

**Customer Loyalty and Complex Services:
The Impact of Corporate Image on Quality, Customer Satisfaction
and Loyalty for Customers with Varying Degrees of Service
Expertise.**

by

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Abstractⁱ

Based on theory from consumer behavior and cognitive psychology, the purpose of this paper is to discuss and test corporate image and customer satisfaction as two routes to customer loyalty. Based on data from 600 individual customers categorized as having high or low service expertise of three companies within the package tour industry, a conceptual model is proposed and tested empirically using structural equation modeling. The data used in the study is included in The Norwegian Customer Satisfaction Barometer.

The latent variables' contribution to loyalty is estimated on the attribute level, based on path coefficients. Perceived quality has positive effects on value and customer satisfaction for the industry consolidated. Value has only significant impact on customer satisfaction for customers with a low degree of service expertise. Corporate image is positively correlated with perceived quality, customer satisfaction, and customer loyalty. Corporate image does not impact customers' perception of value. The paper concludes by claiming that for complex services, corporate image and customer satisfaction are not two separate routes to customer loyalty. Corporate image impacts customer loyalty directly whereas customer satisfaction does not. This finding was consistent with high and low service expertise. These results challenge the disconfirmation paradigm which predicts customer satisfaction as the primary route to customer loyalty. From a managerial perspective, information regarding the relative strength of the two routes is vital with regard to resource allocation in order to improve customer loyalty.

Key words: Norway, Marketing, Research, Service quality, Corporate Image, Customer Satisfaction, Customer Loyalty

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Introduction

In today's competitive markets services and service companies within the same industry are becoming increasingly similar. Differentiation through the delivery channel (i.e. delivery of services against payment) is difficult. A growing number of service companies have embarked on a journey of positioning through the communication channel (i.e. advertising and personal selling) (Andreassen and Bredal 1996), with the objective of building strong corporate images in order to create relative attractiveness. This development is in line with Lovelock (1984) who claims that

«(images)... are likely to play only a secondary role in customer choice decisions unless competing services are perceived as virtually identical on performance, price, and availability» (p 134)

Consequently we would expect that corporate image under current market conditions will play an important role in both attracting and retaining customers.

Research related to consumer behavior in the field of service marketing has progressed steadily over the years. Measured by the impact and amount of work done within customer satisfaction research, it is fair to say that the dominant theories are *disconfirmation of expectations* (Swan 1983); (Oliver and DeSarbo 1988); (Oliver 1980); (Churchill and Suprenant 1982) and *cognitive psychology* (Weiner 1980; Weiner 1985; Weiner 1985); (Folkes 1988). In the service marketing literature these streams of theory have been used in the prediction of consumer behavior. Disconfirmation theory focuses on cognition of transaction specific experiences as a foundation for customer (dis)satisfaction and subsequent consumer behavior whereas cognitive psychology has studied the importance of cognitive schemas in the decision process and consumer behavior.

Research within the service marketing literature related to the impact of corporate image (i.e. attitude towards a company) and its impact on customer loyalty does not share the same long traditions as customer satisfaction research. Apart from the

early conceptual work discussing corporate image and positioning (Lovelock 1984), the service management system (Normann 1991), the service marketing mix (Bitner 1991), technical and functional quality (Grönroos 1984), surprisingly little empirical work has been done in assessing the impact of corporate image and customer satisfaction on customer loyalty. The purpose of this paper is to examine the impact of corporate image on quality, customer satisfaction and customer loyalty in complex services with varying degrees of service expertise. A conceptual model treating satisfaction and image as latent variables with multiple attributes is proposed. Next, the results of an empirical study from the package tour industry testing the model are presented. Finally the implications of the findings are discussed.

The conceptual model

The disconfirmation-of-expectation paradigm (Oliver 1980) argues that customer loyalty (e.g. repurchase intentions, willingness to provide positive word-of-mouth) is a function of customer satisfaction, which again is a function of a cognitive comparison of expectations prior to consumption and actual experience. Customer satisfaction/dissatisfaction requires experience with the service, and is influenced by the perceived quality and the value of the service (Anderson, Fornell et al. 1994). It is the primary driver of consumer behavior. Based on the transaction driven nature of the satisfaction experience, several writers claim that corporate image is a function of the cumulative effect of customer (dis)satisfaction, e.g. Oliver and Linda (1981), Fornell (1992) , Johnson & Fornell (1991), and Bolton & Drew (1991). When services are difficult to evaluate, corporate image is believed to be an important factor influencing the perception of quality, customers` evaluation of satisfaction with the service, and customer loyalty.

