

Customer Benefit as a Determinant of Repeat Purchasing



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ABSTRACT

Repeat purchasing is the result of certain constellations of the customer benefit. To develop an understanding of this concept, such constellations must be differentiated. The bonding plays a key role as a behavior determinant. The customer's repeat purchasing behavior can be differentiated in this sense by whether it would occur without the influence of such a bonding or whether the bonding was decisive. Repeat purchasing in which bonding is not a factor is founded either on the effect of the core offering or on the effect of the ancillary services. Bonding itself is attributed to economic causes or to the effect of rather psychological causes such as trust and commitment.

KEYWORDS: customer bonding, demand, loyalty, ancillary services, differentiated marketing, repurchase, economic effects

JEL Classification: L20, L80; M31

We see a core service of an offer to be the element of the service that are fundamentally or substantially suited to meeting the functional needs of the customer. These needs are characterized by the fact that they give the customer grounds to enter into exchange activities with suppliers. Ancillary services, on the other hand, can enhance the benefits of a core service, but alone they are not capable of meeting the functional needs of the customer. So they merely provide ancillary benefit. Both categories can promote repurchase.

The essential benefit for the customer is derived from the composition of the core service. If the supplier is successful in creating benefits to the customer on the basis of the core service, the customer will enter into the exchange with this supplier and not with a competitor. The customer has two offers to choose from: one from the focal supplier, the other from the competitor, which is in this case the most appealing alternative to supplier for the customer.

To even be considered by the customer, both offers must on their own demonstrate a positive net benefit, meaning that the anticipated benefit of the offer must exceed the price to be paid. But the customer will still only choose one of the offers, namely the one with the greatest net benefit. We refer to this difference as the relative net benefit. If the supplier is able to maintain the customer benefit over the long term, the customer will continue to favor this supplier over competitors, meaning that he will make future purchases from the supplier as subsequent transactions. So in this case repeat purchasing is the result of enduring, “simple” customer benefit.

It should be noted, however, that repeat purchasing behavior is linked to the sustainability of customer benefit from the core service of the exchange relationship. If the structures of the exchange change, e.g. if a competitor increases the benefit of his offer to the customer or reduces the prices, the basis for repeat purchasing behavior is negated. Innovations, price changes or a stronger pace in the competition can affect switching. The customer will then immediately switch to the supplier making the most appealing offer. Thus repeat purchasing behavior is linked to the sustainable maintenance of the customer benefit in the exchange relationship; long-term security of the customer benefit must be the focus of the supplier.

Ancillary Services as the Reason for Repeat Purchasing

Ancillary services can take many different shapes, whereby the aspect referred to as customer service, often has particular significance. Examples of customer service are: technical and administrative customer support; ordering service; delivery; assembly; supply of spare parts; maintenance; repair, option to exchange a product; training and courses;

hotlines; internet-based services; and also the availability of the supplier's distribution centers. Just like the core service, ancillary services change the exchange relationships.

If the benefits of the relationship change, e.g. due to measures taken by the competitor, the customer will immediately change suppliers and cease repeat purchasing. However, it is often said that particularly ancillary services are harder for the competition to imitate than core services, and repeat purchasing founded on ancillary services is more resistant to competitors' measures than is repeat purchasing based on a core service. As the following definition demonstrates, ancillary services implemented by the supplier for the express purpose of motivating the customer to repurchase are summarized by the term Customer Relationship Management: CRM is a customer-oriented corporate philosophy that, with the aid of modern information technology, attempts to build and solidify profitable customer relationships over the long term by applying comprehensive and differentiated marketing, sales and service concepts.

Repeat Buying Due to Bonding

While customers who repeatedly buy from the same supplier because of the core and ancillary services continue this behavior as long as the exchange relationship with the respective supplier remains beneficial, repeat buying based on bonding is resistant to such changes, at least in the short and middle term. Relevant literature differentiates between a demand-or output based understanding of the term customer bonding and a supplier- or input-based understanding of the term. When describing customer bonding, demand-based describes customer behavior that leads to repurchase. In regard to the supplier, the term bonding summarizes all measures taken by the supplier intended to promote the customer's behavior. So it would be correct to refer to customer bonding management.

Economic Effects as the Reason for Customer Bonding

Bonding based on economic effects is referred to as obligation—as opposed to bonding—of the customer. Economic obligations (lock-in) means that certain elements have to be considered in the exchange relationship that make it more difficult for the customer to change from his current supplier to a competitor. Individually, these elements can be about the impact of specificity and of satisfaction.

