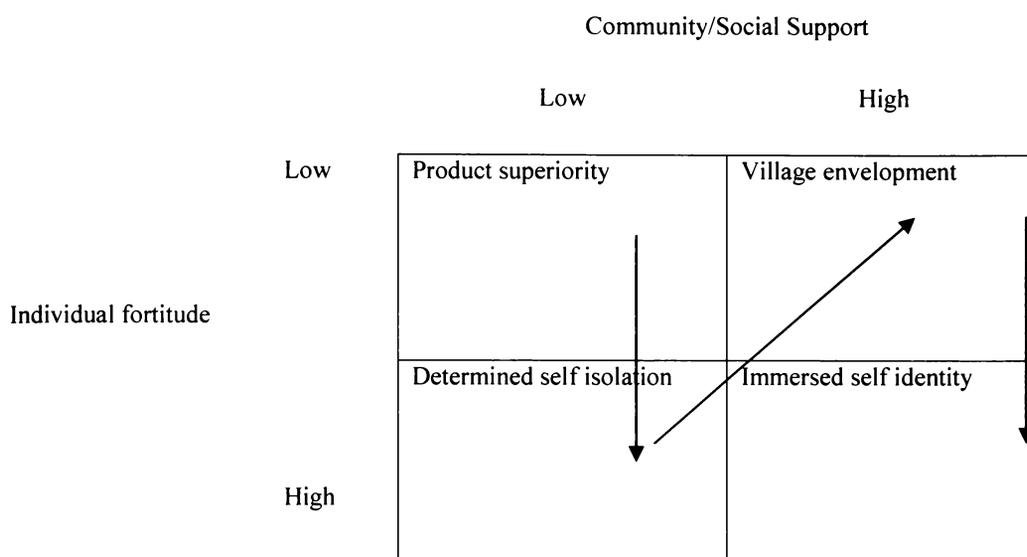


Source: Oliver (1997)

Oliver (1999)

In 1999 Oliver extended the conceptualisation of customer loyalty by considering the dimensions of individual fortitude and community or social support in the formation of loyalty (see figure 3.5). As with his previous model, Oliver (1999) is particularly concerned with the development of loyalty through a number of phases leading to ultimate loyalty. This model of loyalty offers an additional depth of understanding of the attitudinal development that consumers pass through on the path to ultimate loyalty.

Figure 3.5 Stages in the Formation of Loyalty



Source: Oliver, 1999

When individual fortitude and community or social support are low, only the weakest form of loyalty can be attained. This product superiority state is similar to the cognitive loyalty phase of Oliver's 1997 model. The determined self isolation phase involves the consumer deliberately aligning with a single brand and isolating him or herself from competitor offerings. The definition of this phase is significant due to the explicit assumption that polygamous loyalty is not possible by this phase of loyalty.

The richness of Oliver's (1999) new model is demonstrated through the inclusion of social and community bonding as a factor in brand loyalty in the final two loyalty categories. Phase three, 'village envelopment' is where the consumer becomes sheltered from outside influences, nurtured in the use of selected and protected brands, and provided integrated and routinely updated consumption systems. The final phase involves immersed self-identity. In this stage the consumer intentionally targets the social environment because it is consistent with and supports his or her self-belief.

Oliver (1999) proposes that some product categories are not conducive to the attainment of loyalty. If any of the following five criteria cannot be attained, then marketers are advised that customer satisfaction may be the most viable goal: a) does the product have some unique configuration that makes it desirable? b) are there sufficient customers that find it desirable in this manner? c) is the consumable subject to admiration? d) can the product be embedded in a social network? e) is the company willing to create, populate and maintain the village?

Critique

The thesis critique of the loyalty field covers seven important dimensions: the *domain* that each model was developed for is analysed; the broad *conceptualisations* of the construct of loyalty are compared; the *antecedents* proposed by each model are compared; representations in the models of the *role of satisfaction* in loyalty are analysed; the concepts of *moderating influences* of loyalty are examined; the views on *polygamous loyalty* are discussed; and the status of the conceptual model *tests* is evaluated.

Domains of research. While the literature review was conducted within the broad parameters of customer loyalty, a variety of specific domains are also revealed. For example Day's (1969) conceptualisation of loyalty was designed specifically to represent the construct of brand loyalty, which is generally regarded as a sub-branch of customer loyalty (Dick & Basu, 1994). Alternatively, both Dick and Basu (1994) and Oliver (1997, 1999) seek to represent the overarching construct of customer loyalty (which contains brand loyalty). Wind's (1970) representation of loyalty contrasts significantly with the others because the specific domain of industrial source loyalty involves business-to-business relationships. Thus three of the four researchers have conducted their research within the customer loyalty domain, while one (Wind, 1970) has focused on a field more closely aligned to distributor loyalty. A comparison between industrial and distributor loyalties will clarify how they differ.

Conceptualisation of loyalty. When the broad conceptualisations of loyalty are compared, two observations can be made. Firstly, the majority of the researchers propose a conceptualisation of the dependent variable that includes both attitudinal and behavioural components (Day, 1969; Dick & Basu, 1994; Oliver 1997, 1999). In contrast, Wind (1970) is the only author to propose loyalty as uni-dimensional. Given that Wind's article was published in 1970 (and therefore undertaken prior to or at a similar date to Day's 1969 article), it is arguable that Wind was not aware of Day's conceptualisation of loyalty at the time the research was undertaken.

The second observation is that, even though the majority of authors posit a composite of attitudinal and behavioural components, there is no consensus regarding how these components are ordered or interact. For example Day (1969) does not offer a view as to whether attitude leads to behaviour or vice versa, whereas Dick and Basu (1994) are explicit in their proposal that attitude leads to behaviour. In contrast, Oliver (1997) does not propose a clear delineation between the formation of attitude and behaviour. Rather his model posits that loyalty is composed of both attitude and behaviour and that the interplay of these components results in a sequential development from a low loyalty state (cognitive loyalty) through to an ultimate loyalty state (action loyalty). In light of these different representations of loyalty, it is reasonable to conclude that loyalty is composed of attitudinal and behavioural components but that it remains uncertain how these components interact.

Antecedents. The proposed antecedents can be categorised by examining the broad or specific nature of the antecedent groups. For example Dick and Basu (1994) propose three broad antecedents (cognitive, affective, and conative) that contrast sharply with Wind's (1970) specific antecedents of supplier offering, buyer's past experience with the supplier, work simplification and organisational variables. One possible explanation for this difference is that Dick and Basu (1994) were aiming to conceptualise a broad construct spanning many sub-constructs (e.g. brand loyalty, store loyalty etc) whereas Wind's (1970) model was proposed for a very specific business-to-business application.

The second observation from the analysis of the proposed antecedents is that Oliver's 1997 model does not separate out antecedents from the dependent variable, as do the other models. While Oliver (1997) utilises the same broad categories as do Dick and Basu (1994) – cognitive, affective and conative, the components are proposed as early forms of loyalty that contribute to the attainment of action loyalty and not as antecedents to the lower forms of loyalty.

In general, the more specific the domain of research, the more specific the explication of the proposed antecedents becomes. Therefore, in a model designed to encompass a wide range of potential circumstances such as customer loyalty, the antecedents are general in nature. In contrast, when researchers investigate a specialized field of loyalty (such as industrial source loyalty or distributor loyalty) antecedents particularly relevant to that domain are specifically explicated.

The role of satisfaction. The role of satisfaction as a pre-requisite for the attainment of loyalty is fairly well accepted (e.g. Kandampully, 1997; Mitchell, 1998; Oliver, 1997; Reichheld, 1996; Sonderland, 1998; Stuebring, 1996). While satisfaction must be attained to create an environment from which loyalty can be established, it is not sufficient to create loyalty.

While there is a consensus on the basic role of satisfaction, there are differences in the way it is represented in the conceptual models. The differences lie predominantly in whether satisfaction is implicitly or explicitly represented. Dick and Basu (1994) explicitly represent satisfaction as an important item in their affective antecedent component while Oliver (1997) and Wind (1970) favour an implicit treatment of satisfaction. Wind's (1970) model implies that satisfaction is either a component or outcome of the supplier's offering and the buyer's past experience with the supplier. Interestingly, Oliver's (1997) model suggests that satisfaction would need to be achieved in the cognitive phase of loyalty before the deeper phases such as affective and conative loyalty could be achieved. Oliver's (1997) implication that satisfaction belongs in the

cognitive stage of loyalty appears at odds with Dick and Basu (1994) who explicate satisfaction as impacting on the affective antecedent.

In summary consensus exists that satisfaction plays a vital role in the attainment of loyalty. Exactly what this role is and how it might be represented in a conceptual model of loyalty is much less clear. Where satisfaction is explicitly represented in a model it has been represented as an affective antecedent. However, Oliver's (1997) model suggests that satisfaction also has an impact on cognitive aspects of loyalty.

Moderating variables. Two of the models reviewed in this section contain moderating variables (Dick & Basu, 1994; Oliver, 1997). Dick and Basu (1994) propose two moderating variables: a) social norms and b) situational influences. The effects of the moderating influences are posited to occur in the relationship between the two sub-components of customer loyalty (i.e. between relative attitude and repeat purchase behaviour). In contrast, Oliver's (1997) model proposes that his moderating influences (customer idiosyncrasies and switching incentives) apply to the three early phases of loyalty (cognitive, affective, and conative) but not to the final state (action loyalty). It is interesting to note that the moderating variables proposed by the two authors are similar but distinct. It could be argued that there is some conceptual overlap between Oliver's (1997) customer idiosyncrasies and Dick and Basu's (1994) social norm. Similarly, it is plausible to consider that switching incentives would be a potential sub group of Dick and Basu's (1994) situational influences. However, as an observation it appears that Oliver's (1997) moderating influences are more specific in nature than Dick and Basu's (1994).

In summary some consensus exists regarding the broad conceptualisation of moderating influences between Dick and Basu (1994) and Oliver (1997). However there is little agreement about when and how the moderating influences might affect the development of loyalty. Critically, some researchers pose no moderating influences at all.

Polygamous loyalty. The validity of polygamous loyalty (i.e. whether a customer can be loyal to more than one entity at any one time) has been the subject of differing opinions. While the articles reviewed are in some agreement that polygamous loyalty is not possible (Dick & Basu, 1994; Oliver 1997), this view is not universal. A wider review of the literature reveals that it is only in the earliest and latest loyalty research that polygamous loyalty has been disregarded as a valid form of loyalty (see Brown, 1952 1953; Copeland, 1923; Dick & Basu, 1994; Oliver, 1997, 1999).

The contrasting view (i.e. that polygamous loyalty is possible) prevailed in the period where loyalty was conceptualised predominantly in behavioural terms (see Jacoby, 1969; Pessemier, 1959). Therefore it would appear reasonable to assume that if loyalty is conceived as having an attitudinal component such as relative attitude (see Dick & Basu, 1994) this precludes the existence of any polygamous loyalty because the attitudinal component requires a preference for one brand, service or company. The adoption of a measure that requires attitudinal preference over other options (e.g. relative attitude) means that only one entity can attain this preference because all other entities must by definition have lower attitudinal preference.

Empirical testing. At the time of initial research for this thesis (1999) scholars were only just beginning to test the models that held the most promise for contributing to a conceptual model of distributor loyalty (Dick & Basu, 1994 and Oliver, 1997). Subsequent to the initial literature research, Harris and Goode (2004) tested Oliver's 1997 model and found evidence to support his conceptualisation of customer loyalty. Alternatively, testing of the Dick and Basu (1994) model by East, Sinclair & Gendall (2000) and Garland and Gendall (2004) have provided contradictory results.

Summary. While Oliver (1997, 1999) and Dick and Basu (1994) propose overarching models for customer loyalty, some researchers have developed models for more specific domains (e.g. brand loyalty, industrial source loyalty). Regardless of the specificity of domain, the majority of the loyalty researchers propose that loyalty is made up of

attitudinal and behavioural components. Interestingly despite this consensus there is little agreement regarding how the loyalty components are ordered or interact.

The antecedents of loyalty can be grouped by the specificity of their explication. In particular some antecedents are proposed in broad groups such as cognitive, affective and conative, (e.g. Dick & Basu, 1994), while others such as Wind (1970) identify specific antecedent components such as work simplification rules. It is also interesting to compare Oliver's 1997 model to other loyalty models. Critically, Oliver (1997) does not separate a group of antecedents in his model. Instead he proposes that during the process that the other authors posit as the antecedent process, weak forms of loyalty such as cognitive loyalty begin to form.

The relationship between loyalty and satisfaction is clear to the extent that satisfaction is posed as a necessary precondition for the attainment of loyalty. However, exactly what role satisfaction plays and how it should be represented in a conceptual model is not clear. Further, only Dick and Basu (1994) and Oliver (1997) propose any moderating influences. Specifically Dick and Basu (1994) posit situational influences and social norms as moderating influences while Oliver (1997) proposes customer idiosyncrasies and switching incentives. Importantly, the authors disagree on where the loyalty relationship is moderated. Dick and Basu (1994) claim that the moderating influences occur between the two components of customer loyalty (relative attitude and repeat purchase behaviour) while Oliver (1997) proposes that the moderating influences affect the weaker forms of loyalty such as cognitive, affective and conative loyalty but not the final state of action loyalty.

The most recent literature suggests that polygamous loyalty is not possible when a two-component conceptualisation is adopted (e.g. Dick & Basu, 1994). At the time of the initial research for this thesis (1999) neither of the later conceptual models of loyalty had been empirically tested. While Dick and Basu's (1994) model remains untested, Harris and Goode (2004) have recently empirically validated Oliver's 1997 model in the electronic travel domain.

This concludes the critique of the theoretical frameworks for loyalty. The following section outlines the seminal theoretical frameworks in the commitment domain.

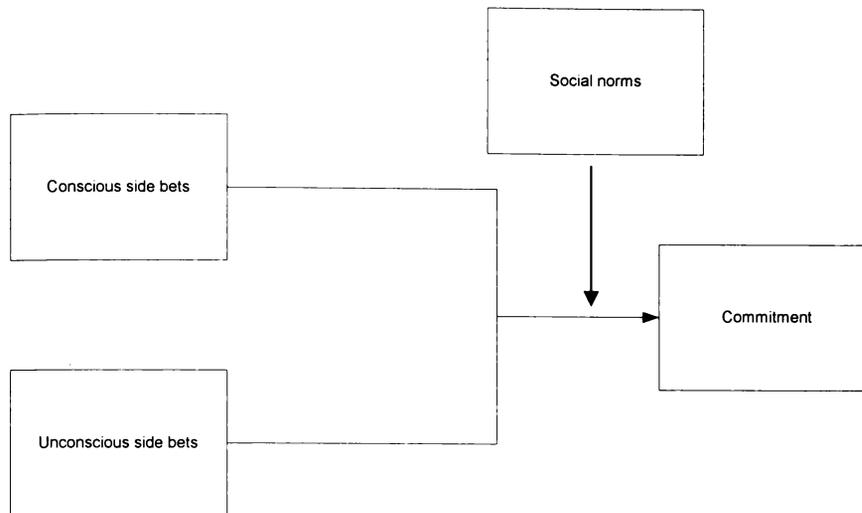
3.3.2 Commitment

This section outlines the seminal articles that illustrate the development of theoretical knowledge in the commitment field. The first article (Becker, 1960), provides the basis for future commitment research. Anderson and Weitz's (1992) contribution to the field is then illustrated through the outlining of their model of the effect of pledges on commitment. The Meyer et al. (1993) commitment model based on a psychological framework is presented. The 1994 Morgan and Hunt seminal article on the relationship between trust and commitment is reviewed to evaluate the antecedents and consequences of the relationship between trust and commitment. A three component model of commitment (Gundlach et al., 1995) is then outlined. Importantly, a commitment model tested on distributors is presented by Kim and Frazier (1997) and followed by a commitment model tested in the Australasian banking environment by Rexha (1999). The section concludes with a critique of the Pritchard et al. (1999) article, which identified the links between commitment and loyalty, followed by a critique of the commitment literature.

Becker

The earliest academic enquiry into commitment can be traced to a seminal article by Becker (1960) who introduced a number of useful sociological concepts that later researchers developed. In particular, Becker (1960) poses commitment as 'consistency of human behaviour'. The model (see figure 3.6) explains behaviour as a consequence of side bets that individuals take in their sub-cultural groups whose commitments are not necessarily made deliberately. Unconscious commitment arises from a series of minor acts, which together constitute a series of side bets of such a magnitude that they can't be lost. In this model, the relationship between the antecedents and commitment is moderated by social norms.

Figure 3.6 Model of Commitment



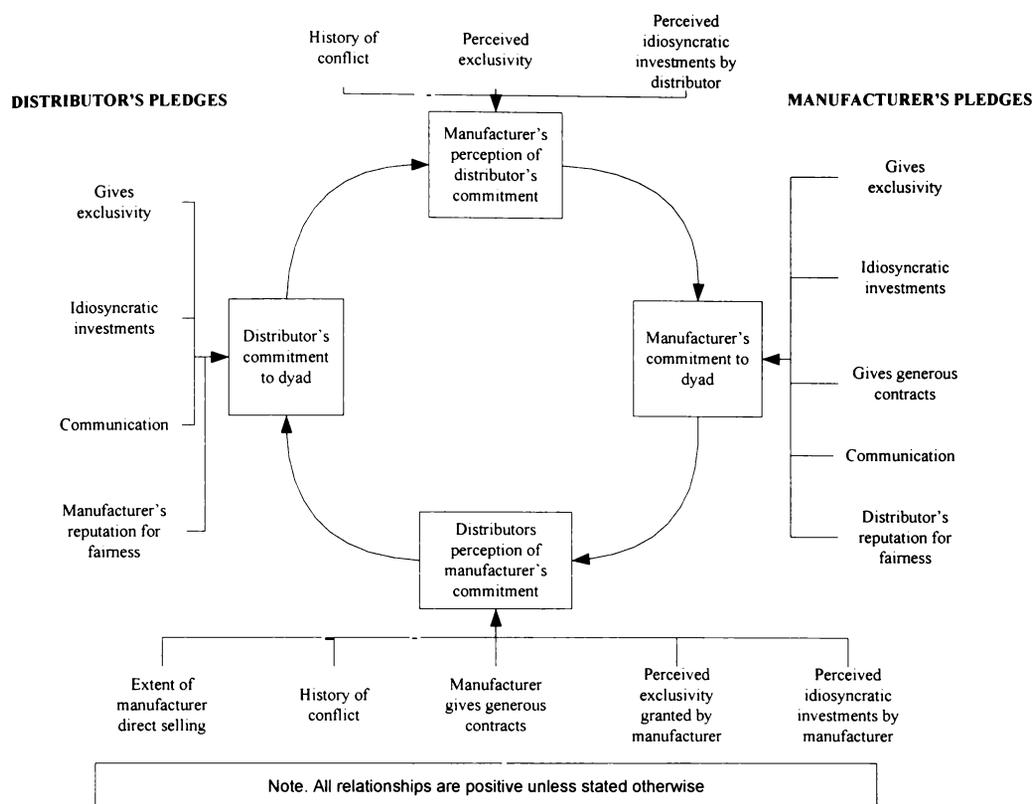
Source: Becker, 1960

Becker (1960) summarises his conceptualisation of commitment by saying “to understand commitment fully, we must discover the systems of value within which the mechanisms and processes ... operate” (p. 35). While later researchers refined Becker’s (1960) conceptual model his contribution was important because it defined the conceptual underpinnings of commitment. Additionally the side bets construction has proven durable in subsequent research.

Anderson and Weitz

Anderson and Weitz (1992) describe commitment as such a complex phenomenon that no study can assess more than a fraction of the relevant determinants in a distribution channel. With this constraint in mind, their model (see figure 3.7) proposes commitment as the function of: a) each party’s perception of the other party’s commitment; b) self-reported and perceived pledges made by each party; and c) factors such as communication level, reputation and relationship history. The model predicts that parties in a stable relationship have similar levels of commitment to the relationship. Exclusivity, idiosyncratic investment, communications, and reputation for fairness impact positively on commitment. Additionally, a manufacturer’s direct selling activity is posited as a negative influence on distributor commitment. The model was empirically validated.

Figure 3.7 The Effect of Pledges on Commitment



Source: Anderson & Weitz, 1992

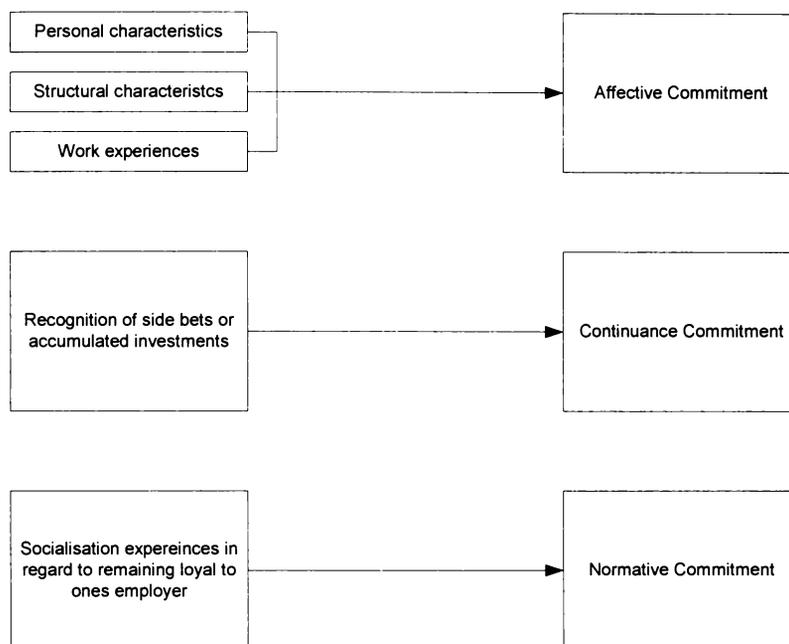
Meyer, Allen and Smith

While Becker (1960) approached commitment from a sociological perspective, Meyer et al. (1993) adopted a psychological perspective to investigate commitment to organisations and occupations. They aimed to develop a model that could be generalised beyond specific domains. A multi-dimensional model of commitment that includes three distinct forms of commitment was proposed: a) affective; b) continuance; c) normative.

Affective commitment is posited as particularly strong; employees with affective commitment stay with the organisation because they want to. In contrast, continuance committed employees remain because they need to (due to income or high exit barriers). Normative commitment proposes that employees stay because they feel they ought to.

The Meyer et al. (1993) model (see figure 3.8) appears conceptually useful in its proposition of different forms of commitment. In particular the different motivations that underpin the overt behaviour suggest commitment has several levels, is individually defined, and based on the committed party's experiences (historical and present day).

Figure 3.8 Psychological Perspective of a Commitment Model



Source: Meyer et al, 1993

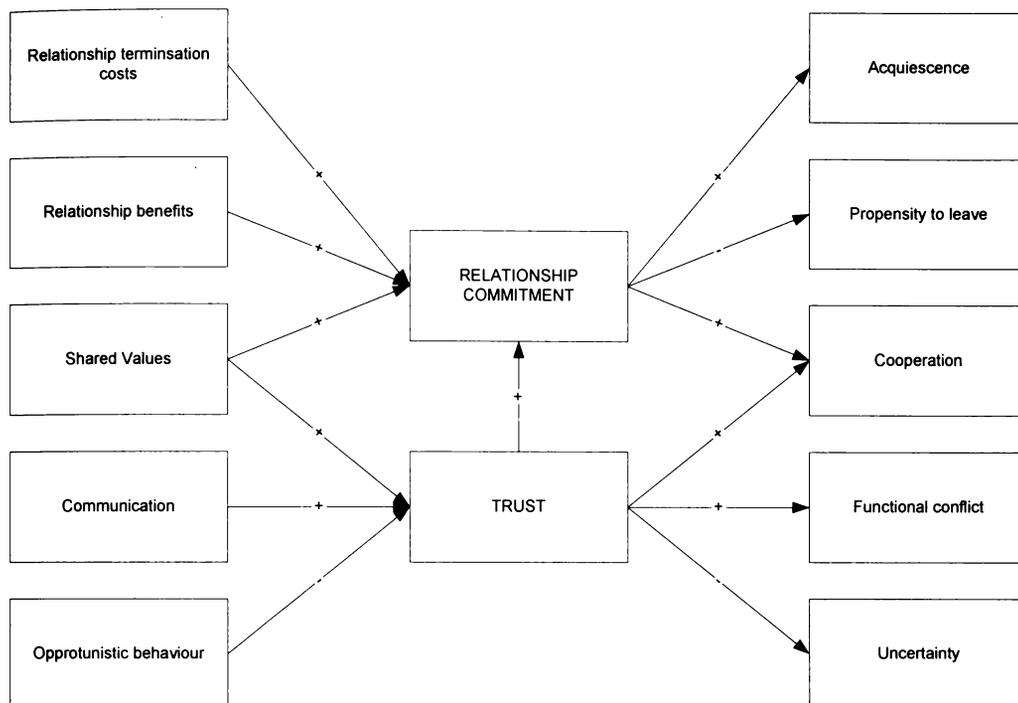
Morgan and Hunt

Morgan and Hunt (1994) explored the relationship between commitment and trust. The authors proposed that successful relationship marketing requires both commitment and trust, and these facets are proposed to lead to cooperative behaviours that are naturally conducive to relationship marketing.

The theory is based on a key mediating variable model where a mediating variable (trust), five antecedents (relationship termination costs, relationship benefits, shared values,

communication and opportunistic behaviour) and five consequences (acquiescence, propensity to leave, cooperation, functional conflict and uncertainty) are proposed to lead to relationship commitment (see figure 3.9). Importantly, a mediating model offers a rich understanding between the proposed antecedents and consequences of commitment.

Figure 3.9 Morgan & Hunt's Trust-Commitment Model



Source: Morgan & Hunt, 1994

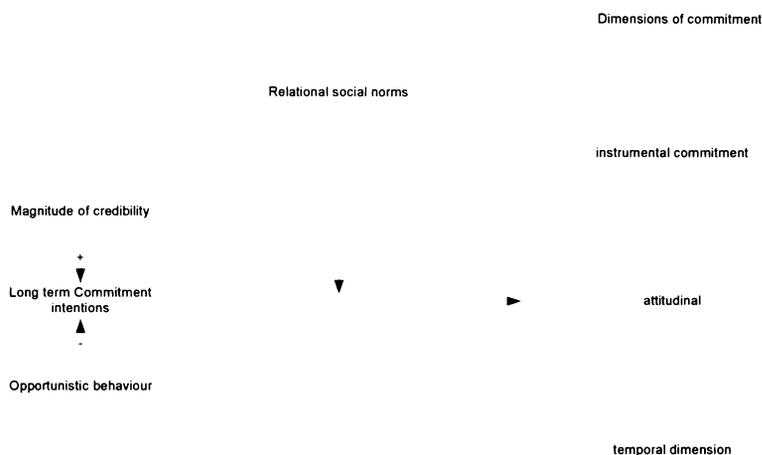
Gundlach, Achrol and Mentzer

Gundlach et al. (1995) studied the effect of credibility and proportionality of commitment inputs in an exchange upon the development of relational social norms, opportunism, and long-term commitment intentions. When tested in a behavioural simulation, the model (see figure 3.10) suggests: a) the credibility of commitment inputs in an exchange is positively related to the development of relational social norms and is positively related to long-term commitment intentions in the same period; b) relational social norms may be undermined by opportunistic conduct and; c) the presence of relational social norms in

one time period is positively related to commitment inputs and long-term commitment intentions in later periods.

In a similar vein to Meyer et al., (1993), Gundlach et al. (1995) developed a three component model of commitment. While acknowledging that there is a reasonable level of consensus regarding the existence of three components, Gundlach et al. (1995) note the continuing disagreement over what the three components are. Gundlach et al. (1995) propose the components to be instrumental, attitudinal, and temporal.

Figure 3.10 Gundlach, Achrol and Menter's Commitment Model



Source: Gundlach et al., 1995

The instrumental component is a calculative act in a similar vein to Becker's (1960) side bets. Once deployed, *instrumental acts* are difficult or impossible to re-deploy, which make it costly to exit the relationship. The attitudinal component is similar to affective commitment (see Meyer et al., 1993), representing an affective attachment to the values of an organisation, one's role relative to the values and to the organisation for its own sake (Buchanan, 1974). Importantly, Gundlach et al. (1995) proposed that the attitudinal component of commitment shares a common domain with loyalty. The temporal component emphasised the fact that commitment is only meaningful if it is maintained

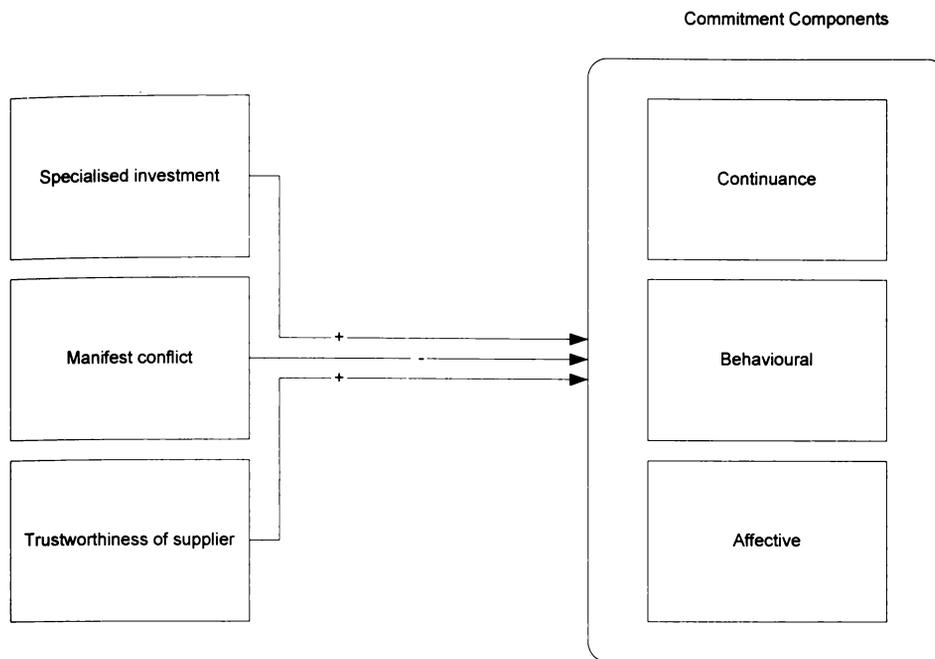
over the long term – commitment was thought to escalate over time in the temporal dimension.

Gundlach et al. (1995) proposed two fundamental dimensions of commitment. Firstly the magnitude of the party's combined commitment to the relationship and secondly the proportionality of the commitment. Matching commitments are thought to align incentives towards parity while disproportionate commitment leads to contrary incentives and motives.

Kim and Frazier

In their 1997 study of distributor commitment, Kim and Frazier identified three components of commitment: continuance, behavioural and affective. Continuance commitment is the distributor's desire to maintain a channel relationship. Behavioural commitment is the extent to which a distributor provides special help to its supplier in times of need. Affective commitment is the level of unity present in a channel relationship. Three antecedents are proposed: specialised investment, manifest conflict and supplier trustworthiness. A global scale and a composite scale for the measurement of commitment was developed in which distributor commitment is the central or primary construct. Kim and Frazier (1997) recommend that every component of commitment should be examined separately. Kim and Frazier's (1997) model (see figure 3.11) supports the popular view that commitment is a three-component construct, but the debate continues over what those three components are.

Figure 3.11 Model of Distributor Commitment

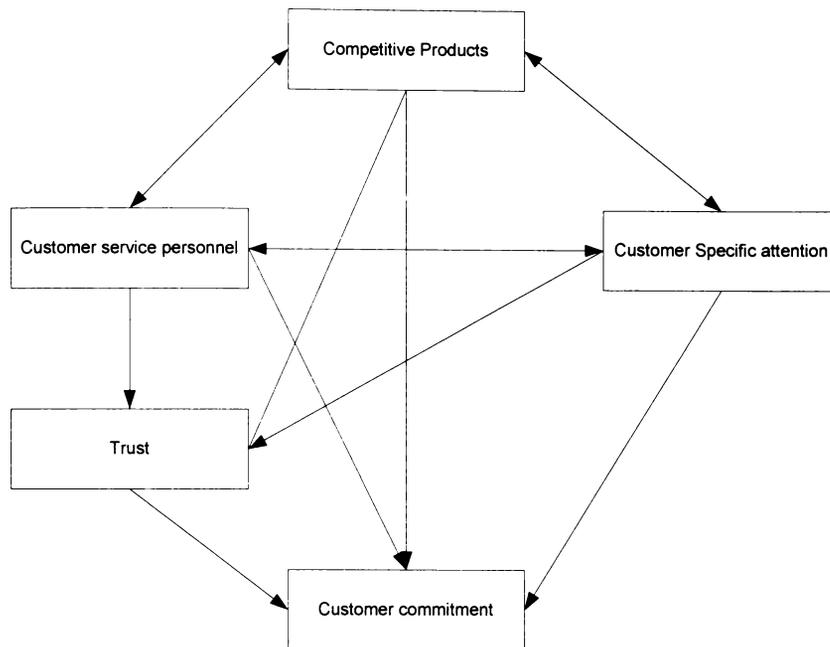


Source: Kim & Frazier, 1997

Rexha

Rexha (1999) investigated the relationship between Australian banks and their business customers. The theoretical model (see figure 3.12) places trust as a mediating variable between three antecedents (customer service personnel, competitive products and customer-specific attention) and commitment. The findings suggest customer commitment is influenced more by the bank's customer service personnel than competitive products.

Figure 3.12 Model of the Commitment Relationship between a Bank and its Commercial Customers



Source: Rexha, 1999

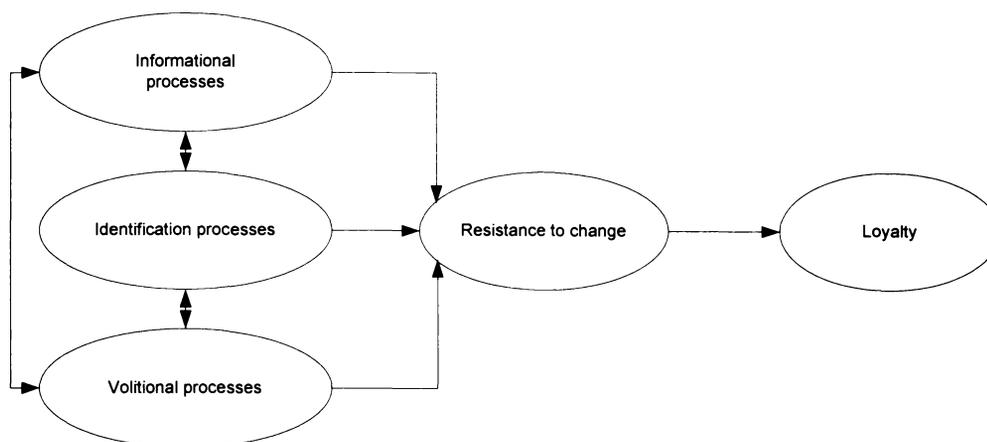
Pritchard, Havitz and Howard

Pritchard et al. (1999) explored the link between loyalty and commitment. While there is little consensus regarding the relationship between loyalty and commitment, the authors pose commitment to be a mediating variable. Commitment is operationalised as *resistance to change*. The authors test the relationship between loyalty and commitment by developing direct effects models. The empirical evidence supports their view that the relationship between commitment and loyalty is better explained through the adoption of a mediating effects model than either of the direct effects models also tested.

Three antecedent processes are proposed: a) informational processes; b) identification processes and; c) volitional processes. Informational processes involve three sub-components: informational complexity, cognitive consistency and confidence.

Identification processes occur where an individual's decision is influenced by values or where self image is identified with a particular brand or choice. Volitional processes involve freedom from constraints and freedom to choose. The model is illustrated in figure 3.13.

Figure 3.13 Mediating Effect Model



Source: Pritchard et al. 1999

Pritchard et al.'s (1999) model is of interest because it proposes a link between commitment and loyalty. What is less clear from the model is how well Pritchard et al.'s (1999) model aligns with previous conceptions of either commitment or loyalty. The operational measure of commitment appears imprecise; most practitioners now regard commitment as a three-component construct, but Pritchard et al. (1999) propose a uni-dimensional construct of commitment.

Critique

The critique of the commitment literature and models begins with comparing the fields that the commitment research was undertaken in. This analysis is followed by a review of the conceptualisations of commitment and comparisons of the antecedents, moderating

variables, and mediating variables, and concludes with a review of the empirical testing of these models.

Domains of research. The domains of research for the articles reviewed in this section are relatively diverse. Two of the models are proposed for use in distributor commitment (Anderson & Weitz, 1992; Kim & Frazier, 1997). This could be expected to have much similarity with the domain of distributor loyalty. In response to a history of specific commitment models being developed for separate domains, Meyer et al. (1993) developed a generic commitment model that was designed to be applied to any commitment field. Alternatively one of the models was developed specifically for the financial services industry in Australia. This model (Rexha, 1999) has the potential to provide some insights into the life insurance industry in New Zealand. The remaining models developed by Morgan and Hunt (1994) and Gundlach et al. (1995) were developed for broad application in the business-to-business environment.

In summary, there is a considerable diversity in the domains of application for commitment research ranging from models developed specifically for the distribution domain, through to models developed to be applied to any commitment relationship. Interestingly, while Anderson and Weitz (1992) acknowledge that only a fraction of the determinants of commitment can ever be assessed in a model, Meyer et al. (1993) have attempted to create an overall model of the construct.

Conceptualisation of commitment. Three of the conceptual models include commitment as a dependent variable. While there is consensus for the adoption of a three-component view of commitment, there is not agreement on what the three components are. However, as table 3.1 illustrates, there are strong similarities between two of the components. In particular, all three models propose an attitudinal or affective component to commitment. Similarly, there appears to be common ground in the second component, which focuses on the long-term nature of the relationship. However, the third components are less uniform. Meyer et al. (1993) propose the component as normative, which they define as “employees staying because they feel they ought to”. Alternatively Gundlach et al. (1995) posit the third component as instrumental, which they define as “the cost of exiting a

relationship”. Finally, Kim and Frazier’s (1997) behavioural component is defined as “the extent to which a distributor provides special help to a supplier in times of need”. While they share some commonality, the third components are more dissimilar than similar in their composition. In essence, it appears that components one and two are universally applicable in the commitment domain while the third component represents the idiosyncrasies of a specific domain such as distributor commitment.

Table 3.1 Components of the Three-Component View of Commitment

Author	Component 1	Component 2	Component 3
Meyer et al. (1993)	Affective	Continuance	Normative
Gundlach et al. (1995)	Attitudinal	Temporal	Instrumental
Kim & Frazier (1997)	Affective	Continuance	Behavioural

In summary, the consensus that exists regarding a three-component view of commitment does not extend to full agreement on the components of commitment. However, consensus does exist on two of the three components: specifically, there is an attitudinal and a continuance or temporal component to the construct of commitment.

Antecedents. Each of the commitment models outlined in this chapter has a proposed group of antecedents. Utilising the three broad categories proposed by Dick and Basu (1994) and Oliver (1997) in the loyalty section of this chapter enables the apparently diverse group of antecedents to be compared. Therefore table 3.2 groups the proposed antecedents as cognitive, affective, or conative. The proposed antecedents were categorised using descriptions of typical components of each antecedent group by Dick & Basu (1994) and Oliver (1997).

Table 3.2 Commitment Antecedents Grouped into Cognitive, Affective, and Conative Categories

Author	Cognitive	Affective	Conative
Becker (1960)			Conscious side bets Unconscious side bets
Anderson & Weitz (1992)	Perception of commitment from each party		Pledges
Meyer et al. (1993)		Socialisation experience in remaining loyal to an employer Personal characteristics, Structural characteristics, Work experience	Recognition of side bets
Morgan & Hunt (1994)		Shared Values	Relationship termination costs Relationship Benefits
Gundlach et al. (1995)	Magnitude of credibility		Long term commitment intention Opportunistic behaviour (negative effect)
Kim & Frazier (1997)	Manifest conflict	Trustworthiness of supplier	Specialised investment
Rexha (1999)	Customer service personnel Competitive products	Customer specific attention	
Pritchard et al.(1999)	Informational processes	Identification processes	Volitional processes

Table 3.2 illustrates that 25% of the proposed antecedents are cognitive in nature, 33% are affective and 42% conative. This suggests that the majority of the commitment antecedents (75%) are targeting what could be regarded as relatively strong states of commitment, that is, affective and conative (see Oliver's 1997 four stages of loyalty). Conversely there has been comparatively less attention paid to the earlier/weaker cognitive stage.