It is generally recognized that customers` perception of quality is based on one or more cues. Olson (1972) conceptualized the formation of quality perception as a two-stage process. In Olson`s model the information value of a cue depends on its predictive value, its confidence value, and whether the cue is intrinsic or extrinsic to

the product. Predictive value is defined as:

"the extent to which the consumer perceives or believes that the cue is related to or is indicative of product quality" Confidence value is *"the degree to which a consumer is confident in his ability to accurately perceive and judge the cue"* (Olson, *op cit.*)

Intrinsic cues cannot be changed without also changing the characteristics of the product or service, whereas extrinsic cues are related to, but not part of the product or service (e.g. corporate image). Olson (1972) predicts that extrinsic cues have a greater tendency to be used when available intrinsic cues have low predictive value, low confidence value or both, and a lesser tendency to be used when intrinsic cues have high predictive value and confidence value.

In line with the theory of cognitive psychology (Weiner 1980; Weiner 1985; Weiner 1985); (Folkes 1988) we expect that a service company's image will function as a filter in the perception of quality, value, satisfaction and as a simplification of the decision process when consumers choose where to purchase services. Perceived performance of service quality on attribute level is believed to impact the satisfaction judgment of the transaction and the perception of value. Value is an aggregated variable reflecting the perception of all quality attributes as a function of price is believed to impact the satisfaction judgment of the transaction. In summary we will suggest that loyalty to the same service company or same product/service is based on a confirmation based satisfaction of previous purchases and a general attitude toward the company. This is illustrated in figure 1.

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Figure 1: The conceptual model

Perceived quality and value

Perceived service quality is defined as "the consumer's judgment about a product's overall excellence or superiority" (Zeithaml 1988). According to Juran (1988) quality consists of two primary elements: (1) to what degree a product or service meets the needs of the consumers, and (2) to what degree a product or service is free from deficiencies. Service quality is believed to depend on the gap between expected and perceived performance (Anderson, Fornell et al. 1994).

Perceived value takes into account the price of the service in addition to the quality. According to Zeithaml et al. (1988),

"perceived value is the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given".

Consumers' perception of value is influenced by differences in monetary costs, nonmonetary costs, customer tastes, and customer characteristics (Bolton and Drew 1991).

Based on the above discussion and arguments, we will make the following propositions:

Proposition 1: Perceived quality is believed to have a positive impact on value.

Proposition 1.1: Perceived quality and value are believed to have positive impacts on customer satisfaction

Customer satisfaction

Customer satisfaction is a well known and established concept in several sciences: marketing (Fornell and Werneldt 1987; Fornell and Wernefelt 1988; Kotler 1991), consumer research (Yi 1989), economic psychology (Johnson and Fornell 1991), welfare-economics (Simon 1974), and economics (Van Raaij 1981; Wärneryd 1988).

Assuming that the customer is capable of evaluating the service performance, the result is compared to expectations prior to purchase or consumption (Oliver 1980).

Any discrepancy leads to disconfirmation; i.e. positive disconfirmation increases or

maintains satisfaction and negative disconfirmation creates dissatisfaction. Having roots in social psychology (Weaver and Brinckman 1974) and organizational behavior (Ilgen 1971), expectancy disconfirmation is actually two processes consisting of the formation of expectations and the disconfirmation of those expectations. Perceived performance is influenced by the consumers' perception of quality, marketing mix, brand name and company image. Decision research suggests that positive and negative disconfirmations should weigh very differently on satisfaction. Losses are perceptually greater than gains of equal amount (Kahneman and Tversky 1979). In line with Kahneman & Tversky's prospect theory, Anderson and Sullivan (1991) suggests that negative disconfirmation has more impact on satisfaction than positive disconfirmation at the micro-level. In this article we treat customer satisfaction as the accumulated experience of a customer's purchase and consumption experiences.

Based on the above discussion and arguments, we will make the following proposition:

Proposition 2: Customer satisfaction is believed to have a positive impact on customer loyalty.

Corporate image

From the marketing literature of goods we have learned that brand reputation has been defined as a perception of quality associated with the name (Aaker and Keller 1990). On the company level, image has been defined as:

«.. perceptions of an organization reflected in the associations held in consumer memory» (Keller 1993).

