The Strategic Role of the Salesperson in Reducing Customer Defection in Business Relationships

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Abstract:

This paper examines the effect of the customer's relationship with the salesperson on defection intentions in a business-to-business setting. Responses were received from 844 decision-makers. Findings indicate that the buyer's perception of equity in a buyer-salesperson relationship is related to both customer satisfaction with the salesperson and commitment to the salesperson. Findings also indicate that buyer satisfaction with the salesperson only indirectly influences a buyer's intentions to defect. Buyer commitment to the salesperson and perceptions of available alternative suppliers directly affect a buyer's defection intentions. The benefit necessary from the new supplier to induce buyer defection only has an indirect effect on buyer intention to defect.

Keywords: buyer-salesperson relationships | buyer defection | repetitively used item sales

Article:

Customer retention increasingly is viewed as an issue of strategic importance. There are several reasons for this. First, and perhaps most importantly, loyal customers are more profitable than newly acquired customers (Reichheld 1996; Kalwani and Narayandas 1995; Reichheld 1994; Webster 1994). It has been suggested that as little as a five percent increase in customer retention can increase profits by fifty percent or more (Reichheld and Sasser 1990). Second, retaining customers through close, long-term, cooperative relationships can impart a competitive advantage to the supplier (Weitz and Bradford 1999), which is increasingly important given the ongoing trend of customers dramatically decreasing their number of suppliers. Suppliers who do not sustain strong relationships with their customer base will often be the ones that are eliminated during this streamlining process. While businesses agree that improving customer retention is important, customers still defect. One reason for this is because relatively little is known about why buyers leave suppliers.

A few empirical studies have examined a business buyer's decision to terminate a relationship (e.g., Ping 1993, 1994; Morgan and Hunt 1994). However, these studies typically focus on antecedents of customer defection at the firm level, often excluding buyer-salesperson relational factors that may be related to defection. While the inter-firm relationship is important, the relationship between the salesperson and the buyer also has strategic implications. Salespeople typically represent a firm's key interface with its customer base, playing a critical role in the formation and maintenance of long-term buyer-seller relationships (Weitz and Bradford 1999; Williams and Attaway 1996). Through these interactions, salespeople influence the customer's perception of the selling firm. Indeed, a buyer may have greater loyalty to a salesperson than to the selling firm (Anderson and Robertson 1995).

Both practitioners and academicians have shown interest in the salesperson's role in building customer relationships and improving performance at the buyer-salesperson interface (e.g., Brown and Peterson 1993; MacKenzie et al. 1998). However, little explicit emphasis has been focused on a salesperson's role in reducing customer defection. The purpose of this study is to develop and test a model that examines the effects of a customer's perception of the buyer-salesperson relationship on defection intentions. This study will examine this issue in the context of established business-to-business buyer-salesperson relationships. Additionally, the focus is on repetitively used items (*RUls*) (Noordeweir et al. 1990) since this type of purchase promotes long term, repeat interactions with the salesperson and selling firm.

Since theory on buyer defection has been relatively sparse (Keaveney 1996), we draw on the rich theoretical base examining defection from the employee turnover literature. We maintain that there are many similarities between buyer decisions to defect from established supplier relationships and employees who are deciding to defect from their jobs. Consequently, the buyer defection model proposed here draws upon theoretical models developed in the employee turnover literature. Similarities in these processes will be discussed in the next section.

Similar Processes

Once an employee is working for an employer, he or she generally does not wake up every morning and go through a decision process of whether or not to go to work. However, if an employee is unhappy with the current work situation, he or she may decide to look for a new job or to quit the existing job. Likewise, a buyer who engages in a repetitive purchase does not make a decision to repurchase on a daily basis. Generally, a buyer will engage in a straight re-buy until a decision is made to examine alternative suppliers.

An employee must work in order to have an income and to maintain his/her lifestyle. Similarly, a RUI is necessary for the ongoing maintenance of a business (Noordeweir et al. 1990). For example, a computer manufacturer must have component parts to make computers, while a mail order firm must have telephone service to accept orders, contact customers and fax documents. In general, work is not optional for an employee and a RUI is not optional for a business.

The decision to think about leaving an employer is typically made by the employee, with other individuals, such as a spouse or family member, influencing the employee's decision to quit (Krackhardt and Porter 1985). Similarly, in straight re-buy and modified re-buy situations, the purchase decision is typically dominated by an individual, usually a purchasing agent (Anderson, Chu and Weitz 1987; Wilson, Lilien and Wilson 1991). Therefore, both employees and buyers play a central role in deciding to terminate relationships, but other individuals may influence their decisions.