When analysing the various levels of commitment, a number of trends are evident. Firstly, many of the conative antecedents are related to the concept of side bets (see Becker in 1960), for example pledges, relationship termination costs and benefits,

specialised investment. The remaining items can be broadly classified as product or service delivery. Secondly, the affective items appear to fall broadly within the constructs of trust, shared values and identification processes. Finally, the cognitive items are few in number and are represented by credibility, manifest conflict, service personnel, and competitive products.

In summary, by grouping the commitment antecedents using the same conceptual headings as proposed by Dick and Basu (1994) in the loyalty domain, it becomes evident that the majority of the commitment antecedents are affective and conative in nature. Therefore much of the effort in the commitment field appears centred on attaining a liking for a business-to-business partner (affective) or creating an intention to be committed (conative).

Moderating variables. The inclusion of moderating influences in a commitment model is found in only 25% of the models analysed in this review: specifically, only Becker (1960) and Gundlach et al. (1995) propose moderating variables. In both instances social norms are proposed as the moderating influence.

Mediating variables. Mediating variables are proposed in two of the models. Morgan and Hunt (1994) proposed that trust was a mediating variable for commitment. Similarly, Rexha (1999) posited that trust mediates commitment in the financial services industry. Interestingly Pritchard et al. (1999) also explicated a mediating variable. However, in this model, no variable is posited to mediate commitment, instead commitment is proposed to mediate loyalty. Therefore, while Pritchard et al. (1999) do include a mediating variable in their model, the variable proposed relates to the wider hypothesis that there is a link between commitment and loyalty rather than a mediating variable impacting on commitment. In summary, trust is the only mediating variable posited for commitment.

Empirical testing. All of the commitment models, with the exception of Becker's (1960), have been empirically tested. In each circumstance the authors report that the empirical

testing supports their model. This raises an interesting question. Given that the models proposed are similar but distinctive, how is it possible that the empirical evidence supports so many different models? One possible explanation is that the models have, with the exception of Meyer et al. (1993), been designed and tested within specific domains of commitment. The apparent congruence between the third component of commitment and the domain under examination adds further weight to this perspective. Therefore it is plausible that the models are empirically valid within their specific domains. This explanation would however limit the generalization of these models in the commitment domain.

Summary. The critique enables a number of observations to be made. Firstly, most of the models examined have been developed for specific domains. In particular models of distributor commitment (Anderson & Weitz, 1992; Kim & Frazier, 1997) and commitment in the financial services industry (Rexha, 1999) have promise in terms of potential applicability to the development of a conceptual model for distributor loyalty.

Secondly, consensus exists that commitment comprises three components. Further to this, there is consensus that the first two components are attitudinal and of continuance in nature. The third commitment component appears to be related to the specific domain under investigation than to the overall construct of commitment.

Thirdly, the proposed antecedents of commitment can be grouped into cognitive, affective, and conative antecedents. When grouped on this basis the majority of the proposed antecedents are identified as affective and cognitive. Fourthly, few of the commitment models contained moderating variables, but those that did (Becker, 1960; Gundlach et al., 1995) propose social norms as the moderating variable. Similarly, only two commitment models contained mediating variables (Morgan & Hunt, 1994; Rexha, 1999). In both models trust was proposed to mediate commitment.

Finally, most of the proposed models have been subjected to empirical testing within their specific domain. Therefore the models are potentially empirically valid but may also be of restricted validity.

3.4 Integration of Theories

Based on the critique undertaken, there are a number of observations that can be made in regard to potential integration of the customer loyalty and commitment fields. Firstly, there is an overarching model in both fields. In the customer loyalty domain, Dick and Basu (1994) propose a model for general application. Similarly, Meyer et al. (1993) propose a general framework for commitment. While the models contain common elements (attitudinal and behavioural components of the dependent variable), they are conceptually more disparate than similar. For example Meyer et al. propose that each of their three antecedents have an independent effect on three forms of commitment; that is, there is no inter-relationship between either the antecedents or the separate forms of commitment (affective, continuance and normative). By contrast Dick and Basu (1994) propose all antecedents have a similar effect on the formation of loyalty (specifically the relative attitude component).

Secondly, from a conceptual perspective, Oliver's (1997) proposition that loyalty moves through phases beginning at a weak form (cognitive loyalty) and moving through to the strongest state (action loyalty) does not have a parallel in the commitment field.

Invariably the commitment models represent a linear relationship between a group of antecedents and the dependent variable. Therefore when seeking to represent distributor loyalty, the weight of theoretical evidence from the commitment field in support of an antecedent relationship impacting on a dependent variable should not be lightly ignored.

Thirdly both fields propose attitudinal and behavioural components of their dependent variables. In the loyalty domain there appears to be less explication of the components than in the commitment domain. In particular, the commitment field has reached consensus that commitment has three components and that two of these components are attitudinal (affective) and behavioural (continuance/temporal). These two components

broadly match the two components of loyalty proposed by Dick and Basu (1994) of relative attitude and repeat purchase behaviour. The analysis of the components raises some questions regarding the third component of commitment which does not appear to be represented directly in the loyalty literature.

Meyer et al.'s (1993) normative component is conceptually similar to the social norms variable that is conceptualised as a moderator in some loyalty models (see Dick & Basu, 1994). Likewise Gundlach et al.'s (1995) instrumental component could plausibly parallel the variables that are typically regarded as conative antecedents in loyalty literature (see Dick & Basu, 1994; Oliver, 1997). The behavioural component proposed by Kim and Frazier (1997) (a distributor providing special help to a supplier in times of need) does not have a parallel in the loyalty literature. This is possibly because customer loyalty is normally focused on the end-customer rather than a business-to-business relationship. Consequently, there would be few occasions where an end-customer could provide special help to a supplier.

Fourthly, the antecedents for both constructs can be broadly grouped in terms of cognitive, affective and conative antecedents. Much of the commitment literature is focused on the deeper level states of commitment (e.g. conative antecedents and side bets). It is also important to note that when models are designed to have general application to a field, the antecedent definitions tend to be broad (see Dick & Basu, 1994). However as the specificity of the domain increases it is common for the detail of the antecedents to increase accordingly. Therefore it appears reasonable to assume that while commitment antecedents can be broadly grouped into cognitive, affective, and conative groups, any model *specifically* developed for the specialist distributor loyalty domain would be likely to require explication of the *particular* items that precede distributor loyalty.

Furthermore, consensus exists that satisfaction is largely a precondition for the attainment of loyalty. In contrast, the role of satisfaction in generating commitment receives little direct attention. There are a couple of possible explanations for this. Satisfaction is

relatively simple for end-customers to quantify whereas satisfaction in a business-to-business relationship is not, especially given the potential for multiple relationships and dimensions. Secondly, potential side bets may outweigh the impact of any perceived satisfaction (e.g. a buyer with considerable sunk cost in customised machinery may remain committed to the relationship because of these costs rather than satisfaction with a supplier).

The role of trust in the commitment literature is worthy of note due to the differences in its treatment. In their distributor commitment model Kim and Frazier (1997) propose supplier trustworthiness as an antecedent. In contrast, both Morgan and Hunt (1994) and Rexha (1999) propose that trust mediates commitment. Regardless of its specific role, trust does appear to be very important. Interestingly, it is not given a great deal of emphasis in the customer loyalty literature. Where proposed, moderating influences appear relatively similar, for example social norms are fairly widely proposed (Becker, 1960; Dick & Basu, 1994; Gundlach et al., 1995).

In summary, the review of the theoretical literature suggests that drawing from the customer loyalty and commitment fields has some promise in terms of making a worthwhile contribution to distributor loyalty. The following section provides a summary of the definitions and measures for the loyalty and commitment fields.

3.4.1 Definition and Measurement

Loyalty

It is pertinent to recognise that no definition or measure has previously been developed for distributor loyalty. Consequently this review draws on contributions from the customer loyalty field and some of the sub-domains such as brand loyalty. The review begins with an overview of definitions of loyalty before examining the seminal measures of loyalty.

Definitions. Unfortunately, the everyday nature of the loyalty construct leads to the problem that everyone ‘knows’ what it is (see Jacoby & Chestnut, 1978). Theoretically, science transcends this issue by demanding precision in definitional work. However, in practice, the customer loyalty field is plagued by a multiplicity of definitions that undermine our ability to generalise from specific investigations. The following definitional review of customer loyalty highlights these concerns.

As previously outlined, the Oxford Dictionary defines loyalty as “true, faithful, to duty, love, or obligation: faithful in allegiance to Sovereign, government or mother country.” Alternatively, the Encyclopedia of Britannica adopts a somewhat broader view of loyalty as “a person’s devotion or sentiment of attachment to a particular object, which may be another person or group, an ideal, a duty or a cause.”

Comparing these definitions with the etymological background of the word loyal (i.e. being faithful in carrying out one’s legal obligations) enables a number of observations about these ‘general’ definitions of loyalty to be made. Firstly, loyalty appears to be given to a particular object which can be either animate (e.g. a person) or inanimate (e.g. a cause or ideal). Secondly, it appears that over time, the influence of loyalty has extended beyond being faithful to legal obligations to being faithful to a much broader sphere or entity i.e. being loyal to a cause. Therefore, the use of the term loyalty has extended from loyalty to a monarch to loyalty to a brand of cornflakes. By its very nature, this suggests that while the use of the term is more prevalent today than 500 years ago (when the term originated), its meaning is also possibly more diluted.

Finally, although they imply resultant overt behaviour, the later definitions (Oxford Dictionary & Encyclopedia of Britannica) include an emotional component in their definition. This suggests that as loyalty has transformed from ‘faithfully undertaking legal obligations’ to emotional components such as sentiment of attachment, love and devotion.

Historically, the field has been beset by a plethora of behavioural definitions of loyalty (Baldinger & Rubinson, 1997) while operational definitions have developed without theoretical, conceptual underpinnings (Jacoby & Chestnut, 1978). Bearing in mind that consensus holds that loyalty is both a behavioural and an attitudinal phenomenon, defining loyalty purely in behavioural terms would appear inappropriate. More importantly, a behavioural definition is extremely restrictive because it does not allow investigation of how loyalty actually occurs; Jacoby and Chestnut (1978) describe this as capturing only the static outcome of a dynamic process. An additional concern in the utilisation of a behavioural definition is that it will over-report levels because it will include spurious loyalty.

Of similar concern, is the proliferation of operational definitions (Jacoby & Chestnut, 1978). This phenomenon promotes confusion and an inability to communicate with precision regarding the construct. The advancement of a field is acutely undermined in these circumstances because generalisations regarding the construct are impossible to make (Bohrstedt, 1970). The situation appears to have improved little since Jacoby and Chestnut's seminal work in 1978. It is only relatively recently that researchers have begun to develop conceptual frameworks for customer loyalty. Perhaps more importantly, by 2005 only one of these conceptual models had been empirically tested and validated (see Harris & Goode, 2004). Therefore the field has continued to replicate past problems.

In summary, the loyalty domain is poorly presented in terms of definitions. Researchers appear to have been too willing to develop new definitions that are frequently lacking any theoretical underpinnings. Consequently, the field is characterized by having a wide range of definitions that have little scientific robustness.

The transition to a combination definition (combining attitude and behaviour) was signaled by Day (1969) who proposed a loyalty index that was a function of purchases and attitude towards a brand. According to Day, true loyalty requires both of these factors to be present. Jacoby and Kyner (1973) developed a detailed definition that requires meeting six criteria. Specifically the authors propose brand loyalty as (a) the biased, (b)

behavioural response (c) expressed over time, (d) by some decision-making unit, (e) with respect to one or more alternatives from a set of brands, and (f) is a function of psychological processes (p. 2).

In a rare exception to the popularity of the dual definition, Jarvis and Wilcox (1977) propose that loyal customers are “those who tend to concentrate their purchases within one or a limited number of brands and stores” (p. 9). This behavioural definition does not concur with what was, by this time, becoming a clear consensus that loyalty had an attitudinal as well as a behavioural aspect.

When the Dick and Basu (1994) and Oliver (1997) conceptual models of customer loyalty were developed, both incorporated dual components in their definitions. Dick and Basu (1994 p. 99) define customer loyalty as “the strength of relationship between an individual’s relative attitude and repeat patronage”. In contrast to the simplicity of Dick and Basu’s definition, Oliver (1999 p. 34) defines customer loyalty as “a deeply held commitment to consistently source products/services from a supplier in the future, thereby causing same supplier purchases despite situational influences and marketing efforts having potential to cause switching behaviour.”

When comparing the various definitions, three observations can be made. Firstly, contemporary definitions typically include attitudinal and behavioural components. Secondly, the more recent definitions have sought to be more specific by explicating components such as situational loyalty (e.g. Oliver, 1999). Finally, while there is reasonable agreement around the broad definitions of the components, researchers have not tended to build on previous research in the development of their definitions. For example, table 3.3 outlines the attitudinal and behavioural components from the authors who proposed a dual definition of loyalty.

Table 3.3 Behavioural and Attitudinal Definition Components from Authors who Propose a Combined Attitude and Behaviour Definition of Loyalty

Author	Behaviour	Attitude
Cunningham (1956)	% of purchases (intensity)	Attitude towards brand
Day (1969)	% of purchases (intensity)	Attitude towards brand
Jacoby & Kyner (1973)	Behavioural response expressed over time (duration)	Biased as a result of the function of psychological processes
Dick & Basu (1994)	Repeat patronage (duration)	Relative attitude
Oliver (1999)	Same supplier purchases (duration)	Deeply held commitment

From the behavioural perspective, no consensus appears to exist regarding the expression of the component. While Cunningham (1956) and Day (1969) proposed that the percentage of purchases was indicative of loyal behaviour, Jacoby and Kyner (1973), Dick and Basu (1994) and Oliver (1999) posited repeat patronage represented loyal behaviour. This indicates that the majority of authors appeared more concerned with durational rather than the intensity aspects of loyalty.

An examination of the attitudinal components also provides some insights. In particular, it is interesting to note that the complexity of the attitudinal component has changed over time with authors proposing different areas of emphasis. For example, Jacoby and Olsen (1970) propose the concept of a “biased” evaluation of information but this is not found in the definitional work of later research.

In summary, the review revealed that while definitions have changed over time, it was difficult to find evidence that researchers had cross-referenced their work to previous definitions. Rather, it appeared that each definition had been developed in isolation. Consequently, although consensus exists regarding the two components (attitude and behaviour), there is no evidence that this consensus extended to how these individual components should be defined.

Measures of loyalty. The development of measures has followed a similar path to that of the definitional work (i.e. a lack of scientific rigor has impeded progress). The

relationship between definitions and measures of loyalty is unusually close, because the majority of the definitions have been operational (Jacoby & Chestnut, 1978).

The brand loyalty field can be divided into two distinct phases. The first phase concluded in 1969 with the publishing of Day's article where he stated attitude was an important component of loyalty. Until this point, the majority of the measures developed were behavioural and designed to measure consistency of purchase. The second phase involved composite operational measures of loyalty (typically without the benefit of conceptual frameworks), where researchers sought to understand the reasons for, and strength of behavioural brand loyalty.

Jacoby (1969) proposed an index of strength based on the size of the regions, the number of brands within them and the distances between the regions. Jarvis and Wilcox (1977) extended brand loyalty measurement by going beyond preference and considering awareness in their development of an index of "cognitive loyalty".

In a review of brand loyalty measures, Jacoby and Chestnut (1978) identified 53 indices. The measures were divided into three groups: a) behavioural; b) attitudinal; and c) composite indices. Sixty percent of the indices were exclusively behavioural, based either on actual or self-reported purchasing behaviour. The indices were divided into five sub-categories: a) proportion of purchase to a given brand; b) the sequence in which brands are purchased; c) probability of purchase; d) combined behavioural criteria; and e) a number of miscellaneous measures.

The exclusively behavioural indices were shown to be untenable. Firstly, on the grounds that they were devoid of any logical or conceptual basis (the reviewers describe the lack as simply poor science and no substitute for the rigor of developing of a clear concept of what was going to be measured before developing measures.) Secondly, behavioural indices result in arbitrary boundaries for loyal behaviour (e.g. 50% of purchases, or three consecutive purchases) which are then "cloaked" in acceptability' through the statistical estimation procedures.

Thirdly, the adoption of an exclusively behavioural index oversimplifies a multifaceted phenomenon and compounds three issues: a) the behavioural definitions mistakenly include spurious loyalty; b) the behavioural definitions fail to accommodate multi-brand loyalty, when for many consumers polygamous loyalty is a reality; and c) of greatest concern is the lack of consideration given to testing the measures for reliability, validity and sensitivity (i.e. scientific validation). Of the 33 measures reviewed only three provided test re-test reliabilities, while sensitivity measurement varied greatly. The information necessary for assessing predictive and construct validity was simply inadequate.

Attitudinal indices of brand loyalty were much less numerous than behavioural indices. Although initially appearing to provide greater sensitivity than behavioural indices, attitudinal measures have no empirical evidence to substantiate this claim. While they appear to explain a unique portion of the variance associated with brand loyalty, Jacoby and Chestnut (1978) assert that the measures are not related as hypothesised with other variables.

Composite measures integrate the behavioural and attitudinal variables and appear to offer some advantages over the single component measures. However, composite measures require greater subject involvement (as opposed to pencil and paper measures) – the resultant “behaviouroid” measures have greater potential for sensitivity.

In summary, the lack of progress in rationalising the field in terms of measures and definitions is of concern. While the development of conceptual models could be expected to help in the rationalisation of definitions and measures, it is difficult to find evidence of this occurring (see Oliver, 1997). In the main, measures have continued to be developed that are neither based on a conceptual framework nor built on previous research. Consequently most measures should be treated with some scepticism. On this basis, for the reasons outlined, the development of measures for distributor loyalty is unlikely to

result from the wholesale adoption of an existing customer loyalty measure. The following section details the commitment definitions and measures.

Commitment

This section examines the definitions and measures of commitment, based on the articles reviewed in the commitment field. The definitions are reviewed in historical order, then compared to identify common and disparate aspects. The review of measures follows a similar structure.

Definitions. Howard Becker is widely regarded as “the originator” of commitment research with the landmark article “Notes on the Concept of Commitment” (1960). Until this time, the term commitment was widely used but poorly explicated. Becker (1960) defined commitment as “consistent behaviour” that arises because it is morally wrong, practically expedient or both to do otherwise (pp. 33). Crosby and Taylor (1983) describe customer commitment as “a stable preference that is bound by an attitude of resistance to change”, in which resistance is principal evidence of commitment (p. 141). In the 1990s Anderson and Weitz (1992) provided one of the earliest business relationship related definitions of commitment by proposing commitment as: a) “a desire to develop a stable relationship”; b) “a willingness to make short-term sacrifices to maintain the relationship”; and c) “a confidence in the stability of the relationship” (p. 19). Three components must be present for commitment to be established and maintained.

Scheer and Stern (1992) took a more parsimonious view defining it as “intention to continue the relationship” (p. 130). Morgan and Hunt’s (1994) study on distribution channels in the tyre industry defined commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it” (p. 23). In contrast, Gundlach et al. (1995) conducted a laboratory simulation for a distributor channel where they defined commitment as: a) “affirmative action taken by one party that creates a self-interest stake in the relationship and demonstrates something more than a mere promise”, b) “an enduring intention to develop and maintain a stable long-term relationship”, c) “the inputs and attitudes brought to the

relationship must reveal consistency overtime” (p. 79). While studying distributor commitment, Kim and Frazier (1997), defined the construct as “the extent of a distributor’s business ties with its focal suppliers” (p. 141). Finally, Pritchard et al. (1999) in examining the link between commitment and loyalty, adopted the aforesaid Crosby and Taylor (1983) definition of commitment. The main definitions of commitment are summarised in table 3.4.

Table 3.4 Summary of the Seminal Definitions of Commitment

Author	Definition of Commitment
Becker , (1960)	Consistent behaviour
Crosby & Taylor, (1983)	A stable preference that was bound by an attitude of resistance to change
Anderson & Weitz, (1992)	a) A desire to develop a stable relationship; b) a willingness to make short-term sacrifices to maintain the relationship; and c) a confidence in the stability of the relationship
Morgan & Hunt, (1994)	An exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it
Gundlach, Achrol and Mentzer, (1995)	a) “affirmative action taken by one party that creates a self-interest stake in the relationship and demonstrates something more than a mere promise, b) an enduring intention to develop and maintain a stable long-term relationship, c) the inputs and attitudes brought to the relationship must reveal consistency overtime
Kim & Frazier, (1997)	The extent of a distributor’s business ties with its focal suppliers

An analysis of these definitions reveals four trends. Firstly, the majority of the definitions have an attitudinal component (Anderson & Weitz, 1992; Crosby & Taylor, 1983; Gundlach et al., 1995, Morgan & Hunt, 1994) Interestingly, Becker’s (1960) early definition of commitment and Kim and Frazier’s (1997) later definition are the only ones to include only a behavioural component of commitment.

Secondly, the commitment definitions commonly include a reference to consistency but no reference to an increase in the level of commitment. Therefore, it is reasonable to conclude that commitment is more about maintaining the status quo between relationship partners than about increasing the level or degree of commitment (i.e. definitions focus on duration rather than intensity). Thirdly, there is no reference in the definitions to exclusivity of relationship. It would appear that the concept of polygamous commitment is an acceptable part of a committed business relationship. Finally, the definitions imply

that a committed relationship is enduring which excludes short-term, transactional relationships. Interestingly, what constitutes enduring, is not defined by the researchers.

This review demonstrates that commitment research has a more recent history than loyalty research. The majority of commitment research has been undertaken in the past decade while loyalty research spans over half a century. The commitment field also appears to be characterised by divergent definitions and measuring developments, like loyalty. However, a proliferation of definitions also affects loyalty. At least 25 definitions of commitment were developed in the period prior to 1986 (O'Reilly & Chatman, 1986).

Measures of commitment. Because commitment is such a complex phenomenon, the choice that researchers take in measuring the construct is of paramount importance. Table 3.5 outlines the measures adopted by the prominent researchers covered in this literature review. Of particular interest are: a) the components the measure is proposed to tap; b) the researcher's adoption of either a global or component scale; and c) the number of items utilised in the measure.

Table 3.5 Measures of Commitment from Seminal Research.

Author	Measure
Crosby & Taylor (1983)	13 Likert type items aimed to measure: a) resistance to change, b) positional involvement, c) volitional choice and d) informational complexity.
Anderson & Weitz (1992)	Ten-item global scale aimed to tap various facets of commitment such as: a) belief, b) expectation, c) willingness and d) behaviour of the committed partner.
Scheer & Stern (1992)	Two-item global scale on desirability of continuing the relationship.
Morgan & Hunt (1994)	Seven-item global scale: a) the importance of the supplier, b) intentions, c) effort to maintain the relationship and d) sense of family and care within the relationship
Gundlach, Achrol & Mentzer (1995)	Measure taps: a) input components such as information disclosure, b) attitudinal components e.g. long-term commitment intentions and c) temporal dimensions.
Kim & Frazier (1997)	Seven-item global scale and 13-item component scales that measure proposed commitment components (continuance, behavioural and affective)
Pritchard, Havitz & Howard (1999)	Adopted Crosby and Taylor's (1983) measure of commitment

When examining the components that each measure taps, it becomes clear that there is no agreement on the number and type of components of commitment (see table 3.5). In some instances (e.g. Sheer & Stern, 1992), a measure tapping only the desirability of

continuing the relationship (i.e. continuance intention) is recommended. In contrast, some measures seek to tap a multitude of components (e.g. both Anderson & Weitz [1992] and Morgan & Hunt [1994] aim to tap four components).

The variety of approaches is mirrored in variations seen between the adoption of either global or component scales in measurement. Specifically, half of the measures reviewed adopted purely global scales; one third utilised solely component scales; the remaining researchers, Kim and Frazier (1997), propose a global and component measure of commitment. Kim and Frazier (1997) reiterate that if distributor commitment is the primary construct under investigation then every component should be examined separately, rather than globally.

Finally, there is a wide disparity in the number of items adopted in the measurement of commitment: these vary from two to 13 items. Bearing in mind the preference for parsimony in science, this range suggests that researchers have differing views on the complexity of the construct of commitment. In summary no consensus exists on the measurement of commitment.

Integration of Definitions and Measures.

This review indicates that the loyalty and commitment constructs are related but not synonymous. There are many areas where the constructs share ground, but the distinctions between them are sufficient to suggest they should be treated separately. This section integrates the definitional aspects of these constructs and then presents an integration of the measures.

Integration of definitions. There are three pertinent observations that can be made regarding the relationship between loyalty and commitment. Firstly, there would appear to be a fundamental difference in the objective of creating a committed relationship versus a loyal relationship. In particular, commitment definitions focus on the continuance of the relationship while loyalty definitions encompass an attitudinal preference which results in a repeat patronage to the exclusion of other competitors.

Therefore, one major departure between commitment and loyalty is the manner in which a successful relational state is defined. In commitment it is sufficient to simply continue the relationship whereas in loyalty there is an element of exclusivity. In short, commitment allows for a polygamous relationship between parties which is specifically excluded in definitions of loyalty.

Secondly, it appears that commitment can be based predominantly on contractual terms (i.e. a behavioural commitment with low levels of attitudinal preference). Therefore, it would also seem viable to include in the definition of commitment within the commitment domain the equivalent of spurious loyalty (i.e. RPB without attitudinal preference).

Finally, the emphasis on the attitudinal aspect of commitment is probably due to the strong relational nature of most business-to-business relationships; this dynamic is not as marked in the loyalty domain because the relational dimension is less pronounced. Consequently, where there is a high reliance on relational continuity, there is likely to be a similar emphasis on attitude (e.g. continuance intention) in the definition. Conversely, where the need for relational continuance is less evident (e.g. customer loyalty), there is likely to be more of a balance between the attitudinal and behavioural components in a definition.

From this brief comparison, it is evident that customer loyalty and commitment share a number of dimensions (e.g. behavioural and attitudinal components). However, it is reasonable to conclude from this definitional analysis that the constructs are related but not synonymous. Therefore, some criteria must be considered key in defining distributor loyalty. Most importantly, although the commitment domain is likely to provide insight into the requisite relational dimension of distributor loyalty, the requirement for preference for or exclusivity of supplier means that the customer loyalty definitions are likely to form a stronger basis for definitional contributions than are those of the

commitment domain. The following section seeks to integrate the measures of loyalty and definition.

Integration of measures. The preceding review illustrates the distinct development paths that characterise loyalty and commitment research. In particular, it would appear that the problems that have confounded loyalty definitions are, not surprisingly, also found in the measures. Similarly, the more stringent scientific discipline that has been applied to the commitment definitional work is also present in the measurement of the construct. Notwithstanding this apparent distinction in scientific rigor, there are three areas that clearly demonstrate an overlap in the measurement of loyalty and commitment.

Firstly, researchers acknowledge that the dependent variables of loyalty and commitment are complex phenomena and the adoption of these terms in everyday language compounds the difficulties in measurement. Secondly, consensus exists in both fields that measures of each construct should tap attitudinal and behavioural aspects. Critically, it would appear that while loyalty researchers have only recently reached consensus on this facet, there has been little dissention in the commitment domain regarding this perspective. Finally, progress in both fields appears to be hindered by the same problem: a plethora of measures. Rather than build on the work of previous researchers, it would appear that both fields are characterised by researchers developing their own measures with little, if any, reference to previous measures.

Although the measures of loyalty and commitment have some common elements, they contrast in a number of significant ways. Firstly, there is the issue of how to measure the behavioural component of each construct. With commitment, there is consensus that the behavioural component is best measured through tapping the durational dimension of the relationship (i.e. a committed relationship is one that endures beyond a series of basic transactions). Conversely, the measurement of a behaviourally loyal relationship is less unified. For example, Brown (1952) proposed three forms of loyal behaviour (undivided, divided and unstable) while Cunningham (1956) measured loyalty using a proportion of purchase index and Dick and Basu (1994) simply propose repeat purchase behaviour.

Secondly, the attitudinal components of the two constructs are disparate in their measurement. Specifically, contemporary loyalty measures imply that a customer can only be loyal to one product within a product group. That is, polygamous loyalty is not acceptable. In contrast, the commitment measures tend to focus heavily on long-term commitment intentions as the major attitudinal component of the construct. Importantly, this means that it is possible in a commitment measure for a relationship partner to be committed to more than one party at any given time.

Thirdly, the measurement of commitment proposed would appear to allow the equivalent of spurious loyalty to be considered as commitment. For instance, within the loyalty research, behavioural loyalty without any attitudinal preference would not be regarded as true loyalty. In contrast, because the commitment field focuses on long-term commitment intentions rather than exclusivity of relationship or relative attitude, it would by definition include relationship partners who are behaviorally committed and intend to remain behaviourally committed (i.e. commitment intention) but have no attitudinal preference for one relationship over another.

In summary, an integration of the psychometric literature reveals that while the fields have some common ground, there are sufficient differences to substantiate the claim that loyalty and commitment are related but not synonymous. The constructs differ on at least three dimensions: a) loyalty is focused predominately on achieving exclusivity of behaviour while commitment is concerned mainly with relationship continuance; b) the management of loyalty involves measuring and influencing the intensity of a relationship whereas commitment seeks to measure and influence the duration of a relationship; c) loyalty is made up of two components while commitment is a three component construct. The key contributions to loyalty and commitment from extant research are summarised in table 3.6. The thesis will now move on to outline the specific approach adopted in the thesis research to overcome these complexities.

Table 3.6 Summary of key Contributions to Loyalty and Commitment Research

Author	Contribution
Becker, (1960)	Original conceptual framework of commitment based on side bets
Day (1969)	Loyalty conceptualised as having attitudinal and behavioral components
Wind (1970)	Development of a business-to-business loyalty model
Anderson & Weitz (1992)	The effect of pledges on commitment
Meyer et al. (1993)	Introduction of a general model of commitment from a psychological perspective
Morgan & Hunt (1994)	The mediating effect of trust on commitment
Dick & Basu, (1994)	Development of an integrated conceptual model of customer loyalty
Gundlach, Achrol & Menter (1995)	Model of commitment composed of instrumental, attitudinal and temporal components
Oliver, (1997)	Development of a conceptual framework to explain the formation of loyalty
Kim & Frazier (1997)	Model of commitment composed of behavioural, affective and continuance components
Rexha (1999)	Model of commitment relationship between a bank and its commercial customers
Pritchard, Havitz and Howard (1999)	Conceptual model proposing a link between loyalty and commitment
Oliver (1999)	Roles of individual fortitude and community support in the formation of loyalty

CHAPTER FOUR
PHASE ONE RESEARCH —
DEVELOPMENT OF THE CONCEPTUAL MODEL

4.1 Introduction

While we have a reasonable amount of knowledge about the construct of commitment and there is less research that reliably informs us about customer loyalty, the research into distributor loyalty appears non-existent. Therefore scientific inquiry is imperative to assist academics and practitioners to understand what distributor loyalty is and how it can be accurately conceptually represented.

This chapter pertains to a conceptual model of distributor loyalty that will be empirically tested in later parts of the research. The first section identifies the gaps in our current knowledge about distributor loyalty. The research subject and its environment are presented to provide a context for this research. The research methodology is then identified and the method to develop a conceptual model is outlined. The results are presented and an inductive conceptual model is outlined. This conceptual model is then integrated with existing knowledge about customer loyalty and commitment in order to identify potential enhancements from practitioners' perspectives. The chapter concludes with a conceptual model based on the practitioners' model and existing literature. Subsequent chapters develop measures for testing the model

4.2 The Research Subject and Its Environment

This section introduces the industry chosen to exemplify supplier–distributor loyalty, that of life insurance. It begins by outlining the industry's New Zealand context and follows with an overview of the global and local life insurance industry.

4.2.1 New Zealand Context

New Zealand is a relatively sparsely populated country isolated by distance from many of its largest export markets. The national economy is small at \$104 billion of GDP. The relative economic standing of New Zealand has declined over the past three decades as demonstrated by a declining GDP per capita figure in relation to other OECD countries. New Zealand is lightly regulated but it has an extensive social welfare system, which negatively affects demand for individual protection and wealth accumulation products marketed by life insurance companies.

The Financial Services Industry

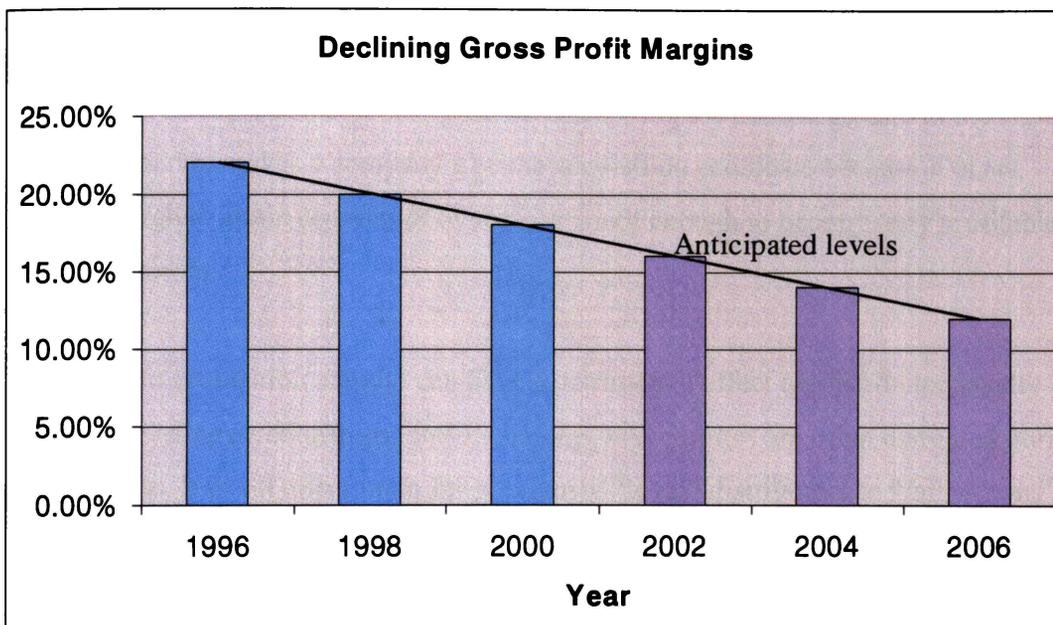
The local financial services industry is small in comparison with global market industries, but is significant in terms of New Zealand's economy. Prior to 1984, the banking and life insurance industries were separated through regulation. Following deregulation, the artificial legislative requirements that maintained these product groups as separate entities were removed. The creation of a single financial services industry allowed life insurers and banks to compete outside their traditional markets against each other.

4.2.2 Life Insurance: Global

Globally, the industry is suffering from poor profitability. Gross profit margins for the global industry were 4.3% in 2000 (Corporate Executive Board, 2002) while CAGR returns for the industry were -0.7% in April 2004 (Bloomberg, 2005). Furthermore, suppliers have become increasingly reliant on non-core investing capability to offset shortfalls in their operating performance (Corporate Executive Board, 1996), with 79% of industry executives acknowledging that the industry was over-dependent on investment returns (Economist Intelligence Unit, 2005). Falling profitability makes investment in recruiting and training new distributors difficult; hence life companies are focusing on creating loyal relationships with existing distributors.

Margin decline is an industry-wide issue and one that is not expected to abate in the short term. Research conducted by Swiss Re Life and Health (The Insurance Report, 2002) suggests that today's unsatisfactory returns will continue to erode shareholder value in the future. Swiss Re illustrates this point in publishing the trends for the United Kingdom's life and health insurance business through to 2006 (see figure 4.1).

Figure 4.1 Declining Profit Margins for UK Life and Health Insurers



Source: Swiss Re, The Insurance Report 2002

The decline in profitability is attributed to two key trends. Firstly, the products provided by suppliers are increasingly being viewed as commodity products (Standard & Poor's, 2005). Financial service products are easy to replicate, which means that any competitive advantage gained in product innovation is short lived. Consequently consumers view life insurance products as undifferentiated, and any perceived differentiation is likely to be attributed to the quality of service and advice provided by the distributor. This factor leads to the second trend, which is the capture of more profitability by distributors at the expense of suppliers. Commission and

marketing expenses typically account for 75% of the expenses of a life office (Insurance Advisory Board, 2002). High upfront costs in the form of commissions contribute to a five-year break-even point for most life insurance products.

The life insurance industry has been subject to merger and acquisition activity on a global basis as financial service operators seek economies of scale and scope. The small size of the market has exaggerated this trend. While most of the acquisitions have gone smoothly the effect on the industry landscape has been dramatic. The industry has polarised into major players and niche players with Tower and to a lesser extent AXA caught in the middle ground. Occupying the middle ground in the New Zealand market makes a company a prime acquisition candidate because it is not large enough to attain economies of scale or small enough to occupy only profitable niche segments.

Merger and acquisition activity can have a detrimental effect on distributor loyalty because existing relationships, understandings, and cultures are often disrupted during this process. It is not uncommon for previously “loyal” distributors to “fail to bond” with a new acquirer and therefore seek to establish a new supplier relationship elsewhere.

The loss of experienced life insurance distributors is extremely detrimental to a supplier for three reasons. Firstly, distributors that write sufficient volumes of high quality business are comparatively rare. The role of a distributor of life insurance products is extremely demanding. Fifty percent of all new recruits fail in their first year and only 20% make it through to their fifth year in business (Life Insurance Marketing Research Association, 2002). A distributor failure has negative consequences for supplier and end customer alike. The end customers lose continuity of service relationship because their distributor is no longer in business. The supplier is vulnerable to a loss of existing customers as the customer–distributor relationship is disrupted.

Secondly the role of distributing life insurance products is an essential link in a supplier's value chain and one that they depend on third parties to perform. The ability of a supplier to best meet the needs of distributors through competitive products, exemplary service and competitive remuneration can be the difference between a supplier leading the market or being the target of an acquisition. Further, the function of distribution has not been successfully replicated in-house by suppliers in the New Zealand environment, that is, attempts to develop proprietary distribution channels have to date been unsuccessful.

Thirdly, despite their intentions, end customers do not tend to instigate the life insurance purchase process (McMillan, 1994). Therefore one of the areas that distributors add value is through initiating the sales process with potential clients. Efforts to distribute, cost-effectively, through the Internet have to date proved disappointing.

Life insurance sales divide into two separate categories that clearly determine the distribution strategy: *transactional sales* and *advice sales*. Transactional sales are where life insurance is purchased to cover the repayment of a loan on an asset such as a home. Transactional sales are generally simple in nature, focusing on the protection of only a segment of a client's protection needs. Because the products are simple and the sale is completed without a full needs analysis, the sale can often be handled by a multi-skilled staff member such as a bank teller or a personal banker. The ultimate expression of the transactional sale is insurance sold on the Internet. However, this form of distribution of life insurance products has proven demonstrably unsuccessful in terms of generating sales. This suggests that the personal interaction and the consequent generation of trust may be an important component in a successful distribution model for life insurance.

Transaction sales are differentiated from advice sales on the basis of an advice component. While advice component sales result in higher quality sales (in terms of size and retention) the provision of advice is expensive. Consequently, a considerable

portion of a life insurer's expense is represented by distribution costs. It is common for a distributor to receive in excess of 150% of the client's first-year premium as remuneration. Although the use of advisers is viewed by many suppliers as a costly method of distributing life insurance products, it is the most effective method of obtaining high volumes of quality business.

4.2.3 Life Insurance: New Zealand

The New Zealand life insurance industry comprises 20 supplier companies (ISI Statistics, September, 2002). Merger and acquisition activity over the past five years has resulted in a consolidation of the major players. In 1997, the four major players accounted for approximately 50% of the new business premium. By 2002 the top four companies controlled 70% of new business premium (Insurance & Savings Institute, 1997, 2002).

Prior to deregulation, most suppliers had their own dedicated distribution teams. Although 'independent contractors', these advisers could only sell their supplier's products. In return for this exclusive arrangement, suppliers met the extensive costs of recruiting, accommodating, and training distributors. Industry estimates indicate the cost of establishing a distributor to be in the region of \$US140, 000 for the first three years and that investments in new distributors do not break even until the seventh year (Corporate Executive Board, 2002). Investment in establishing distributors ceased in New Zealand in the early 1990s. Consequently most of the distributors in the New Zealand life insurance industry entered the industry prior to this date.