(Corporate) image in the service marketing literature was early identified as an important factor in the overall evaluation of the service and the company (Grönroos 1984); (Gummesson and Grönroos 1988); (Bitner 1991). Apart from image as a function of accumulation of purchasing/consumption experience over time, most

organizations also provide complex and noisy informational environments (e.g. advertising, direct marketing, or PR) in order to attract new and keep existing customers. In the *Perceived Quality Model* (Grönroos 1988) perceived quality is a function of expected quality (generated from market communication, image, word-of-mouth, and customer needs) and experienced quality (generated from technical quality and functional quality). According to Grönroos "*corporate image is a filter which influences the perception of the operation of the company*". This is in line with Gummesson (1993), who states that customer perceived quality is a function of «*quality in fact and quality in perception*» (p 229).

People develop knowledge systems (i.e. schemas) to interpret their perception of the company. Corporate image is believed to have the same characteristics as self-schema (Markus 1977) with regard to influencing the buyers' purchasing decision, i.e. good corporate image stimulates purchase from one company by simplifying decision rules. In this context corporate image becomes an issue of attitudes and beliefs with regard to awareness and recognition (Aaker 1991), customer satisfaction and consumer behavior (Fornell 1992). Corporate image can be an extrinsic information cue for both existing and potential buyers and may or may not influence customer loyalty (e.g. willingness to provide positive word-of-mouth). Corporate image is consequently assumed to have an impact on customers' choice of company when service attributes are difficult to evaluate. Corporate image is established and developed in the consumers' mind through communication and experience. Corporate image is believed to create a halo effect on customers' satisfaction judgment. When customers are satisfied with the services rendered, their attitude towards the company is improved. This attitude will then affect the consumers' satisfaction with the company. In this article we treat corporate image as an accumulated attitude (experience based or not) towards the company.

Based on the above discussion and arguments, we will make the following proposition:

Proposition 3: Corporate image is believed to have a positive impact on customers' perception of quality, value, customers' satisfaction

judgment, and customer loyalty.

Customer loyalty

Customer loyalty expresses an intended behavior related to the service or the company. This includes the likelihood of future renewal of service contracts, how likely it is that the customer changes patronage, how likely the customer is to provide positive word-of-mouth, or the likelihood of customers providing voice. If real alternatives exist or switching barriers are low management discovers the organization's inability to satisfy its customers via two feedback mechanisms: exit and voice (Hirschman 1970). Exit implies that the customers stop buying the company's services while voice is customer complaints expressing the consumers' dissatisfaction directly to the company. Customers' exit or change of patronage will have an impact on the long-term revenue of the company. Effects caused from changes in the retention rate are exponential (not linear) with regard to effects on the long term revenue. Even a marginal reduction/increase in retention rate has significant effects on future revenue (Reichel and Sasser 1990); (Andreassen 1995). Customers may be loyal due to high switching barriers or lack of real alternatives. Customers may also be loyal because they are satisfied and thus want to continue the relationship. History has proven that most barriers to exit are limited with regard to durability; companies tend to consider customer satisfaction the only viable strategy in order to keep existing customers. Several authors have found a positive correlation between customer satisfaction and loyalty (Bearden, Teel et al. 1980; Bolton and Drew 1991; Fornell 1992; Anderson and Sullivan 1993).

Based on the above discussion and arguments, we will make the following proposition:

Proposition 4: Repurchase intention and willingness to provide positive word of mouth are indications of customer loyalty

The structural model

We treat perceived service quality, value, corporate image, customer satisfaction, and customer loyalty as latent variables with multiple indicator measures (i.e. p_i , v_i , s_j , c_j , and l_j) (Bolton and Drew 1991; Oliver 1992). Customer loyalty at (t+1) is positively correlated with customer satisfaction at (t) and corporate image at (t). Customer satisfaction at (t) is positively correlated with corporate image at (t), value at (t), and perceived quality at (t). Value at (t) is positively correlated with perceived quality (t) and corporate image (t). Perceived quality at (t) is positively correlated with corporate image (t). The theoretical framework can be summarized as:

$$\begin{aligned} \text{Customer loyalty}_{t+1} &= f(\text{corporate image}_t, \text{customer satisfaction}_t, \zeta_4) \\ \text{Customer satisfaction}_t &= f(\text{corporate image}_t, \text{value}_t, \text{perceived quality}_t, \zeta_3) \\ \text{Value}_t &= f(\text{corporate image}_t, \text{perceived quality}_t, \zeta_2) \\ \text{Perceived quality}_t &= f(\text{corporate image}_t, \zeta_1) \end{aligned}$$

ζ_j is a vector of other factors (e.g. environmental, situational, error).

The structural model is illustrated in figure 2.