The similarities in the exit decision process between employee turnover and buyer defection makes a RUI buyer-salesperson relationship a good context to test the efficacy of an employee turnover model in predicting customer defection. In testing an employee turnover model's usefulness in predicting customer defection, we draw on previous studies that examine customers' intentions to leave existing buyer-seller relationships (e.g., Morgan and Hunt 1994; Anderson and Sullivan 1993; Ping 1993). We will first introduce the conceptual framework of our buyer defection model, and then examine the conceptual overlaps in the turnover literature and buyer-seller relationship literature that guided model development.

Conceptual Framework

Buyer-seller relationship research has focused on various phases of relationship development (Dwyer, Schurr, and Oh 1987; Wilson 1995). When a buyer makes a decision to purchase a product for the first time or to change vendors, the buyer will often spend considerable time assessing potential suppliers. In this early stage of relationship formation, buyers spend time describing their needs to salespeople. Generally, buyers purchase from the salesperson best able to meet their needs. After the initial purchase, buyers often continue to repurchase from the same salesperson to avoid spending the time and expense required to assess new suppliers. A buyer's perception of his/her relationship with the salesperson can play an integral role in the buyer's decision to continue or terminate the relationship.

This process is similar to an employee's relationship with an employer. We draw upon Mobley's (1977) seminal work on employee turnover as the basis of our customer defection model. Mobley's work provides the framework for much of the employee turnover research (Hom and Griffeth 1991). Mobley's (1977) model maintains that low job satisfaction leads to thoughts of quitting an organization. This in turn leads to the evaluation of the utility of searching for a new job and the cost of quitting the current job. If this assessment is favorable, the individual searches and evaluates employment alternatives. If the alternatives are good, the individual forms an intention to leave and finally quits. Mobley's (1977) full model is rarely tested in current research, but trimmed models are often investigated (Iverson and Roy 1994).

Mobley's (1977) work has been extended in many ways. One way in which the model has been extended is by adding equity as an antecedent to satisfaction (e.g., Dailey and Kirk 1992; Hom et al. 1984; Summers and Hendrix 1991). Another common extension is to include commitment in the model (e.g., Bashaw and Grant 1994; Cropanzano, James and Konovsky 1993; McNeilly and Russ 1992). We have extended Mobley's turnover model by adding equity and commitment because they have been shown to be important in maintaining relationships and have received theoretical and empirical support in the buyer-seller relationship literature (e.g., Kumar, Scheer and Steenkamp 1995; Oliver and Swan 1989a, 1989b; Morgan and Hunt 1994).

Figure 1 presents our proposed buyer defection model and the hypothesized interrelationships among the constructs. In this model, we examine three buyer-seller relationship indicators (equity, satisfaction and commitment) and two external search process variables (benefit necessary from new supplier and the availability of alternative suppliers). We have one outcome variable, buyer defection intentions. In the following sections we discuss our buyer-seller relationship indicators, our external search process variables and our outcome variable.