Approximately 3000 distributors operate in the market. At present a self-regulatory regime exists although it is widely accepted that greater levels of regulation are likely to be introduced. A range of contractual arrangements exist between suppliers and distributors. Contractual arrangements in the life insurance industry fall into three broad categories: a) 100% contractual, b) partial contractual, and c) non-contractual. One hundred per cent contractual arrangements mean that the supplier has full determination of where the distributor's business is placed. Aside from bank

distributed life insurance (which is transactional in nature) AMP is the only major player in New Zealand to have maintained a dedicated distribution capability. With this arrangement, AMP distributors are unable to have contractual arrangements with any other life insurance supplier (although the distributors do have controlled access to other supplier products through a central sourcing facility).

Partial contractual obligations are still common. Most of these distributors have historical ties with their suppliers (i.e. prior to deregulation they used to place all of their business with one supplier). Following deregulation, these suppliers found it increasingly difficult to control where distributors placed their business. As a compromise, partial contractual obligations were introduced, which means that distributors must place a certain percentage or volume of business with their main supplier but beyond that threshold they are free to place business with other suppliers.

Independent distributors have no contractual obligations to place business with any one supplier. While it is possible for these distributors to have relationships with most of the suppliers in the market, this does not usually occur because the complexity of learning and keeping up to date with a multitude of suppliers is not feasible. It is common practice for most distributors to have a main supplier (one who receives more than 50% of their business) and two or three lower level suppliers.

Thus this industry provides the context for this research because it has the following characteristics: a) distributors hold a disproportionate amount of bargaining power compared to suppliers; b) Merger and acquisitions have reduced the number of supplier choices available to distributors; c) the industry has suffered from declining profit margins; and d) a variety of contractual arrangements between distributors and suppliers directly affect distributor patterns of behaviour i.e. which supplier they place their business with.

4.3 Epistemological Approach to Research Design

The research aims to develop and test a preliminary conceptual model of distributor loyalty that includes antecedents, moderating influences and consequences. The seven research goals were to: a) understand what the term 'distributor loyalty' meant to distributors and suppliers; b) understand how practitioners viewed loyal behaviour in a business environment; c) gain perspectives from both existing distributors and supplier representatives who interact *relationally* ; d) determine how distributor loyalty can be identified; e) determine the potential antecedents of distributor loyalty; f) identify the benefits and disadvantages of distributor loyalty for distributors and suppliers; g) determine the consequences of distributor loyalty from a distributor's and a supplier's perspective.

The overall research design comprised three phases: phase one research develops a conceptual model of distributor loyalty; phase two develops measures suitable for testing the conceptual model; phase three tests the conceptual model with a sample of distributors.

Given the lack of scientific investigation into distributor loyalty, a combination of deductive and inductive enquiry was adopted. The rationale for this is based on two lines of logic. Firstly, the strength of the inductive approach is that, in developing an inductive conceptual model, the researchers can obtain contemporary perspectives from practitioners who have vast experience and practical knowledge of the field. However, the attendant weakness of this approach is that practitioners may not be trained in scientific enquiry and may provide data unsuitable for translation into a theoretical model.

Secondly, to ameliorate the concerns related to the inductive approach, the deductive approach integrates the model developed from the focus group contributions with the existing literature. Therefore, a comparison of the inductive focus group model with the two deductive, literature-based models of customer loyalty (Oliver, 1997; Dick & Basu, 1994) is undertaken to refine the composite model into a more robust state

suitable for empirical testing. To achieve this objective, the practitioners' experience was employed to develop an inductive model of the construct

4.4 Method

The method section focuses specifically on phase one of the research. Data methodologies pertaining to phases two and three of the research are presented in subsequent chapters.

4.4.1 Participants

Three groups of participants were involved in the qualitative data collection: a) group facilitator, b) independent reader, c) focus groups.

Facilitator

The facilitator was a male, university-qualified person with a teaching background and fifteen years consulting and group facilitation experience. The facilitator was also the researcher for the thesis.

Independent Reader

The independent reader was a PhD-qualified, scientific-journal reviewer.

Focus groups

Three focus groups (n=17) provided triangulated practitioner's data. Participants were purposely selected, based on: a) their roles in the supplier–distributor relationship, and b) range of experience.

Focus group A (n=6) comprised senior distribution managers in the largest life insurance company in New Zealand (representing the supplier's view of distribution loyalty). Individuals held a variety of roles ranging from distributor relationship management (business distribution managers, BDMs) through to general sales management. Of the group, all were male, 66% were between the ages of 40 and –50, and 66% were of European descent.

Focus group B (n=7) was composed of independent distributors of life insurance products (representing the independent distributor's view of distribution loyalty). These individuals had no contractual obligations to place their business with any particular supplier. Of this group, 85% were male, 57% were between the ages of 50 and –60, and all were of European descent.

Focus group C (n=4) was made up of advisers with contractual obligations to place the majority of their business with a single supplier (representing the contractually-obliged distributor's view of distribution loyalty). Of the group, 75% were male, all were aged 40—60, and all were of European descent.

The focus group participants were heavily skewed in terms of gender (88% male), ethnicity (88% European) and age (82% aged 40–60). However, these weightings are consistent with the imbalance of these factors within the life insurance industry, that is, approximately 95% of distributors of life insurance products in New Zealand are male, of European descent, and have an average age of approximately fifty.

4.4.2 Measures

Seven questions were devised by the researcher. The questions are outlined in table 4.1.

Table 4.1 Focus Group Question Sheet

Question #	Question
1	If someone is described as 'loyal' what sort of behaviours would you expect to see in a business environment?
2	What does the term 'distribution loyalty' mean to you?
3	How would you recognise distributor loyalty if you were a) a supplier, b) a distributor?
4	What are the consequences of a loyal distribution relationship for a) a supplier, b) a distributor?
5	What are the main benefits of a loyal distribution relationship for a) a supplier, b) a distributor?
6	What are the main disadvantages of a loyal relationship for a) a supplier, b) a distributor?
7	Fire requires the presence of three ingredients (oxygen, fuel, heat). What elements do you think need to be present for distribution loyalty to be formed?

4.4.3 Process

Selection

Ethics approval was granted by the University of Waikato's Ethics Committee for three focus groups to explore seven discussion topics. Invitees were sent a letter of invitation, an information sheet and an interview script (see appendix A). The interview script, written by the researcher, outlined the seven broad topics to be explored

An information pack was forwarded to participants at least five days prior to each focus group meeting, including: a) an invitation letter that outlined the focus group purpose, date, venue, time and expected duration (90 minutes); b) an information sheet outlining details of the researcher and supervisor, the voluntary nature of the research, participant anonymity, and the requirement for all participants to complete a consent form prior to commencement. The consent form emphasised the voluntary nature of participation, addressed privacy and outlined how the information collected could be utilised in the thesis and published papers.

The topics started with general themes such as loyalty and moved to more specific distributor constructs (see table 4.1). The questions were designed to: a) define distributor loyalty; b) distinguish the differences between distributor loyalty and other forms of loyalty; c) identify the antecedents, benefits, and consequences of distributor loyalty for distributor and suppliers. Participants were asked to consider the questions prior to the meeting to promote better exploration of the issues in the focus groups. However, the facilitator had to make allowances for possible confusions particularly in the initial considerations when participants may have misunderstood a question. This potential hazard was addressed by seeking answers to the questions (given in table 4.1) outside of the focus groups from various individuals, including some of the participants, and a summarising group.

Facilitation

Each discussion lasted for 90 minutes. All three groups met early in the business day to ensure that participants were not unduly inconvenienced by having their business schedules interrupted. A light, 20 minute breakfast (paid for by the researcher) was served at the commencement of each focus group meeting. The breakfast arrangement was used for four reasons. Firstly, many of the focus group participants were unknown to each other. Secondly, many of the participants were unknown to the facilitator. Thirdly, the facilitator was able to observe the dynamics of the group and personalities of the individuals so that the perspectives of quiet participants would not be overlooked. Finally, trust and understanding were able to be established prior to the more formal process of discussion.

Before formal discussion began, consent forms were collected and an audio tape recorder placed amongst participants and visibly switched on to record. The first research question was then read to the focus group by the facilitator. Participants were encouraged to share their views on the question; discussion was allowed to flow according to the interests of the focus group. When it appeared that the conversation was exhausted on a particular question, or that a bridge had been serendipitously created between questions, the next research question was posed. In this manner all

seven questions were addressed in a sequential manner throughout the course of the focus group meeting.

At the conclusion of each meeting, participants were thanked for their participation. The audio tape recorder was switched off and the tape then stored separately in preparation for transcription.

Data Analysis

During transcription, respondents were identified by a code to maintain confidentiality. On three occasions a response could not be accurately transcribed, due to poor sound quality on the audio tape. In this circumstance, content was estimated based on contextual analysis. The ambiguous content was then identified using a question mark.

After transcription the responses were grouped by question and the contents were analysed. In accord with guidelines from Berg (1995), the methodology was considered prior to content analysis and used four criteria: a) open coding, b) classification of information, c) coding frameworks, and d) interrogative hypothesis testing. Open coding pertained only to the focus group transcripts. Classification of information was undertaken using the counting of concepts. Wherever possible existing relationship marketing concepts (e.g. conflict or trust) were used as classification concepts for the information. The coding frame was identified as assessing the frequency (the number of times a response was recorded) and intensity (how widely the concept was recorded across the focus groups). Assertions made in the analysis were included only if they were based on at least three observations (either within or across focus groups).

Following recommendations (Berg, 1995), a three-stage interrogative hypothesis testing was undertaken that involved: a) making a rough hypothesis based on observations from the data; b) conducting a thorough search of all cases to locate negative cases; c) in circumstances where a negative case is identified it was either logically discarded or the hypothesis reformulated to account for it. As a final

safeguard, the analytical interpretations were checked by the independent reader to ensure that the claims and assertions were not derived from a misreading of the data by the researcher.

Each of the seven questions posed to the focus groups was treated separately; that is, the responses to each question by all three focus groups were analysed in composite. The responses between groups were then compared to identify similarities and differences between each of the focus groups.

Integration with Existing Literature

At the conclusion of the focus group analysis, an inductive model of distributor loyalty was proposed. The focus group findings were integrated with the existing literature by using a model of customer loyalty developed by Dick and Basu (1994). The differences between customer loyalty and distributor loyalty were expected to be found in the larger relational dimension of distributor loyalty. Thus it was anticipated that the major difference between the academic model of customer loyalty and the practitioner's model of distributor loyalty would mirror that finding.

4.5 Results

The results section is divided into subsections based on each of the seven questions posed to the focus groups.

4.5.1 Question One: Loyal Behaviour

The question was, "If someone is described as 'loyal' what sort of behaviours would you expect to see in a business environment?". Seventy-two responses were recorded and eighteen concepts were identified during coding. The independent reader recommended six changes to categorisation of items. Nine concepts were mentioned at least three times, and one negative case was recorded ("not everyone is motivated by reward programmes"), which did not require changes to the concept of rewards to which it was coded.

Relationships were recognised as an important component of loyalty (see table 4.2). The importance of the relationship was demonstrated by an independent distributor's comment "it is all about relationships... you might talk to the supplier about various issues, but ultimately loyalty comes down to personal relationships". Use of productive relationships –such as between a distributor and a supplier's BDM – was viewed as an outward behavioural sign of a loyal business relationship. Respondents across all focus groups acknowledged that repeat purchase behaviour (RPB) was an expected aspect of loyalty. In the words of one participant, "being loyal is about a distributor consistently placing a high percentage of their business with a supplier.", The remaining concepts (supplier culture, shared values, communication, satisfaction, hygiene factors – that is, factors that had to be present for a distributor to place business with a supplier but did not contribute to differentiating performance, convenience and commitment) were discussed by only one or two of the focus groups. The sentiment of the focus groups was summarised by a respondent's comment, "the supplier's culture is critical to hold any loyalty in place."

Table 4.2 Responses to Question One

Concept	Frequency	Responses Across focus groups?
Relationships	9	Yes
Repeat Purchase Behaviour (RPB)	9	Yes
Culture	6	Broker group only
Shared Values	5	Supplier & broker groups only
Communication	5	Brokers & contractually obliged groups only
Satisfaction	3	Brokers & contractually obliged groups only
Hygiene factors	3	Supplier & broker groups only
Convenience`	3	Supplier and contractually obliged groups only
Commitment	3	Broker group only

4.5.2 Question Two: Distributor Loyalty

The second question was, "What does distribution loyalty mean to you?" Thirty three individual responses were recorded, which resulted in the coding of seventeen concepts. The independent reader made two changes to the assigned categories. Nine concepts were mentioned at least three times with no negative cases recorded.

Table 4.3 illustrates that the concept of dependence scored the highest number of mentions (n=7) followed by relationships (n=5) and the absence of channel conflict (n=5). Only one of the nine concepts (reciprocity of loyalty) was discussed across all three of the focus groups. The importance of reciprocal loyalty to a distributor was illustrated by an independent distributor, “if I am going to be loyal to a supplier, then I expect them to be loyal to me.” In contrast, the role of dependence was illustrated by a senior manager from a supplier, “it really comes down to creating dependencies, we want to distributors relying on us for advice and value added service.”

For suppliers, distribution loyalty appears to mean building dependence, productive relationships, and trust with a distributor. Distributors without contractual obligations perceive distributor loyalty as being committed to the sole channel of distribution, and committed to the ongoing relationship. Alternatively, distributors with contractual obligations are concerned about switching costs and spurious and lost loyalty.

Table 4.3 Responses to Question Two

Concept	Frequency	Responses Across focus groups?
Dependence	7	Supplier group only
Important relationships	5	Supplier group only
Absence of channel conflict	5	Broker group only
Commitment	4	Broker group only
Trust	4	Supplier group only
Spurious loyalty	4	Contractually obliged group only
Reciprocity	4	Yes
Switching costs	3	Contractually obliged group only
Lost loyalty	3	Contractually obliged group only

4.5.3 Question Three: Recognising Distributor Loyalty

Question three asked, “How would you recognise distributor loyalty if you were a) a supplier, b) a distributor?” (“recognise” in the question means “identify” or “know”).

Supplier and distributor focus groups were requested to answer from their separate perspectives.

Suppliers

Six responses were made resulting in the identification of two concepts. No concept re-categorisations were suggested by the independent reader. While only one concept recorded above the minimum number of mentions, no negative cases were identified. Table 4.4 illustrates that the concept of trust (n=5) was the only supplier concept to meet the minimum of three mentions, attaining five of the six responses. Therefore suppliers recognise distributor loyalty through observing a trusting distributor relationship. The importance of trust was highlighted by an experienced BDM's comment, "when they trust me with their personal problems... that's when I know that I have established a loyal relationship."

Table 4.4 Responses to Question Three: from a Supplier's Perspective

Concept	Number of mentions	Responses Across focus groups?
Trust	5	Supplier group only
Polygamous loyalty	1	Supplier group only

Distributors

Thirty one responses were recorded which led to sixteen concepts; six of which attained the frequency criteria. The independent reader recommended changing one categorisation. No negative cases were found. Table 4.5 demonstrates that a distributor would recognise distribution loyalty through a supplier's ability to add value (n=4) to the distributor, regularity of business (RPB) (n=3), a lack of channel conflict (n=3), satisfaction, promotion of the supplier's brand and support (n=3). The majority of responses for this question came from the contractually obliged distributors. The importance of being able to add value to a distributor's business was emphasised by an established distributor, "I expect a supplier to have the capability and willingness to help me develop my business in ways that I couldn't do by myself – otherwise why should I be loyal to them?" The evidence of regular business from a

distributor as a demonstration of loyalty was summed up by a distributor with over ten years industry experience, “if I am regularly placing my business with one particular supplier, that is a demonstration of my loyalty to that supplier – they may not have the best products but I will try and put as much of my business with them.” The absence of channel conflict appeared important to a number of distributors. Their perspective was paraphrased in the comments of a top producing distributor, “I don’t expect to be in competition with a supplier, as soon as they begin distributing a product directly to a customer, I see that as a threat to my relationship with the supplier.”

Table 4.5 Responses to Question Three: from a Distributor’s Perspective

Concept	Number of mentions	Responses Across focus groups?
Added value	4	Broker and contractually obliged groups
RPB (regular business)	3	Contractually obliged group only
Lack of channel conflict	3	Contractually obliged group only
Satisfaction	3	Contractually obliged group only
Promotion of supplier’s brand	3	Broker and contractually obliged groups
Support	3	Contractually obliged group only

4.5.4 Question 4: Consequences of a Loyal Relationship

Question four asked, “What are the consequences of a loyal distribution relationship for a) a supplier, b) a distributor?” Supplier and distributor focus groups were requested to answer from their separate perspectives. Unfortunately, only one of the three focus groups had enough time to address the question of consequences of a loyal relationship.

Suppliers

Twelve entries grouped into four concepts were recorded. No changes in categorisation of concepts were recommended by the independent reader. No negative cases were identified. Profit (n=5) and consistency of demand for business (n=3) met the frequency criteria. The concept of profit for a supplier was illustrated

through the comment of an experienced General Manager, “ultimately we want to foster loyalty because we know it is good for business – loyal distributor are more profitable than disloyal distributors.” Similarly, another supplier employee highlighted the benefits of consistency of demand for a supplier, “if you have loyal distributors, you can reasonably forecast new business levels, even if your products are a little tired and in need of refreshment – your distributors will cut you some slack provided they know you are in the process of developing some new products.” These results are summarised in table 4.6.

Table 4.6 Responses to Question Four: from a Supplier’s Perspective

Concept	Number of mentions	Responses Across focus groups?
Improved profitability	5	Broker group only
Consistent demand for products	3	Broker group only
Increased retention of business	2	Broker group only
Improve efficiency	2	Broker group only

Distributors

Nine comments were made and six concepts were recorded. No changes in categorisation of concepts were recommended by the independent reader nor were any negative cases identified. Only preferential treatment (n=3) met the original frequency requirement. One further concept (access to and utilisation of important relationships) was included with the revised criteria of two mentions. The consequence of preferential treatment was illustrated by this insightful comment from an experienced distributor, “in return for my loyalty, I expect preferential treatment in terms of underwriting and favours – I would want the balance of any judgment calls to be in my favour.”

4.5.5 Question 5: Benefits of a Loyal Relationship

Question five was, “What are the main benefits of a loyal distribution relationship for a) a supplier, b) a distributor?” Supplier and distributor focus groups were requested to answer from their separate perspectives.

Supplier Benefits

The supplier benefits were assessed by the supplier and contractually obliged distributors. Eighteen responses were recorded and six concept categories were allocated. The independent reader recommended one recoding. No negative cases were identified. Table 4.7 illustrates that reducing risk (n=6) is perceived to be the greatest benefit followed by increased profit (n=5) and growth opportunities (n=3). The importance of reduced risk was highlighted by a supplier representative's contribution, "with independent distributors you can gain and lose business very quickly; the establishment of a loyal relationship reduces the risk of losing business." Distributors believed that their loyalty helped supplier grow; this sentiment was illustrated through the comments of a relatively 'new' distributor, "it seems to me that distributors fuel a supplier's growth – if a supplier is good to us then we return that favour with higher levels of business."

Table 4.7 Responses to Question Five: from a Supplier's Perspective

Concept	Number of mentions	Responses Across focus groups?
Reduced business risk	6	Supplier & contractually obliged groups
Increased profit	5	Supplier & contractually obliged groups
Growth opportunities	3	Supplier & contractually obliged groups

Distributor Benefits

Distributor benefits were assessed by the broker and contractually obliged distributors. Eight entries were recorded in four concept categories. The independent reader recommended one categorisation change. No negative cases were identified. Satisfaction (n=3) was the only concept to meet the frequency criteria. One factor of satisfaction, distributor remuneration, was illustrated by a contractually obliged distributor, 'the payment of 'top dollar' remuneration is of importance to me – that is my reward for being loyal.'

4.5.6 Question 6: Disadvantages of a Loyal Relationship

Question six was, “What are the main disadvantages of a loyal relationship for a) a supplier, b) a distributor?” Supplier and distributor focus groups were requested to answer from their separate perspectives.

Suppliers

Eight entries were recorded and five concepts were identified. No change to categorisation was suggested by the independent reader. The concept of vulnerability (n=3) was the only one to meet frequency criteria. This vulnerability was believed to exist because production was centred on a small group of producers who through creating quasi unions could then exert power in the distributor–supplier relationship.

Distributors

Fourteen entries were recorded, seven concepts were identified and no changes suggested by the independent reader. Only the concept of loss of independence (n=6) met the frequency criteria. Loss of independence was highlighted in a reflective comment from one distributor, “lately I’ve been having a feeling of not being truly independent, my first loyalty should be to my customer but sometimes I feel compromised because in practice my actual loyalty is often to my supplier – I no longer feel truly independent.”

4.5.7 Question 7: Antecedents of Distributor Loyalty

Question seven was, “fire requires three ingredients to be present (oxygen, fuel, heat) what elements do you think need to be present for distributor loyalty to be formed?” Thirty-eight responses were recorded across all three focus groups and twelve concept categories were allocated. The independent reader recommended recoding four entries. No negative cases were identified. Table 4.8 illustrates that satisfaction (n=11) recorded the highest mentions followed by trust (n=9) with shared values (n=4) and relationships (n=4) all meeting the frequency requirement. The role of satisfaction as an antecedent was illustrated by a distributor who also outlined some of the components of satisfaction, “satisfaction is important and that comes down to

price, product, service delivery, relationships and financial remuneration – if those factors aren't taken care of then there can't be any loyalty." The function of trust was demonstrated by comments from a BDM, "distributors need to be able to trust and know that things will get done."

Table 4.8 Responses to Question Seven: Antecedents of Loyalty

Concept	Number of mentions	Responses Across focus groups?
Satisfaction	11	Yes
Trust	9	Yes
Shared Values	4	Supplier and brokers groups only
Relationships	4	Supplier and brokers groups only

4.5.8 Preliminary Summary

The focus groups identified the components for an inductive conceptual model of distributor loyalty and examined the motivations for suppliers and distributors establishing and maintaining loyal relationships.

The data reveals that both suppliers and distributors stand to gain from distributor loyalty. Distributors benefit through receiving preferential treatment and additional financial rewards while suppliers benefit through reduced business risk, increased profitability, growth opportunities, consistent demand, improved retention, and operational efficiencies. The disadvantage to distributors was loss of independence, while to suppliers it was vulnerability to groups of distributors wielding increased bargaining power.

Aside from agreement on the need for reciprocal loyalty between a distributor and a supplier, distributor loyalty appeared to mean different things to the diverse focus groups.

Participants from the supplier group perceived distributor loyalty in terms of establishing significant priority relationships with distributors and establishing the

distributor's dependence on the supplier company. In contrast, the distributor focus groups alleged that distributor loyalty centred on attaining added value from a supplier, an absence of channel conflict with a supplier, and a two-way commitment between supplier and distributor.

How the evidence of distributor loyalty was recognised varied depending on the type of focus group. Suppliers recognised distributor loyalty when distributors exhibited trust through asking for help or advice. In contrast, distributors perceived distributor loyalty through a multitude of sources such as: a supplier's ability to add value, placing regular sales with a supplier (RPB), lack of channel conflict, satisfaction, promotion of a supplier's brand and support.

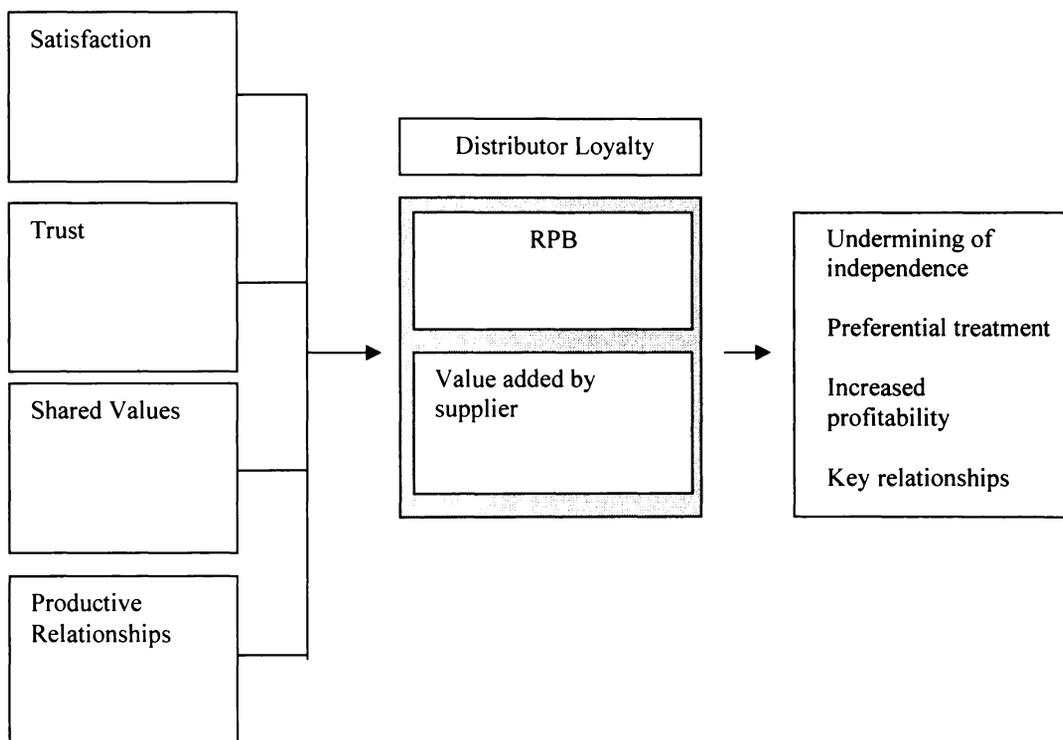
Finally, practitioners proposed four antecedents to distributor loyalty: a) satisfaction, b) trust, c) shared values, and d) advantageous relationships. Satisfaction was proposed as a hygiene factor (i.e. it was a necessary performance hurdle for a supplier to meet but in itself it did not create distributor loyalty). Trust comprised factors such as consistency of ethics, honesty in communication and winning trust through "demonstrable acts". Shared values included factors that demonstrated congruence between the distributor's and the supplier's values such as unity and mutual respect.

4.6 Inductive Model of Distributor Loyalty

The inductive conceptual model of distributor loyalty was based solely on the contributions of the practitioners represented in the focus groups (see figure 4.2). Given that the practitioners did not have academic research backgrounds, the formulation of the inductive model is unlikely to conform fully to the requirements of an academic conceptual model. The model contains antecedents, a dependent variable, and consequences. Notably there are no moderating or mediating variables proposed. Similarly, the relationship between the components of the dependent variable was not specified by the practitioners. Consequently this relationship remains unclear.

Four antecedents were proposed by the practitioners: a) trust, b) satisfaction, c) shared values, and d) advantageous relationships (see figure 4.1). The dependent variable was thought to be composed of repeat purchase behaviour (RPB) and the value added to the distributor by the supplier. The consequences of distributor loyalty for a distributor were proposed to be: a) loss of independence, b) preferential treatment, c) increased profitability, and d) advantageous relationships.

Figure 4.2 Inductive Model of Distributor Loyalty Based on Focus Group Results



4.7 Preliminary Discussion: Integration of Inductive Model with the Existing Literature

4.7.1 Antecedents of Loyalty

Analysis of the inductive model reveals some commonality with the deductively based conceptual models of either loyalty or commitment. Customer and distributor loyalty have much in common but are distinguished by the business-to-business nature of distributor loyalty relationships that requires a greater depth of relationship management. This weighting of the relational dimension in distributor loyalty is supported by the predominance of relationship-focused antecedents evidenced by the data, that is, trust, shared values and productive relationships (see figure 4.2). Satisfaction is the only antecedent proposed by the data that is commonly proposed in conceptual models of customer loyalty. The remaining antecedents are more typically found in relationship marketing literature and in more specific fields such as commitment. For example, trust is commonly suggested as an antecedent of commitment (see Kim & Frazier, 1997; Morgan & Hunt, 1994).

The data suggests that significant, productive relationships are an antecedent of distributor loyalty. Interestingly, distributors and suppliers both acknowledged that establishing relationships within suppliers' organisations was an important factor in attaining distributor loyalty. Specifically, distributors wanted relationships with key people who could "smooth the path of their proposals" to ensure that they received better levels of service than non-loyal distributors. However, there appear to be two critical problems with the inclusion of relationships as a separate antecedent.

Firstly, the data and existing model proposed productive relationships as both an antecedent and consequence of distributor loyalty. This suggests that the role of relationships may actually be enmeshed in the entire process of distribution loyalty (i.e. the role of significant relationships may not be specific to a single phase of loyalty). Secondly, there would appear to be considerable conceptual overlap between advantageous relationships and the antecedents of trust and shared values, that is, the

manipulation of the variable of relationships could affect levels of trust and shared values and vice versa. This possible conceptual overlap would result in a model of distributor loyalty that lacked discriminant validity.

After weighing up the potential benefits of including relationships in the conceptual model against the possible disadvantages, it was decided that the benefits of a parsimonious model combined with maximised discriminant validity meant that there was more to be gained by excluding relationships as an antecedent. On this basis, relationships was removed from the antecedent group, leaving satisfaction, trust and shared values. With the antecedents determined, attention then turned to the conceptualisation of the dependent variable.

4.7.2 The Dependent Variable in Loyalty

The predictive data proposed that distribution loyalty (dependent variable) was bivariate: both behavioural and attitudinal variables make up distribution loyalty. The behavioural component was thought to comprise regular sales between distributor and supplier. On this basis, repeat purchase behaviour (RPB) was selected to represent the behavioural component of distributor loyalty in the inductive model.

The attitudinal component (perceived value added to a distributor's business by a supplier) defined by the practitioners has two possible weaknesses. Firstly, the concept of perceived added value could contain a conceptual overlap between attitude and behaviour, that is, it is not solely attitudinal in nature. Secondly, perceived added value may be too restrictive as the attitudinal measure of loyalty in the model. A search of the literature failed to find an equivalent attitudinal measure in either the customer loyalty or commitment fields. Therefore it was decided to utilise an existing attitudinal component from the Dick and Basu (1994) customer loyalty model: relative attitude. Relative attitude is proposed to be the perceived attitudinal preference for one supplier over the alternatives.

The relationship between the two components of the dependent variable (RPB and relative attitude) was not explicated by the focus groups. Therefore the existing

literature was examined to determine the likely relationship between these two components. The causal relationship between attitude and behaviour is known to be complex. While Dick and Basu's (1994) model proposes that attitude leads to behaviour, a multitude of scientific data (e.g. Meyers, 1993) concludes that the relationship is situation-specific, that is, in some circumstances attitude causes behaviour while in others the reverse is true. On the basis that the relationship between these factors is situation-specific, it was decided to test the hypothesis that attitude leads to behaviour in the model of distributor loyalty.

4.7.3 Moderating Influences on the Dependent Variable

A number of moderating influences were found in the literature. Oliver (1997) proposed that customer idiosyncrasies and switching incentives moderate customer loyalty. Dick and Basu (1994) identify a broader group of potential influences called situational influences, which they propose moderate customer loyalty. While there were a number of factors that might moderate a distributor's loyalty to a supplier, many of these factors, such as short-term supplier incentives were difficult to compare across suppliers. Critically, however, one influence was identified that was both likely to be significant and relatively easily assessed: contractual obligations to a supplier.

Contractual obligations are the legal obligations that a distributor has to a supplier regarding the amount of business they must place with that supplier. While the details vary, the broad intent is similar. The obligations can be divided into three categories: a) no contractual obligations, b) majority contractual obligations, and c) full contractual obligations. No contractual obligations to a supplier is the norm for life insurance brokers, where distributors place business with suppliers in variable quantities without constraint. Majority contractual obligations occur where distributors are contractually bound to place the majority (typically 75%–85%) of business with one supplier. While distributors who fail to honour contractual obligations face legal action from their supplier, they are usually free to place the remainder (15%–25% of their total business) with other suppliers of their choice. Full contractual obligations entails distributors placing all of their business with a single

supplier. Commonly, full contractual distributors are employees for organisations that cross-sell life insurance products to existing clients. The most prevalent example of this in New Zealand is the banking distribution channel.

On the basis that contractual obligations are legally binding, it would be remiss not to include this factor as a moderating influence on the dependent variable. It is feasible it was not mentioned in the practitioner's data because: a) it is widely understood in the industry to be an industry factor, that is, it was an assumed part of the distribution paradigm; and b) the specific concept of a moderator is a complex scientific construct that is not necessarily accessible to an academically untrained practitioner.

Contractual obligations is proposed to moderate the relationship between the attitudinal component (relative attitude) and the behavioural component (RPB) of distributor loyalty.

4.7.4 Consequences of Loyalty

The consequences of distributor loyalty (from the distributor's perspectives) were defined by the focus group as: loss of independence, increased profitability, preferential treatment, and productive relationships. On the basis that loyal distributors are forgoing independence, it is reasonable to expect that this demonstration of loyalty resulted in some positive outcomes for distributors. The positive consequences of distributor loyalty have been identified in the data as; increased profitability (through additional remuneration), preferential treatment (by receiving support and services not available to 'non-loyal' distributors, and the existence of advantageous relationships which facilitated the achievement of preferential treatment for the distributor. While it appears that most of the attributes were plausible consequences, the attribute concerning relationships was less convincing as an outcome of loyalty. In particular, the relationship proposed between productive relationships and preferential treatment suggests that preferential treatment is the more likely consequence of distributor loyalty. On this basis, productive relationships were removed as a consequence of distributor loyalty.

The literature also proposes that customer loyalty commonly produces consequences such as: reduced search motivation, resistance to counter-persuasion and increased word of mouth promotion (Dick & Basu, 1994). Although not specifically proposed by the focus groups, reduced search motivation was alluded to in terms of ‘becoming lazy’ and not really knowing what the market offerings were. On the basis that this concept was already a consequence of distributor loyalty in the literature and that it had been tangentially mentioned in the research data, the concept of reduced search motivation was included in the list of consequences of distributor loyalty (see figure 4.2).

Resistance to counter-persuasion was unlikely to be suggested by the focus groups because it is a concept that is not in common usage outside of the fields of consumer behaviour or social psychology. However, resistance to counter-persuasion is useful as a potential consequence of distributor loyalty because it helps both relationship parties understand that positive biases will develop between the distributor and the supplier. Consequently, based on the literature, resistance to counter-persuasion was included in the consequences of distributor loyalty (see figure 4.2).

Increased “word of mouth” promotion was the final concept suggested by the literature that was not specifically mentioned by the focus group participants. While word of mouth promotion does exist to a limited degree in distributor loyalty, it is likely to be less significant than it would be for consumer product loyalty. For example, a satisfied consumer of a new product is more likely to promote that product by word of mouth to friends than is a distributor who is really satisfied with the service of a supplier. On the basis that word of mouth promotion is more prevalent in consumer markets than business-to-business relationships, this concept was not included in the model as a consequence of distributor loyalty.

4.7.5 Summary of Findings

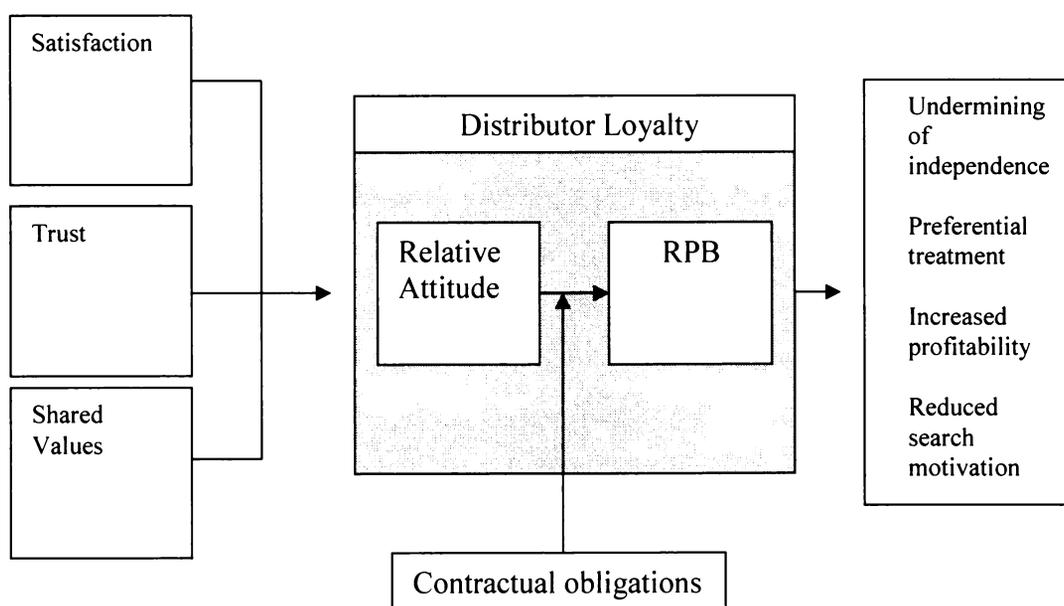
In summary, the conceptual model of distributor loyalty was refined through integration with the existing literature. The refinement required modifications to be made to all phases of the model. The major refinements were: a) removal of

relationships as an antecedent; b) renaming of the behavioural component of distributor loyalty from ‘value added’ to ‘relative attitude’; c) proposing that attitude leads to behaviour in the dependent variable; d) adding ‘contractual obligations’ as a moderating variable; e) including reduced search motivation and resistance to counter-persuasion as consequences of distributor loyalty. The revised conceptual model of distributor loyalty is outlined in the following section.

4.8 Revised Conceptual Model of Distributor Loyalty

The revised conceptual model of distributor loyalty, shown in figure 4.3, contains: a) three antecedents (satisfaction, shared values and trust); b) a bivariate dependent variable (relative attitude and RPB); c) a moderating variable (contractual obligations); and d) consequences (loss of independence, increased profitability, preferential treatment, reduced search motivation and resistance to counter persuasion). The proposed relationship between the two components of the dependent variable is one in which attitude (relative attitude) leads to behaviour (RPB).

Figure 4.3 Conceptual Model of Distributor Loyalty



4.9 Conclusion

The aim of this chapter was to introduce the research subject and its environment and then develop a conceptual model of distributor loyalty.

This objective was achieved through developing an inductive model based on focus group participants' responses and then integrating this information with the literature to arrive at a final model of the construct that was then ready to be empirically tested. The main findings of this chapter are summarised in the conceptual model of distributor loyalty. The chief components of this model are three antecedents (trust, shared values and satisfaction), a two component dependent variable (made up of relative attitude and RPB) and five consequences of distributor loyalty); the relationship between the two components of the dependent variable are proposed to be moderated by a situation factor (contractual obligations to a supplier).

The qualitative phase of this research has made contributions on three levels. Firstly practitioners were given the opportunity to provide input into the development of a conceptual model. This was fundamentally important because it allowed the research to draw on relevant practical experience i.e. the research drew on the existing knowledge of practitioners. Secondly categories from existing relationship management literature were utilised to categorise the information collected from the focus groups. Therefore the qualitative phase generated categories that correspond to existing relationship categories of trust and shared values. This was significant because it allowed synergies between the existing literature and the research to be developed. Thirdly the qualitative analysis provided the primary basis from which the model could be refined. This was undertaken using a deductive process to allow an integration of the practitioner's perspective and the relevant themes from the commitment research. The strength of this approach has been the combination of tapping practical experience and utilisation of existing theoretical contributions.

The next chapter addresses development and testing of measures for the relationship between the antecedents and the dependent variable of the conceptual model.

CHAPTER FIVE

PHASE TWO — MEASURE DEVELOPMENT AND TESTING

5.1 Introduction

There is a clear need to further scientific understanding of the concept of *distributor loyalty*. Now that phase one research has generated an integrated model of distributor loyalty, phase two will identify and develop measures to test the model.

Because the academic literature contains no measures of distributor loyalty, a new measure of the construct and its proposed antecedents will be developed specifically for the thesis research. The thesis outlines the phase two measure development. Firstly, the general research paradigm is outlined. Secondly, the creation of the item pool is described; this section includes a review of existing measures, selection of existing items and the creation of new items for inclusion in the item pool. The two-stage reduction process is then outlined, before the initial data collection process is described, and a psychometric evaluation of the measures is undertaken.