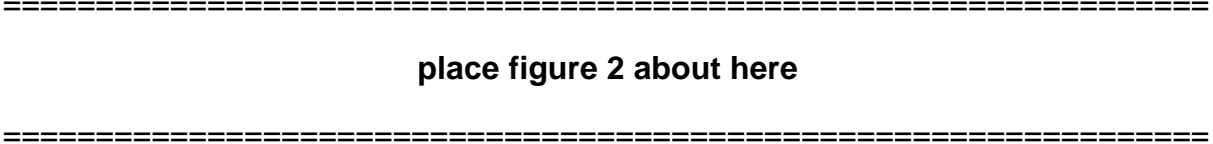


Figure 2: Proposed structural model

When evaluating the service value, consumers consider the quality transaction specific attributes as well as the price and the quality of the service. We propose the following hypothesis for empirical testing.

H₁: Perceived quality will have a positive impact on value for the industry consolidated.

We believe that perceived quality and value will have positive impacts on customer satisfaction. Since the quality attributes are difficult to evaluate in the package tour industry, it is likely that an assessment of the utility of the product is based on the value perception rather than the perception of the quality attributes. We therefore propose the following hypothesis for empirical testing:

H₂: Value and perceived quality have positive impacts on customer satisfaction. Value has a stronger impact on customer satisfaction than perceived quality for the industry consolidated.

Customers with a high degree of service expertise are more capable of evaluating the different quality attributes of complex services. We believe the impact of perceived quality on customer satisfaction will be stronger than the impact of value on customer satisfaction for these customers. We therefore propose the following hypothesis for empirical testing:

H₃: For customers with a high degree of service expertise perceived quality will have a stronger impact on customer satisfaction than value.

Customers with a low degree of service expertise are less capable of evaluating the different quality attributes of complex services. We believe the impact of value on customer satisfaction will be stronger than the impact of perceived quality on customer satisfaction for these customers. We therefore propose the following hypothesis for empirical testing:

H₄: For customers with a low degree of service expertise value will have a stronger effect on customer satisfaction than perceived quality.

Corporate image is believed to influence the customer's perception of value and

quality through a filtering effect. Corporate image is also believed to influence the customers' satisfaction evaluation. Based on this we propose the following hypothesis for empirical testing:

H₅: Corporate image through a filtering effect impacts customers perception of value, quality and customer satisfaction for the industry consolidated.

Customers with a high degree of service expertise are believed to be more capable of evaluating the service attributes. One may consequently assume that corporate image has less impact on the perception of quality, value, and the evaluation of customer satisfaction. Based on this we propose the following hypothesis for empirical testing:

H₆: For customers with a high degree of service expertise the impact of corporate image on value, quality and customer satisfaction will be weaker than for customers with low degree of service expertise.

On the industry level we believe that both corporate image and customer satisfaction will impact customer loyalty. Since the quality attributes in the package tour industry are difficult to evaluate, i.e. the confidence value of the intrinsic cues are low, we believe that the corporate image path to loyalty is more significant than the customer satisfaction path to loyalty. We therefore propose the following hypothesis for empirical testing:

H₇: Corporate image and customer satisfaction are two routes to customer loyalty with the image path to loyalty as the most significant for the industry consolidated.

Customers with a high degree of service expertise are able to perform a

comparison of expectations prior to consumption and actual experience after consumption. Their repurchase intention is consequently assumed to be based on a cognitive evaluation of previous purchase experience. In this respect we think that customer satisfaction rather than corporate image will be used in future decision processes. We therefore propose the following hypothesis for empirical testing:

H₈: For customers with a high degree of service expertise customer satisfaction rather than corporate image will be the primary path to loyalty.

Customers with a low degree of service expertise are less capable of evaluating various aspects of the service. Consequently these customers are believed to use corporate image as an extrinsic cue for service quality dimensions. We therefore propose the following hypothesis for empirical testing:

H₉: For customers with a low degree of service expertise corporate image rather than customer satisfaction will be the primary path to loyalty.

These hypotheses can be tested empirically by calculating the significant path coefficients.

Methodology

Sample

A total of 600 customers were sampled from three package (charter) tour operators in Norway. These companies' collective sales represent about 75% of the sales in

Norway. The package tour industry was chosen due to its complex nature. It is characterized by high monetary cost, infrequent consumption, and the quality attributes of the services are difficult to evaluate. The sample frame which was representative for the Norwegian population was developed by a professional company. In order to secure service experience customers who had traveled with one of the three operators within the last 12 months were interviewed using telephone. If respondents had used more than one operator in this period, the most recent operator was used. Each interview lasted about 15 minutes. Prospective respondents who were not available on the first call, were called three times in order to be able to perform the interview for that respondent before a substitute was picked. Respondents and companies were incorporated in The Norwegian Customer Satisfaction Barometer.

