

Florin-Alexandru LUCA

"Gheorghe Asachi" Technical University of Iasi, Romania
CMTM – Economics and Marketing Department

Claudia Ioana CIOBANU

"Gheorghe Asachi" Technical University of Iasi, Romania
CMTM – Economics and Marketing Department

SATISFACTION, TRUST AND COMMITMENT AS DIMENSIONS OF LOYALTY IN REAL ESTATE COMPANIES

Literature
Review

Keywords

*Loyalty,
Satisfaction,
Trust,
Commitment,
Real Estate Marketing*

JEL Classification

M30

Abstract

Relationship marketing activities are assessed in the end according to the profitability obtained by the company. However, the calculation of the obtained profit includes a lot of variables which are not related to the marketing activities. In these circumstances, it is more appropriate to perform the assessment of the results of the marketing activities at a more concrete level, by studying their possible determining factors.

Some of the most important factors that determine customer loyalty are: Satisfaction, Trust and Commitment. This article has two parts : a qualitative research stage and a quantitative research. The stage of qualitative research consists of analyzing the research literature from this domain, which highlights the dimensions of Loyalty Construct, relevant for the real estate field. The stage of quantitative research aims at testing the proportion of content validity for the most commonly used variables in the real estate field of practice. The results describe an estimation of the dimensions of the Loyalty Construct for the case of real estate services.

Introduction

Marketing activities for Real Estate Market is the process of identifying, anticipating and profitably satisfying customer requirements. The real estate market is a complex system where supply interacts with demand and they are mutually conditioned. The real estate market represents all the activities that involve the use or the right of ownership on lands and buildings. A real estate transaction consists of a permanent or temporary transfer of a right from one party to the other in return for an amount of money. In order to complete a transaction, real estate agents have to use all the strategies of relationship marketing, including gaining customer loyalty. This article focuses on identifying the dimensions of customer loyalty that are relevant for the case of real estate domain.

Customer satisfaction has a major influence on the formation of the purchase intentions, but also on the promotion of the companies in the real estate field. Customers' expectations are based on the experience acquired by them over time and they represent the meaning that they give to the concept of value. Since the economic environment becomes more and more competitive, customers' expectations are ever-growing. At the same time, the value offered to the customers by the provided services must be enhanced, so as to maintain customers' satisfaction.

Commitment is considered by certain authors (Ahmad, Bahjat and Shammout, 2007) as being the central construct of the relationship marketing. The commitment construct comes from the organisational psychology and is regarded as an intention of continuing an action or an activity in progress, such as maintaining a relationship with a business partner (Norman, 2004).

According to the Explanatory Dictionary, trust is a sense of safety in relation to someone's honesty, good faith or frankness. It represents the firm belief that a person or a thing preserves her/its integrity, qualities or nature for a predictable time period.

Satisfaction concept

In the context of the reorientation of the marketing efforts towards the relationship perspective, this concept has come to researchers' attention together with the reconstruction of models, techniques and instruments able to capture this new perspective. Satisfaction represents an evaluation of the extent to which the attributes of a service or the service itself provides a satisfactory level of fulfilment in conjunction with the consumption (Oliver, 1999). The concept is understood as an emotional reaction of the consumer in relation to the discrepancy that appears between his expectations and what he receives (Henning-Thurau, Gwinner and Gremler, 2002).

Bowen and Shoemaker (2003) consider that loyalty means more than mere satisfaction. Their argument starts from the results of a previous study of Reichheld and Aspinwall, who proved that 90% of the customers who changed their service provider were satisfied by the initial provider.

Kotler (1999) states that "the key to maintaining the customers is obtaining their satisfaction". There is a significant body of theoretical and empirical evidence which shows that there is a strong link between satisfaction and loyalty. In theory, several authors argue satisfaction contribution in retaining customers. For instance, Chaudhuri and Holbrook (2001) state that satisfaction is a key determining factor for gaining the loyalty to the brand. These authors propose satisfaction as an important variable in explaining loyalty. Dick and Basu (1994) and Oliver (1999) consider satisfaction as an antecedent in building the loyalty to the brand. It is often considered that satisfaction influences the probability of reusing a service offered by a certain provider.

There are also a number of empirical research works which highlight the link between customers' satisfaction and loyalty. In the marketing literature, which analyzes consumer's behaviour, there is consistent evidence of the fact that satisfaction contributes to the formation of the repurchase intentions, of the behavioural intentions, to keeping customers and gaining their loyalty (Oliver, 1999; Ahmad, Bahjat and Shammout, 2007; Henning-Thurau and Klee, 1997; Iverson and Kuruvilla, 1995).