5.2 Review of Existing Measures

Because measurement development in the field of distributor loyalty is non-existent, and much activity has occurred in the more general fields of: a) customer loyalty and b) commitment, the following review focuses on major measures in these fields. A critique is then carried out on the existing measures of the proposed antecedents (shared values, trust, and satisfaction).

5.2.1 Customer Loyalty Measures

The existing customer loyalty measures have limited utility for the creation of a distributor loyalty measure, for two reasons. Firstly, the majority of customer loyalty measures have been defined with no reference to conceptual frameworks (see Jacoby and Chestnut, 1978). This clearly contravenes the tenet of scientific discipline that stipulates a measure should be soundly rooted in scientific theory (Clark & Watson,

1995). Consequently there is a plethora of differing operational definitions amongst the research (Jacoby & Chestnut, 1978, Oliver, 1999). This multiplicity of definitions restricts comparison of research studies. Clearly the existence of this phenomenon in any research field hinders scientific progress because the field cannot build logically on previous research. Consequently contradictory, scientifically invalid findings create confusion rather than clarity.

The second reason is due to differences in the conceptualisation of loyalty measures, most significantly along the relational dimension. While this has already been discussed in the literature review (see chapter 3), it is prudent to reiterate that the limited pool of potential relationship candidates in distributor–supplier relationships (customers outnumber distributors) creates a heightened importance of relationship management. Therefore the cost of a lost relationship in the distributor–supplier realm is likely to be greater than a lost relationship in the customer–distributor realm. Similarly, the potential payoff of a loyal and productive relationship in the distributor field, on average, is considerably greater than in the customer arena. Therefore, measures developed specifically for *customer loyalty* are likely to be deficient in their representation of the relational dimension when applied to *distributor loyalty*.

Oliver (1999) supports the contention that customer loyalty and distributor loyalty are similar, but not synonymous. Business-to-business relationships are excluded from his customer loyalty framework on the basis that customer loyalty models cannot adequately account for the additional complexity inherent in business-to-business relationships. The thesis research will adopt Oliver's (1999) precedent of excluding the direct translation of customer loyalty into business-to-business relationships. Whilst it would be prudent to review any of the major, empirically-tested, customer loyalty measures to understand how other researchers might have measured the loyalty dimension, it is not useful: when psychometrically tested and theoretically robust measures are considered, none of these measures are psychometrically validated.

5.2.2 Commitment Measures

Commitment measures have a more promising contribution to make to a measure of distributor loyalty. The commitment concept in the business-to-business environment is in common usage, and if we combine that with the known relational dimension of distributor loyalty, we can further our understanding of how distributor and customer loyalty differ.

Commitment measures are generally well grounded in theory and have been subjected to empirical testing. Because commitment captures the relational aspects that are omitted in customer loyalty, it seems reasonable to develop a new measure of distributor loyalty utilising contributions from both fields. Major contributors such as Kim and Frazier (1997), Morgan and Hunt (1994), and Moorman, Zaltman and Deshpande (1992) have advanced the field through sound measure development processes. Therefore the following review focuses on the contributions of these authors.

Moorman, Zaltman and Deshpande (1992)

Moorman et al. (1992) studied the dynamics of *trust*, within and between organisations, using five measures, one of which related directly to commitment. A seven-point likert scale used anchors of strongly disagree and strongly agree and the three-item scale had acceptable psychometric properties ($\bar{x} = 4.90$, $SD = 1.34$, $\alpha = 0.78$). The three items are presented in the table below.

Table 5.1 Items from the Measure of Commitment to Relationship

a. I am committed to my relationship with my researcher
b. I consider my researcher to be part of my department
c. I really care about the fate of my working relationship with my researcher

Source: Moorman et al. (1992)

Anderson and Weitz (1992)

The authors developed a 10-item scale to assess the commitment of a distributor to a supplier. Informants responded on a seven-point scale, anchored at strongly disagree

and strongly agree. The measure had acceptable psychometric properties ($x = 5.82$, $SD = 0.864$, $\alpha = 0.83$). The ten items are presented in table 5.2.

Table 5.2 Items from the Measure of Distributor's Commitment to Supplier

a. We defend this supplier when others criticize the company
b. We have a strong sense of loyalty to this supplier
c. We are continually on the lookout for another product to add to or replace this supplier for this product
d. We expect to be distributing this supplier's products for some time
e. If another company offered us a better product line, we would most certainly take them on, even if it meant dropping this supplier
f. We are not very committed to this supplier
g. We are quite willing to make long term investments in seeking this supplier line
h. Our relationship with this supplier is a long term alliance
i. We are patient with this supplier when they make mistakes that cause us trouble
j. We are willing to dedicate whatever people and resources it takes to grow sales of this supplier's products

Source: Anderson and Weitz (1992)

Kim and Frazier (1997)

Kim and Frazier (1997) developed measures for continuance commitment (n=4 items), behavioural commitment (n=4 items) and affective commitment (n=5 items). All responses were on a seven-point likert scale, anchored at strongly disagree and strongly agree. The continuance commitment measure attained acceptable psychometric properties ($M = 6.05$, $SD = 1.11$, $\alpha = 0.83$). The behavioural commitment measure had acceptable psychometric properties ($M = 4.33$, $SD = 1.30$, $\alpha = 0.77$). The affective commitment measure achieved acceptable psychometric performance ($M = 4.62$, $SD = 1.52$, $\alpha = 0.78$). The items for each of the measures are presented in table 5.3.

Table 5.3 Items for Commitment Measures

Continuance	Behavioural	Affective
We are going to continue our relationship with this supplier for many years	We respond quickly to this supplier's request for help	A high sense of unity exists between this supplier and us
We expect our business relationship with this supplier to last for a long time	We devote more time to this supplier when it needs help	This supplier is a very important ally of our business
We may have to sever the business relationship with this supplier soon	We adjust our marketing program for this supplier when necessary	The business of this supplier and our distributorship is closely meshed together
I am uncertain whether our relationship with this supplier will last a long time	We supply special aid to this supplier when it is in trouble	We lack a strong business link with this supplier
		We have developed a close business relationship with this supplier

Source: Kim & Frazier (1997)

Rexha (1999)

Rexha's (1999) four-item commitment measure was tested in a study of banks and their business customers, that is, business-to-customer. Responses were recorded on a seven-point likert scale (Rexha, 1999). The measure was confirmed as uni-dimensional through a factor analysis. Psychometric performance reported only on the reliability ($\alpha = 0.91$). Therefore adequate psychometric performance could not be confirmed, due to inadequately reported data. The items are presented in table 5.4.

Table 5.4 Commitment Measure Items

We are proud to invest in this bank
Our firm will continue dealing with this bank for a long time
I would recommend this bank to my best friends
We are fully committed to our relationship with this bank.

Source: Rexha 1999

Morgan and Hunt (1994)

Morgan and Hunt (1994) developed a seven-item measure for relationship commitment. Responses were recorded on a seven-point scale, with anchors of strongly agree and strongly disagree. Adequate psychometric properties were reported ($M = 5.17$, $SD = 1.30$, $\alpha = 0.90$). The items are outlined in table 5.5.

Table 5.5 Relationship Commitment Items

The relationship that my firm has with my major supplier is something we are very committed to
The relationship that my firm has with my major supplier deserves our firm's maximum effort to maintain indefinitely
The relationship that my firm has with my major supplier deserves our firm's maximum effort to maintain
The relationship that my firm has with my major supplier is of very little significance to us
The relationship that my firm has with my major supplier is very much like being in a family
The relationship that my firm has with my major supplier is something my firm really cares about
The relationship that my firm has with my major supplier is very important to my firm

Source: Morgan and Hunt 1994

Summary of Commitment Measures Review

In summary, the existing commitment measures vary in reliability performance and utility for the present study. For instance, the 0.78 level of co-efficient alpha reported for the Moorman et al. (1992) measure falls below Nunnally's (1978) recommended level of 0.80 for an established field. Additionally, the high mean score and low standard deviation of some of the scales suggests the items might not be generating sufficient variance for the present research. The Anderson and Weitz (1992) measures ($M = 5.82$, $SD = 0.86$) appear highly skewed and contain comparatively low levels of variation amongst respondents. Similarly, Kim and Frazier's (1997) measure had a mean of 6.05 on a seven-point scale. Finally, not all of the measures have been developed for business-to-business applications (e.g. Rexha, 1999); this might limit their applicability to distributor loyalty.

However, some aspects of the existing measures are potentially attractive. In particular Morgan and Hunt's (1994) measure contains items that are relevant to distributor loyalty and have performed satisfactorily in terms of reliability and skew. Similarly Kim and Frazier (1997) and Anderson and Weitz (1992) have developed measures that utilise a wide scope of items that appear to offer some potential for the development of the distributor loyalty measure.

Given the strong empirical performance of Morgan and Hunt's (1994) measure, it could be adopted as a measure for the attitudinal component of the distributor loyalty. However, the deductive paradigm adopted for the current study precluded this action.

Instead, these items were included in the pool of potential measures. The review of the existing measures suggests that utilising the individual items should provide a sufficient spread of items for the panel of experts to draw a robust set of items to be considered for the final measure of distributor loyalty.

5.2.3 Antecedents

The three proposed antecedents of distributor loyalty have received varying degrees of measure development. Shared values has the least measures while the construct of trust has received considerable attention. The relevant measures are discussed in sequence below.

Satisfaction

Rexha (1999). Rexha's (1999) four-item commitment measure was tested in a study that considered the factors affecting the relationship between banks and their business customers. Responses were recorded on a seven-point likert scale. Two satisfaction scales were reported: a) quality of service personnel, b) attractiveness of offered product and services. Each scale had eight items. Scale one is recorded as having a Cronbach alpha of 0.95, while scale two recorded 0.93. Mean and standard deviations of inter-item correlations were not reported in this working paper. The items are presented in the tables below.

Table 5.6 Quality of Service Personnel Measure Items

This bank's personnel give the impression that they work together
This bank's personnel are dedicated to providing high quality client service
This bank's personnel are very skilled in quickly identifying the real needs of our business
This bank's personnel are able to respond to our firm's 'over the counter' problems
This bank's personnel are informative and easily understood
This bank's personnel are really open and candid
This bank's personnel are open to a free exchange of information and opinions
This bank's personnel are always willing to help

Source: Rexha 1999

Table 5.7 Attractiveness of Offered Products and Services

The service we receive from this bank represents value for money
This bank offers us very competitive interest rates
This bank offers us very competitive loans
This bank provides us with a range of quality products and services
This bank has always provided our firm with tailored financial solutions
The bank provides our firm with individual attention
This bank makes an effort to learn our specific banking requirements
This bank develops a range of products and services that help in strengthening the relationship between our firm and this bank.

Source: Rexha (1999)

Oliver (1980). Oliver (1980) researched satisfaction with influenza (flu) vaccinations. The six-item scale adopted a five-point likert type format with anchors of ‘no chance’ and ‘certain’. The co-efficient alpha was 0.94. Mean and standard deviation scores were not reported. The six items of the satisfaction measure are outlined in table 5.8.

Table 5.8 Satisfaction Measure Items

I am satisfied with my decision to get or not get a ‘flu shot’
If I had to do [it] all over again, I would feel differently about the ‘flu shot’ programme
My choice to get or not to get a ‘flu shot’ was a wise one
I feel bad about my decision concerning the ‘flu shot’
I think that I did the right thing when I decided to get or not to get the ‘flu shot’
I am not happy that I did what I did about the ‘flu shot’

Source: Oliver 1980

Trust

Batt 2002. Batt’s (2002) six-item measure was developed to assess the level of trust between farmers of small holdings and seed suppliers in developing countries. Responses were evaluated using a seven-point likert scale in three of the four studies; the remaining study adopted a six-point Likert scale. The sample sizes varied from 26 to 234. The measure results from the first two studies were not replicated in the third and fourth studies. Studies one and two produced a single factor with a high Cronbach’s alpha while the remaining studies produced a two-factor solution with unsatisfactory levels of Cronbach’s alpha. The items and results of these studies are summarised in table 5.9 and 5.10.

Table 5.9 Items and Item Means across Four Studies

Item	Study 1 mean	Study 2 mean	Study 3 mean	Study 4 mean
Trust preferred partner	6.15	4.78	5.47	4.79
Believe information provided by preferred partner	5.74	4.73	5.16	4.78
Have confidence in my preferred partner	5.98	5.75	5.56	5.03
Partner always considers my best interests	5.41	6.07	4.17	4.38
Partner is not always honest with me	2.24	1.86	3.32	3.12
Partner always keeps promises	5.59	6.07	4.89	4.55

Source: Batt 2002

Table 5.10 Factor Scores for Individual Studies

	Study 1	Study 2	Study 3	Study 4
Factors with eigen-value >1	1	1	2	2
Factor 1 eigen-value	4.06	4.04	2.14	1.50
Factor 2 eigen-value			1.34	1.39
Cumulative percentage variance	67.6	67.40	69.6	72.4
Cronbach's alpha – factor 1	0.92	0.91	0.78	0.49
Cronbach's alpha – factor 2			0.49	0.56

Source: Batt, 2002

Selnes (1998). In a study of the antecedents and consequences of trust and satisfaction in buyer-seller relationships, Selnes (1998) created measures for trust, satisfaction, relationship enhancement, and relationship continuity. Although acknowledging Churchill's (1979) view that multi-item scales are preferred in the marketing field, Selnes (1998) argued that because each of the four target dimensions were uni-dimensional, and directly accessible for the informant, single items were more applicable. A 10-point scale was created to evaluate the degree to which the informant trusted the supplier. The single trust item was "to what degree do you trust this supplier?".

Moorman, Zaltman and Deshpande (1992). In their study of the dynamics of trust within and between organisations, the authors developed and refined a five-item measure of trust (Moorman et al. 1992). A seven-point likert scale was adopted with

anchors of strongly disagree and strongly agree. The scale attained acceptable psychometric performance ($M = 5.32$, $SD = 1.11$, $\alpha = 0.84$). The five items are presented in table 5.11.

Table 5.11 Trust Measure Items

a. If I or someone in my department could not be reached by our researcher, I would be willing to let my researcher make important research decision without my involvement
b. If I or someone from my department were unable to monitor my researcher's activities, I would be willing to trust my researcher to get the job done
c. I trust my researcher to do things I can't do myself
d. I trust my researcher to do things my department can't do itself
e. I generally do not trust my researcher

Source: Moorman et al. 1992

Shared Values

Morgan and Hunt (1994). The shared values measure developed by Morgan and Hunt (1994) adopted a seven-point scale, with anchors of strongly agree and strongly disagree. The respondents were asked to answer: a) how they believed their supplier would have agreed with the statement and b) how they assessed their own level of agreement, which generated multiple responses. Shared values was calculated as the difference between the two responses and had acceptable psychometric properties ($M = 6.23$, $SD = 1.02$, $\alpha = 0.87$). The table below presents the five items utilised in the Morgan and Hunt (1994) shared values measure.

Table 5.12 Shared Values Measure Items

a. In order to succeed in this business, it is often necessary to compromise one's ethics
b. Top management in business must let it be known in no uncertain terms that unethical behaviour will not be tolerated
c. If an employee is discovered to have engaged in unethical behaviour that results primarily in personal gain (as opposed to corporate gain) he or she should be promptly reprimanded
d. If an employee is discovered to have engaged in unethical behaviour that results primarily in corporate gain (as opposed to personal gain) he or she should be promptly reprimanded
e. Employers should ensure their employees are behaving in a business-like manner

Source: Morgan & Hunt , 1994

Summary of Antecedent Measures

In summary, the antecedent measures display varying degrees of potential utility for item inclusion in the current measures. While the Morgan and Hunt (1994) measure appears useful as a scale for shared values, close examination indicates that most items tap into ethical behaviour rather than broader values specifically shared by partners in a business-to-business relationship. Consequently, while this measure appears to have sound reliability it may be low in construct validity. Further problems are apparent in the Batt (2002) measure of trust for two reasons. Firstly, the Cronbach alpha scores in the third and fourth study were unacceptably low. Secondly, the structural analysis indicated a two-factor solution in the later studies where a single factor solution had been found in the first. Consequently, satisfactory levels of reliability and validity have not been established for this measure. Therefore adopting such a measure could lead to statistically unsubstantiated results being taken from the data.

Selnes' (1998) single item scale, while in contrast to Churchill's (1979) preference for multi-item scales, appears to have face validity. Although Selne's argues that single item scales are sufficient for constructs that are uni-dimensional and directly accessible for the informant, uni-dimensionality does not necessarily mean that a construct is narrow in breadth. Therefore the adoption of a single item scale has the potential to under-report some of the diversity of a construct such as trust.

Moorman et al's (1992) five-item trust measure demonstrates satisfactory reliability. However the utility of this measure to the present study is restrained by the narrow focus of the original study (trust in a researcher). Therefore it is difficult to confidently predict that these items would have a high level of face validity if used verbatim in an effort to assess the level of trust between a supplier and a distributor.

The satisfaction measures also have notable constraints. Rexha's (1999) scale is promising because it was designed for the financial services industry (banking) and was conducted in Australia (a market similar to New Zealand's). However, it does

not have a complete record of the measure's performance. Although it is useful to know the Cronbach's alpha score, not knowing the mean, SD or skew precludes an analysis of the reliability of this measure.

Oliver's 1980 measure of satisfaction also appears to have some problems. Firstly, the adoption of an even-numbered (six-point) scale forced respondents with a neutral view to respond in either a positive or a negative factor. Secondly, the endpoints of "no chance" and "certain" contravene standard practice of ensuring the end points of a Likert type scale are evenly weighted. Finally, although the Cronbach alpha score was reported, no statistics were provided for the mean and standard deviation.

Thus the antecedent measures were of varying levels of acceptability. Given the problems with face validity and reliability briefly outlined in this section, it is preferable to consider these items individually for inclusion in a new measure.

5.3 Research Methodology

Phase two is based on a pragmatic methodological paradigm which involves a quantitative approach to developing and refining measures. This has the primary benefit of providing clear or accepted conventions for analysis, unlike qualitative analysis which is commonly criticised on this basis (Robson, 1993). Utilisation of an empirical framework also allows reliability and validity to be established, which provides critical information regarding the veracity of the findings before testing the model. Churchill (1979) provides a widely accepted framework for measure development.

While Churchill's (1979) process of measure development has historically been well received by marketing academics, his caution that the marketing field's expertise has lagged behind the field of psychology in items of scale development was not recognised. Therefore, Clark and Watson's (1995) process was adopted because it reflected a contemporary approach to measure development.

Clark and Watson's (1995) five-stage measurement development model provides a sound framework for developing measures for the antecedents and dependent variable of distributor loyalty. Working within the psychological paradigm, Clark and Watson (1995) propose a process involving: a) conceptualisation, b) literature review, c) creation of an item pool, d) initial data collection, e) psychometric evaluation.

The first two stages of Clark and Watson's (1995) process (conceptualisation and literature review) were completed in phase one. Phase two focuses on the final three stages of the process (creation of the item pool, initial data collection, and psychometric evaluation). This section of the chapter details the creation of an item pool for the antecedent measures (shared values, trust, and satisfaction) and the dependent variable (distributor loyalty). Clark and Watson (1995) suggest three steps for the creation of an item pool: a) a review of existing measures, b) the selection of existing items for the initial pool, and c) development of new items. This approach will be adopted in phase two of the research.

5.4 Method

This section is presented in two parts: a) iterative scale development, and, b) scale testing.

5.4.1 Part One: Iterative Scale Development

Participants

Participants comprised a panel of experts (n=8) sourced from academia and the life insurance industry. There were four marketing academics and four senior managers from the largest life insurance company in New Zealand. The academics were recruited because their theoretical knowledge would enable them to test the face validity of the potential pool of items based on a scientific, academic framework. The industry specialists were selected because they had front-line contact and knowledge of the distributor–supplier relationship and could utilise their New Zealand and industry-specific knowledge to test the face validity of the potential items.

Measures

120 potential items were selected for inclusion in the item pool, sourced from literature. Items were comparatively plentiful in the satisfaction (n=35), trust (n=35) and commitment (n=41) areas but less common in the shared values (n=5) domain. Because references to specific business-to-business relationships needed to be included to represent the proposed dimensions of distributor loyalty, identified in phase one of the research, and some constructs had comparatively few items (e.g. shared values), additional items were written for inclusion in the item pool (satisfaction, n=15; trust, n=4; shared values, n=4; distributor loyalty, n=21). A full table of the individual item wording is tabled in appendix B.

With the item pool now containing 164 items, a reduction process was required, which included an initial screen to assess face validity of the items for each measure. The number of items required for inclusion in a measure is subject to varied interpretation. Clark and Watson (1995) suggest that the number of items is largely dependent on the breadth of the phenomena being investigated. While 20 items might have been required for a broad or complex phenomenon such as “love”, four to five items were proposed as adequate for more narrow constructs, such as those adopted in the present research. Thus the present measurement survey was ultimately reduced to 20 items in total (five items per construct).

Process

Item Selection. The process of selection involved the existing measures being screened to identify a maximal range of items that could potentially relate to the constructs to be measured. Importantly, following recommendations by Clark and Watson (1995), this stage included identifying items that were expected to load onto tangential constructs. The individual items were recorded in a table, along with the author and the construct they were proposed to measure. The purpose of this stage was to enable the researcher to create a record of the source of each item to allow for comparisons to be made between an item’s original proposed construct and the

category that a panel of experts would assign the item in a later stage of the item reduction process.

Panel of Experts. Firstly, in line with Moorman et al.'s (1992) recommendations, a face validity categorisation was conducted to ensure the items had a reasonable probability of loading on the predicted construct. Stage two required the adoption of a five-part process to reduce the items that had acceptable face validity down to the final set of 20 items.

The panel of experts completed their face validity assessments individually. A set of instructions advised respondents that the conceptual model of distributor loyalty included the concepts of shared values, trust, satisfaction, and loyalty. The respondents were asked to tick the column that, in their opinion, best described the concept that each statement appeared to be measuring. In situations where the pre-defined categories (trust, shared values, satisfaction, and loyalty) were not deemed suitable by the respondents, they were asked to select the "other" category and label the item with their own classification (see appendix C). Items that failed to achieve 75% agreement across the panel were eliminated which left 58 items (see table 5.13).

Table 5.13 Pre- and Post-Item Numbers by Measure Construct

	Items pre-face validity check	Items retained post- validity check
ANTECEDENTS		
Trust	39	17 (44%)
Shared values	9	6 (66%)
Satisfaction	50	27 (54%)
DEPENDENT VARIABLE		
Distributor loyalty	62	8 (13%)
Tangential items	4	0 (0%)
TOTAL	164	58 (35%)

The 58 remaining items were subjected to the elimination of items on the basis of five criteria: a) homogeneity, b) specificity, c) industry relevance, d) psychometric adequacy, and e) breadth (Moorman et al. 1992). Duplicate items were removed with

published and/or quantifiably tested items given preference for retention. Specificity was increased by removing generic (i.e. non-specific) items that did not appear directly related to the domain of distributor loyalty. In addition, preference was given to items that tapped directly quantifiable constructs, because these could be accurately measured through the quantitative methods adopted for this phase of the research. Items not specifically relevant to the context of the present research and double-or triple-barreled items were also removed. The remaining items were then screened for psychometric adequacy (e.g. they tapped only one construct, avoided double negatives, were culturally appropriate). Finally, the items were tested for breadth. This was achieved through examining the item's relevance to the target construct and attempting to identify items that represented a wide breadth of relevant dimensions.

At the conclusion of the elimination process the provisional item pool was reduced to the requisite 20 items, that is, five-item scales for each of the four target constructs. Appendix D summarises the results of the construct each item is proposed to measure, the wording of each item, the originating author and the original construct that the item was proposed to measure. In addition, the table outlines the level of agreement between the academic panel of experts and the industry experts.

Of the 20 items selected for inclusion in the measures, 16 were sourced from existing measures; the remaining four items were developed by the author of the thesis. These items are outline in table 5.14.

Table 5.14 Items Developed by Author

Item	Measure
Of all the suppliers, supplier X is most like me	Shared Values
Supplier X and I are working towards common goals	Shared Values
Supplier X's goals are very closely aligned to mine	Shared Values
Of all the suppliers I deal with, supplier x has the highest integrity	Trust

Behavioural Measure

Behavioural Measure of Dependent Variable. The behavioural component was developed to reflect the intentions of Dick and Basu's (1994) repeat purchase behaviour (RPB). The main purpose of the measure was to provide a valid representation of the behavioural component of distributor loyalty. Four potential aspects of loyal behaviour were considered: duration, frequency, latency, and intensity.

Duration. The concept of measuring loyal behaviour by its duration was supported by feedback from the distributors in the focus groups (see chapter four). However this option was rejected because a duration measure could mask major changes in volume over time. For example, using the duration measure a distributor would be regarded as behaviourally loyal even if the volume of business placed with a supplier reduced from 100% to 1% over a five year period. While at some level this might demonstrate relational continuity, such a reduction in volume would suggest that the loyalty has been given elsewhere.

Frequency. The adoption of a loyal behaviour measure based on frequency was rejected because such a measure would be unable to distinguish between polygamous loyalty (i.e. loyalty to more than one supplier) and true loyalty. Interestingly, the distributor members of the focus groups believed polygamous loyalty was possible. However this opinion was not shared by either the supplier focus group members or the extant consumer loyalty literature. While frequency would have provided some potentially useful information regarding the continuity and predictability of distributor business flows, it would not have satisfied the requirement to differentiate between a major and minor supplier for a distributor, in terms of volumes of business.

Latency. In terms of distributor loyalty, latency is the time that elapses between sales that a distributor places with a supplier. This measure was discarded because it would not discriminate between polygamous loyalty and true loyalty nor between a major or

a minor supplier relationship. Of the four potential individual measures, this one appeared to offer the least utility.

Intensity. Intensity was conceived as the percentage of total business a distributor placed with a supplier. This was considered the most useful measure for three reasons. Firstly, by measuring the proportion of business placed with a supplier it was possible to identify the supplier that the majority of business was placed with. Secondly, this measure would allow distinguishing of polygamous versus true behavioural loyalty. Finally, the utilisation of intensity is consistent with the way suppliers and distributors measure their business behaviour. Therefore this information would be readily attainable from respondents.

Combinations of the various facets of behavioural measures were also considered by the researcher. In particular, the options of measuring frequency and duration were thought to be potentially useful. However, as this was the first study on distributor loyalty undertaken, parsimony was given priority.

In summary, for the purpose of the present research, a formula for the behavioural measure was developed that calculated the percentage of total proposals placed with each supplier. For example, a distributor who placed half their total business with a single supplier was assigned a 50% repeat purchase behaviour (RPB) ratio while a distributor who placed 70% of their business with one supplier and 30% with another supplier, scored an RPB ratio for each supplier of 70% and 30% respectively.

5.4.2 Part Two: Scale Testing

The scale testing comprised two stages. Firstly, the measurement instrument was pre-tested by a group of industry reviewers. Secondly, the main data was collected from a sample of life insurance distributors, in order to conduct psychometric evaluation of the measures.

Participants

Industry Reviewers. The industry reviewers (n=4), who were employees of a major life insurance company, had regular contact with distributors in the market place. The group comprised three males and one female. The roles of the industry reviewers were: general manager distribution, national sales manager, regional sales manager, and research manager. This group of reviewers was selected on the basis of their knowledge of the life insurance industry and in particular, their in-depth knowledge of how distributors were likely to react and engage with the questionnaire. They were personally approached by the researcher and asked to participate on a voluntary basis.

Life Insurance Distributors. Participants for the empirical testing of the measures (stage two of the research) were life insurance distributors operating in New Zealand (n=579). A list of potential respondents (life insurance distributors) was purchased from an established mailing list company in New Zealand (UBD). UBD was requested to provide a list of names (n=667) that matched the search criteria (life insurance distributors in New Zealand). Although no precise official figures exist for the number of life insurance distributors operating in New Zealand, the industry adopts an approximation of 3000. Once duplicate and incomplete records were deleted (n=88), 579 remained, which represented 19.3% of the potential industry pool.

5.4.3 Process

Pilot Testing

Pilot testing of the initial questionnaire was undertaken by the industry reviewers. They rated the questionnaire on four dimensions: a) ease of use, b) visual appeal, c) clarity of questions, and d) length of questions. Respondents were given a structured questionnaire to complete (see appendix E) and asked to provide written feedback. One of the satisfaction items (Rexha, 1999) was identified as double barreled (“this supplier provides us with a wide range of quality products *and* services”). The reviewers suggested that services offered by an insurance company to a supplier (e.g.

business development) are very different to the core products that are available for the distributor to sell.

Relevant changes were made and the reviewers re-rated the revised questionnaire using the same criteria. The results of the evaluations from the panel of experts in the provisional and revised questionnaires are summarised in the table 5.15.

Table 5.15 Average Score of Industry Reviewer Panel Members in Assessment of Questionnaire Dimensions

Evaluation Dimension	Provisional Questionnaire	Revised Questionnaire
Ease of use	55%	80%
Visual appeal	50%	65%
Clarity of questions	70%	72.5%
Length of questions	72.5%	75%

The percentage figures were calculated from an average respondent score for each category based on a 10-point Likert type scale with one being the lowest and 10 the highest score. With the questionnaire testing completed, the main data collection began.

Data Collection

Because data collection for the measurement development was undertaken *concurrently* on the *same sample* as the model-testing stage which is described in the next chapter, the mail-out process also included questionnaires that covered both measure development and model testing.

Each questionnaire pack contained: a) a covering letter explaining the research, confidentiality and contact details (see appendix F); b) a copy of the full questionnaire – containing a section covering model development and a separate section for model testing (see appendix G); c) a reply-paid envelope, and d) a lollipop (as a novelty incentive to engage the participant's attention). Respondents were given three weeks to complete and return the questionnaire.

The matter of respondent confidentiality was especially significant at the time of writing, because the author was a senior executive in the industry. Some of the information being requested from respondents could have been potentially threatening if respondents were identifiable (particularly information about the amount of business being placed with suppliers by distributors that were bound by contractual obligations). This constraint made it impractical to evaluate non-respondents, in the post survey period, to determine whether there were significant differences between respondent and non-respondent groups.

Scale Refinement

Item means, standard deviations, and skews were used to assess item distribution. Items that were very highly skewed or had unbalanced distributions were to be considered for elimination (see Clark & Watson, 1995). Responses were assessed for each of the suppliers that a distributor utilised. Thus, although 152 individual responses were received, the measures were tested with a sample that was theoretically three times larger than this because each distributor was able to provide responses for up to three suppliers.

To determine the distribution of each item and measure, two analyses were undertaken. Firstly, a skew of each item was calculated using the descriptive statistics option in SPSS. Secondly, the kurtosis test was applied to the mean of each of the measures to assess the overall distribution.

Because distributor loyalty is a new field, Nunnally's (1978) acceptance criteria of 0.60 is adopted in this study, although, refinement of the measure scales was undertaken to increase coefficient alpha scores to a preferred performance level of 0.80 (see Nunnally, 1967) wherever practicable.

Reliability Analysis

Using Clark and Watson's (1995) criteria for reliability analysis, measures that failed to achieve the preferred 0.80 coefficient alpha benchmark were subjected to an iterative process of refinement where the lowest scoring item was eliminated and the

coefficient alpha recalculated. If the coefficient alpha increased considerably following the removal of an item, the item was considered for removal from the measure.

Validity. The first stage of establishing construct validity involved subjecting the overall group of antecedents to an exploratory factor analysis with the objective of reducing the variables into a smaller set of hypothetical variables (Kim & Mueller, 1978). A uni-dimensional construct for the research was defined as a construct with an eigen-value of >1 (Clark & Watson, 1995, Churchill, 1979). Thus, when the combined antecedent measures (shared values, trust, and satisfaction) were subjected to an exploratory factor analysis, the expectation was that three constructs would be identified. Once uni-dimensionality had been established for each of the antecedents (shared values, trust, and satisfaction), discriminant validity was then explored. Floyd and Widaman (1995) point out that when a factor analysis is conducted on measures containing “general” components, “the scales produce a first component or factor, composed of most of the items ...” (p. 290). On this basis varimax was adopted as the most appropriate form of rotation as it provided the simplest and most differentiated result in terms of individual items loading onto constructs.

To determine discriminant validity, each of the measures was correlated with a similar but distinct measure. Therefore the correlations between each of the antecedent measures were used to evaluate discriminant validity of each of the antecedent measures (shared values, trust, and satisfaction).

For the dependent variable (distributor loyalty), the criterion measure for discriminant validity was that, when combined with the three antecedent measures in a factor analysis, four factors would be identified.

Measures were refined using a rotated component matrix. For the antecedent measures this matrix contained the loadings of all of the items onto each of the three components (shared values, trust, and satisfaction). Items were considered for

deletion initially on the basis of Nunnally's (1978) recommendations; that is, items with a primary loading below 0.5 or with a secondary loading of greater than 0.4 were identified for potential exclusion. However, a 0.40 loading on the secondary construct was not arbitrarily applied as an exclusion criterion. If an item had a loading of between 0.40 and 0.45, the level of primary loading was examined. In circumstances where the primary loading was at least 0.30 greater than the secondary loading, the item was retained.

Items were also excluded if: a) the primary loadings loaded onto the wrong construct, for example, if an item proposed as trust loaded primarily on the shared values component; b) high secondary loadings, that is, closer than 0.30 to the score of the primary loading; c) low primary loading levels, that is, $<.40$.

Prior to undertaking the factor analysis process, consideration was given to the appropriate size of the data set required for satisfactory results to be attained. Some researchers, such as Clark and Watson (1995), recommend an arbitrary figure such as 300 observations are required for a factor analysis to yield accurate results. Others, such as Floyd and Widaman (1995), recommend the adoption of a minimum ratio of five participants per variable. Both authors agree, however, that in general the more participants in factor analysis the better. Given 152 usable replies, the initial data set comfortably exceeds the 75 observations required in the largest factor analysis (15 items in the combined antecedent measures). With most respondents actually completing questions on three suppliers, the overall data-set, upon which the factor analysis was to be applied, was approaching 400 responses, which also comfortably exceed Clark and Watson's (1995) benchmark of 300 responses.

Therefore, at the conclusion of the construct validity process, each measure would ideally confirm: a) uni-dimensionality by having only one eigen-value >1 ; b) discriminant validity through confirmation that all measure items load primarily on their proposed construct and have inter-measure correlations of $R < 0.50$; and c) internal consistency with coefficient alpha > 0.60 (preferably 0.80).

Following recommendations from Churchill (1979) and Clark and Watson, (1995) a significance level of 0.05 was applied to the present research.

5.5 Results

Of the 556 questionnaires sent, 152 (27%) usable responses were recorded. Forty-six additional responses were not used as respondents worked in a non-targeted sector. Psychometric evaluation of the measures was undertaken on two dimensions: a) item distribution, and b) structural analysis. The following section outlines the process and results of the analysis of item distribution and then describes the process and results of the structural analysis that ultimately leads to a description of the refined measures that were created from the psychometric evaluation process.

5.5.1 Item Distribution

Shared Values

Responses for the shared values five-items ranged across the full theoretical continuum (1–7) and had a mean value per item of 4.56 (SD=1.23). Scores were negatively skewed (skew=-0.53) and the kurtosis test indicated the five-item measure was normally distributed (K=.26).

Trust

Responses were recorded across the full theoretical range (1–7) and had a mean value per item of 5.15 (SD=1.20). Scores were negatively skewed (skew= -1.10) and the kurtosis test suggested the five item measure was normally distributed (K=1.27).

Satisfaction

Responses for the satisfaction items were recorded across the full theoretical range (1-7) with a mean value per item of 5.16 (SD=0.89). Scores were negatively skewed (skew= -0.56). The kurtosis test (K=.2.19) indicated that the five-item measure was normally distributed.

Distributor Loyalty

The distributor loyalty items recorded responses across the full theoretical range (1–7), with a mean value per item of 5.03 (SD=1.23). Scores were negatively skewed (skew=-0.72, $p=.00$) with the kurtosis test confirming the measure was normally distributed ($K=0.48$).

Item Distribution Summary

A consistent finding for all the measures tested was that of statistically significant negative skews. The mean for each measure is significantly higher than the mid-point (4) of the seven-point likert scale. This finding is consistent with the findings of previous researchers. For instance, the trust scale has an item mean of 5.15; the trust measure developed by Moorman et al. (1992) had a mean of 5.32.

5.5.2 Structural Analysis

The results, based on 152 responses and a response rate of 27%, are presented in two sections: antecedents and dependent variable.

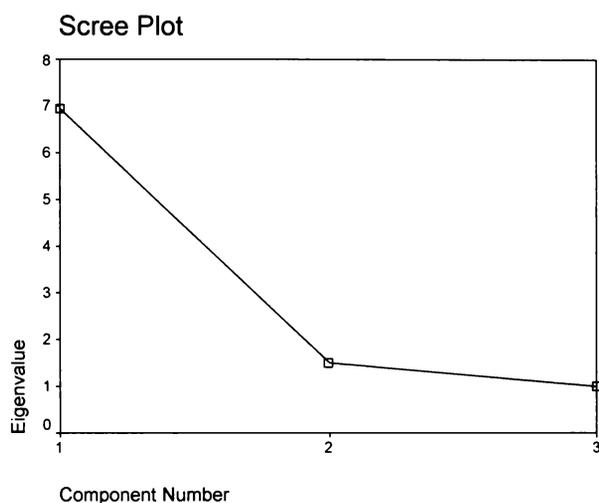
Antecedents

An exploratory factor analysis, using principal component analysis, revealed three constructs within the combined antecedent measures. This is consistent with the theoretical framework developed in the present thesis. Uni-dimensionality of each of the antecedent measures was confirmed at this early stage of the analysis, because the factor analysis confirms the existence of three factors or constructs. The first factor attained an eigen-value of 7.00 and explained almost half (46%) of the variance. The second factor recorded an eigen-value of 1.51 and explained approximately 10% of the variance while the final factor attained an eigen-value of 1.02 and explained almost 7% of the variance. Cumulatively, the three factors explained almost two thirds (63.5%) of the variance. The results of the initial factor analysis are presented in table 5.16 and as a scree plot in figure 5.1.

Table 5.16 Exploratory Factor Analysis of Antecedent Measures

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.991	46.606	46.606	6.991	46.606	46.606	3.869	25.792	25.792
2	1.509	10.059	56.665	1.509	10.059	56.665	3.639	24.257	50.049
3	1.020	6.803	63.468	1.020	6.803	63.468	2.013	13.419	63.468

Extraction Method: Principal Component Analysis.

Figure 5.1 Scree Plot of Antecedent Measures

An examination of the item component loadings (see table 5.17) for each of the items suggested that a number of items could be eliminated from the various measures because the items failed to meet the standards specified in the methodology section 5.3 of this chapter. This process was undertaken, with each measure examined separately.

Table 5.17 Antecedent Item Loadings on Constructs after Initial Factor Analysis

	Shared values	Trust	Satisfaction
Trust (item 4) I generally do not trust this supplier		-.80	
Trust (item 2) This supplier has integrity		.75	
Trust (item 1) I can believe what this supplier says with confidence	.43	.73	
Trust (item 3) Promises made by this supplier's representatives are reliable	.40	.72	
Trust (item 5) This supplier is faithful to me	.63		
Satisfaction (item 3) This supplier provides me with a wide range of products			.76
Satisfaction (item 4) This supplier's products are competitive in the market			.70
Satisfaction (item 5) This supplier offers competitive remuneration			.74
Satisfaction (item 1) This supplier provides me with tailored solutions	.52		
Satisfaction (item 2) The supplier's personnel are skilled at identifying the needs of my business	.51	.60	
Shared values (item 1) This supplier and I are working towards common goals	.75	.40	
Shared values (item 5) I share common business interests with this supplier	.75	.04	
Shared values (item 3) Of all the suppliers, this supplier is most like me	.74		
Shared values (item 4) I feel a sense of unity in my relationship with this supplier	.66	.52	
Shared values (item 2) There is little common ground between this supplier's values and mine			-.42

Method of rotation: Varimax.

Pearson's analysis showed that shared values was related to trust and satisfaction ($r=0.74$, 0.67 respectively) and trust was related to satisfaction ($r=0.64$). These correlations are relatively high and statistically significant. These results suggested that, prior to the measures being refined, the antecedent measures did not achieve discriminant validity, on the basis of measure correlation (defined as $r < 0.50$), even though some discriminant validity was established through the confirmation of three separate factors in the solution. This issue, combined with the item loading issues identified in the factor analysis, indicated that while uni-dimensionality was established prior to refinement, further refinement was required to improve discriminant validity. Therefore the following section outlines each of the measures and the steps undertaken to refine the antecedent measures.