Measures

Quality, value and choice can be used to operationalize utility (Perreault and Russ 1976), i.e. satisfaction. Customer satisfaction cannot be measured directly using an objective measure (Simon 1974). If, however, customer satisfaction is treated as an abstract and theoretical phenomenon it can be measured as a weighted average of multiple indicators (Johnson and Fornell 1991). Measurement errors in the index are taken care of through the quality and quantity of the measures being used (Fornell 1989). Consequently value, perceived quality, customer satisfaction, corporate image, and customer loyalty were measured using multiple indicators. Perceived quality is measured using three transaction specific items; the total quality of the package tour, the flight, and the destination. Value is an overall quality price evaluation of the service attributes and is measured using two indicators; quality given price, and price given quality. Customer satisfaction is a measure of the customers' experience based evaluation of the service/product provider. The indicators tap into the construct by addressing overall satisfaction, comparison with an ideal package tour company, and congruence with expectations. Corporate image is an overall evaluation of the company and is measured using three

indicators; overall opinion of the company, opinion of the company's contribution to society, and liking of the company. Customer loyalty was initially measured using two loyalty indicators; repurchase probability, and likelihood of providing positive word-of-mouth to potential buyers. Repurchase intention is often used as an indicator of intended repurchase behavior. In most studies, however, the item is related to products or services with a frequent consumption pattern (see for example (Fornell 1992); (Anderson, Fornell et al. 1994). A preliminary model estimation indicated a bad model fit when repurchase probability was included. This may be explained by the infrequent consumption pattern of package tours. Another factor explaining this result is related to the respondents' recent consumption of package tours. Any repurchase intention in the near future was thus not obvious. Based on this repurchase intentions was excluded in the measure and the latent variable customer loyalty was reduced to one item. Service expertise is self reported and measured as ease of evaluating the quality of a package tour.

The indicators were measured using ten-point scales such as "very dissatisfied"/"very satisfied", «very likely»/«very unlikely» and «very difficult/very easy» as anchor points. Participants were allowed to be indifferent by the use of "no opinion" or "don't know"-categories. Component measures were constructed by multiple indicators. Characteristics of the component measures are given by the number of items making up each measure and Cronbach alpha coefficients which express internal consistency in measures. The Cronbach alpha coefficients are presented in table 1.

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Table 1: Cronbach alphas for five constructs in the package tour industry

According to Nunnally (1967) a score above .5 is adequate for basic research. 15

Despite the fact that this score was later adjusted to 0.7 (Nunnally 1978), we will still claim that the measures are good.

Model

A reflective measurement model was used, where the observed variables are caused by the latent variables (Bollen 1989). Endogenous (dependent) latent variables are labeled η , and the exogenous (independent) latent variable is labeled ξ . The dependence of the latent variables was then expressed as $\eta = B\eta + \Gamma\xi + \zeta$.

Analysis and results

Using structural equation modeling (LISREL VIII, ML) (Jöreskog and Sörbom 1989) the relationships hypothesized in this study were analyzed.

Figure 2 illustrates the structural equation model that was tested in this phase of the analysis. Four indices were employed to evaluate the fit of the proposed model. The goodness of fit index (GFI) represents an index of the relative amount of observed variances and covariances among indicators collectively accounted for by the hypothesized model. Adjusted goodness of fit index (AGFI) expresses the same as the GFI, but takes into account the number of degrees of freedom relative to the number of indicators. Root mean square of residuals (RMR) is a measure of the average of the fitted residuals between the observed and the implied model. An additional fit index, less dependent on sample size, is the root mean square error of approximation (RMSEA) provided by LISREL VIII. It tests a hypothesis of close fit (Browne and Cudeck 1993). Error of approximation refers to lack of fit between the proposed model and the population covariance matrix. The sample size is not present in the RMSEA measure, which makes it less dependent on sample size. The level on RMSEA indicates close approximation of the model to the data (Browne and Cudeck 1993). The chi-square statistic is not adequate for sample sizes as large as 600 and is not included for the industry as a whole. The values are illustrated in

table 2.

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Table 2: LISREL fit indices

Based on these fit indices, provided by LISREL, we can conclude that overall the model fits the data reasonable well.

