

ABSTRACT

Research has shown that customer loyalty brings about a steady stream of revenue for a firm. One way of achieving high profits is to maintain current customers who contribute to the firm's revenue by continuously purchasing and paying more for the products and services offered by the firm and building brand equity to the firm. The main objective of this study is to empirically examine and extend the knowledge underlying the linkage between customer loyalty and market performance and brand equity performance outcomes in the context of business-to-business markets.

Based on a review of literature on loyalty, brand equity, business-to-business, relationship marketing and service marketing, a theoretical model examining the antecedents and the outcomes of customer loyalty in a business-to-business context was developed. This theoretical model explains a) the relationship between customer loyalty and customer share of wallet and price premium, b) the relationship between the proposed antecedents and customer loyalty, c) the chain of effects from the proposed antecedents of loyalty to customer share of wallet and price premium.

The theoretical model and two competing models, were empirically tested with a sample of 306 Australian small to medium enterprises (SMEs) recruited from a mail survey and an online survey. A two step approach in Structural Equation Modelling was adopted. The measurement models were tested. First, the findings indicate that all constructs have acceptable levels of reliability and validity. Second, the competing model 2 (Model C2) received the best fit to the data among the three models tested by means of sequential Chi-square difference test. Model C2 was selected for hypothesis testing. All the hypotheses except H7 (trust in service provider to purchase intentions), were supported.

The findings show that purchase intentions, a behavioural aspect of loyalty, is positively related to customer share of wallet while attitudinal loyalty is positively related to price premium. It is also found that purchase intentions is positively influenced by perceived service quality and habitual buying, whereas attitudinal loyalty is positively influenced by customer trust in the service provider and perceived service quality. By testing Model C2, a competing model with two additional paths, new relationships have been found. It is found that perceived service quality has a direct contribution to trust in the service provider and price premium.

Lastly, this study concludes with a discussion of theoretical contributions, managerial implications, limitation and directions for future research.