Satisfaction. The five-item satisfaction measure displayed a coefficient alpha of 0.71 and an item mean of 5.2. ($SD=0.90$). The standard deviation (SD) of the overall satisfaction mean was 0.90.

Table 5.18 summarises the changes to the satisfaction measure's statistical indicators after refinement to improve discriminant validity. In sum, major improvements in

discriminant validity (trust $r=0.39$, shared values $r=0.44$) were achieved; however this did lower the coefficient alpha to 0.65. Uni-dimensionality of the satisfaction structure was confirmed through the factor analysis as was discriminant validity through the low level of correlation between the satisfaction and the trust and shared value measures. The items retained are summarised in table 5.19.

Table 5.18 Pre-and Post-Refinement Descriptive Statistics for Satisfaction

Measure

	Measure Pre-Refinement	Measure Post-Refinement
Number of items	5	3
Mean of all items	5.20	5.54
SD of shared values mean	0.90	0.89
Skew	-0.56	-1.11
Coefficient alpha	0.71	0.65
Discriminant validity from trust (r)	0.65** ($p=.00$)	0.39** ($p=.00$)
Discriminant validity from shared values (r)	0.66** ($p=.00$)	0.44** ($p=.00$)

Table 5.19 Refined Shared Values Items

Item	Wording
Satisfaction 3	This supplier provides me with a wide range of products
Satisfaction 4	This supplier's products are competitive in the market
Satisfaction 5	This supplier offers competitive remuneration

Trust. The five-item trust measure had a coefficient alpha of 0.86 and a mean per item of 5.15 ($SD=1.45$). As outlined previously the trust measure correlated highly with the shared values and satisfaction measures ($r=0.74$ and 0.64 , respectively).

The resulting refined measure demonstrated minor changes in the statistical indicators as summarised in 5.20. However significant improvements were recorded with discriminant validity. The correlations with shared values and satisfaction fell to ($r=0.55$, $r=0.39$) respectively. However, the decrease in the level of correlation with the shared values measure (from $r=0.74$ to $r=0.55$) was not large enough to conclusively confirm discriminant validity for the trust measure. The items retained are summarised in 5.21.

Table 5.20 Pre-and Post-Refinement Descriptive Statistics for Trust Measure

	Measure Pre-Refinement	Measure Post-Refinement
Number of items	5	4
Mean of all items	5.15	5.25
SD (mean item)	1.54	1.24
Skew	-1.10	-1.13
Coefficient alpha	0.86	0.86
Discriminant validity from shared values (r)	0.74** (p=.00)	0.55** (p=.00)
Discriminant validity from satisfaction (r)	0.64** (p=.00)	0.39** (p=.00)

Table 5.21 Refined Trust Items

Item	Wording
Trust 1	I can believe what this supplier says with confidence
Trust 2	This supplier has integrity
Trust 3	Promises made by this supplier's representatives are reliable
Trust 4	I generally do not trust this supplier

Shared Values. The five-item shared values measure had a coefficient alpha of 0.85, a mean per item of 4.6 (SD=1.23, range of 1.0 to 5.0). The alpha comfortably exceeded the “preferred” requisite benchmark of 0.80. Deleting any single item from the scale did not result in an appreciable improvement in the alpha coefficient of the scale so all items were retained. However, as outlined previously, the shared values measure correlated highly with the trust and satisfaction measures ($r=0.74$, 0.67 respectively).

Examination of the individual shared value items loadings (see table 5.22) on the three constructs of shared values, trust and satisfaction, highlighted issues with two of the shared value items (items two and four). Item two loaded primarily on a separate construct. Item four loaded primarily on the shared values construct, but had an extremely high secondary loading on the trust measure which violated the parameter of a minimum of a 0.30 difference between the primary and secondary loadings. Consequently these two items were deleted which reduced the coefficient alpha slightly to 0.82. Other statistical indicators were also affected only negligibly (see 5.23 for details). Importantly discriminant validity improved in relation to both trust ($r=0.55$, $p=.00$) and satisfaction ($r=0.44$, $p=.00$). However, the correlation with trust remained slightly above the benchmark for adequate discriminant validity. This level

of correlation indicates that there is a high conceptual overlap between the constructs of shared values and trust. Therefore discriminant validity of the shared values scale was unable to be confirmed. The items retained are summarised in table 5.23.

Table 5.22 Pre-and Post-Refinement Descriptive Statistics for Shared Values

Measure

	Measure Pre-Refinement	Measure Post-Refinement
Number of items	5	3
Mean of all items	4.6	4.5
SD of shared values mean	1.23	1.32
Skew	-0.53	-0.61
Coefficient alpha	0.85	0.82
Discriminant validity from trust (r)	0.67** (p=.00)	0.55** (p=.00)
Discriminant validity from satisfaction (r)	0.66** (p=.00)	0.44** (p=.00)

Table 5.23 Refined Shared Values Items

Item	Wording
Shared Values 1	This supplier and I are working towards common goals
Shared Values 3	Of all the suppliers, this supplier is most like me
Shared Values 5	I share common business interests with this supplier.

In summary, factor analysis and refinement of the measures led to four key findings. Firstly, the factor analysis confirmed three constructs within the data, which is consistent with the hypothesis outlined in the conceptual model that there were three antecedents for distribution loyalty. Secondly, uni-dimensionality was established for each of the antecedent measures. Thirdly, discriminant validity was established for all of the antecedents with the exception of trust and shared values which narrowly exceeded the target ($r=0.50$) with a reliability score of $r=0.55$. Fourthly, acceptable levels of internal consistency (coefficient alpha >0.60) were recorded for all of the antecedents with trust and shared values also comfortably exceeding the preferred level of 0.80. Therefore uni-dimensionality, internal consistency and discriminant validity (with the exception of the relationship between trust and shared values) was attained for all of the antecedent measures.

Dependent Variable

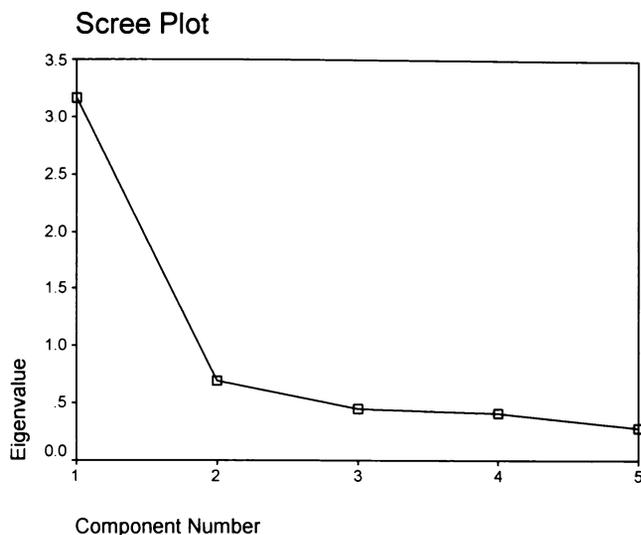
The conceptual model of distributor loyalty comprised two sub-measures of distributor loyalty. The first sub-measure was the attitudinal component (relative attitude) and the second was the behavioural component (repeat purchase behaviour). The behavioural component is not included in this section of the results because this measure was simply a calculation of the percentage of proposals placed with a supplier over the past 12 months.

Attitudinal Measure. The distributor loyalty measure described in this section is the measure that taps the attitudinal components of distributor loyalty (i.e. absolute attitude towards a supplier). An exploratory factor analysis, using principal component analysis, demonstrated the existence of a single construct (see table 5.24 and figure 5.2).

Table 5.24 Exploratory Factor Analysis of Five-Item Distributor Loyalty Scale

Total Variance Explained		
Component	Initial Eigen values	
	Total	% of Variance
1	2.775	55.493

Extraction Method: Principal Component Analysis.

Figure 5.2 Scree Plot of Distributor Loyalty Factors

The mean of the five-item distributor loyalty measure had a coefficient alpha of 0.85 and an item mean of 5.03 (SD=1.23). The items demonstrated a negative skew (skew=-0.72) and uni-dimensionality was confirmed through the factor analysis.

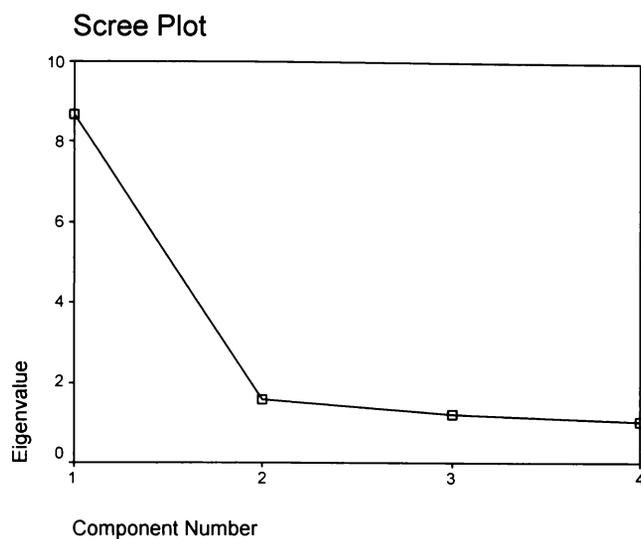
Discriminant validity was assessed with an exploratory factor analysis with the three antecedent measures and the distributor loyalty measure. Given that four factors were confirmed in the solution (see figure 5.3), discriminant validity was established for the distributor loyalty measure. Table 5.25 presents the results of the factor analysis on the antecedents and the dependent variable.

Table 5.25 Exploratory Factor Analysis on Antecedents and Dependent Variable

Component	Total Variance Explained		
	Total	Initial Eigenvalues	Cumulative %
1	8.674	43.372	43.372
2	1.571	7.854	51.226
3	1.205	6.025	57.251
4	1.037	5.183	62.434

Extraction Method: Principal Component Analysis.

- a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Figure 5.3 Scree Plot of Factor Analysis of Antecedents and Dependent Variable

All five items in the attitudinal measure were retained because reliability ($r=0.85$) and validity were satisfactory. The overall statistics for the distributor loyalty measure are presented in table 5.26. The wording of each item is outlined in table 5.27.

Table 5.26 Pre-and Post-Refinement Descriptive Statistics for Distributor Loyalty Measure

Number of items	5
Mean of all items	5.03
SD of shared values mean	1.23
Skew	-0.72
Coefficient alpha	0.85

Table 5.27 Distributor Loyalty Items

Item	Wording
Distributor Loyalty 1	I am committed to my relationship with this supplier
Distributor Loyalty 2	The relationship that I have with this supplier is of little interest to me
Distributor Loyalty 3	Maintaining a relationship with this supplier deserves my maximum effort
Distributor Loyalty 4	This supplier is an important ally of my business
Distributor Loyalty 5	The relationship I have with this supplier is something I intend to maintain indefinitely

At the conclusion of the refinement process for the distributor loyalty measure, reliability was established with a coefficient alpha of 0.85. This comfortably exceeds the “preferred” benchmark of 0.80. Uni-dimensionality of the distributor loyalty construct was also verified through the identification of only one eigen-value with a value >1 . Discriminant validity was established when the exploratory factor analysis (of the three antecedents and the dependent variable) confirmed the existence of four factors. Therefore the distributor loyalty measure passed all of the structural analyses tests it was subjected to. This concludes the results of the attitudinal measure. The behavioural measure is outlined in chapter six.

5.6 Summary

An acceptable response rate of 27% was achieved. The analysis of item distribution revealed statistically significant skews in all the measures, but the magnitude of these skews was not particularly high. Kurtosis tests revealed that all measures were normally distributed. While the mean score for each of the measures was approximately five on a seven-point scale, these scores are consistent with the means reported for many of the existing measures reviewed in this chapter.

The structural analysis confirmed the basic conceptual structure of the distributor loyalty model with three antecedents (shared values, trust and satisfaction) forming the attitudinal component of distributor loyalty. All four measures (satisfaction, shared values, trust, and distributor loyalty) achieved acceptable levels of reliability through exceeding the 0.60 coefficient alpha benchmark suggested by Nunnally (1979) for a new field. Three measures (shared, values, trust and distributor loyalty) also exceeded the 0.80 coefficient alpha benchmark that Nunnally (1967) recommends for an established field. Discriminant validity was attained in three of the four measures (the correlation between trust and shared values was just outside acceptable performance levels).

This concludes phase two of the research. The next chapter outlines phase three of the research, which tested the conceptual model of distributor loyalty.

CHAPTER SIX

PHASE THREE — TESTING THE CONCEPTUAL MODEL

6.1 Introduction

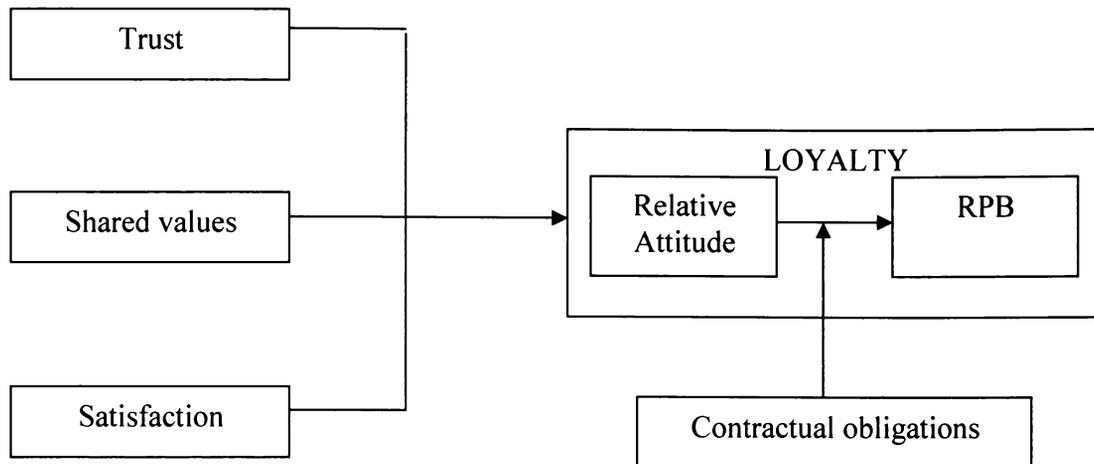
This chapter outlines the testing of the conceptual model of distributor loyalty that was developed in phases one and two. Phase three comprises three sections: a) theoretical rationale, b) method, and c) results. The approach section outlines the methodological paradigm and the subsequent empirical process to test the conceptual model of distributor loyalty, using regression. The results of the regression analysis for the dependent variables of relative attitude and RPB follow. The results of an exploratory analysis are also outlined in this section to determine whether alternative models had a greater explanatory power than the proposed conceptual model.

6.2 Theoretical Rationale

The proposed conceptual model comprised three antecedents (trust, shared values and satisfaction), a moderating variable (contractual obligations) and a dependent variable (distributor loyalty) (see figure 6.1). The dependent variable consisted of two sub-variables of progressive effect; that is, relative attitude was hypothesised to affect RPB. In particular, the progressive effect meant that relative attitude was a mediating variable between the antecedents and RPB. The moderating influence (contractual obligations) acted between the two components of distributor loyalty, that is, between relative attitude and RPB. When relative attitude levels are low, the moderating influence on RPB is high; as relative attitude levels increase the effect of the moderating influence is reduced.

It is important to note that, while the conceptual model outlined in chapter three included proposed consequences of distributor loyalty, these consequences were not included for testing because testing focused on the *formation* of distributor loyalty rather than the *consequences* of it. The conceptual model tested in this chapter is outlined in figure 6.1.

Figure 6.1 Conceptual Model of Distributor Loyalty

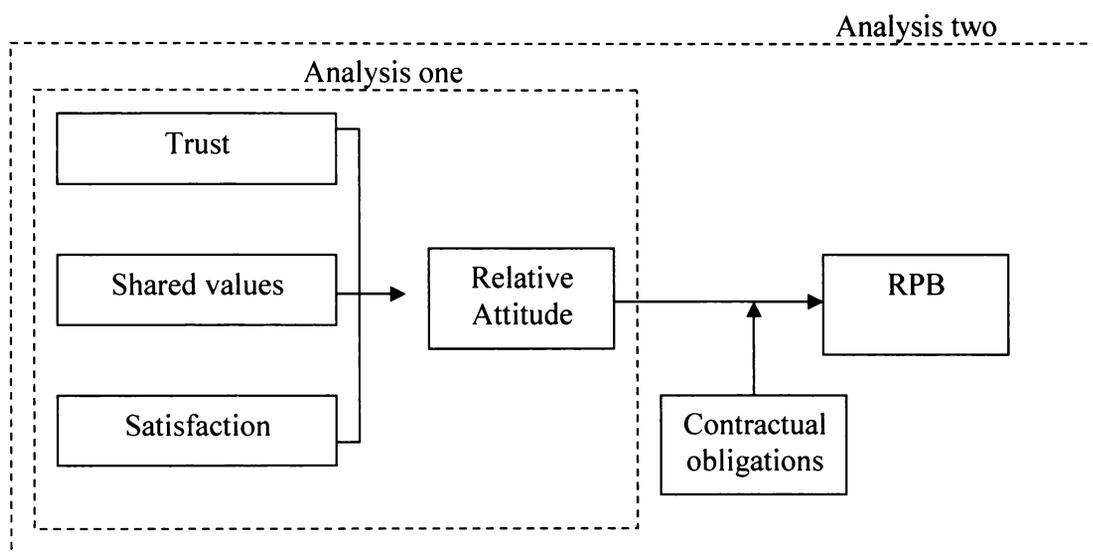


Regression was adopted as a method for testing the model for two reasons. Firstly regression enables the researcher to remain close to the data (Tabachnick & Fidell, 2001). Secondly the ability to carry out exploratory analysis was thought important because the model had not previously been subject to empirical testing and therefore would likely require modification during the testing phase. Regression results in an equation that represents the best prediction of a dependent variable from several independent variables (Coakes & Stead, 1996), which is consistent with the aim of testing the conceptual model. Standard, hierarchical and stepwise regression approaches were considered. These approaches differ predominantly in the treatment of overlapping variability and in decisions regarding the order of entry of the independent variables into the equation (Coakes & Stead, 1996).

Regression was selected as the most appropriate form of analysis because the progressive relationship between the sub-components of the dependent variable suggested that they should be treated as single dependent variables in separate analyses. Consequently a univariate approach to the treatment of the dependent variable was selected as the most suitable. Structural equations modeling (SEM) was also considered as an analysis method but was rejected because it is not

recommended that SEM be adopted to test models that are likely to require exploratory analysis (Stewart, 2001). Furthermore the sample of 152 respondents was not large enough to meet the minimum sample size criteria of 200 required for a small to medium sized model (Tabachnick & Fidell, 2001). Figure 6.2 summarises the two stages of the analysis required because of the progressive nature of the dependent variable components.

Figure 6.2. Analysis Format Based on the Progressive Nature of Dependent Variables in Regression Analysis



6.3 Method

6.3.1 Participants

The same participants were used for phases two and three of the research (n = 152, 95% male).

6.3.2 Measures

Distributor Loyalty

The five-item distributor loyalty measure adopted a seven-point Likert scale anchored at strongly disagree and strongly agree with a mid-point of unsure ($x = 5.03$, $SD = 1.23$, skew = -0.72 , $K = 0.48$, $\alpha = 0.85$). Any negatively worded items were reverse coded.

Satisfaction

The three-item satisfaction measure was a seven-point Likert scale anchored at strongly disagree and strongly agree with a mid-point of unsure ($x = 5.54$, $SD = 0.89$, skew = -1.11 , $K = 2.19$, $\alpha = 0.65$). Any negatively worded items were reverse coded.

Trust

The four-item trust measure adopted a seven-point Likert scale anchored at strongly disagree and strongly agree with a mid-point of unsure ($x = 5.25$, $SD = 1.24$, skew = -1.13 , $K = 1.27$, $\alpha = 0.86$). Any negatively worded items were reverse coded.

Shared Values

The three-item shared values measure adopted a seven-point Likert scale anchored at strongly disagree and strongly agree with a mid-point of unsure ($x = 4.5$, $SD = 1.32$, skew = -0.61 , $K = 0.26$, $\alpha = 0.82$). Any negatively worded items were reverse coded.

6.3.3 Process

Two separate analyses were conducted to account for the progressive relationship between the components of distributor loyalty (see figure 6.2). The overall mean of all of the items, in each measure, was utilised as an input for the scores of each measure in the regression analysis. The dependent variable in the first analysis was relative attitude. Relative attitude was calculated from the absolute attitude recorded by individual distributors for each supplier (absolute attitude measured the level of sentiment a distributor felt towards each supplier). Relative attitude was calculated by computing the difference between a distributor's most highly-rated supplier and the

supplier being investigated. Therefore a distributor's most highly-rated supplier would have a relative attitude of zero while a supplier who is not the most highly-rated supplier would demonstrate a negative relative attitude score.

The same approach was applied across both analyses. Firstly, the proposed independent variables were entered into the regression analysis as main effects items. In the second analysis, the dependent variable of the preceding analysis was included as a main effect item (mediating variable) to account for the progressive nature of the dependent variables. Therefore, the first analysis, utilising relative attitude as the dependent variable, had three main effect variables (shared values, satisfaction and trust), and the second analysis, with the dependent variable of RPB, had four main effects variables (shared values, satisfaction, trust and relative attitude). The type III sum squared option was selected. This option calculated the significance of each independent variable on the dependent variable after accounting for the effect of the other independent variables.

Secondly, contractual obligations, which was hypothesised as a moderating variable between relative attitude and RPB in the conceptual model of distributor loyalty, was specified as a "fixed factor" in the second regression analyses. Contractual obligations had four categorical options: a) no contractual obligations, b) minority contractual obligations, c) majority contractual obligations, and d) full contractual obligations.

Thirdly, the interaction between each of the variables was examined using the two-way effect option. The two-way effect analysis generated a number of interaction items that were then subjected to a process of refinement. A full account of the variables adopted in each of the analyses is outlined in table 6.1.

Table 6.1 Variables for each Regression Analysis

Regression Analysis #	Dependent variable	Main effects	Mediating Variable	Fixed Factor	Two-Way effects
One	Relative attitude	Shared values Trust Satisfaction			Trust x satisfaction Trust x shared values Satisfaction x shared values
Two	RPB (% of sales)	Shared values Trust Satisfaction	Relative attitude	Contractual Obligations	Contract x trust Contract x shared values Contract x satisfaction Contract x relative attitude Trust x satisfaction Trust x shared values Trust x relative attitude Satisfaction x shared values Satisfaction x relative attitude Shared values x relative attitude

The refinement process for each of the analyses was designed to retain only the variables that had a statistically significant effect on each dependent variable. A significance level of 0.05 was adopted for the analysis, with one variable eliminated from the analysis at a time (i.e. using a stepwise approach). The variable selected for elimination was the one with the highest p -value (provided it exceeded 0.05).

The regression analysis for the dependent variable was continually re-run until two conditions were met. Firstly, all two-way effect variables had a p -value <0.05 . Secondly, main effect and fixed factor variables were retained if: a) they had a p -value <0.05 ; or b) they contributed to an interaction item that contained the variable. For example, if trust had a p -value >0.05 but an interaction with trust and another variable had a p -value <0.05 , then trust was retained in the refined set of variables. At the conclusion of the refinement process, variables that contributed to the dependent variable in a statistically significant manner were identified and retained.

While the p -value criteria enabled the statistically significant effects on the dependent variable to be identified, it was also important to quantify the magnitude of effect that each variable had on the dependent variable. This was achieved by calculating the beta weights for each variable. Raw scores for all measure variables were converted to z scores to enable the beta weights of the variables to be compared.

After refinement, a predictive model was developed for each dependent variable using data derived from the regression analysis to model the effect of the interaction items on the dependent variable. At the conclusion of this process it would be possible to understand the magnitude of the effect that interactions between the independent variables had on the dependent variable. The predictive model was built in Microsoft Excel, which involved four steps: a) data entry, b) range setting, c) calculations, d) graphing.

The data entry step required the beta weights for the intercept, and the refined variables to be entered into the spreadsheet. The range for each of the variables was assessed by calculating plus or minus one standard deviation of the mean. Each variable was modeled using a ten-point scale. Thus one standard deviation (SD) below the mean of each variable or interaction variable represented a *low* level of variable input, the mean represented a *medium* level of input and one SD above the mean represented a *high* level of variable input. The calculation process required four sub-processes.

Firstly, all variables not directly relating to the interaction being modeled were set to their respective mean levels. Unless contractual obligations (fixed factors) were being investigated in an interaction, the contractual obligations were set as a default at 'no contractual obligations'. Secondly, interaction variables were calculated by multiplying the values of the individual variables that made up the interaction; for example, in an interaction between trust and satisfaction, the separate values of trust and satisfaction were multiplied to create an interaction score. Thirdly, the scores on each variable's ten-point range were multiplied by the beta weight of the variable to provide an estimate of the magnitude that each relevant variable contributed in the interaction. Finally, a scenario was created by varying each of the interaction variables to obtain low-, medium- and high-inputs to assess the interaction effect on the dependent variable.

The outputs from the scenarios run for each interaction were then graphed to illustrate the interaction effect of the variables on the dependent variable. Therefore, at the

conclusion of the predictive modeling, each dependent variable had graphs of the statistically significant interactions between the variables.

Descriptive Statistics

Table 6.2 illustrates that all measures attained scores across their full theoretical range. Absolute attitude ($x = 25.02$) and trust ($x = 21.05$) had the highest mean scores and also demonstrated the greatest variability of scores ($SD = 4.82$ and 4.97 respectively).

Table 6.2 Descriptive Statistics for Variable Tested in Phase Three

Variable	N	Mean	SD	Min	Max
Trust	371	21.05	4.97	4	28
Trust z score	371	0	1	-3.43	1.4
Satisfaction	374	16.62	2.66	4	21
Satisfaction z score	374	0	1	-4.74	1.65
Shared Values	369	13.40	3.98	3	21
Shared Values z scores	369	0	1	-2.61	1.91
Relative Attitude	368	-3.25	4.82	-29	0
Relative Attitude z scores	368	0	1	-5.34	.67
Absolute Attitude	372	25.02	6.28	3	35
Absolute Attitude z scores	372	0	1	-3.18	1.59

Value Label	N	Code
no contractual obligations	255	1.00
minority contractual obligations	37	2.00
majority contractual obligations	41	3.00
Full contractual obligations	7	4.00

6.4 Results

Two separate regression analyses were conducted, one for each of the dependent variables (relative attitude and RPB). Therefore, the results of each of these analyses are reported separately in this section. Within each of the sections, the re-refinement variables entered into the regression analysis are outlined, followed by the variables that were retained in the post-refinement phase, and beta coefficients are also reported. Then the graphs of the statistically significant interactions (if any) are presented to illustrate the effect of each interaction variable on the dependent variable. Following the testing of the conceptual model, and using the same format, the results of the exploratory analysis are outlined.

6.4.1 Relative Attitude

Pre-Refinement

Prior to refinement the regression analysis for relative attitude had three main effect variables (trust, shared values and satisfaction) and three interaction items. The pre-refinement regression analysis results are outlined in table 6.3.

Table 6.3 Pre-Refinement Results for Relative Attitude

Dependent Variable: Standardised relative attitude

Source	Type III Sum of Squares	Sig.
Corrected Model	69.947	.000
Intercept	.717	.35
Trust	3.349	.04
Satisfaction	.549	.41
Shared values	15.27	.00
Trust x satisfaction	.15	.67
Trust x shared values	1.70	.15
Satisfaction x shared values	.27	.56
Error	285.88	
Total	355.82	
Corrected total	355.82	

R Squared = 0.20 (Adjusted R Squared = 0.18)

Post-Refinement

At the conclusion of the refinement process, two main effect items, but no interaction items, were retained (see tables 6.4 and 6.5). All retained variables attained p -values <0.05 . An adjusted R^2 of 0.18 indicated that the variables retained through the refinement process explained a relatively low level of variance (e.g. 18%) of the dependent variable of relative attitude.

Table 6.4 Post-Refinement Results for Relative attitude

Dependent Variable: Standardised relative attitude

Source	Type III Sum of Squares	Sig.
Corrected Model	66.87	.00
Intercept	.01	.93
Trust	8.74	.00
Shared values	18.84	.00
Error	288.95	
Total	355.82	
Corrected Total	355.82	

R Squared = 0.19 (Adjusted R Squared = 0.18)

Table 6.5 Beta weights of Retained Items

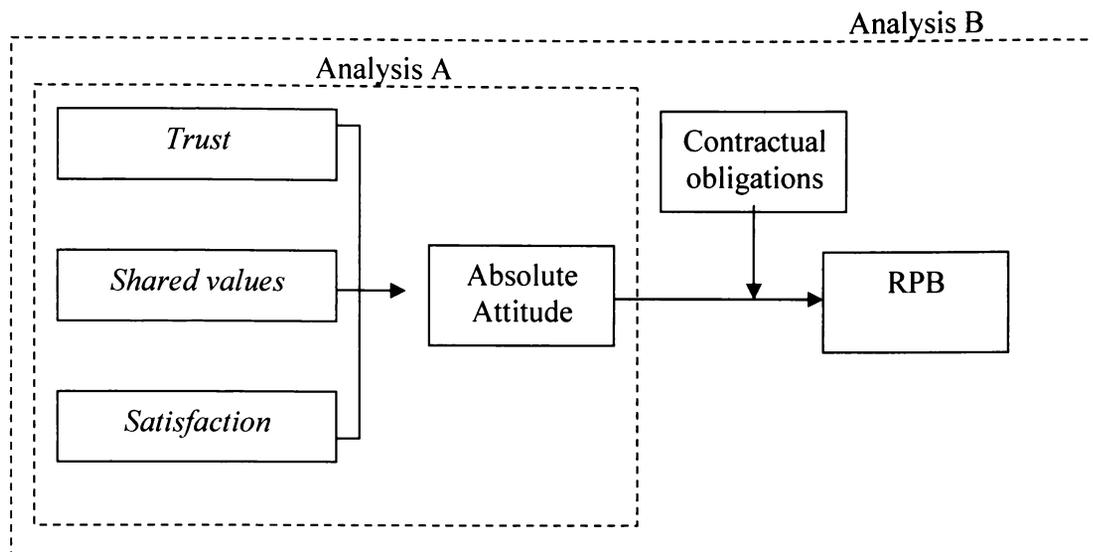
Dependent Variable: Standardised relative attitude

Parameter	B	Sig.
Intercept	.04	.94
Trust	.20	.00
Shared values	.29	.00

Given the unexpected finding that variances in relative attitude were only partially explained by the proposed antecedents, testing of the original conceptual model was discontinued in favour of investigating a well-structured exploratory analysis.

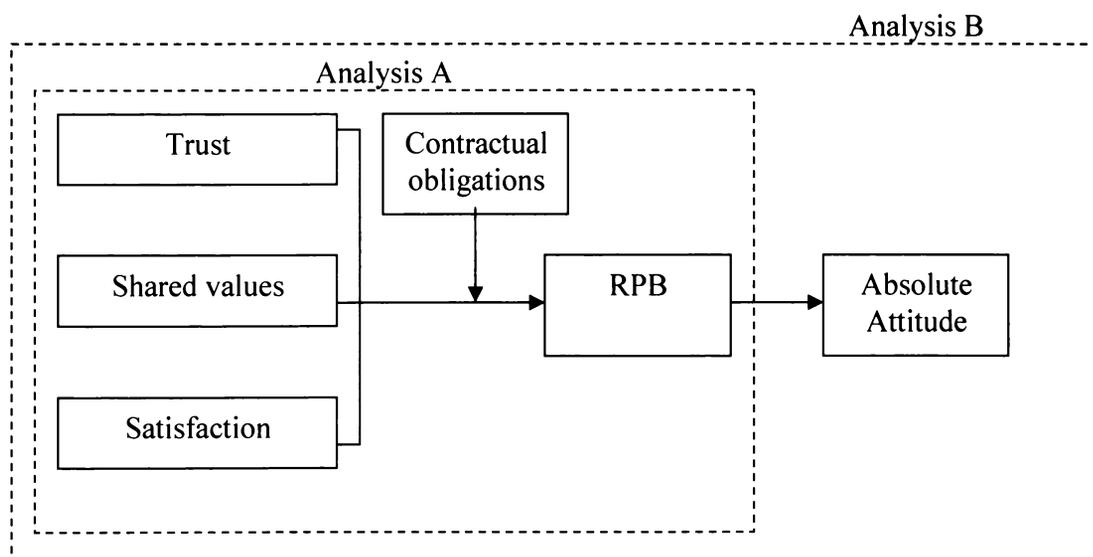
A process of exploratory regression analysis was undertaken to determine whether alternative models better represented distribution loyalty. Although the measure of relative attitude appeared to have face validity, it was important to establish whether alternative expressions of attitude towards a supplier might hold a greater level of utility. On this basis two exploratory models were tested. The first model utilised the existing conceptual model with one exception: relative attitude was replaced by absolute attitude. In effect this change proposed that a distributor's absolute attitude towards a supplier was more readily explained by the proposed antecedents than was relative attitude. This model is outlined in figure 6.3.

Figure 6.3 Exploratory Analysis One. Attitude leads to behaviour



The second exploratory analysis reversed the order of the dependent variables. Thus, whereas the first exploratory analysis proposed that attitude (absolute attitude) led to behaviour (RPB), the second analysis hypothesised that behaviour led to attitude (see figure 6.4).

Figure 6.4 Exploratory Analysis Two. Behaviour leads to Attitude



In summary, both models utilised the measure of absolute rather than relative attitude. In the first exploratory analysis this was the only change made to the original conceptual model. The second exploratory analysis reversed the order of the mediating variable and the dependent variable. Thus exploratory analysis one hypothesised that the group of antecedents predicted absolute attitude which in turn influenced RPB – that is, attitude led to behaviour. The second exploratory analysis hypothesised that the group of antecedents predicted behaviour (RPB) which influenced absolute attitude (attitude) – that is, behaviour preceded attitude. The following section outlines the results of the two exploratory analyses.

6.4.2 Exploratory Analysis One: Absolute Attitude leads to RPB

Analysis A: Absolute Attitude as the Dependent Variable

Pre-Refinement. Prior to refinement, the regression exploratory analysis, utilising absolute attitude as the initial dependent variable, (analysis A), had three main effect variables (trust, satisfaction and shared values) and three interaction items. The pre-refinement results are summarised in table 6.6. The adjusted R^2 result of 0.571 indicates that the antecedents have a much greater explanatory power for absolute attitude than they have for relative attitude ($R^2 = 0.183$). However, as one of the six did not achieve a p-value <0.05 , the model needed refinement.

Table 6.6 Pre-Refinement Tests of Between-Subjects Effects for Absolute Attitude

Dependent Variable: Standardised absolute attitude		
	Source Type III Sum of Squares	Sig.
Corrected Model	202.26	.00
Intercept	0.35	.77
Trust	8.88	.00
Satisfaction	4.90	.00
Shared values	52.70	.00
Trust x satisfaction	2.35	.02
Trust x shared values	.14	.57
Satisfaction x shared values	2.01	.03
Error	147.48	
Total	349.79	
Corrected Total	349.74	

R Squared = 0.58 (Adjusted R Squared = 0.57)

Post-Refinement. After refinement, all of the main effects items (trust, satisfaction, and shared values) were retained along with two of the three interaction items (see table 6.7). The only variable to be removed was the interaction variable between trust and shared values ($p = 0.57$).

The interaction effect between satisfaction and shared values ($\beta = 1.88^*$) was of a low magnitude while the interaction effect between trust and satisfaction ($\beta = 2.96^{**}$) had a negative impact on absolute attitude levels. However, as main effects shared values ($\beta = 52.82^{**}$), trust ($\beta = 13.08^{**}$), and satisfaction ($\beta = 4.78^{**}$) had the greatest impact on absolute attitude levels.

Table 6.7 Post-Refinement Results for Absolute Attitude

Dependent Variable: Standardised absolute attitude			
Source	Type III Sum of Squares	B	Sig.
Corrected Model	202.12		.00
Intercept	.04	.04	.92
Trust	13.08	.24	.00
Satisfaction	4.78	.13	.00
Shared values	52.82	.51	.00
Trust x satisfaction	2.96	-.10	.01
Satisfaction x shared values	1.88	.09	.03
Error	147.62		
Total	349.79		
Corrected Total	349.74		

R Squared = 0.58 (Adjusted R Squared = 0.57)

The first interaction between trust and satisfaction is presented in figure 6.5 and demonstrates that when satisfaction is low, differences in trust have a greater impact on absolute attitude levels than when satisfaction is high. Similarly, when trust is high, changes in satisfaction do not impact on the assessment of absolute attitude. When satisfaction is low, trust carried more weight in assessments of absolute attitude than when satisfaction is high. When trust is high, positive absolute attitude scores are recorded, regardless of satisfaction levels.

Figure 6.5 Interaction between Trust and Satisfaction with Absolute Attitude as the DV

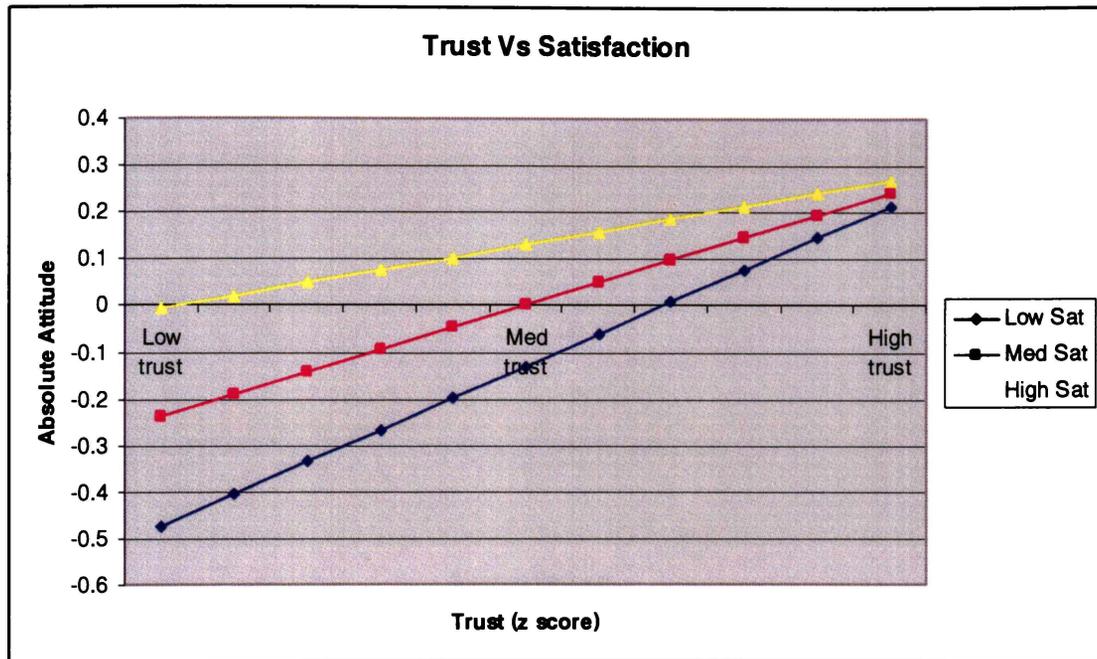
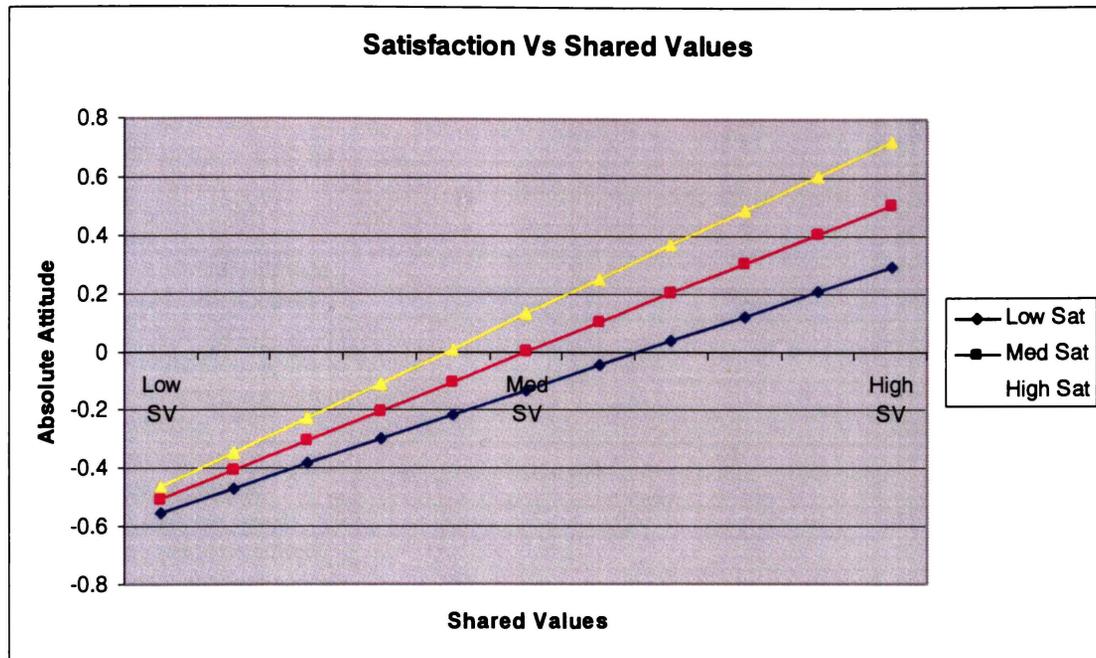


Figure 6.6 illustrates the second interaction (between satisfaction and shared values) and demonstrates that when shared values levels are low, differences in satisfaction have little impact on the level of absolute attitude. However as the levels of shared values increase, satisfaction has a greater impact on the absolute attitude score. In summary, when satisfaction is high, shared values matter more than when satisfaction is low.