Specificity very generally describes a characteristic of resources. It means that the resources can only deliver their full benefits in a certain, specific context. If the initial acquisition of the resources is linked to a payment, one refers to a specific investment. Specificity becomes interesting to business relationships when the context deals with the continuation of the exchange relationship with one and the same partner. Satisfaction always creates a bonding effect when, in an exchange situation, the offers of competitors

seem to be uncertain. Uncertainty can be the result of uncertain elements related to benefit or price.

Opportunistic behavior, which the customer has to assume of all suppliers, can lead to an absence of benefits. Opportunism refers to conscious acceptance of a disadvantage for others with the intention of furthering one's own best interest. Transaction costs that the customer incurs due to measures intended to protect him from such opportunism, force up the price for the customer. The same is true for hidden prices, for ancillary services for which the necessity is not apparent until later, and for high maintenance and service costs that the customer is not informed of until after conclusion of the contract.

The supplier who succeeds in achieving an exchange with the customer has the unique opportunity to deliver satisfaction and eliminate uncertainty with the constellation of the service offered. This happens by not displaying any opportunistic behavior and by performing the service as it was promised and as the customer expects. Transaction costs to overcome uncertainties are no longer incurred once the customer has experienced such satisfaction.

In published literature, satisfaction is often named as the central element determining customer bonding and thus ensuring repeat purchasing. **Satisfaction is the root of a bonding effect** to the extent that changes in the competitors' offerings do not affect the decision of the customer as long as the market remains uncertain. This is the difference between repeat buying based on satisfaction as well as on specific resources and repeat buying based on core and ancillary services, where a change by the competitor in the exchange relationship immediately causes the customer to reconsider his choice of supplier.

But it should also be pointed out that the bonding effect of satisfaction should be considered weaker when the number of competing offers is not characterized by uncertainty. If the customer can be certain that the services will be performed as expected, he can definitely assess all of the alternative offers, even if he has had no previous experience with the suppliers. Satisfaction then poses no more switching barriers. Confirmation of this can be found in studies performed in certain industries, proving that even customers prone to switching are highly to very highly satisfied with the original supplier. However, this insight does not absolve company decision makers from their obligation to assign utmost importance to satisfaction management.

Trust and Commitment as a Source of Customer Bonding

While customer bonding on the basis of economic effects is referred to as obligation or lock-in, trust and commitment lead to customer bonding in a merely positive sense. The

repeat purchasing behavior that this bonding promotes is based on a customer's positive and outstanding attitude regarding a single supplier. The positive attitude is attributed to trust in the supplier and is manifested in commitment to the supplier. **Thus trust and commitment are key factors of customer bonding in the sense of demand-based bonding.** We generally see trust as an expectation construct. The more specific understanding of the term in published literature is multi-faceted and more complex definition is representative of how the term is understood: "Trust is the expectation that a person or group of persons has not or will not act in an opportunistic manner in regard to a deliberate event, at least not towards the person extending the trust"

Trust and commitment make existing business relationships resistant to competitive measures. Similar to repeat based on satisfaction, repeat purchasing based on commitment and trust differs significantly from repeat purchasing on the basis of core and/or ancillary services. In the sense of an argument introduced by Plinke, trust and commitment represent the emotional and conscious attitudes of the customer, which are reason to ignore competitors' offers when evaluating the exchange relationship. So we can assume that the bonding (loyalty) effect based on trust and commitment is even stronger than that based on satisfaction. Trust and commitment are established over time. They can emerge as a result of all of the other factors mentioned thus far that promote repeat purchasing—core services, ancillary services and economic switching barriers. So the triggers for repeat purchasing that we are dealing with here are not unrelated.

Conclusions

Trust as an expectation on the part of the customer is a behavioral determinant that can definitely be acknowledged as an emergent factor. This means that trust develops implicitly over time, without superficial intentions of the participants. The form and extent of trust always remain emergent or implicit. However, some fundamental correlations to active and systematic management of trust can still be posed. Measures to promote trust apply the effect of references, similarity, self-confidence and reciprocity. The supplier's past transactions and projects are referred to as references or referrals. They become relevant to the aspect of trust when they prove that the trust that others placed in the supplier was not violated. This type of confirmation can also form the foundation for expectations of trustworthiness geared towards the future. To be able maximize the benefit of their effect for a certain customer, the supplier should carefully select references before presenting them to the customer.

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