The authors Rauyruen, Miller and Barrett (2007) empirically noticed that loyalty is the result of the economic satisfaction and of the evaluation of the economic results obtained after the collaboration, such as: the volume of sales, the trade margins and the discounts. Moreover, the authors noticed that loyalty is negatively influenced by the social satisfaction, which consists in the evaluation of the psychological aspects of a business collaboration. In the research carried out in the *business to business* field, several authors show that there is a link between the satisfaction degree and loyalty. For instance, Eriksson and Vaghult (2000) noticed that the satisfied customers keep the collaboration with a certain company. Their results showed that, as partners' satisfaction in a business relationship grows, customers' retention grows too. The conclusions of these studies show that close and long-term relationships are the result of the satisfaction obtained by the involved parties, who are satisfied with the result of their work.

In the sector of the financial services, satisfaction is not the most important condition for a customer to be loyal. The studies carried out on the banking market in England by Jones and Sasser in 1995 prove that for a customer, maintaining the same banking provider when he is unsatisfied with the collaboration with him was a common practice.

Because of the higher commissions charged by all banks, because of the unfriendly staff and the small number of bank agencies, customers did not have a better alternative (Little and Marandi, 2003).

However, without taking into account customer's satisfaction, we cannot connect company's interests with the ones of the business partners. Partners' satisfaction is the one that gives permanence and durability to the business relationships (Prutianu, Munteanu and Caluschi, 1998).

Commitment concept

Commitment represents the desire to maintain a relationship, the resistance to change or promise of continuity (Filip, 2009). The concept can be described as a long-term customer attachment process, based on the existence of certain emotional relations and customer's certainty that the maintenance of a business relationship is much more convenient than its conclusion (Henning-Thurau, Gwinner and Gremler, 2002).

Customer's commitment to a certain provider is an important factor in building customers' loyalty. Moreover, relationship quality proved to be an important dimension of the construct (Henning-Thurau et al. 2002; Caceres & Paparoidamis, 2005; Lages, Lancastrre, & Lages, 2007; Lam, Shankar, Erramilli, & Murthy, 2004). Similarly to trust, commitment is considered an important ingredient in building successful relationships (Morgan and Hunt, 1994). In the literature which refers to the trade, commitment is defined as an implicit or explicit guarantee of continuing a certain business relationship (Dwyer and Oh, 1987). Put in simpler terms, commitment refers to the motivation of collaborating with a certain provider (Egan, 2004). In a business relationship, commitment is a psychological feeling, rationally perceived, based on which the behaviour of continuing the relationship with a business partner is consolidated (Cooper, Upton and Seaman, 2005). The commitment of a relationship is defined as the "desire to develop a stable relationship, the desire to make short-term sacrifices in order to maintain the relationship and confidence in the stability of the relationship" (Roberts, Varki and Brodie, 2003). Commitment is essential for the development of certain long-term relationships and it is an important indicator of the efficient relationship. Moreover, the commitment in a relationship is a means of differentiation between the successful and the inefficient relationships (Morgan and Hunt, 1994).

With regard to the relationship between commitment and loyalty, the authors Dick and Basu (1994) showed that a consequence of the commitment is represented by the positive recommendations made to a service provider. They represent an important element of attitudinal loyalty. The customers with a high level of commitment to a certain service will purchase it

more often. In other words, commitment leads to the formation of certain behavioural elements of loyalty. To support this statement, Patterson and Smith (2001) argued the existence of a strong connection between the resistance to change (commitment) and loyalty. On a sample of airline companies, more than half of loyalty variation was explained by commitment. Other authors, such as Fassnacht and Daus, (2004) Kumar and Shah, (2004), Cahil, (2007) Mudie and Pirrie, (2006) also provided empirical evidence regarding the existence of the connection between customer's commitment to the future purchase intentions and the intention to continue the collaboration.

Trust concept

Trust is defined as a "desire to rely on a business partner" (Little and Marandi, 2003). Other authors consider it as an "expectation for an honest and cooperative behaviour, based on common norms shared in a community or in a culture" (Morgan and Hunt, 1994).

In a relationship, trust in a partner is perceived by the other participant as a reduction of the risk and anxiety level felt in a high-stakes business (Little and Marandi, 2003).

The development of the trust construct was mainly associated to the increase of the interest for the relationship marketing, mostly in the context of the B2B markets (Blois, 1999). Understanding the nature of the trust in the business partners and the importance of its contribution in developing customers' loyalty is an essential aspect which explains the manner in which B2B relationships are developed and managed. Several authors consider trust as a central element in developing successful relationships on the B2B markets and which contributes to gaining customers' loyalty. Parasuraman et al. (1998) qualify trust as a critical success factor in the profitable business relationships. The authors suggest that customers must feel safe when doing business with the providers and they must be persuaded that their interaction is confidential. In the studies carried out on the *business to business* market, this construct mediates the relationship between *Relationship Quality* and *Loyalty*.