Figure 6.6 Interactions between Satisfaction and Shared Values with Absolute Attitude as the DV.



Analysis B: Absolute Attitude as the Mediating Variable for RPB

Pre-Refinement. Analysis B tested the relationship between variables with RPB as the dependent variable and absolute attitude as the mediating variable between shared values, trust, satisfaction, and RPB. Contractual obligations were proposed to moderate the relationship between absolute attitude and RPB. Prior to refinement, the regression analysis had four main effects items (trust, satisfaction, shared values, and absolute attitude), one fixed factor (contractual obligations) and 10 interaction variables. The pre-refinement variables are outlined in table 6.8.

**Table 6.8 Pre-Refinement Tests of Between-Subjects Effects with RPB
as the D V**

Dependent Variable: RPB (Standardised % of sales)

Source	Type III Sum of Squares	Sig.
Corrected Model	163.70	.00
Intercept	8.16	.00
CONTRACT	40.51	.00
Trust	.05	.76
Satisfaction	.197	.56
Shared values	.02	.85
Satisfaction x absolute attitude	.67	.27
Contractual obligation x trust	.38	.88
Contractual obligations x satisfaction	5.04	.03
Contractual obligations x shared values	.58	.79
Contractual obligations x absolute attitude	.31	.91
Trust x satisfaction	.00	.97
Trust x shared values	.16	.60
Trust x absolute attitude	2.05	.06
Satisfaction x shared values	.02	.87
Satisfaction x absolute attitude	.70	.26
Shared values x absolute attitude	5.71	.00
Error	174.131	
Total	337.907	
Corrected Total	337.833	

R Squared = 0.495 (Adjusted R Squared = 0.44)

Post-Refinement. After refinement, all main effects and fixed factor variables were retained (see table 6.9). However, satisfaction ($p = 0.4$) was retained, as a main effect item, only because it remained a statistically significant component in one of the interaction variables. Three of the original 10 interaction variables were also retained. The adjusted R^2 of 0.46 indicates that this model has an acceptable level of predictive capability (Neter, Wasserman & Kutner, 1985).

Table 6.9 Post-Refinement Tests of Between-Subjects Effects for RPB as the DV

Dependent Variable: RPB (Standardised % of sales)

Source	Type III Sum of Squares	Sig.
Corrected Model	161.13	.00
Intercept	14.54	.00
Contractual obligations	91.23	.00
Trust	2.41	.04
Satisfaction	.38	.40
Shared values	3.90	.01
Absolute attitude	3.98	.01
Contractual obligation x satisfaction	10.35	.00
Trust x absolute attitude	4.29	.01
Shared values x absolute attitude	7.74	.00
Error	176.71	
Total	337.91	
Corrected Total	337.83	

R Squared = 0.48 (Adjusted R Squared = 0.46)

Table 6.10 Beta Weights for Retained Items

Dependent Variable: RPB (Standardised % of sales)

Parameter	B	Sig.
Intercept	-.92	.00
No contractual obligations]	.81	.00
Minority contractual obligations]	2.11	.00
Majority contractual obligations]	2.73	.00
Full contractual obligations]	0	.
Trust	-.12	.04
Satisfaction	-.02	.87
Shared values	.17	.01
Absolute attitude	.18	.01
No contractual obligations x satisfaction	.20	.11
Minority contractual obligations x satisfaction	-.42	.02
Majority contractual obligations x satisfaction	.06	.77
Full contractual obligations x satisfaction	0	.
Trust x absolute attitude	-.14	.01
Shared values x absolute attitude	.20	.00

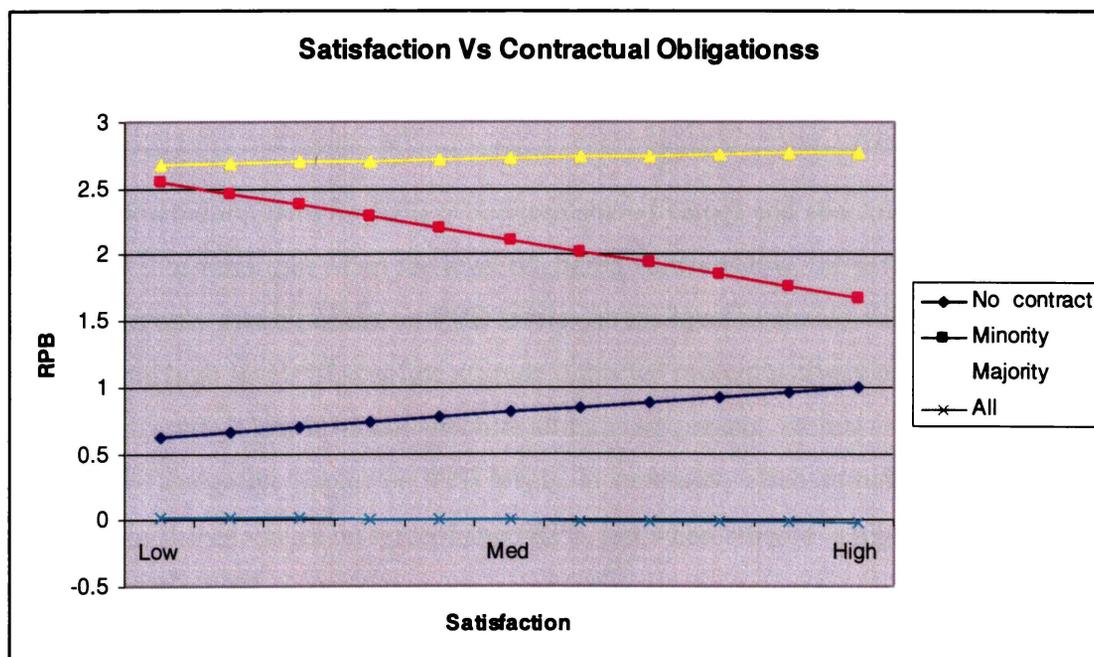
This parameter is set to zero because it is redundant.

Table 6.10 illustrates that three interactions were statistically significant: a) contractual obligations and satisfaction, b) trust and satisfaction ($\beta = -0.14$), and c) shared values and satisfaction ($\beta = 0.20$). Contractual obligations, and in particular majority ($\beta = 2.72$, $p = .00$) and minority states ($\beta = 2.11$, $p = .00$), had the largest predictive impact on RPB levels. Shared values ($\beta = 0.17$, $p = .01$) was the only

antecedent main effect variable to demonstrate a positive effect on RPB. Interaction items that included either trust or satisfaction had a negative impact on RPB levels. The following section outlines the interaction graphs for RPB.

The first interaction graph illustrates the interaction between satisfaction and contractual obligations (see figure 6.7). In instances where the majority of a distributor's business must be placed with a supplier, that is, "all" and "majority contractual obligations", satisfaction levels has little or no impact on RPB levels. When there are no contractual obligations, improvements in satisfaction leads to increases in RPB levels. In contrast, increases in satisfaction levels decreases the amount of RPB in situations where a distributor was bound by "minority contractual obligations". This unexpected result is discussed in chapter seven.

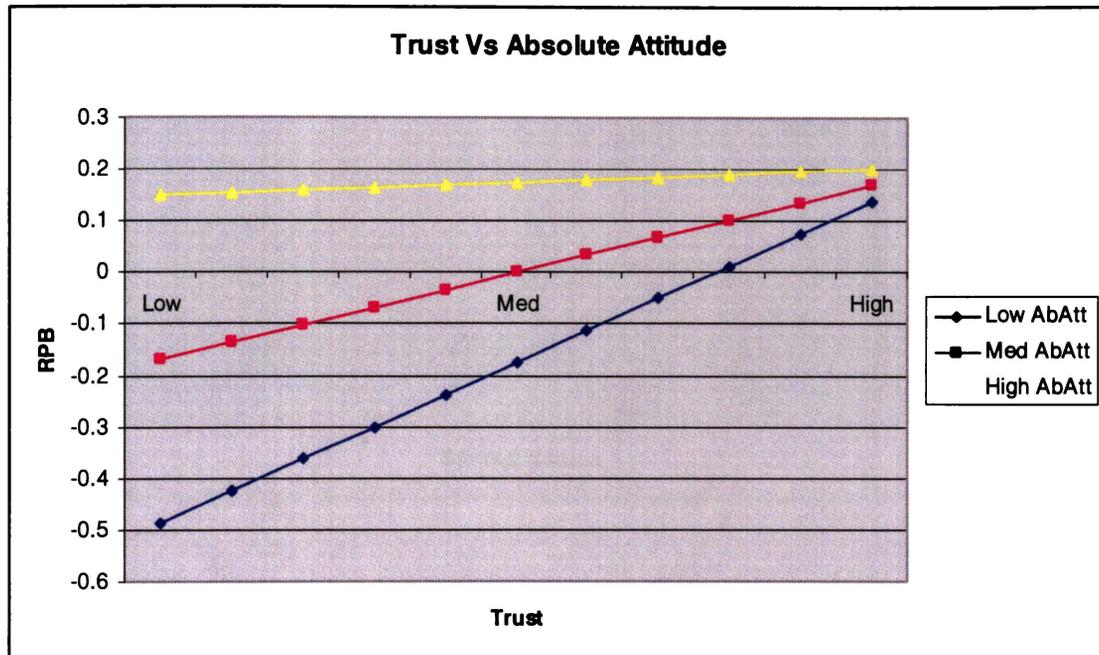
Figure 6.7 Interaction between Satisfaction and Contractual Obligations with RPB as the DV



The second interaction graph plots the relationship between trust and absolute attitude. Figure 6.8 illustrates that when trust is low, the level of absolute attitude has a marked impact on RPB levels. However, as trust levels increase, the effect of

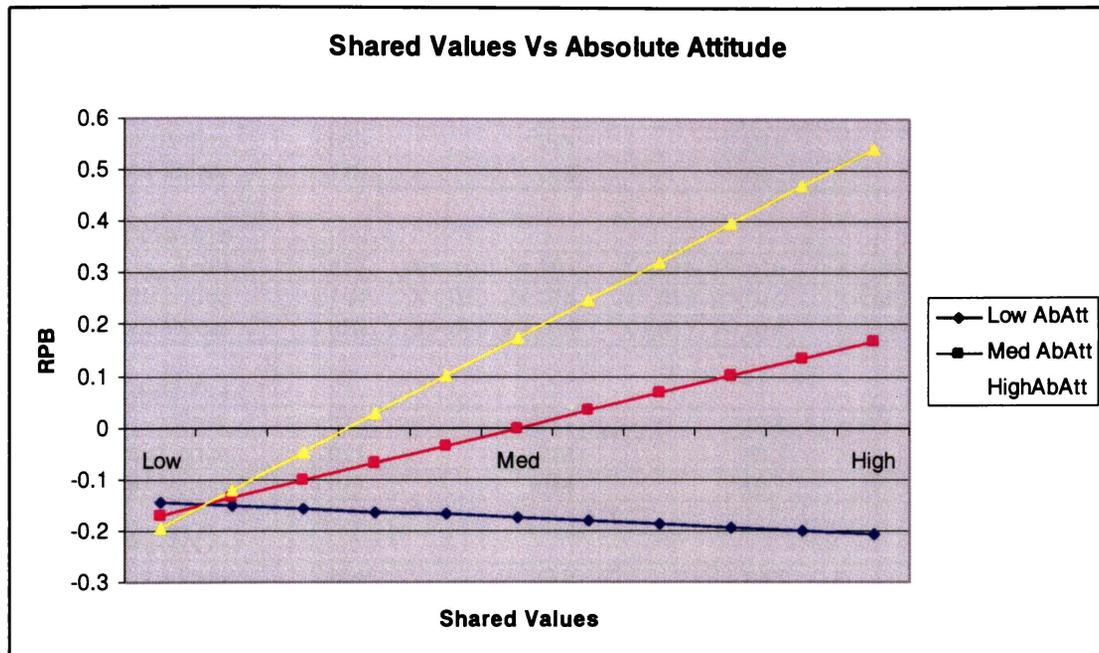
absolute attitude on RPB levels decreased. In summary, when trust is high, attitude makes no difference to RPB levels.

Figure 6.8 Interaction between Trust and Absolute Attitude with RPB as the DV



The final interaction item for RPB is between shared values and absolute attitude. Figure 6.9 illustrates that when the level of shared values is low, the level of absolute attitude has only a small effect on RPB levels. As the level of shared values increases, medium and high levels of absolute attitude impacted more positively on RPB levels. Interestingly, when low levels of absolute attitude are present, increases in shared values have a negative impact on RPB levels. In summary, when attitude is low, increases in shared values do not enhance RPB, but when attitude is high, shared values enhance RPB.

Figure 6.9 Interaction between Shared Values and Absolute Attitude with RPB as the DV



The Mediating Effect of Absolute Attitude. The mediating effect of absolute attitude was evaluated using two tests: a) the Baron and Kenny test (1986), and b) the Sobel test (Preacher & Hayes, 2004). Table 6.11 confirms that absolute attitude has a mediating effect between all of the proposed antecedents and RPB. Shared values has the highest R^2 score ($R^2 = 0.085$), while trust records the lowest value ($R^2 = 0.019$). The data indicate that the magnitude of the mediating effect is at a low, but statistically significant level, with the highest post-mediation score recorded by trust ($R^2 = 0.123$).

Table 6.11 Results of Baron & Kenny Test on Mediation effect of Absolute Attitude

	Intercept (a)	Coefficient	Std error (e)	P-value	R ²
Y=a+bX+e					
Trust	.230	.035	.014	.011*	.019
Satisfaction	-.023	.079	.018	.000**	.051
Shared Values	.110	.068	.012	.000**	.085
Y=a+b₁X+b₂Z+e					
Trust	.053	X=-.030 Z=.103	X=.016 Z=.016	X=.069 Z=.000**	.123
Satisfaction	-.144	X=.033 Z=.074	X=.019 Z=.014	X=.087 Z=.000**	.122
Shared Values	-.028	X=.025 Z=.066	X=.017 Z=.018	X=.145 Z=.000**	.118
Y=a+bZ+e					
Trust	-.011	.084	.013	.000**	.115
Satisfaction	-.011	.084	.013	.000**	.115
Shared Values	-.011	.084	.013	.000**	.115
Z=a+bX+e					
Trust	1.814	.610	.042	.000**	.373
Satisfaction	1.486	.637	.065	.000**	.206
Shared Values	2.033	.672	.034	.000**	.524

Table 6.12 summarises the performance of the data against the four mediating criteria (Baron & Kenny, 1986). The table illustrates that all of the antecedents achieved the Baron and Kenny (1986) criteria for confirmation that absolute attitude mediates the relationship between each of the antecedents and the dependent variable.

Table 6.12 Barron & Kenny Test Criteria Results

Criteria	Value(s)	Achieved
TRUST		
Does the IV significantly affect the mediator?	$P = .000^{**}$	Yes
Does the IV significantly affect the DV in the absence of the mediator?	$P = .011^*$	Yes
Does the mediator have a significantly unique effect on the DV?	$P = .000^{**}$	Yes
Does the effect of the IV on the DV shrink upon the addition to the model?	$B = .035 - -.030 = .065$	Yes
SATISFACTION		
Does the IV significantly affect the mediator?	$P = .000^{**}$	Yes
Does the IV significantly affect the DV in the absence of the mediator?	$P = .000^{**}$	Yes
Does the mediator have a significantly unique effect on the DV?	$P = .000^{**}$	Yes
Does the effect of the IV on the DV shrink upon the addition to the model?	$B = .079 - .033 = .046$	Yes
SHARED VALUES		
Does the IV significantly affect the mediator?	$P = .000^{**}$	Yes
Does the IV significantly affect the DV in the absence of the mediator?	$P = .000^{**}$	Yes
Does the mediator have a significantly unique effect on the DV?	$P = .000^{**}$	Yes
Does the effect of the IV on the DV shrink upon the addition to the model?	$B = .068 - .025 = .043$	Yes

Results from the Sobel test (Preacher & Hayes, 2004), outlined in table 6.13, provides statistical confirmation that a mediation effect is present between all of the antecedents and the dependent variable with each of the antecedents recording a p -value of <0.01 .

Table 6.13 Results of Sobel Test on Mediation Effect of Absolute Attitude

Antecedent	Inputs				Test statistic	P-value
	A	b	s_a	s_b		
Trust	.610	.103	.042	.016	5.886	.000**
Satisfaction	.637	.074	.065	.014	4.652	.000**
Shared Values	.672	.066	.034	.018	3.605	.000**

In summary, exploratory analysis one (which demonstrated that absolute attitude mediated the relationship between the antecedents and the dependent variable of RPB) was supported by the data. The adjusted R^2 of 0.46 (see table 6.9), while not an outstanding level, is certainly acceptable and well in excess of the 0.18 level recorded for the original conceptual model. Thus it appears that absolute attitude is a more

useful component in the conceptual model of distributor loyalty than relative attitude. With the first exploratory analysis completed, attention moved towards testing the second hypothesis.

6.4.3 Exploratory Analysis Two: RPB leads to Absolute Attitude

Analysis A: RPB as the Dependent Variable

Pre-Refinement. The first stage of the analysis adopted RPB as the dependent variable and contractual obligations as the moderator of the relationship between the group of antecedents and the dependent variable. Three main effects variables (trust, satisfaction, and shared values), one fixed factor (contractual obligations) and six interaction items were included in the analysis. Table 6.14 outlines the variables prior to refinement. The analysis generated an adjusted R^2 of 0.42, which indicated an acceptable level of explanation of variance.

Table 6.14 Pre-Refinement Tests of Between-Subjects Effects with RPB as the DV

Dependent Variable: RPB (Standardised % of sales)		
Source	Type III Sum of Squares	Sig.
Corrected Model	152.94	.00
Intercept	9.58	.00
Contractual obligations	65.08	.00
Trust	.01	.91
Satisfaction	.13	.64
Shared values	.07	.72
Contractual obligations x trust	.25	.93
Contractual obligations x satisfaction	6.54	.01
Contractual obligations x shared values	.24	.94
Trust x satisfaction	.20	.55
Trust x shared values	.21	.55
Satisfaction x shared values	2.48	.04
Error	185.83	
Total	338.82	
Corrected Total	338.77	

R Squared = .45 (Adjusted R Squared = .42)

Post-Refinement. After refinement the R^2 improved from 0.42 to 0.43 and three of the four main effect items were retained, along with one interaction item. However, the antecedent of trust was not retained. Satisfaction ($p = 0.65$) was retained only because of its inclusion in an interaction item. The post-refinement results are presented in tables 6.15 and 6.16.

Table 6.15 Post-Refinement Tests of Between-Subjects Effects for RPB as the D V

Dependent Variable: RPB (Standardised % of sales)

Source	Type III Sum of Squares	Sig.
Corrected Model	149.63	.00
Intercept	19.65	.00
Contractual obligations	105.63	.00
Satisfaction	.12	.65
Shared values	6.95	.00
Contractual obligations x satisfaction	9.56	.00
Error	189.13	
Total	338.82	
Corrected Total	338.77	

R Squared = 0.45 (Adjusted R Squared = 0.43)

Table 6.16 Beta Weights for Retained Items

Dependent Variable: (RPB) Standardised % of sales

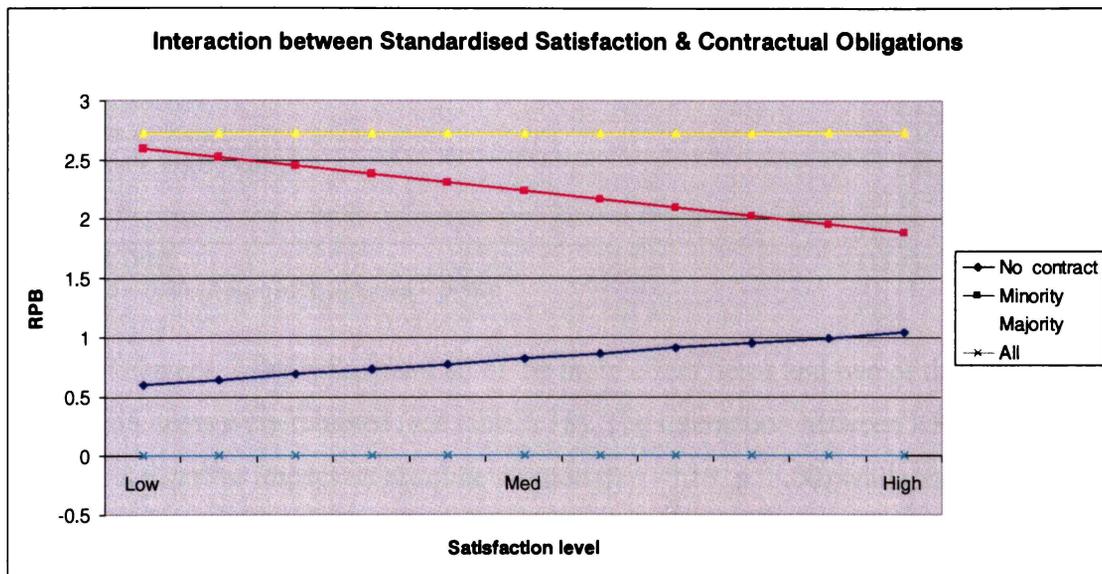
Parameter	B	Sig.
Intercept	-.88	.00
No contractual obligations	.82	.00
Minority contractual obligations	2.24	.00
Majority contractual obligations	2.72	.00
Full contractual obligations]	0	.
Satisfaction	.00	.99
Shared values	.17	.00
No contractual obligations x satisfaction	.22	.09
Minority contractual obligations x satisfaction	-.35	.06
Majority contractual obligations x satisfaction	.00	.99
Full contractual obligations x satisfaction	0	.

This parameter is set to zero because it is redundant.

The beta weights indicated that contractual obligations, and in particular “minority” ($\beta = 2.72, p = .00$) and “majority states: ($\beta = 2.24, p = .00$), had the highest impact on RPB levels. Although the interactions were statistically significant, the beta weights were small relative to the magnitude of contractual obligations.

The interaction between contractual obligations and satisfaction (illustrated in figure 6.10 suggests that improvements in satisfaction only lead to increases in RPB when distributors have no contractual obligations. Where “minority” contractual obligations exist, increases in satisfaction levels have a negative affect on RPB levels

Figure 6.10 Interaction between Satisfaction and Contractual Obligations with RPB as the DV



Analysis B: Absolute Attitude as the Dependent Variable

Pre-Refinement. In analysis B, four main effects items (RPB, trust, satisfaction, and shared values) and six interaction items were included. An initial adjusted R^2 of 0.58 indicated strong statistical support for this model. The pre-refinement items are presented in table 6.17.

Table 6.17 Pre-Refinement Tests of Between-Subjects Effects for Absolute Attitude as the DV

Dependent Variable: Standardised absolute attitude

Source	Type III Sum of Squares	Sig.
Corrected Model	187.76	.00
Intercept	.02	.82
RPB	5.39	.00
Trust	11.75	.00
Satisfaction	2.04	.02
Shared values	34.54	.00
RPB x trust	5.42	.00
RPB x satisfaction	.20	.47
RPB x shared values	2.75	.01
Trust x satisfaction	1.13	.09
Trust x shared values	.10	.62
Satisfaction x shared values	1.40	.06
Error	127.654	
Total	315.774	
Corrected Total	315.414	

R Squared = 0.60 (Adjusted R Squared = 0.58)

Post-Refinement. After refinement all of the main effect items and two of the interaction items were retained (see table 6.18). The interaction between RPB and trust has a negative impact on absolute attitude ($\beta = -0.19$, $p = .00$) while the interaction between RPB and shared values ($\beta = 0.14$, $p = .00$) has a positive effect on absolute attitude levels. The beta weights of the main effects items (summarised in table 6.19) indicates that shared values ($\beta = 0.43$, $p = .00$) and trust ($\beta = 0.28$, $p = .00$) have the greatest impact on absolute attitude levels followed by RPB ($\beta = 0.14$, $p = .00$) and satisfaction ($\beta = 0.095$, $p = .00$).

Table 6.18 Post-Refinement Tests of Between-Subjects Effects for Absolute Attitude as the DV

Dependent Variable: Standardised absolute attitude

Source	Type III Sum of Squares	Sig.
Corrected Model	185.92	.00
Intercept	.00	.97
RPB	5.71	.00
Trust	15.19	.00
Satisfaction	2.38	.01
Shared values	33.63	.00
RPB x trust	6.96	.00
RPB x Shared values	3.69	.00
Error	129.49	
Total	315.77	
Corrected Total	315.41	

R Squared = 0.59 (Adjusted R Squared = 0.58)

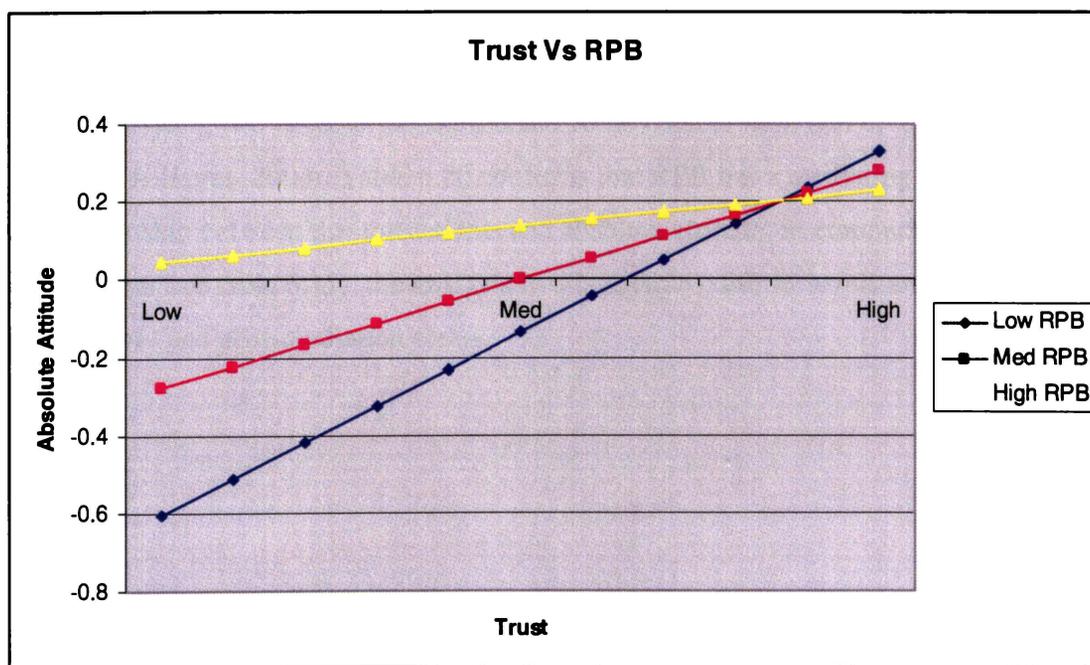
Table 6.19 Beta Weights for Retained Items

Dependent Variable: Standardised absolute attitude

Parameter	B	Sig.
Intercept	.00	.97
RPB	.14	.00
Trust	.28	.00
Satisfaction	.10	.01
Shared values	.43	.00
RPB x trust	-.19	.00
RPB x shared values	.14	.00

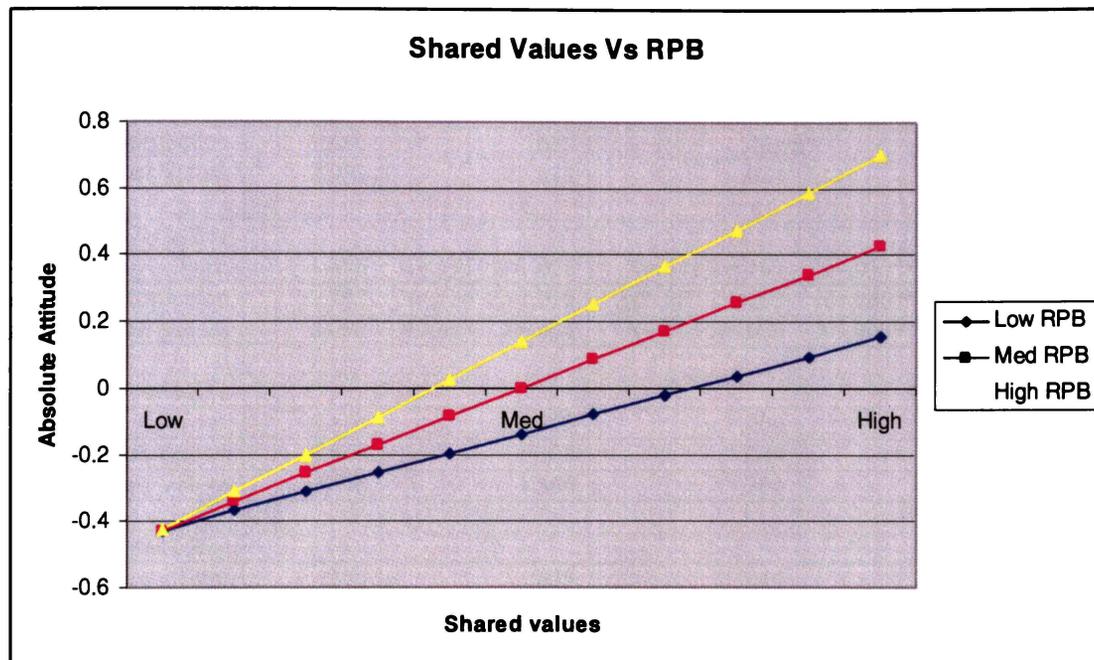
The interaction items for the second exploratory analysis are illustrated in the next section. The first interaction item between RPB and trust (see figure 6.11) illustrates that when trust levels are low, higher levels of RPB produce greater levels of absolute attitude, but this effect diminishes as trust levels increase.

Figure 6.11 Interaction between Trust and RPB with Absolute Attitude as the DV



The second interaction graph (see figure 6.12) demonstrates that when shared values were low, RPB levels had no impact on absolute attitude levels. However, as the level of shared values increased, higher levels of RPB had a more positive effect on absolute attitude levels than did lower levels of RPB.

Figure 6.12 Interaction between Shared Values and RPB with Absolute Attitude as the DV



The Mediating effect of RPB. Determining the mediating effect of RPB was undertaken using two tests: a) the Barron and Kenny test (1986), and b) the Sobel test (Preacher & Hayes, 2004). Table 6.20 confirms that RPB has a mediating effect on the relationship between the antecedents and absolute attitude. In comparison with analysis one (see table 6.11), the analysis two (see table 6.20) R^2 levels are higher in both the pre- and post-mediation states.

Table 6.20 Results of Baron & Kenny Test on Mediation effect of Absolute Attitude

	Intercept (a)	Coefficient	Std error (e)	P-value	R ²
Y=a+bX+e					
Trust	1.814	.610	.042	.000**	.371
Satisfaction	1.486	.637	.065	.000**	.204
Shared Values	2.033	.672	.034	.000**	.523
Y=a+b₁X+b₂Z+e					
Trust	1.496	X=.591 Z=1.028	X=.041 Z=.162	X=.000** Z=.000**	.446
Satisfaction	1.707	X=.524 Z=1.019	X=.067 Z=.193	X=.000** Z=.000**	.245
Shared Values	2.092	X=.613 Z=.554	X=.155 Z=.036	X=.000** Z=.000**	.521
Y=a+bZ+e					
Trust	4.476	1.360	.204	.000**	.112
Satisfaction	4.476	1.360	.204	.000**	.112
Shared Values	4.476	1.360	.204	.000**	.112
Z=a+bX+e					
Trust	.230	.035	.014	.011*	.019
Satisfaction	-.30.456	14.170	2.932	.000**	.060
Shared Values	.110	.068	.012	.000**	.085

Table 6.21 summarises the performance of the data against Baron and Kenny's (1986) mediating variable criteria. The table illustrates that a mediating relationship is confirmed for all of the antecedents, that is, RPB mediates the effects of trust, satisfaction and shared values on absolute attitude.

Table 6.21 Barron & Kenny Test Criteria Results

Criteria	Value(s)	Achieved
TRUST		
Does the IV significantly affect the mediator?	$P = .011^*$	Yes
Does the IV significantly affect the DV in the absence of the mediator?	$P = .000^{**}$	Yes
Does the mediator have a significantly unique effect on the DV?	$P = .000^{**}$	Yes
Does the effect of the IV on the DV shrink upon the addition to the model?	$B = .610 - .591 = .019$	Yes
SATISFACTION		
Does the IV significantly affect the mediator?	$P = .000^{**}$	Yes
Does the IV significantly affect the DV in the absence of the mediator?	$P = .000^{**}$	Yes
Does the mediator have a significantly unique effect on the DV?	$P = .000^{**}$	Yes
Does the effect of the IV on the DV shrink upon the addition to the model?	$B = .672 - .613 = .059$	Yes
SHARED VALUES		
Does the IV significantly affect the mediator?	$P = .000^{**}$	Yes
Does the IV significantly affect the DV in the absence of the mediator?	$P = .000^{**}$	Yes
Does the mediator have a significantly unique effect on the DV?	$P = .000^{**}$	Yes
Does the effect of the IV on the DV shrink upon the addition to the model?	$B = .672 - .613 = .059$	Yes

Results from the Sobel test (Preacher & Hayes, 2004), outlined in table 6.22, provide statistical confirmation that a mediation effect is present between all of the antecedents and the dependent variable. Two of the antecedents (satisfaction and shared values) recorded p -values of <0.01 while trust attained a p -value of 0.020.

Table 6.22 Results of Sobel Test on Mediation effect of Absolute Attitude

Antecedent	Inputs				Test statistic	P-value
	a	b	s_a	s_b		
Trust	.035	1.028	.014	.162	2.326	.020*
Satisfaction	14.17	1.019	2.932	.193	3.565	.000**
Shared Values	.068	.554	.012	.036	5.318	.000**

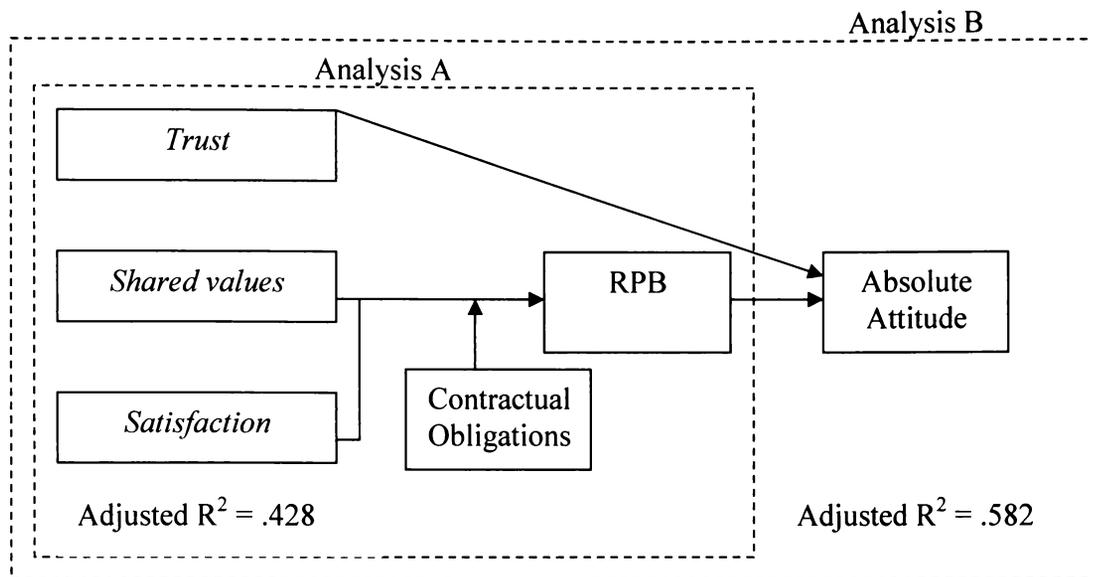
6.5 Preliminary Discussion

The exploratory analyses were required because the original conceptual model was only partially supported by the regression empirical results. The exploratory analysis aimed to identify whether any alternative conceptual models could attain greater support from empirical testing. The first exploratory analysis differed from the original conceptual model by replacing relative attitude with absolute attitude. This one change made a substantial difference to the level of statistical explanation of variance, with the overall model attaining an adjusted R^2 of 0.46 compared with the R^2 of 0.18 for the original conceptual model.

The second exploratory analysis reversed the order of the mediating and dependent variables of the first analysis. Therefore the model proposed that behaviour leads to attitude rather than attitude leading to behaviour. Interestingly, the adjusted R^2 for the second analysis ($R^2 = 0.58$) was considerably higher than the first analysis (R^2 of 0.46). On the basis of these results, the original conceptual model was modified with absolute attitude replacing relative attitude as the component of the dependent variable that led to RPB.

The two exploratory analyses proposed inverse relationships between the behavioural and attitudinal components of distributor loyalty. Given that both models achieved satisfactory levels of R^2 , *it is plausible to conclude that either model is valid*, that is, there are situations where attitude leads to behaviour and vice versa. The higher R^2 for the proposition that behaviour leads to attitude means that on balance, in the distributor loyalty domain, this model appears the most suitable. The revised conceptual model of distributor loyalty is presented in figure 6.13.

Figure 6.13 Summary of Second Exploratory Analysis Conceptual Model



In summary, the revised model of distributor loyalty contains three antecedents (trust, shared values and satisfaction). An important distinction occurs with the antecedents. Shared values and satisfaction impact on levels of RPB, with this relationship moderated by contractual arrangements. In contrast, the antecedent of trust does not have a statistically significant effect on RPB levels, nor is this relationship moderated by contractual obligations. The dependent variable for distributor loyalty is made up of two components: RPB and Absolute Attitude.

This concludes the chapter outlining phase three. The next chapter discusses and integrates the issues arising from all three phases of the research.

CHAPTER SEVEN

CONCLUSIONS AND IMPLICATIONS

7.1 Introduction

The objective of this thesis has furthered academic understanding of distributor loyalty by: a) developing a conceptual model, b) developing and refining measures to test the conceptual model, and c) empirically testing the model. This chapter adopts a structured approach recommended by Perry (1994) beginning with a summary of the research assumptions and hypotheses. Following a summary of the research findings, conclusions about the conceptualisation of distributor loyalty are outlined.

Theoretical and practical implications are discussed followed by the limitations of the research and implications for future research. The last section presents final conclusions about distributor loyalty.

7.2 Research Assumption and Hypotheses

The conceptual model of distributor loyalty contained one assumption (A) and eight hypotheses (H).