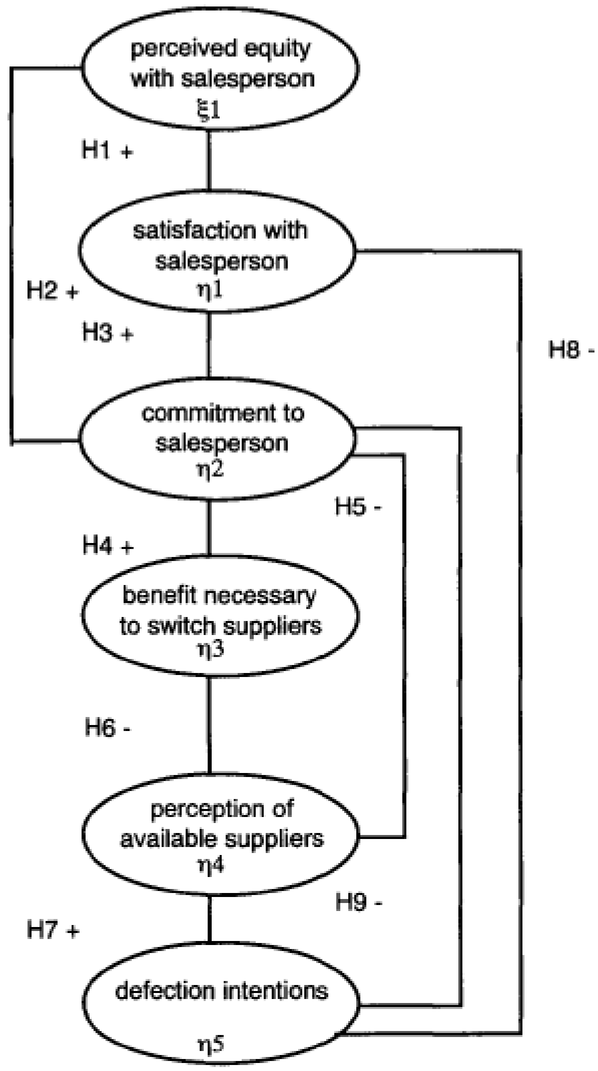

Figure 1. Buyer Defection in Established Relationships Model

Buyer-Seller Relationship Indicators

Perceived Buyer Equity with Salesperson

Equity is a structural variable that is commonly examined in the employee turnover literature (Iverson and Roy 1994). The equity that a buyer perceives in his/her dealings with the salesperson is also an important indicator of the health of a buyer-seller relationship. Equity is a key component in determining whether or not an exchange is fair (Gassenheimer et al. 1998). In fact, many researchers view fairness as being synonymous with equity (Cook and Messick 1983). Whether or not the buyer perceives the relationship to be fair plays an important role in his or her attitudes about the relationship. The perception of fairness is, at least partially, grounded in buyer expectations concerning what connotes "fair" treatment (Ganesh, Arnold and Reynolds 2000). Consistent with previous sales-related research we view equity as the buyer's perception that he or she is being treated fairly (Oliver and Swan 1989a).

Equity is also related to the concept of justice. In fact, a buyer's perception of being treating equitably by a supplier probably incorporates some assessment of justice (Clemmer and Schneider 1996). Research indicates that both distributive justice and interactional justice have a strong, positive effect on a customer's repurchase intention (Blodgett, Hill and Tax 1997). Research indicates that buyers focus on both their own outcomes and the level of salesperson inputs when assessing equity in the buyer-salesperson interaction (Oliver and Swan 1989a, 1989b). Interestingly, buyers may perceive a relationship to be equitable, but salespeople may perceive it to be inequitable (Oliver and Swan 1989a).

Perceived Buyer Equity Influences Satisfaction and Commitment to Salesperson

In employee turnover models, equity has been found to have a direct and positive relationship with satisfaction (e.g., Dailey and Kirk 1992; Summers and Hendrix 1991) and commitment (Iverson and Roy 1994). The concept of equity is also thought to be central to the ongoing maintenance of buyer-seller relationships (Gassenheimer et al. 1998; Tax, Brown and Chandrashekaran 1998). We maintain that relationships viewed by a buyer as inequitable are at greater risk of customer defection than those perceived as equitable. We argue that there are two possible reasons for this-lower customer satisfaction and lower customer commitment.

One reason that inequitable relationships are at greater risk is that customers are less likely to be satisfied with their salesperson (Oliver and Swan 1989a). If a customer is not satisfied with the salesperson, he/she is less likely to be satisfied with the firm (Goff et al. 1997). Businesses appear to realize the importance of customer satisfaction, often linking some portion of their sales force compensation plans to customer satisfaction ratings (Brewer 1993).

Just as with employee turnover models, we argue that satisfaction plays an important role in customer defection. We view buyer satisfaction with the salesperson as an emotional state occurring in response to a buyer's cumulative interaction experiences with the salesperson (Crosby et al. 1990; Westbrook 1981). The buyer's perception of equity in the relationship is related to satisfaction with the salesperson. Thus, we hypothesize that:

> H_1: Buyer perception of equity with the salesperson will be positively related to the buyer's satisfaction with the salesperson.

Organizational commitment is one of the more commonly studied constructs in the employee turnover literature (Mathieu and Zajac 1990) and is the most commonly examined dependent variable in buyer-seller relationship studies (Wilson 1995). Commitment is essential for the development and maintenance of successful long-term relationships (Gundlach, Achrol and Mentzer 1995). Consumer research indicates that perceptions of equity can result in repatronage behavior (Blodgett et al. 1997), which could be considered a form of commitment. Commitment exists when the relationship is considered important and the customer wants it to endure indefinitely (Morgan and Hunt 1994). An example of organizational commitment in a business-to-business market is a practice discussed by Sheridan (1990), who reports that some customers have offered life-long contracts to component suppliers based on the customer's perception of the supplier's fair and equitable treatment.