Parameter estimates

The estimated standardized path coefficients between the endogenous and exogenous variables (i.e. the gamma matrix) are illustrated in table 3.

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Table 3. Influence on exogenous variables on endogenous variables.

As can be seen from table three the effect of corporate image, except for value, is positive as modeled in figure 2. Contrary to our expectations corporate image has no significant impact on the perception of value in any of the cases.

The estimated standardized path coefficients between the endogenous variables value, customer satisfaction (CS), and customer loyalty (CL) are illustrated in table 4.

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Table 4: Relationships between endogenous variables.

Perceived quality impacts value as expected. Except for customers with low service expertise perceived quality influences customer satisfaction in all the cases. Value impacts customer satisfaction only for customers with low service expertise. Contradictory to our expectations customer satisfaction has no impact on customer loyalty in any cases.

Discussion

In stagnating markets where product or service differences are marginal if any, retaining current customers becomes important to the future existence of most companies. Customer satisfaction and corporate image are two aspects which are believed to impact customer retention. From a managerial perspective understanding the drivers of customer satisfaction and corporate image is important.

Based on the model structured and the data sampled support is found for hypothesis H₁. Perceived quality has a positive impact on value in all the cases studied.

The H₂ hypothesis is rejected. Value has no significant impact on customer satisfaction for the industry consolidated. This finding indicates that the satisfaction evaluation for the industry consolidated is a direct function of performance judgment on the attribute level. The use of attribute performance implies that disconfirmation of each attribute is more important for customer satisfaction than the aggregated value perception. This agrees with Oliver's (1997, p. 124) dimension of attribute specific operations of the expectancy disconfirmation model.

Support is found for the H₃ hypothesis. Perceived quality has a stronger effect than value on customer satisfaction for customers with a high degree of service expertise.

Support is found for hypothesis H₄. For customers with a low degree of service expertise value has a stronger impact on customer satisfaction than perceived

quality. Perceived quality has no significant impact on customer satisfaction in this segment.

Support is partly found for hypothesis H5. Corporate image has an impact on perceived quality and customer satisfaction for the industry consolidated, but has no significant effect on value. Although corporate image has no direct effect on value, it has an indirect effect through perceived quality.

Hypothesis H6 is partly accepted. For customers with a high degree of service expertise corporate image has a weaker impact on perceived quality and customer satisfaction than for customers with a low degree of service expertise. The impact on perceived quality is, however, only marginally weaker for customers with high service expertise compared to customers with low service expertise. Corporate image has no effect on value for any of the segments studied.

Hypothesis H7 is supported. Corporate image has a stronger effect on loyalty than customer satisfaction for the industry consolidated. Customer satisfaction has no significant effect on loyalty. This finding is in line with the notion that package tour services are complex and hard to evaluate. The fact that corporate image rather than customer satisfaction impacts future intended consumer behavior indicates credence quality.

Hypothesis H8 is rejected. Even for customers with a high degree of service expertise corporate image is the main driver of customer loyalty. Customer satisfaction has no significant impact on loyalty for customers with a high degree of service expertise. The explanation to this finding may be found in the nature of package tour services and supports the argument that corporate image functions as an extrinsic cue for complex services.

Support is found for hypothesis H9. Corporate image is the primary path to customer loyalty. Corporate image also has a very strong impact on customer satisfaction. For customers with a low self-reported service expertise, image is the strongest driver of future intended repurchase behavior.

Even though the package tour industry is a complex service industry characterized by quality attributes that are difficult to evaluate, perceived quality exerts a strong influence on customer satisfaction, while value has no significant effect on (dis)satisfaction. Corporate image is the primary driver of customer satisfaction for the package tour industry consolidated, and managers should seek to maximize the customers' satisfaction by building a strong corporate image as well as securing high quality services.

Based on the above findings we can conclude that for complex and infrequently purchased services, corporate image rather than customer satisfaction is the main predictor of customer loyalty. This finding challenges the disconfirmation-of-expectations paradigm, which predicts customer satisfaction as the primary route to customer loyalty.

For managers this finding has important implications with regard to brand building strategies. Key to profitability is customer loyalty. We have documented that corporate image is the dominant route to customer loyalty. Indications of a successful brand building strategy are found when companies have a relative attractiveness in their image, that is corporate image is significantly different from other companies within the same industry. Data from the Norwegian Customer Satisfaction Barometer showed that there are no significant differences in either the customers' perception of the corporate image or their satisfaction with the three companies in the study. These results indicate that the companies have not succeeded in their brand building strategies, and that the industry provides generic services. Relative attractiveness is key in order to attract or retain customers.