Distributor loyalty – the dependent variable:

A. 1. Distributor loyalty is composed of attitudinal and behavioural components

H. 1. Attitude leads to behaviour in distributor loyalty

H. 2. The attitudinal component is satisfactorily represented by relative attitude

H. 3. The behavioural component is satisfactorily represented by Repeat Purchase Behaviour (RPB).

Antecedents:

H. 4. Satisfaction is an antecedent of distributor loyalty

H. 5. Trust is an antecedent of distributor loyalty

H. 6. Shared values is an antecedent of distributor loyalty

Moderating Influence:

H. 7. Contractual obligations is a moderating influence between the antecedents (trust satisfaction and shared values) and distributor loyalty

Mediating Variable:

H. 8. RPB mediates the relationship between the antecedents and absolute attitude

A. 1. Distributor loyalty is composed of attitudinal and behavioural components.

This thesis drew on a two-component structure of loyalty comprising an attitudinal component (relative attitude) and a behavioural component (RPB) (Dick & Basu, 1994). This two-component structure is supported by the empirical evidence in the revised conceptual model (see figure 6.12). In particular, the regression analysis demonstrates that when R^2 for the model includes the two components of distributor loyalty, it is considerably higher (adjusted $R^2 = 0.58$) than when only one component, such as behaviour (adjusted $R^2 = 0.43$) or relative attitude (adjusted $R^2 = 0.18$), is used. On this basis sufficient evidence was found to support A1.

H. 1. Attitude leads to behaviour in distributor loyalty.

In their customer loyalty model, Dick and Basu (1994) proposed that attitude led to behaviour. This conceptual proposition was also adopted for the conceptual model of distributor loyalty. In the present study, the exploratory regression analysis on the relationship between attitude and behaviour yielded an R^2 of 0.46 for the hypothesis that attitude leads to behaviour, while the R^2 that behaviour leads to attitude was 0.58. These results suggest that the relationship between the attitudinal and behavioural components may be situation specific. However, the data indicate that behaviour led to attitude; therefore H 1 was partially supported by the data.

H. 2. The attitudinal component is satisfactorily represented by relative attitude.

Relative attitude was proposed by Dick and Basu (1994) as the most appropriate measure of attitude for customer loyalty. The initial regression testing utilising

relative attitude as the measure for attitude resulted in an R^2 of 0.18. Re-running the regression analysis, substituting absolute attitude for relative attitude, resulted in an increased R^2 performance to 0.46. Based on this result, H 2 was not supported by the data.

H 3. The behavioural component is satisfactorily represented by RPB.

The regression analysis resulted in an R^2 of 0.43 when RPB was the dependent variable. On this evidence it is reasonable to conclude that H 3 was supported by the data.

H 4. Satisfaction is an antecedent of distributor loyalty.

Satisfaction was retained through the regression refinement process, as an antecedent item, for both components of the dependent variable (absolute attitude and RPB) and was also identified as an interaction item for RPB. Statistically the measure recorded a p -value of 0.01 as an antecedent for absolute attitude but 0.99 for RPB (the item was retained through the regression analysis only because it remained a statistically significant interaction item). Based on these data, it was reasonable to conclude that H 4 was supported.

H 5. Trust is an antecedent of distributor loyalty.

Trust was retained as a separate antecedent item ($p = 0.00$) and an interaction item for the attitudinal component of loyalty. Trust was not found to be a statistically significant antecedent of the behavioural component of distributor loyalty. However, this finding did not preclude trust from being considered as an antecedent of distributor loyalty (because it was an antecedent of absolute attitude). Therefore H 5 was supported by the data.

H 6. Shared values is an antecedent of distributor loyalty.

The antecedent of shared values was retained as a separate antecedent item ($p = 0.00$) and an interaction item for the attitudinal component of distributor loyalty. The

antecedent was also retained as a separate antecedent item for RPB ($p = 0.00$). Based on these data, H 6 was supported.

H 7. Contractual Obligations is a moderating influence between the antecedents and distributor loyalty.

Contractual obligations had a statistically significant relationship with the behavioural component of the dependent variable ($p = 0.00$). Therefore H 7 was supported by the data.

H 8. RPB mediates the relationship between the antecedents and absolute attitude.

Both Baron and Kenny (all four acceptance criteria met) and Sobel tests (trust $p = 0.02$, satisfaction $p = 0.00$, shared values $p = 0.00$) provided evidence that RPB mediated the relationship between the antecedents and absolute attitude. On this basis H 8 was supported by the data.

Summary

The key assumption that loyalty is composed of attitudinal and behavioural components was supported by the data. Of the eight hypotheses tested, six were fully supported, one partially supported and one unsupported by the data (see table 7.1 for details).

Table 7.1. Assumption and Hypotheses Summary

Assumption/hypothesis	Finding
A. 1. Distributor loyalty is composed of attitudinal and behavioural components	Supported
H. 1. Attitude leads to behaviour in distributor loyalty	Partially supported
H. 2. The attitudinal component is satisfactorily represented by relative attitude	Not supported
H. 3. The behavioural component is satisfactorily represented by RPB.	Supported
H. 4. Satisfaction is an antecedent of distributor loyalty	Supported
H. 5. Trust is an antecedent of distributor loyalty	Supported
H. 6. Shared values is an antecedent of distributor loyalty	Supported
H. 7. Contractual Obligations is a moderating influence between the antecedents and distributor loyalty	Supported
H. 8. RPB mediates the relationship between the antecedents and absolute attitude	Supported

This concludes the section summarising the findings of the assumption and hypotheses tests contained within the conceptual model of distributor loyalty. The following section presents the conclusions relating to the research problem investigated in this thesis.

7.3 Research Findings

This section outlines the main findings from the introductory chapter, the literature review, phase one (which developed a conceptual model of distributor loyalty), phase two (the development of measures for testing the conceptual model) and the main findings of the empirical testing of the conceptual model of distributor loyalty (phase three of this research).

Loyalty can be viewed as integral to the effective functioning of Western societies as modernisation increases the level of interdependence amongst people for basic necessities such as food and shelter. The need for the research of this thesis was demonstrated by a lack of existing academic enquiry into the specific domain of distributor loyalty. The research problem was: how should distributor loyalty be conceptualised? The definition of distributor loyalty adopted in this research was modified from Oliver's 1999 definition of customer loyalty: "a deeply held commitment to consistently source products/services from a supplier in the future, thereby causing same supplier purchases despite situational influences and marketing efforts having potential to cause switching behaviour."(p. 34)

Historically, the field of customer loyalty has been criticised for lacking sufficient scientific rigor (Jacoby & Chestnut, 1978). The review of the customer loyalty literature demonstrated that, while some improvements had been made since 1978, many of the historical criticisms were still valid. In particular, researchers had continued to develop measures independent of conceptual frameworks. Oliver (1997) proposed that loyalty is formed through a transition from weak states (cognitive and affective) through to the ultimate state of loyalty (conative). In contrast, Dick and Basu (1994) proposed that customer loyalty formed at the conclusion of an antecedent process (containing cognitive, affective and conative antecedents). While their models differed, the researchers concurred that the dependent variable (customer loyalty) was composed of behavioural and attitudinal components. The commitment research review revealed that, while the fields held some common ground, the differences were substantial enough to indicate that loyalty and commitment were related but not synonymous.

With consideration given to common ground between the fields, the conceptual model of distributor loyalty was developed from focus group responses and then integrated with the literature. The main components of the model were: three antecedents (trust, satisfaction and shared values); a two-component dependent variable (relative attitude and RPB), in which relative attitude mediated the

relationship between the antecedents and RPB; and five consequences of distributor loyalty. The relationship between the two components of the dependent variable was hypothesised to be moderated by a situation factor (contractual obligations to a supplier).

The development of new measures for the antecedents and dependent variable, utilised the psychometric process recommended by Clark and Watson (1995). An item pool was created by combining existing and new items, and then subjected to a face validity check by a panel of experts. The four preliminary measures (trust, satisfaction, shared values and relative attitude) each contained five items prior to empirical testing. Data for empirical testing were collected via a mail survey of 151 distributor respondents (27% response rate). The structural analysis confirmed the basic structure of the model with three antecedents (shared values, trust and satisfaction) contributing to the formation of the attitudinal component of distributor loyalty. All four measures achieved acceptable levels of reliability by exceeding the 0.60 coefficient alpha benchmark convention for a new field (Nunnally, 1979). Three of the four measures (shared, values, trust, and relative attitude) also exceeded the 0.80 coefficient alpha benchmark convention for an established field (Nunnally, 1967). Discriminant validity was attained in three of the four measures (the correlation between trust and shared values was marginally outside acceptable performance levels).

Regression analysis confirmed that the composition of the conceptual model was relatively accurate. All three antecedents (satisfaction, shared values, and trust), the moderating variable (contractual obligations) and the dependent variable were retained. However, three modifications were made to the model: a) the attitudinal component of the dependent variable was revised from a measure of relative attitude to absolute attitude; b) in the dependent variable behaviour mediated the relationship with attitude, not vice versa; c) because the antecedent trust only had a statistically significant effect on the attitudinal component of the dependent variable, shared values and satisfaction were the only antecedents to the behavioural component

(RPB) while trust only acted as an antecedent for the attitudinal component (absolute attitude).

The magnitude of the antecedents and moderating influence varied depending on which component of the dependent variable was being influenced. For example, contractual obligations was the most powerful influence on RPB while trust was vitally important in the formation of absolute attitude. Two noteworthy interactions were identified in the analysis: a) improvements in satisfaction levels only increase RPB levels of distributors who have no contractual obligations, and b) high levels of shared values are required to increase RPB levels.

7.4 Conclusions about the Conceptualisation of Distributor Loyalty

7.4.1 Method of Analysis

Two separate regression analyses were undertaken in the initial testing of the conceptual model, to account for the mediating nature of the earlier dependent variables, that is, relative attitude was proposed to mediate the relationship with RPB. The initial testing revealed an unexpected finding that the independent variables performed poorly at predicting relative attitude in the regression analysis. Consequently, two exploratory analyses were undertaken to ascertain whether alternative forms of the conceptual model performed better.

Exploratory Analysis One

In the first exploratory analysis, only one change was made to the original conceptual model: absolute attitude was substituted for relative attitude. The R^2 performance of this model improved over that recorded for the original model (0.46 versus 0.18). The first stage of analysis one revealed that shared values and trust had the greatest impact on the level of absolute attitude. Additionally, two interactions were identified. In the first interaction (trust and satisfaction), when trust was low, differences in satisfaction had an impact on absolute attitude scores. However, this effect diminished as levels of trust increased. The second interaction (satisfaction and shared values) illustrated

that, when levels of shared values increased, increases in levels of satisfaction had a marked positive impact on absolute attitude levels.

In the second stage of the first exploratory analysis, RPB was the dependent variable while absolute attitude mediated the relationship between the antecedents and RPB. Shared values was the only other variable to impact positively on RPB. Three interaction items were identified. Analysis of the first interaction item (satisfaction and contractual obligations) revealed that improvements in satisfaction levels only had a positive effect on RPB levels when distributors were unencumbered by contractual obligations. The second interaction (trust and absolute attitude) indicated that, when trust was low, differences in absolute attitude had a positive effect on RPB levels. However, this effect diminished as trust levels increased. The final interaction (shared values, absolute attitude) indicated that, at low levels of shared values, change in the level of absolute attitude had only a minor impact on RPB levels. As the degree of shared values increased, an improvement in the level of absolute attitude had a positive impact on RPB levels. Analysis of the beta weights revealed that the moderating influence of contractual obligations had the greatest impact on RPB levels.

Overall, in the first stage, trust and shared values had the greatest impact on absolute attitude, while contractual obligations had the greatest impact on RPB. In the second stage, contractual obligations had the greatest impact on RPB, while shared values impacted most on absolute attitude.

Exploratory Analysis Two

The second exploratory analysis reversed the order of the dependent and mediating variables, thus proposing that behaviour led to attitude. The R^2 results indicated that the model had higher explanatory power than the first, thus supporting the proposition that behaviour leads to attitude. However, with both models having satisfactory explanatory power (i.e. $R^2 > 0.40$), there are likely to be occasions when behaviour leads to attitude and vice versa. The relationship between attitude and

behaviour may be situation specific; that is, in some circumstances attitude leads to behaviour while in other situations the reverse may occur. This finding is consistent with findings in the social psychology field in which there is consensus that at times attitude leads to behaviour and at other times behaviour leads to attitude (see Meyers, 1993).

Influences on RPB levels. Analysis of the beta weights in the first stage of analysis two (where RPB was the dependent variable) indicated that contractual obligations (in particular minority and majority states) had the greatest impact on RPB levels. The only statistically significant interaction was between satisfaction and contractual obligations. The level of RPB varied markedly, depending on the contractual obligations of the distributor. In conditions where contractual obligations were either “entire” or “majority” obligations, changes in satisfaction had no impact on RPB levels. However, where “minority” or “no contractual” obligations existed, there was a distinct effect on RPB levels.

In situations where no contractual obligations existed, improvements in satisfaction levels appeared to improve RPB levels. This finding made intuitive sense because distributors with no contractual obligations were likely to favour suppliers that make them feel more satisfied. As a consequence, these distributors placed a higher percentage of their business with suppliers they evaluated as delivering higher satisfaction levels.

Where a distributor had minority contractual obligations with a supplier, improvements in satisfaction did not lead to increased RPB levels – indeed the effect was negative, that is, where minority contractual obligations existed, improvements in satisfaction levels resulted in a decrease in RPB levels. The interaction between minority contractual obligations and satisfaction could have a limited impact on RPB because distributors with minority contractual obligations with a supplier have a limited ability to place additional business with that supplier regardless of how satisfied they might be with conditions such as the levels of service. However,

providing a credible explanation for the negative impact on RPB levels is more problematic. Consequently, this unexpected finding could be examined in subsequent research.

The interaction between satisfaction and contractual obligations suggests that supplier investment into increasing satisfaction levels only leads to an improvement in RPB levels when distributors with no contractual obligations are involved. In all other contractual obligation conditions, improvements in satisfaction levels do not lead to increases in RPB levels. Therefore satisfaction is likely to be a hygiene factor to ensure that distributors place any business with a supplier; that is, attaining a reasonable level of satisfaction is a requirement for distributors to place business with a supplier but increasing satisfaction levels in isolation may not increase RPB levels.

The second stage proposed absolute attitude as the dependent variable and RPB as the mediating variable. All items were retained after the refinement process. Analysis of the beta weights demonstrated that trust and shared values had the greatest impact on absolute attitude scores, followed by RPB and satisfaction. The interaction between RPB and shared values had a positive effect on absolute attitude. In contrast, the interaction between RPB and trust resulted in a negative impact on absolute attitude. The interaction between RPB and shared values demonstrated that at low levels of shared values, improvements in levels of RPB had little impact on absolute attitude. However, as shared values levels increased, differences in RPB began to influence absolute attitude levels markedly. The second interaction between trust and RPB illustrated that when trust levels were low, differences in RPB levels had a major impact on absolute attitude levels. Conversely, as trust levels were raised, the magnitude of the interaction effect dissipated. RPB's mediating relationship between the antecedents and absolute attitude was also confirmed.

Two interactions had statistically significant impacts on absolute attitude levels: a) trust and RPB, and b) shared values and RPB. The first interaction (between trust and RPB) revealed that when trust levels were low the impact of RPB levels on absolute

attitude was marked. Therefore, the relationship between trust and RPB was important for suppliers to understand. Distributors with high RPB levels (i.e. those that placed a high level of business with the supplier) achieved higher absolute attitude levels when trust levels were low, than distributors with low RPB levels. As trust levels increased, the positive impact of RPB on absolute attitude reduced until, at high levels of trust, the RPB lines converged; that is, the impact of the interaction between trust and RPB on absolute attitude dissipated as trust levels increased.

The second interaction (between shared values and RPB) demonstrated that when shared values were low, RPB levels had no impact on absolute attitude levels. Regardless of the level of shared values, higher levels of RPB resulted in higher levels of absolute attitude. As the level of shared values increased, higher levels of RPB had a more positive effect on absolute attitude. While it may be possible to increase RPB levels without improving the distributor's perception of shared values, the data indicated that the magnitude of the impact on absolute attitude was much greater when both interaction items levels were high.

7.4.2 Comparison between Distributor Loyalty, Customer Loyalty, and Commitment

Distributor loyalty, customer loyalty, and commitment share some common conceptual components. Specifically all three are composed of a combination of attitudinal and behavioural components which represent some form of long term relationship between an individual and an object (inanimate or animate). However, the nature of the long term relationship provides marked differences. Distributor loyalty is a business-to-business relationship where the attitudinal component is characterised by a sentiment of devotion or attachment and the behavioural aspect is focused on the attainment of exclusivity. While sharing many of the conceptual aspects of distributor loyalty, customer loyalty is a business-to-customer relationship and consequently has less emphasis on the relational dimension. Like distributor loyalty, commitment is a business-to-business relationship, but the two differ in terms of the number of conceptual components and the preferred measure of behaviour. Commitment is a three component construct while loyalty is made up of two

components. Whereas commitment measures the behavioural aspect through relationship continuance or duration of relationship, loyalty aims to create an exclusivity of relationship which is measured through assessing the intensity of a relationship.

This research has drawn on commitment and customer loyalty research to provide insights from the extant literature on important aspects of distributor loyalty. These insights are pertinent because of the mutual relevance between the constructs and their proposed conceptual overlap. In particular insights have been gained from customer loyalty in terms of the definition of loyalty and the conceptualisation of the dependent variable. Alternatively commitment research provided important information on the management of a business-to-business relationship. Additionally the concepts of trust and shared values that are commonly found in commitment research were utilised in the conceptual model.

In summary, the concepts of distributor loyalty, customer loyalty, and commitment are related but not synonymous. Recognition of their similarities allowed the research to draw on a wider field of extant research than would have otherwise been possible. Similarly understanding the distinctions made it possible to determine when each construct presented a unique set of circumstances.

Summary

There are four main findings from this research: a) distributor loyalty is made up of two components (attitude and behaviour); b) the appropriate measure of attitude in this study proved to be different from that originally conceptualised, that is, absolute attitude became the appropriate measure instead of relative attitude; c) the role of the antecedents and moderating variable varies, depending on whether behaviour or attitude was the dependent variable; and d) distributor loyalty is related to rather than synonymous with the constructs of either customer loyalty or commitment. This ends the section outlining conclusions about the research problem. The next sections consider the theoretical and practical implications of the research.

7.5 Theoretical Implications

Berg (1995) proposes that a good theory should have the capability to predict the relationship between variables. This study's proposed conceptual model explains 58% of the variance in the dependent variable, which is an excellent start and suggests the beginnings of a good theory. However, there is still 42% of variance that is not explained by the current theory. Therefore further research to improve the predictive capability of the theory is required. The remainder of this section is divided into two sections: a) the relevant scope for enquiry into distributor loyalty; b) future theoretical development.

7.5.1 Relevant Scope for Enquiry

The question of what is the most relevant scope for enquiry of distributor loyalty addresses the broadest theoretical implication. Historically, distributor loyalty has been categorised as a sub-category of customer loyalty (Dick & Basu, 1994). However, the results of this thesis provide little empirical support for investigating distributor loyalty in this manner because of the differences in the two constructs that exist due to the increased importance of the relational dimension. Additionally, there are apparent differences in the components of the dependent variable of each construct. Therefore, when investigating distributor loyalty, it is not recommended that the construct of customer loyalty be used as a basis for modeling distributor loyalty. Importantly though, this should not deter future researchers from using the research methods adopted in customer loyalty, where it can be established that sound scientific principles have been adopted.

In contrast to customer loyalty, the commitment construct has a high emphasis on the relational dimension and consequently could continue to contribute markedly to the development of the construct of distributor loyalty in the future. As it has been established that distributor loyalty and commitment although related, are not synonymous, their common emphasis on the relational dimension suggests that continuing to conduct multi-disciplinary research between the two fields may be useful.

Additionally, given the possible influence of personality attributes and behavioural patterns on the propensity of an individual to be loyal, traditional business research may be too limited to predict distributor loyalty. Conducting multi-disciplinary research from the field of psychology or sociology may add some important insights in predicting distributor loyalty.

7.5.2 Future Theoretical Development

Where to from here?

This thesis has detailed the development of a conceptual model of distributor loyalty. Based on the quantitative findings (58% of variance explained), it appears reasonable to conclude that modeling is a viable way of building a theory in this field. The data suggest that distributor loyalty is a directional construct, implying that future research should continue to explore the construct in this manner. The existing model could be further tested using SEM as a method of analysis, to provide greater insight into the relationship between the various components of the model. Additionally, particular emphasis could be paid to empirical testing of the consequences of distributor loyalty, which were not included in the present research for pragmatic reasons. This research has also demonstrated that the use of a combination of deductive and inductive research methods results in the development of an empirically valid model of distributor loyalty. Further developments in the theoretical model could continue to use this approach, at least until the body of research becomes sufficient for deductive research to draw on.

Importantly, with 42% of the variance not currently explained by the model, there is evidently still much to learn about distributor loyalty. The direction for future research, in refining the model to improve its explanatory power, could be through multi-disciplinary research. For instance, adopting a sociological perspective might include in the model: a) affiliation, and b) cultural variables.

The desire for affiliation is often strong in a social context. For example, marketers utilise the need for affiliation by appealing to consumers' need to belong to a desired cohort. For this reason, Oliver (1999) proposes that marketers should aim to create social communities for consumers which could lead to the ultimate state of loyalty whereby a consumer reaches a state of self-immersed identity. It could prove beneficial to incorporate in the model the level of desire for affiliation. Additionally, we do not know how the role of distributor loyalty, as a cultural variable, may be affecting the model. It is possible that belief in the worthiness of loyalty may impact on the attainment of distributor loyalty.

Future theoretical development might also include refining the existing behavioural measure of distributor loyalty (RPB), which currently measures only intensity of behaviour. A two-part behavioural measure made up of RPB (intensity) and length of relationship with supplier (duration) may contribute to improving the performance of the model.

While increasing the explanatory power of the model is desirable, this goal must be weighed up against the important aim for parsimony. To this extent future theoretical models should seek to balance these potentially conflicting needs and where a trade-off between these factors is required, parsimony should take precedence.

7.6 Practical Implications

The effective management of distributor loyalty is an area of business that can potentially deliver considerable benefits to distributors and suppliers. The lack of empirical research into this area has meant that practitioners have had to utilise knowledge gained through practical experience rather than empirical research. This section of the chapter seeks to redress this situation by outlining the practical implications of the research.

7.6.1 Customer Loyalty with Life Insurance Customers is an Impractical Goal

It is important to reiterate that not all product groups are capable of attaining loyalty. A critical assumption in the distribution of life insurance products is that life insurance is “sold to a consumer” rather than “bought by the consumer”, that is, distributors rather than consumers instigate and manage the sales process (McMillan, 1994). Therefore the attainment of “true loyalty” (Oliver, 1997) between a life insurance supplier and an end-consumer is an improbable goal for life insurers. This means that attempts to establish any form of loyalty with consumers should be largely behaviourally based and provide practical benefits to consumers, such as added benefits or premium discounts to loyal customers. However, while the relationship between a supplier and a life insurance consumer does not offer much scope for the attainment of true loyalty, the same does not apply to the relationship between a distributor and a supplier.

7.6.2 Distributor Loyalty is an Achievable Goal

The results of this thesis indicate that loyalty can be attained in the distributor loyalty field. Initial supplier efforts should focus on creating a perception of shared values before increasing RPB levels. Efforts can then be turned to deepening the relationship through the attainment of trust and satisfaction. At all times the supplier should be looking for opportunities to convert the distributor to some form of contractual obligation because this has been empirically proven to positively influence RPB levels.

Importantly, in the business-to-business environment there is potential to deliver loyalty to such a degree that Oliver’s (1999) phase of “self immersed identity” can be achieved. Self-immersed identity is an enmeshing of the distributor’s and supplier’s businesses to the extent that the distributor’s identity is grounded in and inseparable from that of the supplier. Although it is improbable that most distributors would aspire to such a level of relationship with a supplier, it is probable that some could achieve this state.

Given the potential for business-to-business relationships, the attainment of a self-immersed identity by a distributor would provide enormous benefits to a supplier including willingness by the distributor to enter into and be bound by full or majority contractual obligations. Similarly self-immersed distributors might act to endorse the supplier and consequently attract new distributors to the supplier.

7.6.3 Phases of Loyalty are most Applicable

The second major practical implication is in the recommendation that a “phased” conceptualisation of distributor loyalty is more appropriate than a categorical or index-based measure. While categorical and index-based measures have been widely utilised in both the customer loyalty and commitment fields, these measure types have significant limitations for the effective management of distributor loyalty.

The utilisation of an index-based measure has limitations as well, such as the requirement to make arbitrary decisions on the levels of behaviour and attitude that constitute loyalty. An index of loyalty was deemed unsuitable for distributor loyalty for two reasons: a) a combined index did not differentiate between the contributions that the attitudinal or behavioural components made to the final loyalty index score; b) an index did not propose a causal relationship between the attitudinal and behavioural components.

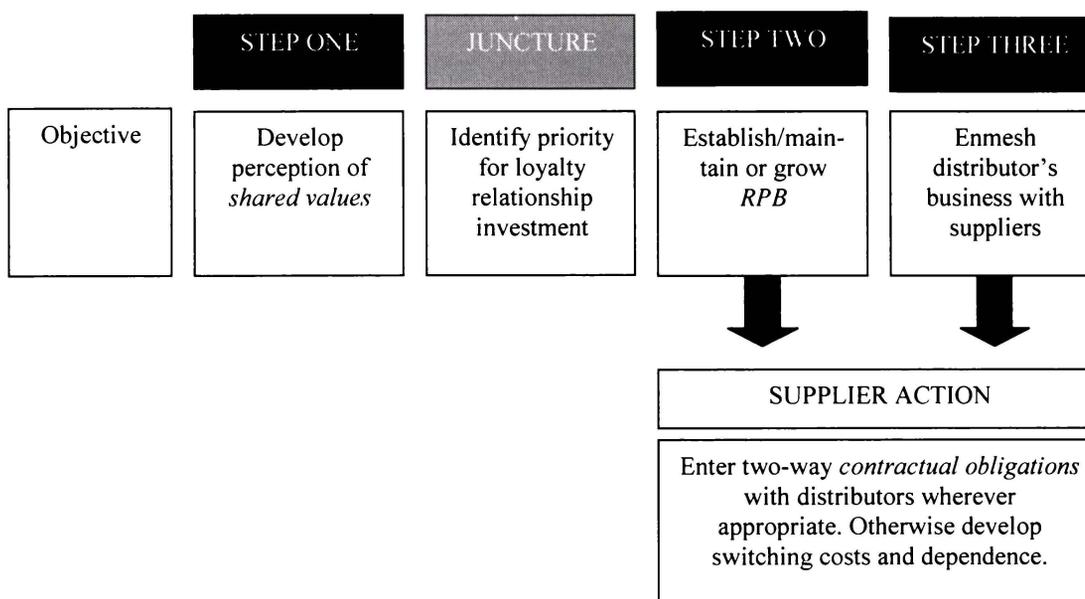
Rather than adopting a categorical or index-based measure for managing loyalty, Oliver (1997) proposed a stepped approach where initial efforts would be placed into establishing comparatively weak loyalty states dominated by cognitive influences while stronger loyalty states would be formed with conative influences. This approach to the management of loyalty avoids the need for artificial arbitrary measures of loyalty prevalent in categorical or index-based measures. However, Oliver (1999) cautions against the direct application of his model to the business-to-business environment because of the added complexity of the relational dimension in this environment. While it may not be appropriate to directly translate Oliver’s model into the distributor loyalty domain, adopting some form of phased management of the

development of distributor loyalty is supported by the results of data analysis of this thesis.

A Stepped Model of Distributor Loyalty

The proposed three-stepped model (see figure 7.1) begins by developing an understanding of the shared values that exist between the supplier and distributor to demonstrate that both parties have similar working philosophies (assuming that this is possible). Although establishing trust is not the main aim of the initial phase of relationship development for loyalty, elementary trust building activities such as making and keeping confidences and delivering on promises could also be undertaken in this step.

Figure 7.1. Stepped Model of Distributor Loyalty Development



A juncture occurs between steps one and two based primarily on the supplier's assessment of two factors: a) the distributor's disposition to either optimism or pessimism; b) the distributor's willingness and scope to develop a mutually loyal relationship with the supplier. Distributors who are assessed as being optimistic

regarding their assessment of supplier performance (i.e. those with high levels of absolute attitude) and who have a high willingness and scope to develop a mutually loyal relationship are given priority in deepening their relationship with the supplier. The outcome of this juncture could be a simple matrix categorisation of the distributor's potential to the supplier, as outlined in figure 7.2.

Figure 7.2. Investment Decision Matrix for Suppliers

	Low scope & willingness to be loyal	High scope & willingness to be loyal
Optimistic assessment of supplier performance	Medium targets – some individual investment	Prime targets - high individual investment
Pessimistic assessment of supplier performance	Low targets - no individual investment	Medium targets – some individual investment

It is important to note that, with some assistance, pessimists can become more optimistic in their outlook (Seligman, 1998). Therefore suppliers could also focus their efforts on helping distributors with a pessimistic outlook to become optimistic. For the supplier, this is likely to improve the distributor's perception of the supplier. At the same time, the distributor may benefit from an increase in sales and sense of well-being.

When a distributor is optimistic regarding their assessment of supplier performance but has low scope or willingness to become loyal to a supplier, any supplier investment needs to be supported by a sound rationale. For instance, some distributors may be well disposed to developing a loyal relationship but may be constrained from doing so because of existing contractual obligations to a supplier. In these circumstances, investment in the development of a relationship could be justified if: a) the contractual obligations were soon to be changed or; b) the contractual obligations could be legally challenged or circumvented. Another potential hurdle is where a distributor is not contractually bound but has no desire to invest in a loyal supplier relationship (i.e. loyal behaviour with no attitudinal underpinning). In these circumstances, it is possible that the supplier could receive a

reasonable level of business from the distributor, but the continuation of this business would be contingent on some basis other than loyalty, for example, remuneration. When these conditions exist, the model suggests suppliers tailor their service to meet the demands of the distributor.

Step two requires the distributor to utilise the supplier's services to experience the service being offered. While the main outcome of this phase is to build up the behaviour of selling a supplier's products, it is also advantageous to establish levels of satisfaction and trust at least as high as competitor offerings. During this phase a supplier might take whatever actions are necessary to establish a regular pattern of RPB with the distributor. Some possible initiatives include: a) paying a volume bonus at higher rates to compensate for lost remuneration from the existing supplier; b) individually targeted competitions to provide tangible incentives to place increasing amounts of business with the supplier; c) additional support from the significant personnel; d) training and assistance with new business application processes; e) idiosyncratic investment in the distributor's business.

Step three involves the enmeshing of the distributor's business with the supplier's. In this phase the supplier takes whatever steps are feasible to have the distributor's business processes and identity enmeshed with that of the supplier. From a supplier's perspective this may include investing in the distributor's business before sales volumes fully warrant this investment. Such investments might include providing software and training for applications such as needs analysis, report writing, and client management systems. As the relationship develops, assistance could extend to business planning, financing of acquisitions or growth initiatives. Further value could be added through introducing the distributors to clusters of related businesses such as accountants, financial planners, or mortgage brokers. These clusters may enable the distributor to gain new clients through referrals from cluster members. Additionally, the distributor's clients could also be referred to other members of the cluster for related services.

7.6.4 Reciprocal Loyalty

While the emphasis of this thesis has been on understanding the loyalty relationship between a distributor and a supplier, previous authors (e.g. Kandampully, 1997) have suggested that loyalty is a two-way phenomenon, that is, loyalty begets loyalty. Because the supplier normally takes the lead in the formation of a loyal relationship with a distributor, the supplier must demonstrate loyalty to the distributor first. However, demonstrations of loyalty should ideally only be made to those distributors who are likely to reciprocate. Therefore, investment in creating loyal relationships should commence with loyalty-building behaviours to specifically targeted distributors. Some typical loyalty-building behaviours might include demonstrating a willingness to invest in the relationship with a distributor and remain committed to the relationship through peaks and troughs. Additionally, idiosyncratic investments (investments made by a supplier that have little or no value outside of the immediate supplier-distributor relationship) demonstrate dedication to the relationship.

In summary, the practical implications for this research suggest that suppliers might benefit from applying a stepped approach to the development of loyal relationships with distributors. While acknowledging the need to create reciprocal loyalty, suppliers could begin the four-stepped approach containing the following: a) establish perception of shared values, b) identify priority for loyalty relationship investment, c) establish RPB, and d) enmesh the distributor's business with that of the supplier's.

7.7 Limitations of the Research Design

At the conclusion of the research it became apparent that there were four limitations in the research design: a) cross-sectional data collection, b) self-reported data, and c) lack of durational data, and d) low number of female respondents.

The data to test the conceptual model were collected on a cross-sectional rather than a longitudinal basis. During the research design phase, it was anticipated that cross-

sectional data would be sufficient to test the conceptual model. While this proved to be correct, the collection of longitudinal data might have provided additional insights into how loyalty changes over time and the influences of these changes.

Consequently, a limitation of the present research is that the data collected pertain to only one point in time.

The data collected on each distributor relied on self-reported information. Self-reported findings are not thought to be an issue with the attitudinal components investigated in the present study, because these factors can only reliably be reported by individual participants. However, the reliance on self-reported findings for the measurement of loyal behaviour (RPB) and contractual obligations are a limitation because this information is also available (and potentially more empirically reliable) through suppliers. Unfortunately, the requirement for distributor anonymity in the present research made the triangulation of data unfeasible. However, future research into distributor loyalty would probably benefit from verifying distributor self-reports of loyal behaviour and contractual obligations with supplier information.

The collection of data on the basis of intensity of behaviour as determined during the research design of phase three of the research. An intensity measure was adopted based on the conceptualisation of the dependent variable as a composite of behaviour and attitude, with the behavioural component measuring RPB. The decision to adopt RPB was based on the integration of the focus group findings with the customer loyalty literature (e.g. Dick & Basu, 1994). While the intensity measure of behaviour captured perhaps the most important dimension of loyal behaviour, the lack of durational data meant that the length of relationship between a distributor and a supplier was not ascertained. This lack of durational data meant that investigations into the relationships between intensity, duration and the attitudinal component of loyalty (absolute attitude) were unable to be examined.

While the number of female respondents in the present research was consistent with the low number involved in the industry as distributors (i.e. the sample was representative), the small number of female respondents limited the feasibility of

investigating any potential differences between genders. In particular, it was not possible to determine whether gender played a significant role in the developing and maintaining a loyal distributor relationship.

While there were a number of delimitations identified at the outset of this study (see delimitations section in chapter 1), the limitations identified at the end of the study were not anticipated. In hindsight it would have been possible to either forecast or avoid all of the limitations. Cross sectional data collection could have potentially been avoided through the adoption of a longitudinal study. Although the self reported data limitation could not have been avoided, it could have been forecast at the beginning of the study. Durational data would have provided greater depth in terms of understanding loyal behaviour. This limitation could have been avoided by the collection of durational data to augment intensity data. Finally the low number of female respondents could have been forecast at the commencement of the study. The low number of females operating as distributors in the industry, made it impossible for a large number of female respondents to ever be attained.

7.8. Implications for Future Research

This thesis has sought to develop our understanding of the construct of distributor loyalty. Previous loyalty research has focused on the business-to-customer dynamic leaving the business-to-business loyalty relationship unexamined. Consequently, this thesis has provided new research into an area that was previously poorly understood. Amongst its most important contributions, this thesis has built on previous customer loyalty and commitment research to develop and test a model of distributor loyalty that also required the development and refinement of measures for the antecedents and dependent variable.

Despite the many positive contributions this research makes, answering one question often leads to the recognition that there are many more still to be answered. This is certainly the case with distributor loyalty. The recommendations for further research can be divided into two further sections: a) refinement or clarification, or both, of

current research; b) extension of current research. The following paragraphs outline three areas of the current research that require refinement and/or clarification.

7.8.1 Refinement and Clarification of Current Research

Firstly the Dick and Basu (1994) model of customer loyalty requires further empirical testing as the current testing has resulted in contradictory findings (e.g. Harris & Goode, 2002). Once completed it would then be possible to compare the 1994 conceptual model of Dick and Basu (assuming that it was empirically validated) with the revised conceptual model of distributor loyalty to compare the two models to establish what similarities and differences exist between customer loyalty and distributor loyalty. While the testing of Dick and Basu's 1994 model would be enlightening, it is equally useful to evaluate how Oliver's conceptual models of customer loyalty (1997, 1999) compare with the distributor loyalty model. To undertake this process, Oliver's models would also benefit from further empirical testing.

The second area of the current research that would benefit from refinement and clarification is development of the satisfaction measure. Although the satisfaction measure was drawn from an existing measure (Rexha, 1999), it did not perform as strongly as the other measures developed to test the conceptual model of distributor loyalty. Ideally the satisfaction measure should draw from wider areas, relevant to a distributor, such as satisfaction with: a) products and pricing, b) service personnel, c) staff knowledge and expertise, d) individual flexibility, and e) a general sense of satisfaction with the supplier.

The final area for refinement and clarification is further investigating the unexpected finding that increases in satisfaction lead to a reduction in RPB levels when a distributor has "minority" contractual obligations with a supplier. This particular finding is puzzling and therefore worthy of further investigation.

7.8.2 Extension of Research

This section outlines four key areas for potential further research and provides suggestions for future study designs and applications to other contexts.

Further Research

Firstly, the conceptual stepped model, outlined in this chapter (see figure 7.1), provides a framework for the development of distributor loyalty. The three phases have deliberately been made more specific than the more general phases proposed by Oliver (1997) to enable practitioners to target specific factors of intervention, for example, step one requires that a perception of shared values is established. While this model has been developed using the results of the current research, it has not been specifically empirically validated. Consequently an important extension of the field of research would be the empirical testing of the three stepped model.

The second key area of further research involves identifying the predictors of loyalty in a distributor. While we now have some concept of what it means to be a loyal distributor as well as the antecedents that contribute to the establishment and maintenance of distributor loyalty, we have little understanding of whether some distributors are more predisposed to being more loyal than others.

Understanding whether some distributors are more predisposed to being loyal to a supplier would be beneficial because suppliers would be able to more effectively screen distributors to determine whether investment into the establishment of a potentially loyal relationship with a distributor is justified. While attempts to find replicable demographic trends, in the customer loyalty field have been unsuccessful (see Day, 1969; Denize & Young, 2000), this need not deter the search for predisposition to loyalty within the distributor loyalty field. The factors that have hindered progress in the customer loyalty field can be avoided by simply following sound scientific protocols, such as using the same conceptual and operational definitions in the further research as was utilised in previous research. It would be

interesting to know whether factors such as industry experience, age and marital status, had any bearing on a distributor's predisposition to loyalty.

Given that the stepped model of distributor loyalty proposed in this section of the thesis requires a supplier to assess the probability of a distributor's potential to be loyal by determining their level of optimism towards evaluating supplier performance and their scope and willingness to be loyal, an important contribution to the field would be the development of a simple screening tool to be utilised in the field by practitioners. The tool would need to be concise and simple enough for a supplier's representative to complete. Some of the information could be collected subjectively, for example willingness to enter a loyal relationship, but the majority of the information should be empirically collected. In particular, with consideration to the importance of optimism, this information ought to be measured using an established short-form measure.

The third key area for further research centres on identifying the circumstances where attitude precedes behaviour and vice versa in the attainment of distributor loyalty. The testing of the conceptual model has established that, in the majority of circumstances, it would appear that behaviour precedes attitude. However, it has also acknowledged that in certain circumstances it is probable that attitude does precede behaviour. Currently we do not have an understanding of which circumstances lead to an environment whereby attitude leads to behaviour, and vice versa. Consequently, further research into the identification of these circumstances would be beneficial for researchers and practitioners alike.

The final area of recommended research is to investigate if the unexpected finding of absolute attitude being a more useful component of loyalty than relative attitude could also apply to other fields, such as customer loyalty. Intuitively, it would seem that a rational decision-making process would favour using relative attitude over absolute attitude. However this was not the case in the distributor research. Considering that the Dick and Basu (1994) model has not been conclusively

empirically tested, it is possible that the same pattern might be found in customer loyalty.

Future Study Designs

As with any research, there are matters for future researchers. Future researchers should consider changes to sampling and the measurement of dependent variables. It may be useful to gain details of distributors directly from suppliers, thus avoiding the issue of unreliable contact details and business type that were experienced in this research. Further, being unable to follow up non respondents and compare the non respondent group with respondents proved to be a limitation that other researchers may prefer to avoid. Fortunately researchers with a perceived independence from the industry they are studying should have little difficulty avoiding this issue.