Interestingly, in buyer-seller research, the focus of commitment has been predominately at the firm level. We maintain that buyer commitment to the salesperson also plays an important role in a customer's decision to continue or terminate a supplier relationship. A primary reason for this is that buyers may consider the salesperson as synonymous with the selling firm (Grewal and Sharma 1991). Additionally, buyers generally have more contact with the salesperson than any other employee of the supplier firm.

Inequitable relationships are at greater risk because customers are less likely to be committed to an unfair relationship (Anderson and Weitz 1992). Similar to Anderson and Weitz's (1992) conception of commitment at the firm level, we view buyer commitment to the salesperson as a long-term orientation that includes a willingness to make short-term sacrifices to maintain the relationship with the salesperson. A buyer is more likely to be committed to a salesperson if the customer believes that he/she is being treated equitably by the salesperson. Therefore, we offer the following hypothesis:

> H_2: Buyer perception of equity with the salesperson will be positively related to the buyer's commitment to the salesperson.

Satisfaction with Salesperson Influences Commitment to Salesperson

As mentioned earlier, customer satisfaction with the salesperson and customer commitment to the salesperson are both important to the ongoing maintenance of a employee-employer relationship and a buyer-seller relationship. Given the importance of these variables, it is surprising that no relationship marketing study has examined the simultaneous effect of customer satisfaction with the salesperson and customer commitment to the salesperson.

While employee turnover and organizational behavior researchers believe that satisfaction and commitment are important in reducing turnover, there is no consensus regarding the causality of satisfaction and commitment. Tett and Meyer (1993) state there are basically three theoretical perspectives regarding the relationship of these constructs. The first perspective (perspective one) maintains that satisfaction leads to commitment. This view is empirically supported in both the organizational turnover literature (e.g., Williams and Hazer 1986) and the salesforce turnover literature (e.g., Johnston, Parasuraman, Futrell, and Black 1990). A meta-analysis in the sales literature concluded that the primary causal sequencing is from satisfaction to commitment, not from commitment to satisfaction (Brown and Peterson 1993).

Another perspective (perspective two) holds that commitment leads to satisfaction. Some empirical studies have found support for this view (Bateman and Strasser 1984), while others have not (Brown and Peterson 1993; Curry, Wakefield, Price and Mueller 1986; Meyer and Allen 1988).

The final perspective (perspective three) implies no particular causality between satisfaction and commitment. Sager (1994) tested a version of this perspective in a personal selling setting. He hypothesized a non-recursive relationship between satisfaction and organizational commitment. However, he found that the best fitting structural model was one in which job satisfaction had a direct effect on organizational commitment. This relationship was also supported by Summers and Hendrix (1991), and Dailey and Kirk (1992). Thus, existing empirical results suggest that satisfaction leads to commitment.

The lack of agreement regarding the causal sequencing of satisfaction and commitment makes model development difficult. However, empirical research in both the marketing and organizational behavior literature provides more support for the first perspective, which suggests that satisfaction is an antecedent to commitment. Therefore, we hypothesize that:

> H_3: Buyer satisfaction with the salesperson will be positively related to the buyer's commitment to the salesperson.

The Search Process

Mobley's (1977) turnover model maintains that if an employee is not satisfied or committed (Iverson and Roy 1994) to his/her current employer, the employee will begin a search process for a new job. This search process includes an examination of the benefits associated with taking a new job. If the benefits believed to be obtainable from seeking a new job appear to make up for the stress associated with changing jobs, then the employee will begin to search for alternative employment opportunities

We maintain that this process is similar in a buyer-seller relationship. If a buyer is not satisfied or committed to the salesperson, then he/she may begin the process of searching for a new supplier. While the salesperson plays an important role in a customer's decision to stay or leave a business-to-business relationship, external factors also influence on a customer's decision to change suppliers. Antecedents to a customer's decision to terminate a relationship include the benefits that can be obtained by switching from the current relationship and the attractiveness of alternative relationships. We maintain that the benefits that a buyer must obtain in order to switch suppliers and the availability of alternative suppliers are important factors in a buyer's decision to defect (Lohtia and Krapfel 1994). These two variables are discussed in the following sections.