Future research

Corporate image and satisfaction are two important routes to customer loyalty for most service companies, either in retaining or attracting customers. Research related to the importance of image and satisfaction in attracting new customers to the company and how this may change between different service industries is in

dire need. In the emerging paradigm of relationship marketing, we need to understand the importance of image and satisfaction in retaining customers.

We have focused on the impact of image and customer satisfaction on customer loyalty. One problem is estimating existing customers experience with and perception of the company is the closeness of the two constructs. This may create validity problems. Research related to construct validity, i.e., finding good measures of satisfaction, image and loyalty is therefore required.

Figure 1

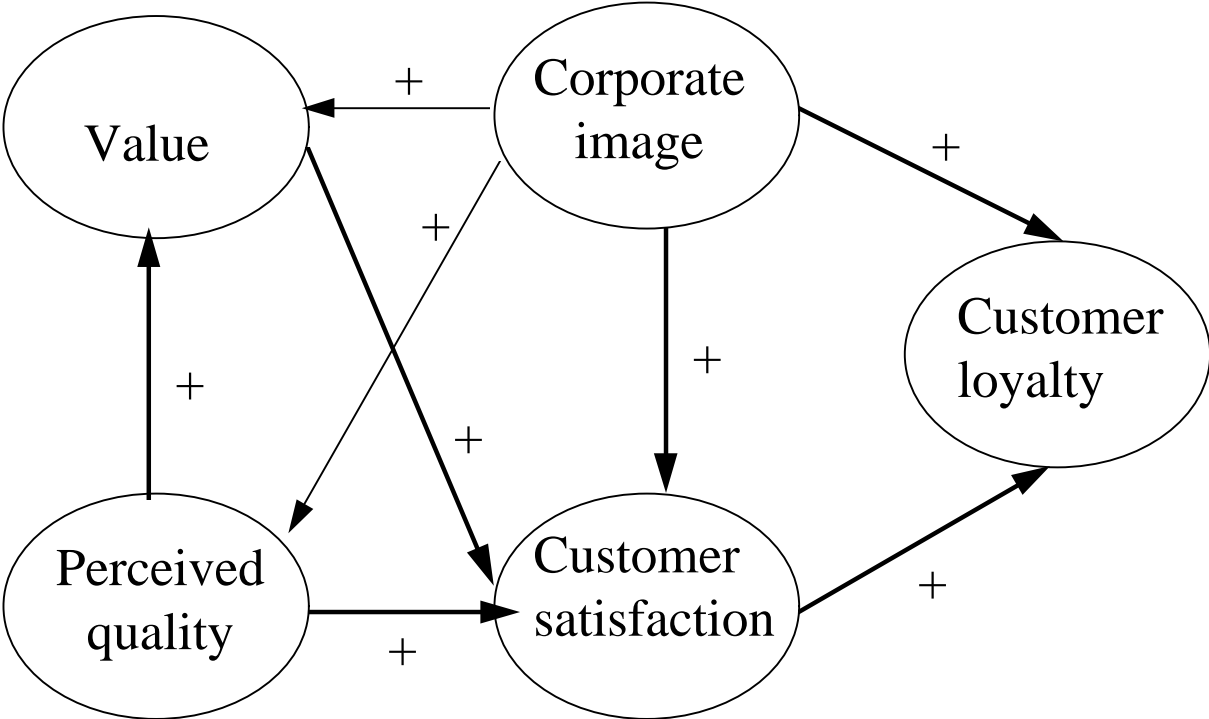


Figure 2

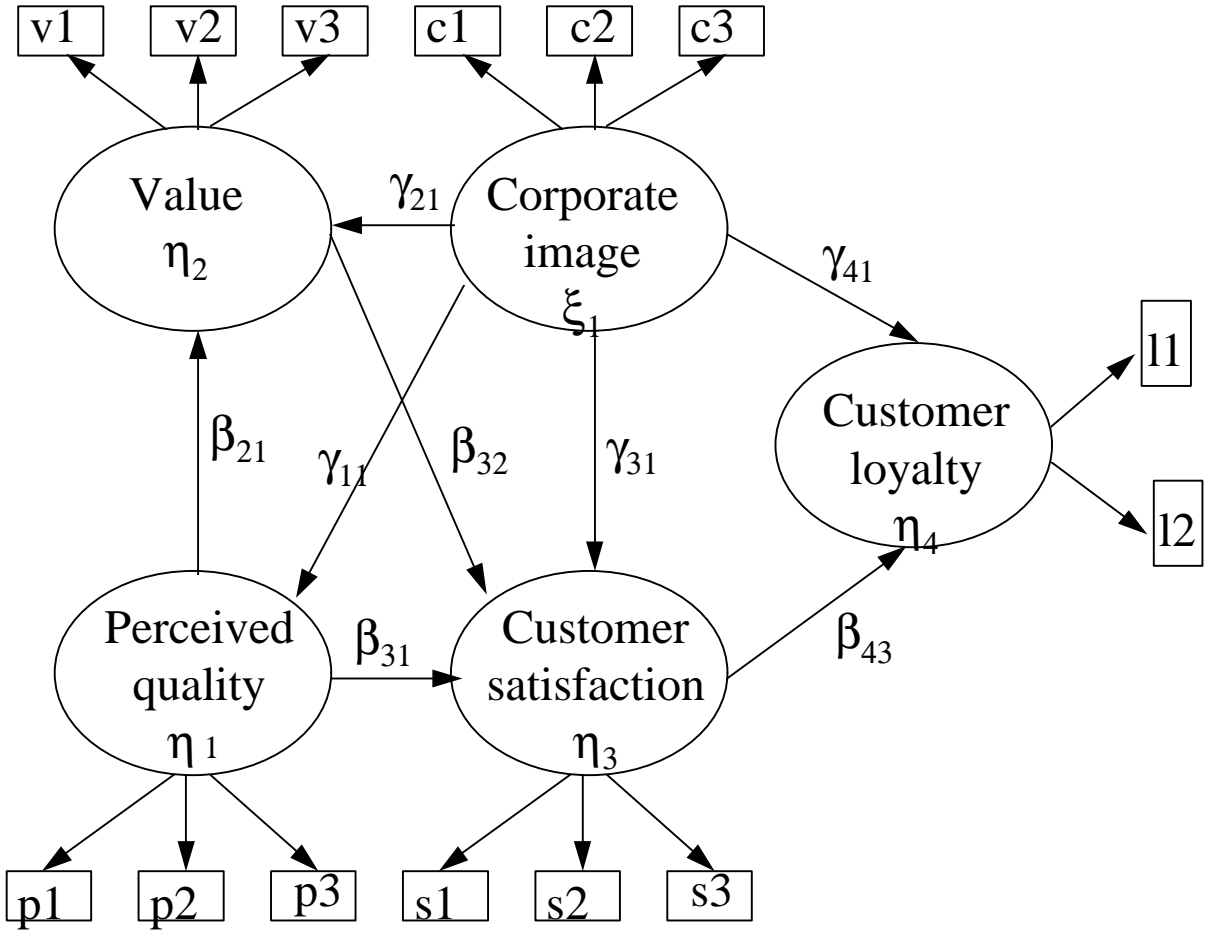


Table 1

	Industry consolidated (N=600)	High service experience (N=360)	Low service experience (N=222)
Perceived quality (three items)	0.67	0.66	0.66
Value (two items)	0.62	0.61	0.63