Although the dependent variables in this study were satisfactory for an early model future researchers may benefit from refining the two measures. The measure of RPB could be enhanced through tapping not only intensity (% of sales) but also durational behaviour. Duration might be assessed as the length of time a distributor has had a continuous working relationship with a supplier. Further, the intensity measure could be strengthened by triangulating RPB information through a combination of supplier sourced data; self reported data and BDM assessment. To augment the collection of durational data, a longitudinal study may yield important insights into the manifestation of loyalty overtime.

The measure of absolute attitude could be enhanced by including items that specifically target the sentiment of devotion/attachment which is proposed as central for differentiating loyalty from commitment. The differences between distributor loyalty and commitment do not appear to be well understood by researchers. Consequently, a study that compares and contrast the two constructs may yield important insights and provide clarity for future researchers.

Application to other contexts

While this research has been undertaken in the life insurance industry, there are a number of other contexts that are worthy of investigation. Firstly industries which have similar delineations between distribution direct to the customer and through distributors might be considered as useful for further application of the concepts of distributor loyalty. For example, the airline industry has been able to successfully separate transaction vs. value added services provided to end customers by providing on-line facilities for customers to make their own bookings. Consequently travel agents have to demonstrate the value they add to customers in their broader travel booking business to maintain business viability. A similar pattern exists in life insurance distribution with suppliers offering basic, transactional products directly to customers but continuing to distribute complex products with an advice component through distributors.

Secondly this research has confirmed that while the relationship between attitude and behaviour is situation specific, on balance behaviour appears to precede attitude. However, the prevailing view in customer loyalty appears to be that attitude leads to behaviour. Therefore, it maybe worthwhile exploring this assumption in the customer loyalty field by investigating the causal link between attitude and behaviour.

Finally not all industries rely heavily on distributors for the sales and marketing of products or services. Important insights could be gained by comparing and contrasting industries with differing levels of reliance and examining the effect these differences have on the manifestation of distributor loyalty.

In summary, the recommendations for further research are divided into two groups. The first group involved seeking clarification or refinement of the findings of the present research. The recommendations for this category involved further empirical testing of the Dick and Basu (1994) model of customer loyalty, improving the satisfaction measure utilised in this research, and exploring the unexpected finding that satisfaction increases led to a decrease in RPB levels for distributors with

“minority” contractual obligations. The second group of recommendations was developed to identify how further research might increase our understanding of the phenomenon of distributor loyalty. The four key areas identified were: a) test the stepped model of distributor loyalty; b) identify predictors of loyalty; c) understand what circumstances lead to attitude preceding behaviour in the attainment of loyalty, and vice versa; d) test whether absolute attitude is a more suitable component of the attitudinal component of loyalty in the customer loyalty domain.

7.9 Conclusion

This thesis makes three major contributions to knowledge: a) the related fields of customer loyalty and commitment have been synthesised to identify contributions to the conceptualisation of distributor loyalty; b) practitioners were interviewed to ascertain how distributor loyalty was perceived and conceived from a practical perspective; and c) a conceptual model of distributor loyalty has been developed and empirically tested.

Although the present-day word *loyal* came into the English language around five centuries ago, its concept (and societal application) pre-dates that time and remains unchanged to the present-day. While some commentators suggest that the concept of loyalty, like chivalry, is redundant in modern society, the important social context of loyalty suggests that loyalty remains relevant today and will continue to be so in the future.

However, a cautionary note must also be considered. While loyalty has an important role in ameliorating the loss of self-sufficiency associated with modern society, the overuse of the term by marketers may undermine the perceived value of loyalty in society. Although commercially significant, the concept of loyalty to brands, stores, sports teams and suppliers may be seen as grandiose when considered alongside the concept of loyalty to a nation; few people would be prepared to die for a brand of cornflakes.

This thesis has provided evidence that distributor loyalty is beneficial for suppliers and distributors and to some extent end-consumers of life insurance products. Importantly, the data suggest that not all distributors are likely to want to have a loyal relationship with a supplier. In an environment where distributors currently hold the relationship balance of power, suppliers are likely to take the lead in establishing loyal relationships. Therefore, it is of primary importance for suppliers to have methods to ascertain the type of relationship a distributor wants with a supplier and to have the capability and resources to deliver to these individual preferences.

It is conceivable that not all distributors may want a loyal relationship with a supplier. Therefore suppliers could benefit from making informed decisions about which distributors are worth the investment in creating a loyal relationship. By initially focusing on creating behavioural habituation (through focusing on getting distributors to place increasing amounts of business with the supplier), suppliers increase their chances of creating loyal relationships. Once in a loyal relationship, distributors may stay for a variety of reasons. For some, the additional financial rewards may make rational sense, while for others the perception of shared values could be sufficient to feel that they are all part of a bigger team.

In summary this thesis has developed and empirically tested the first conceptual model of distributor loyalty. Given the critical function that distributors perform in delivering products and services to consumers on behalf of suppliers, further research is warranted. Such research could focus on further refining the conceptual model to improve explanatory power or alternatively to test the consequences of loyalty.

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APPENDIX A*Information sent to focus group invitees prior to meetings*

(i) Letter of Invitation

15 June 2000

Mr X

Address

Dear Mr X

RE: Invitation to participate in Focus Group on Distributor Loyalty

As part of my PhD research, I will be conducting a series of focus groups to explore the concept of distributor loyalty. I would like to take the opportunity to invite you to participate in one of these focus groups, as your experience in the insurance industry could provide some valuable insights into distributor loyalty.

The details of the meeting are:

Date: 22 June 2000

Time: 7.45am

Venue: Kawau Room, SkyCity

Duration: 90 minutes

I have attached an information sheet, which provides you with further details of the research.

Amanda Kelly will contact you in the next couple of days to confirm whether you are able to attend the focus group.

Kind regards

Dave McMillan

Ph.D. Candidate

(ii) Information Sheet

1. Researcher – Dave McMillan (Ph.D candidate at Waikato University), 61 Lowe Rd, RD 6 Tauranga, Ph 025 987 664

2. Supervisors – Chief supervisor: Dr Carolyn Costley; secondary supervisor: Dr Michele Akoorie (Waikato University)

3. Topic – The study explores Distributor Loyalty (loyalty between a distributor and a supplier). In particular, the study will attempt to determine: a) what distributor is, b) what leads to the formation of distributor loyalty and, c) what are the consequences of distributor loyalty.

4. Participation in this study is voluntary, participants can:

- Refuse to answer any question
- Withdraw from the study at any particular time
- Ask further questions about the study
- Be given access to a summary of the findings

5. Participant's anonymity will be protected at all times. The tape of the meeting will be destroyed once it has been transcribed. The transcript will not contain any information that would enable a participant to be identified.

6. Participants will be asked to sign a consent form before participation in a focus group.

Information gained in the focus group, in conjunction with established customer loyalty theory, will be used to develop a conceptual model and potential measures of distributor loyalty. These findings will be included in the completed Ph.D. thesis, published articles and conference papers.

(iii) Interview Script

1. If someone is describes as 'loyal', what sort of behaviours would you expect to see in a business environment?
2. What does the term distributor loyalty mean to you?
3. How would you recognise distributor loyalty if you were:
 - a. A supplier
 - b. A distributor
4. What are the consequences of a loyal distributor relationship for:
 - a. A supplier
 - b. A distributor
5. What are the main benefits of a loyal distributor relationship for:
 - a. A supplier
 - b. A distributor
6. What are the main disadvantages of a loyal relationship for:
 - a. A supplier
 - b. A distributor
7. Fire requires thee elements to occur (oxygen etc), what elements do you think need to be present for distributor loyalty to be formed?

(iv) Focus Group Consent Form

I _____ (name) voluntarily consent to participate in today's focus group which will explore the concept of distributor loyalty.

In giving voluntary consent I understand that:

1. I can withdraw from the study at any time
2. I can refuse to answer any particular question
3. The tape of this focus group will be destroyed following its transcription
4. My anonymity is protected in any written text
5. I can request access to a summary of the findings from the study when it is concluded
6. The information collected in this focus group will contribute to the findings of the Ph.D. and maybe included in published articles and conference papers on the same topic.
7. I will receive no payment for participating in this study.

Signed _____

Date _____

APPENDIX B

Wording of items Pool Measures

A lot of tasks we perform to market this supplier's product line are quite unique compared with other supplier's products
A sense of unity exists between this supplier and us
Based upon your past and present experience, how would you characterise the level of trust your firm has in its working relationship with this supplier (7 point scale anchored at don't trust and trust completely)
Both this supplier and our distributorship are committed to this relationship
Communication levels with Supplier X are the worst I have experienced
Disagreements between X and me tend to be handled proactively
Employers should assure their employees are behaving in a business like manner
I am committed to my relationship with X
I am most dissatisfied with Supplier X's responses to my enquiries
I am uncertain whether our relationship with this supplier will last a long time
I can believe what this supplier says with confidence
I can expect this supplier's sales people to tell me the truth
I consider X to be part of my business
I dislike being associated with supplier X the most
I feel that we can depend on this supplier
I feel this supplier is straight with us
I fit best with supplier X
I generally do not trust X
I get along well with this supplier
I intend to do more business with supplier X than its competitors
I like supplier X better than any of its competitors
I really care about the fate of my working relationship with X
I think this supplier keeps its commitments
I think this supplier negotiates realistically
I trust X to do things I can't do myself
In our relationship my major supplier has high integrity
In our relationship my major supplier is always faithful
I trust X to do things my business can't do itself
I tune out competitor offers more readily for supplier X than other suppliers
I would be more difficult for a supplier to get me to change the business I place with supplier X than it would be some of my other supplier relationships
I would describe Supplier X's service personnel as the best at providing a willing exchange of information
I would recommend this supplier
I'd stay with Supplier X longer than I would other suppliers
I'm more likely to try a new supplier to replace my supplier X business than I am other suppliers
If an employee is discovered to have engaged in unethical behaviour that results primarily in personal gain, he or she should be promptly reprimanded
If an employee is discovered to have engaged in unethical behaviour that results primarily in corporate gain, he or she should be promptly reprimanded
If our relationship was discontinued with this supplier, we would have difficulty in making up the sales volume with other suppliers
If we were facing unprofitable times, we believe they would share the burden by trimming their margins
In my opinion this supplier is reliable
In order to succeed in this business, it is often necessary to compromise one's ethics (separate answers for supplier and distributor)
In our relationship my major supplier can be counted on to do what is right
In our relationship my major supplier can be trusted completely
In our relationship with my major supplier is someone that I have great confidence in
It is a pleasure dealing with this supplier
It is more enticing to be a distributor for Supplier X
It took a long time for our sales people to learn about this supplier's product thoroughly
It would be difficult for us to replace this supplier
Just for us this supplier changed its marketing
Just for us this supplier changed its personnel

Just for us this supplier changed its product features
My interactions with X are productive
My meetings with X produce novel insights
No other vendor has this supplier's capabilities
Of all my suppliers, supplier X would be the most difficult to leave
Of all the suppliers, supplier X is most like me
Of the companies I deal with, Supplier X has the highest level of integrity
In our relationship my major supplier cannot be trusted sometimes
Other vendors could provide us with what we get from this firm
Our business is very secure with this supplier
Our dealings with this supplier have enabled us to achieve our objectives
Our firm will continue dealing with this supplier for a long time
Our firms working relationship with this supplier has been an unhappy one
Personnel at Supplier X are the best at identifying my business needs
Personnel at Supplier X are the easiest to understand
Please rate the availability of alternative suppliers for the target products
Please rate the target supplier's
◆ Product quality
◆ Price
◆ Ability to meet delivery commitments
Products of supplier X are the most competitive in the market
Promises made by this supplier's representative are reliable
Relative to other suppliers, we maintain a close business relationship with this supplier
Service personnel at Supplier X are the worst at providing informative information
Staff at Supplier X make the most effort to learn my specific requirements
Supplier X and I are working towards common goals
Supplier X and I share many common goals
Supplier X has the most limited product range
Supplier X is most interested in investing in a long term relationship
Supplier X is the best at following up its promises
Supplier X is the best supplier to build a relationship with
Supplier X is the most co-operative of the suppliers I deal with
Supplier X is the most open in terms of communication
Supplier X is the most reliable
Supplier X is the most reliable company that I deal with
In our relationship my major supplier is perfectly honest and truthful
Supplier X is the worst at giving me individual attention
Supplier X lets our firm know as soon as possible of any unexpected problems with things such as delivery schedules or product quality
Supplier X provides the highest level of tailored solutions for my business
Supplier X provides the most competitive product offering
Supplier X provides the poorest level of client service
Supplier X's personnel are the worst at work as a team.
Supplier X's remuneration is the best available
Supplier X's values are very closely aligned to mine
The business of this supplier and our distributorship is closely meshed together
The relationship that my firm has with my major supplier deserves our firms maximum efforts to maintain
The relationship that my firm has with my major supplier is if very little significance to us
The relationship that my firm has with my major supplier is something my firm intends to maintain indefinitely
The relationship that my firm has with my major supplier is something my firm really cares about
The relationship that my firm has with my major supplier is something we are very committed to
The relationship that my firm has with my major supplier is very much like being in a family
The resource's representative has problems answering our questions
The service provided by supplier X is the worst in the market
The service we receive from this supplier represents great value
The supplier develops a range of products and services that help in strengthening the relationship between our firms and the supplier
The supplier fulfills promises
The supplier is flexible when our product offering is changed
The supplier provides information if there are quality problems
The supplier provides information that can be trusted

The supplier tailor makes its products to our needs
The supplier's personnel are always willing to help
The supplier's personnel are informative and easily understood
The supplier's personnel are open to a free exchange of information and opinions
The supplier's personnel are really candid and open
The supplier's personnel are very highly skilled in quickly identifying the real needs of our business
The supplier's representative is knowledgeable regarding his/her products
The suppliers personnel are dedicates to providing high quality service
The suppliers personnel give the impression they work together
There is always some problem with this supplier
There is very little common ground between the values of supplier X and me
They readily acknowledge it if another supplier can meet our needs better
This resources representative is like a friend
This supplier almost has a monopoly for what it sells
This supplier always provides us with tailored solutions
This supplier and our distributor share common business interests
This supplier exceeds our quality expectations
This supplier follows through on its promises
This supplier is a very important ally of our distributorship
This supplier is crucial to our future performance
This supplier is important to our business
This supplier makes adjustments to meet my needs
This supplier offers us very competitive products
This supplier offers us very competitive remuneration
This supplier often fails to meet our quality requirements
This supplier openly shares confidential information with us
This supplier promises to do things without actually doing them later
This supplier provides our firm with individual attention
This supplier provides us with a wide range of quality products and services
This supplier rarely talks with us about business strategy
This supplier treats me like a business partner
This supplier will assist our firms in the case of traumatic events happening
This supplier's products are of a high quality
This supplier's representative cares for us
This supplier's representative does not make false claims
This supplier's service personnel are the most willing to help me
This suppliers representative has been frank in dealing with us
Top management in a business must let it be known that unethical behaviour will not be tolerated
We adjust our marketing programme for this supplier when necessary
We are confident they would charge us fair prices even if they had an opportunity to take advantage of us
We are delighted with our overall relationship with X
We are fully committed to our relationship with this supplier
We are going to continue the relationship with this supplier for many years
We are important to this supplier
We are proud to work with this supplier
We believe that over the long run our relationship with the retailer will be profitable
We devote more time to this supplier when it needs help
We expect this business relationship with this supplier to last for a long time
We have been doing business with this supplier in an arms length fashion
We have developed a close business relationship with this supplier
We have put a good deal of effort to get to know this supplier firm's organisation and people
We lack a strong business link with this supplier
We may have to sever the business relationship with this supplier soon
We often complain about this supplier's products
We provide special aid to this supplier when it is in trouble
We respond quickly to the supplier's request for help
We wish we had more suppliers like X
We would like our relationship with them to continue in the coming years
X displays a sound strategic understanding of my business in his/her interactions with me
X is very customer oriented in his/her interactions with us

APPENDIX C

Face Validity Check Questionnaire for Panel of Experts

Distributor Loyalty – Face Validity Check

Background

This is part of doctoral research on the relationship between distributors and suppliers. In the course of developing measurement items we'd like you to help with a face validity check. Our working model includes the concepts of Trust, Satisfaction, Shared Values and Loyalty. We have a comprehensive list of items that may measure these concepts. We appreciate your input as to which concept each item fits best.

Instructions

- Please read each item separately and tick the column of the concept you believe it measures.
- If you tick 'other' and you can label what other concept, it appears to measure could you please write that in.
- Please return a hardcopy of your face validity check to Dave McMillan by 8 June 2001.

Item	Trust	Satisfaction	Shared Values	Distributor loyalty	Other (please specify)
A lot of tasks we perform to market this supplier's product line are quite unique compared with other supplier's products					
A sense of unity exists between this supplier and us					
Based upon your past and present experience, how would you characterise the level of trust your firm has in its working relationship with this supplier (7 point scale anchored at don't trust and trust completely)					
Both this supplier and our distributorship are committed to this relationship					
Communication levels with Supplier X are the worst I have experienced					
Disagreements between X and me tend to be handled proactively					
Employers should assure their employees are behaving in a business like manner					
I am committed to my relationship with X					
I am most dissatisfied with Supplier X's responses to my enquiries					
I am uncertain whether our relationship with this supplier will last a long time					
I can believe what this supplier says with confidence					
I can expect this supplier's sales people to tell me the truth					
I consider X to be part of my business					
I dislike being associated with supplier X the most					
I feel that we can depend on this supplier					
I feel this supplier is straight with us					
I fit best with supplier X					
I generally do not trust X					
I get along well with this supplier					
I intend to do more business with supplier X than its competitors					

I like supplier X better than any of its competitors					
I really care about the fate of my working relationship with X					
I think this supplier keeps its commitments					
I think this supplier negotiates realistically					
I trust X to do things I can't do myself					
In our relationship my major supplier has high integrity					
In our relationship my major supplier is always faithful					
I trust X to do things my business can't do itself					
I tune out competitor offers more readily for supplier X than other suppliers					
I would be more difficult for a supplier to get me to change the business I place with supplier X than it would be some of my other supplier relationships					
I would describe Supplier X's service personnel as the best at providing a willing exchange of information					
I would recommend this supplier					
I'd stay with Supplier X longer than I would other suppliers					
I'm more likely to try a new supplier to replace my supplier X business than I am other suppliers					
If an employee is discovered to have engaged in unethical behaviour that results primarily in personal gain, he or she should be promptly reprimanded					
If an employee is discovered to have engaged in unethical behaviour that results primarily in corporate gain, he or she should be promptly reprimanded					
If our relationship was discontinued with this supplier, we would have difficulty in making up the sales volume with other suppliers					
If we were facing unprofitable times, we believe they would share the burden by trimming their margins					
In my opinion this supplier is reliable					
In order to succeed in this business, it is often necessary to compromise one's ethics (separate answers for supplier and distributor)					
In our relationship my major supplier can be counted on to do what is right					
In our relationship my major supplier can be trusted completely					
In our relationship with my major supplier is someone that I have great confidence in					
It is a pleasure dealing with this supplier					
It is more enticing to be a distributor for Supplier X					
It took a long time for our sales people to learn about this supplier's product thoroughly					
It would be difficult for us to replace this supplier					
Just for us this supplier changed its marketing					
Just for us this supplier changed its personnel					
Just for us this supplier changed its product features					
My interactions with X are productive					
My meetings with X produce novel insights					
No other vendor has this supplier's capabilities					
Of all my suppliers, supplier X would be the most difficult to leave					
Of all the suppliers, supplier X is most like me					
Of the companies I deal with, Supplier X has the highest level of integrity					
In our relationship my major supplier cannot be trusted sometimes					
Other vendors could provide us with what we get from this firm					
Our business is very secure with this supplier					
Our dealings with this supplier have enabled us to achieve our objectives					
Our firm will continue dealing with this supplier for a long time					

Our firms working relationship with this supplier has been an unhappy one					
Personnel at Supplier X are the best at identifying my business needs					
Personnel at Supplier X are the easiest to understand					
Please rate the availability of alternative suppliers for the target products					
Please rate the target supplier's <ul style="list-style-type: none"> ◆ Product quality ◆ Price ◆ Ability to meet delivery commitments 					
Products of supplier X are the most competitive in the market					
Promises made by this supplier's representative are reliable					
Relative to other suppliers, we maintain a close business relationship with this supplier					
Service personnel at Supplier X are the worst at providing informative information					
Staff at Supplier X make the most effort to learn my specific requirements					
Supplier X and I are working towards common goals					
Supplier X and I share many common goals					
Supplier X has the most limited product range					
Supplier X is most interested in investing in a long term relationship					
Supplier X is the best at following up its promises					
Supplier X is the best supplier to build a relationship with					
Supplier X is the most co-operative of the suppliers I deal with					
Supplier X is the most open in terms of communication					
Supplier X is the most reliable					
Supplier X is the most reliable company that I deal with					
In our relationship my major supplier is perfectly honest and truthful					
Supplier X is the worst at giving me individual attention					
Supplier X lets our firm know as soon as possible of any unexpected problems with things such as delivery schedules or product quality					
Supplier X provides the highest level of tailored solutions for my business					
Supplier X provides the most competitive product offering					
Supplier X provides the poorest level of client service					
Supplier X's personnel are the worst at work as a team.					
Supplier X's remuneration is the best available					
Supplier X's values are very closely aligned to mine					
The business of this supplier and our distributorship is closely meshed together					
The relationship that my firm has with my major supplier deserves our firms maximum efforts to maintain					
The relationship that my firm has with my major supplier is if very little significance to us					
The relationship that my firm has with my major supplier is something my firm intends to maintain indefinitely					
The relationship that my firm has with my major supplier is something my firm really cares about					
The relationship that my firm has with my major supplier is something we are very committed to					
The relationship that my firm has with my major supplier is very much like being in a family					
The resource's representative has problems answering our questions					
The service provided by supplier X is the worst in the market					
The service we receive from this supplier represents great value					
The supplier develops a range of products and services that help					

in strengthening the relationship between our firms and the supplier					
The supplier fulfills promises					
The supplier is flexible when our product offering is changed					
The supplier provides information if there are quality problems					
The supplier provides information that can be trusted					
The supplier tailor makes its products to our needs					
The supplier's personnel are always willing to help					
The supplier's personnel are informative and easily understood					
The supplier's personnel are open to a free exchange of information and opinions					
The supplier's personnel are really candid and open					
The supplier's personnel are very highly skilled in quickly identifying the real needs of our business					
The supplier's representative is knowledgeable regarding his/her products					
The suppliers personnel are dedicates to providing high quality service					
The suppliers personnel give the impression they work together					
There is always some problem with this supplier					
There is very little common ground between the values of supplier X and me					
They readily acknowledge it if another supplier can meet our needs better					
This resources representative is like a friend					
This supplier almost has a monopoly for what it sells					
This supplier always provides us with tailored solutions					
This supplier and our distributor share common business interests					
This supplier exceeds our quality expectations					
This supplier follows through on its promises					
This supplier is a very important ally of our distributorship					
This supplier is crucial to our future performance					
This supplier is important to our business					
This supplier makes adjustments to meet my needs					
This supplier offers us very competitive products					
This supplier offers us very competitive remuneration					
This supplier often fails to meet our quality requirements					
This supplier openly shares confidential information with us					
This supplier promises to do things without actually doing them later					
This supplier provides our firm with individual attention					
This supplier provides us with a wide range of quality products and services					
This supplier rarely talks with us about business strategy					
This supplier treats me like a business partner					
This supplier will assist our firms in the case of traumatic events happening					
This supplier's products are of a high quality					
This supplier's representative cares for us					
This supplier's representative does not make false claims					
This supplier's service personnel are the most willing to help me					
This suppliers representative has been frank in dealing with us					
Top management in a business must let it be known that unethical behaviour will not be tolerated					
We adjust our marketing programme for this supplier when necessary					
We are confident they would charge us fair prices even if they had an opportunity to take advantage of us					
We are delighted with our overall relationship with X					
We are fully committed to our relationship with this supplier					
We are going to continue the relationship with this supplier for many years					

We are important to this supplier					
We are proud to work with this supplier					
We believe that over the long run our relationship with the retailer will be profitable					
We devote more time to this supplier when it needs help					
We expect this business relationship with this supplier to last for a long time					
We have been doing business with this supplier in an arms length fashion					
We have developed a close business relationship with this supplier					
We have put a good deal of effort to get to know this supplier firm's organisation and people					
We lack a strong business link with this supplier					
We may have to sever the business relationship with this supplier soon					
We often complain about this supplier's products					
We provide special aid to this supplier when it is in trouble					
We respond quickly to the supplier's request for help					
We wish we had more suppliers like X					
We would like our relationship with them to continue in the coming years					
X displays a sound strategic understanding of my business in his/her interactions with me					
X is very customer oriented in his/her interactions with us					

APPENDIX D

Originating author, construct and wording of each item

Distributor Loyalty (Attitudinal Measure)

Original Measure	Author	Construct	+ or -	Final wording
I am committed to my relationship with X	Moorman, Zaltman and Desphande (1992)	Commitment to relationship	+	I am committed to my relationship with this supplier
The relationship that my firm has with my major supplier is of very little significance to us	Morgan and Hunt (1994)	Relationship Commitment	-	The relationship that I have with this supplier is of little significance to me
The relationship that my firm has with my major supplier deserves our firms maximum efforts to maintain	Morgan and Hunt (1994)	Relationship Commitment	+	Maintaining a relationship with this supplier deserves my maximum effort
This supplier is a very important ally of our distributorship	Kim and Frazier (1997)	Affective Commitment	+	This supplier is an important ally of my business
The relationship that my firm has with my major supplier is something my firm intends to maintain indefinitely	Morgan and Hunt (1994)	Relationship Commitment	+	The relationship I have with this supplier is something I intend to maintain indefinitely

Satisfaction

Original Measure	Author	Construct	+ or -	Final wording
This supplier always provides us with tailored solutions	Rexha (1999)	Satisfaction (individual attention)	+	This supplier provides me with tailored solutions
The supplier's personnel are very highly skilled in quickly identifying the real needs of our business	Rexha (1999)	Satisfaction (quality of service personnel)	+	The supplier's personnel are skilled at identifying the needs of my business
This supplier provides us with a wide range of quality products and services	Rexha (1999)	Satisfaction (Attractiveness of offered products and services)	+	This supplier provides me with a wide range of products
Products of supplier X are the most competitive in the market	Own development		+	This supplier's products are competitive in the market
This supplier offers us very competitive remuneration	Rexha (1999)	Satisfaction (individual attention)	+	This supplier offers competitive remuneration

Shared Values

Original Measure	Author	Original Construct	+ or -	Final wording
Supplier X and I are working towards common goals	Own development		+	This supplier and I are working towards common goals
There is very little common ground between the values of supplier X and me	Own development		-	There is little common ground between this supplier's values and mine
Of all the suppliers, supplier X is most like me	Own development		+	Of all the suppliers, this supplier is most like me
A sense of unity exists between this supplier and us	Kim and Frazier (1997)	Affective commitment	+	I feel a sense of unity in my relationship with this supplier
This supplier and our distributor share common business interests	Kim and Frazier (1997)	Affective commitment	+	I share common business interests with this supplier

Trust

Original Measure	Author	Original Construct	+ or -	Final wording
I can believe what this supplier says with confidence	Kim and Frazier (1997)	Trustworthiness of the supplier firm	+	I can believe what this supplier says with confidence
Of the companies I deal with, Supplier X has the highest level of integrity	Own development		+	This supplier has integrity
Promises made by this supplier's representatives are reliable	Ganesan (1994)	Trust	+	Promises made by this supplier's representatives are reliable
I generally do not trust X	Moorman, Zaltman and Desphande (1992)	Trust in X	-	I generally do not trust this supplier
In our relationship my major supplier is always faithful	Morgan and Hunt (1994)	Trust	+	This supplier is faithful to me

APPENDIX E*Pilot Testing Questionnaire Feedback Form*

Completed by _____

Time taken to complete: _____ mins

Please rate the questionnaire on the following aspects and provide feedback on how areas or questions could be improved.

	Poor			Average				Excellent		
Visual appeal	1	2	3	4	5	6	7	8	9	10
Clarity of questions	1	2	3	4	5	6	7	8	9	10
Length of questionnaire	1	2	3	4	5	6	7	8	9	10
Ease of use	1	2	3	4	5	6	7	8	9	10

Were there any questions that you would not have been prepared to answer correctly?

Yes No

If you answered yes, please complete the following section

Question number	Reason you would not give a correct answer

Were there any questions that you think advisers might not be prepared to answer correctly?

Yes No

If you answered yes, please complete the following section

Question number	Reason you would not give a correct answer

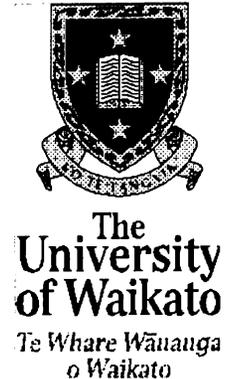
THANK YOU FOR YOUR YOUR HELP

APPENDIX F

Survey Covering Letter

Department of Marketing
and International Management
Waikato Management School
The University of Waikato
Private Bag 3105
Hamilton, New Zealand

Telephone 64-7-838 4725
Facsimile 64-7-838 4352
www.mngt.waikato.ac.nz



XXXX
82 YYY Street
ZZZ 0101

Dear XXXX

RE: Wanted... Your valuable opinions on Distributor/Supplier Relationships

I am a doctoral student undertaking research at Waikato University, in Hamilton. My area of research is the **relationship between a distributor and a supplier**, in particular this relationship within the **New Zealand Life Insurance Industry**. This area is largely unexplored and one that could potentially provide **valuable insights** into how the distributor/supplier relationship should be managed to increase the satisfaction levels of both parties. The contribution you can make to improve our understanding of the distributor/supplier relationship is important.

I understand your workday is already full of many pressing activities but I would really appreciate your help. Could you please:

- ◆ Unwrap and eat the **lollipop**,
- ◆ Invest **15 minutes** in completing the questionnaire as accurately as possible,
- ◆ Return the questionnaire in the attached postage paid envelope by **November 15, 2001**.

The confidentiality of your information is naturally of paramount importance. Your name was sourced from a UBD list of Life Insurance advisers. As you may be aware, I work in the Life Insurance Industry as a Strategic Planner for Sovereign Assurance. The research has been designed to ensure that no individual respondent can be identified. **No personal information**, or information that could lead to you or your company being identified will be included in any of the research results, nor will it be released to any other parties.

Any results that are published will be at a **general** rather than an individual response level. At the general level the information could be published in academic or industry publications.

This research project is carried out under the supervision of **Dr Carolyn Costley**, Senior Lecturer, Marketing and International Management, Waikato University. If you have questions relating to the research that you would like answered, Dr Costley can be contacted by telephone (07 838-4466, ext 8648), by e-mail (ccostley@waikato.ac.nz), or at the postal address above.

Once again, thank you for your help.

Yours sincerely,

Dave McMillan (PhD Candidate)

Dr Carolyn Costley, PhD (Senior Lecturer)

Please return your completed questionnaire to: **Freepost No 575, Attention Dave McMillan, School of Marketing and International Management, University of Waikato, Private Bag 3105, Hamilton.**

APPENDIX G

Distributor Questionnaire

1. List the **three main life insurance** suppliers that you deal with.

Main supplier	2nd supplier (if applicable)	3rd supplier (if applicable)

2. Please indicate the extent to which the following statements reflect **your thoughts** about your **MAIN supplier**. (please circle a number)

1 = strongly disagree, 2 = disagree, 3 = mildly disagree, 4 = neutral, 5 = mildly agree, 6 = agree, 7 = strongly agree

MAIN SUPPLIER

- | | |
|--|---------------|
| a) This supplier is an important ally of my business | 1 2 3 4 5 6 7 |
| b) I can believe what this supplier says with confidence | 1 2 3 4 5 6 7 |
| c) The relationship that I have with this supplier is of little significance to me | 1 2 3 4 5 6 7 |
| d) This supplier provides me with a wide range of products | 1 2 3 4 5 6 7 |
| e) I share common business interests with this supplier | 1 2 3 4 5 6 7 |
| f) The relationship I have with this supplier is something I intend to maintain indefinitely | 1 2 3 4 5 6 7 |
| g) This supplier provides me with tailored solutions | 1 2 3 4 5 6 7 |
| h) There is little common ground between this supplier's values and mine | 1 2 3 4 5 6 7 |
| i) The supplier's personnel are skilled at identifying the needs of my business | 1 2 3 4 5 6 7 |
| j) I generally do not trust this supplier | 1 2 3 4 5 6 7 |
| k) I am committed to my relationship with this supplier | 1 2 3 4 5 6 7 |
| l) I feel a sense of unity in my relationship with this supplier | 1 2 3 4 5 6 7 |
| m) Promises made by this supplier's representatives are reliable | 1 2 3 4 5 6 7 |
| n) This supplier's products are competitive in the market | 1 2 3 4 5 6 7 |
| o) This supplier and I are working towards common goals | 1 2 3 4 5 6 7 |
| p) This supplier has integrity | 1 2 3 4 5 6 7 |
| q) Maintaining a relationship with this supplier deserves my maximum effort | 1 2 3 4 5 6 7 |
| r) Of all the suppliers, this supplier is most like me | 1 2 3 4 5 6 7 |
| s) This supplier offers competitive remuneration | 1 2 3 4 5 6 7 |
| t) This supplier is faithful to me | 1 2 3 4 5 6 7 |

3. Please indicate the extent to which the following statements reflect **your thoughts** about your **SECOND supplier, if applicable..** (please circle a number)

1 = strongly disagree, 2 = disagree, 3 = mildly disagree, 4 = neutral, 5 = mildly agree, 6 = agree, 7 = strongly agree

Name of second supplier
(if applicable)

2nd SUPPLIER (if applicable)

- | | | | | | | | |
|--|---|---|---|---|---|---|---|
| a) This supplier is an important ally of my business | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b) I can believe what this supplier says with confidence | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c) The relationship that I have with this supplier is of little significance to me | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d) This supplier provides me with a wide range of products | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e) I share common business interests with this supplier | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f) The relationship I have with this supplier is something I intend to maintain indefinitely | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g) This supplier provides me with tailored solutions | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| h) There is little common ground between this supplier's values and mine | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| i) The supplier's personnel are skilled at identifying the needs of my business | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| j) I generally do not trust this supplier | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| k) I am committed to my relationship with this supplier | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| l) I feel a sense of unity in my relationship with this supplier | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| m) Promises made by this supplier's representatives are reliable | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| n) This supplier's products are competitive in the market | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| o) This supplier and I are working towards common goals | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| p) This supplier has integrity | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| q) Maintaining a relationship with this supplier deserves my maximum effort | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| r) Of all the suppliers, this supplier is most like me | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| s) This supplier offers competitive remuneration | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| t) This supplier is faithful to me | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

4. Please indicate the extent to which the following statements reflect **your thoughts** about your **THIRD supplier, if applicable**. (please circle a number)

1 = strongly disagree, 2 = disagree, 3 = mildly disagree, 4 = neutral, 5 = mildly agree, 6 = agree, 7 = strongly agree

Name of third supplier
(if applicable)

3rd SUPPLIER (if applicable)

- | | | | | | | | |
|--|---|---|---|---|---|---|---|
| a) This supplier is an important ally of my business | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b) I can believe what this supplier says with confidence | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c) The relationship that I have with this supplier is of little significance to me | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d) This supplier provides me with a wide range of products | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e) I share common business interests with this supplier | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f) The relationship I have with this supplier is something I intend to maintain indefinitely | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g) This supplier provides me with tailored solutions | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| h) There is little common ground between this supplier's values and mine | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| i) The supplier's personnel are skilled at identifying the needs of my business | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| j) I generally do not trust this supplier | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| k) I am committed to my relationship with this supplier | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| l) I feel a sense of unity in my relationship with this supplier | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| m) Promises made by this supplier's representatives are reliable | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| n) This supplier's products are competitive in the market | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| o) This supplier and I are working towards common goals | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| p) This supplier has integrity | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| q) Maintaining a relationship with this supplier deserves my maximum effort | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| r) Of all the suppliers, this supplier is most like me | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| s) This supplier offers competitive remuneration | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| t) This supplier is faithful to me | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

5. Approximately how many **proposals** have you placed with each of your suppliers over the **past 12 months?** (please **circle**)

Main Supplier		1-9	10	20	30	40	50	60	70	80	90	100	>100
2 nd Supplier	0	1-9	10	20	30	40	50	60	70	80	90	100	>100
3 rd Supplier	0	1-9	10	20	30	40	50	60	70	80	90	100	>100

6. What was the approximate **total gross remuneration** (\$) you received from each of your suppliers over the **past 12 months?** (please **tick**)

Main supplier	2 nd Supplier	3 rd Supplier
	Not applicable <input type="checkbox"/>	Not applicable <input type="checkbox"/>
<10,000 <input type="checkbox"/>	<10,000 <input type="checkbox"/>	<10,000 <input type="checkbox"/>
10,000-24,999 <input type="checkbox"/>	10,000-24,999 <input type="checkbox"/>	10,000-24,999 <input type="checkbox"/>
25,000-49,999 <input type="checkbox"/>	25,000-49,999 <input type="checkbox"/>	25,000-49,999 <input type="checkbox"/>
50,000-99,999 <input type="checkbox"/>	50,000-99,999 <input type="checkbox"/>	50,000-99,999 <input type="checkbox"/>
100,000-149,999 <input type="checkbox"/>	100,000-149,999 <input type="checkbox"/>	100,000-149,999 <input type="checkbox"/>
150,000-199,000 <input type="checkbox"/>	150,000-199,000 <input type="checkbox"/>	150,000-199,000 <input type="checkbox"/>
>200,000 <input type="checkbox"/>	>200,000 <input type="checkbox"/>	>200,000 <input type="checkbox"/>

7. Rate the **level of loyalty** you **feel** towards your **main supplier** (please **tick**)

Low	<input type="checkbox"/>
Moderately low	<input type="checkbox"/>
Neutral	<input type="checkbox"/>
Moderately high	<input type="checkbox"/>
High	<input type="checkbox"/>

8a. How much has this level of loyalty **altered** over the past 12 months? (please **tick**)

Substantial decrease	<input type="checkbox"/>
Moderate decrease	<input type="checkbox"/>
Not at all	<input type="checkbox"/>
Moderate increase	<input type="checkbox"/>
Substantial increase	<input type="checkbox"/>

8b. Please briefly explain **the reason** for your answer to the above question. (please write)

9. Please indicate the level of agreement you have with the following statements (please circle)

1 = strongly disagree, 2 = disagree, 3 = mildly disagree, 4 = neutral, 5 = mildly agree, 6 = agree, 7 = strongly agree

Loyalty is commendable	1	2	3	4	5	6	7
Loyalty results in anti-competitive behaviour by a supplier	1	2	3	4	5	6	7
The concept of loyalty is quaint	1	2	3	4	5	6	7
Loyalty is at the leading edge of modern business partnerships	1	2	3	4	5	6	7
Behaving loyally is a clever business strategy	1	2	3	4	5	6	7
In a commercial environment loyalty is foolish	1	2	3	4	5	6	7

10. How many years have you worked in the **life insurance** industry? (please write)

 Years

11. Which statement most accurately describes the **contractual obligations** of your agency agreement with your main supplier? (please tick)

- Contractually I am obliged to place **all my life business** with my main supplier
- I am contractually required to place the **majority of my life business** with my main supplier
- I have **no contractual obligations** to place any level of business with my main supplier

12. Which description that best outlines your position in the business? (please tick)

- Sole trader Director Partner Employee

13. How many people work in the same business as you? (please tick)

- 0 1-5 6-10 >10

14. Gender (please tick)

- Male
- Female

15. Which **age group** do you belong to? (please tick)

- <25 35-44 55-64
 25-34 45-54 65+

16. What is the **highest** level of qualification you completed in your **formal education**? (please tick)

- Secondary School (no School Certificate)
 School Certificate
 University Entrance/ Matriculation / 6th Form Certificate / Bursary
 Technical / Trade qualification
 University graduate

17. Which of the following best describes the **area you live in**? (please tick)

- City
 Town
 Rural

Please return your completed questionnaire to:

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 Dave McMillan
 Marketing & International Mgmt
 The University of Waikato
 Private Bag 3105
HAMILTON

Thank you for your help – your contribution is appreciated!