Berry (1995) states that: "trust is the foundation on which the relationship marketing is based". With regard to customers' loyalty, Reichheld and Schefter (2000) highlight the importance of trust when they say that: "in order to gain customers' confidence, you must first of all gain their trust". Moreover, gaining trust is an important feature in developing quality relationships, built through a commitment and promise keeping process (Gronroos, 1990).

Previous research highlights the existence of a connection between customers' trust and loyalty. Certain studies show the latter as being a consequence of trust. Empirically, there is evidence

of the direct effects of trust on loyalty. A direct connection between trust and loyalty was proved in several research studies.

Chaudhuri and Holbrook (2001) prove that trust plays an important role on brands, as it is related to the performance of a certain brand by the loyalty to that brand. Considering trust as being a component part in the field of brands acknowledges that brand value can be created and developed by managing certain aspects which go beyond the satisfaction obtained by the functional performances and the attributes of the products.

Fassnacht and Daus (2004) also suggest that trust can offer an appropriate chart in order to conceptualize and measure the qualitative dimension of the value of a brand. The researchers Woo and Ennew (2004) consider customer's commitment too as an indicator of loyalty. They empirically noticed that trust in the brand has a direct effect on customer's commitment and therefore, it can indirectly affect the price tolerance level. Based on this evidence, we can sum up that trust leads to gaining customers' loyalty.

The authors Goodwin and Gremler (1996), in a study carried out on service market, identify three types of relationship benefits that customers expect from a relationship exchange: trust related, social and the ones obtained after a special treatment on the part of the service provider. The conclusions of the research highlight that in a business relationship, trust benefits are perceived by customers as being more important than the others.

In case of the financial-accounting services, the development of trust in the service provider is essential and represents an appropriate strategy for the company, which must be implemented from the very first contacts with a client. The existence of a certain degree of incertitude or a certain risk level perceived by customers imposes the establishment of trust between partners as a first condition necessary for the long-term evolution of the relationships.

The benefits perceived by the customer as a consequence of the fact that he has an exchange partner on whom he can rely are found in the specialty literature as determinants or components of trust and they are represented by: integrity, honesty, credibility, frankness, firmness, mutual agreement (Little and Marandi, 2003).

Methodology

The first stage for the study the determinants of loyalty in real estate services consists of a documentary research. The next step of this research consists in organizing a meeting with a number of 10 experts from the real estate field. Initially, they are informed about the results of the documentary research and, after that, they are asked for their opinion about the variables that comprise the *Loyalty* construct in the case of real estate services.

In order to obtain a more specific capture of the construct's dimensions, in the case of real estate field, additional validations will be used.

The role of this quantitative research stage is to provide an additional validity of the one obtained from the literature, in order to develop a customer loyalty model of real estate firms. Validity represents the extent to which a construct measures what it wants to measure (Diamantopoulos and Winklhofer, 2001). Thus, in order to test the validity in this paper, the methodology proposed by Lawshe (1975) was used in addition to the theoretical justification for the development of the research instrument.

According to the specifications of Rungtusanatham (1998), who presents the method proposed by Lawshe (1975), a panel of experts has to decide on the relevance of the variables that measure a certain construct. In our case, we chose only the most common variables which can be found in several models: Satisfaction, Trust and Commitment. The experts have this options for an answer: "1 = Irrelevant", "2 = Important, but not essential" and "3 = Essential".

According to Lawshe's methodology (1975) it is necessary to calculate a PVC indicator that takes into account answers given by experts, in order to calculate the proportion of content validity.

Thus, in Table no. 1, a positive assessment on the variable *Trust* is observed. This dimension was considered by the specialists in the field to be relevant for the measurement of the *Loyalty* offered by real estate agents to clients who purchase or rent a property. *Satisfaction* and *Trust* are relevant as dimension that was chose to represent the description of the *Loyalty* construct.

Conclusions

This article consists of two parts: the documentary research on the *Loyalty* construct and a brief quantitative research which has a descriptive role on the analyzed literature and an informative one on the peculiarities of the real estate field. The results of the literature analysis indicate that in the case of real estate services there is a low number of papers which analyze the service quality as a factor which determines loyalty. The analysis of the *Loyalty* constructs reveals specific dimensions which are approached as a distinct construct in most articles: *Trust*, *Satisfaction* and *Commitment*. Thus, the approach initiated in this article consists of analyzing these dimensions developed in the literature for the *Loyalty* construct and then, based on this data, the Romanian real estate professionals' opinion in regard to the dimensions found in the literature, and which can be put together to describe the *Loyalty* construct, in the case of real estate services, was surveyed.

The results of the research synthesized in the values registered by the PVC indicator show that the variables *Trust*, *Satisfaction* and *Commitment* are

located, in terms of value, above the statistical significance level.

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Tables

Table No.1
PVC Values- Lawshe Test

Variable	PVC
<i>Trust</i>	<i>1</i>
<i>Satisfaction</i>	<i>0,7</i>
<i>Commitment</i>	<i>0,7</i>

Note authors' calculations