Corporate image (three items)	0.62	0.57	0.67
Customer satisfaction (three items)	0.81	0.78	0.83

* Customer loyalty was operationalized using one indicator.

Table 2

	Industry consolidated	High service expertise	Low service expertise
RMSEA	0.064	0.072	0.060
RMR	0.038	0.043	0.044
GFI	0.95	0.94	0.94
AGFI	0.93	0.90	0.90
Chi square	-	149.97 n=360; (P=0.00) 52 df	93.71 n=222; (P=0.00) 52 df

Table 3

	Industry consolidated	High service expertise	Low service expertise
	Corporate image	Corporate image	Corporate image
Perceived quality	0.87 (17.02)	0.86 (12.73)	0.88 (12.00)
Value	n.s.	n.s.	n.s.
Customer satisfaction	0.67 (6.96)	0.45 (3.77)	0.93 (12.36)
Customer loyalty	0.75 (18.97)	0.79 (14.38)	0.73 (12.01)

ns= not significant at the 0.05 level. T-values above 2.57 are significant at the 0.001 level.

Table 4

	Industry consolidated			High service expertise			Low service expertise		
	Perc. quality	Value	CS	Perc. quality	Value	CS	Perc. quality	Value	CS
Value	0.63 (15.53)			0.58 (11.32)			0.63 (9.12)		
CS	0.36 (3.90)	n.s.		0.58 (4.78)	n.s.		n.s.	0.12 (2.41)	
CL			n.s.			n.s.			n.s.

ns= not significant.

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