Benefits Necessary to Switch

The concept that buyers incur some type of costs when switching suppliers is not new. This may be in part responsible for "passive loyalty" to a supplier (Ganesh et al. 2000). However, there has been little research in the buyer-seller relationship literature regarding the role that costs and benefits plays in relationship termination. The benefits obtained from a new supplier must exceed the costs associated with leaving an existing supplier. These costs include learning about other suppliers' product offerings, emotional costs from ending ongoing relationships with current suppliers, cognitive effort, financial costs, social risks and psychological risks (Fornell 1992; Heide and Weiss 1995). When purchasing a service, these costs may be difficult to accurately assess (Jones, Mothersbaugh and Beatty 2000). Thus, the benefits that must be obtained in order to switch suppliers may be difficult to quantify in the purchase of services.

Termination costs result from the perceived lack of comparable potential alternative partners, relationship dissolution expenses, and/or substantial switching costs (Morgan and Hunt 1994). The benefits that can be obtained from the new supplier must be more attractive than the cost of leaving the current supplier (Jackson 1985). We define the benefit necessary to switch suppliers as the buyer's perception of the benefits his/her firm must receive before defecting to a new supplier.

Customer Commitment to Salesperson Influences Benefits Necessary to Switch

Morgan and Hunt (1994) found a relationship between the cost of leaving a supplier and commitment. They maintain that suppliers evaluate the cost of terminating a relationship. If termination costs are high and do not exceed the benefits that can be obtained by switching to a new supplier the buyer will be committed to the supplier.

We argue that in established relationships, buyers typically repurchase without necessarily evaluating the benefits that might be available from a new supplier. An evaluation of available alternatives prior to each repurchase (i.e., at the end of each month in the case of a no contract situation) would waste considerable amounts of a buyer's time. We suggest that in ongoing relationships, buyers only evaluate the extra benefits available to their firm after they are no longer committed to the relationship. While this does not necessarily follow previous research in the buyer-seller relationship literature, we posit this relationship for two reasons: 1) previous research was not undertaken in a continuous service setting; and 2) we are testing the applicability of a employee turnover model in a purchasing context. Therefore, we hypothesize:

> H_4: Buyer commitment to the salesperson will be positively related to the benefits necessary to switch suppliers.

Customer Commitment to Salesperson and Benefits Necessary to Switch Suppliers Influences the Perception of Available Alternatives

The marketing literature recognizes the importance of supplier alternatives in buyer decision making. Comparison of alternatives is one of the most commonly researched variables in relationship marketing (Wilson 1995). We define the perception of available alternative suppliers as the buyer's belief that there are alternative suppliers who might offer comparable or better service.

Marketing channels researchers generally view availability of alternative suppliers as an antecedent to buyer-seller relationship indicators such as satisfaction (e.g., Anderson and Narus 1990; Ping 1993). We argue that, in established relationships, buyers do not invest time and energy evaluating alternatives until they are no longer committed to the salesperson and the benefits of switching to a new supplier are high enough to warrant further evaluation. In fact, strong buyer-salesperson relationships may increase repurchase intentions (Jones et al. 2000). If a buyer intends to repurchase, then there is no need to go through the process of searching for alternatives prior to that repurchase since in his/her mind there will probably not be any acceptable alternatives. Therefore, we hypothesize that:

> H_5: The buyer's commitment to the salesperson will be negatively related to the buyer's perception of acceptable alternatives.
>
> H_6: The benefits necessary to consider switching to a new supplier will be negatively related to buyer's perception of the availability of acceptable alternatives.

Outcome Variable-Defection Intentions

The final outcome variable in our model is defection intentions. Defection intentions stem from the concept of intention to leave in employee turnover models. Intention to leave plays a central role in turnover models (e.g., Johnston et al. 1990; Lee and Mowday 1987; Sager and Menon 1994; Sager, Futrell and Varadarajan 1989). Intention to leave is generally viewed as the employees' intent to terminate their relationship with their employer. According to Johnston and Futrell (1989), intention to leave is considered to be the best predictor of actual employee turnover.

Intention to defect to another supplier is an important outcome variable that is beginning to receive attention in the marketing literature (e.g., Anderson and Sullivan 1993; Morgan and Hunt 1994; Ping 1993). If a buyer is seriously considering leaving the existing supplier, the relationship is in jeopardy. The decision to exit a relationship is generally made unilaterally, rather than bilaterally (Dwyer et al. 1987). For this reason, defection intention in our model is conceptualized as the buyer's cognitive decision to terminate the relationship with an existing supplier. Similar to the employee turnover literature, the relationship marketing literature has linked the availability of alternative suppliers, satisfaction (Ping 1993), and commitment (Morgan and Hunt 1994) to defection intentions. Additionally, satisfaction with the salesperson has been found to be strongly linked to satisfaction with the supplier (Goff et al. 1997). Each of these three antecedents will be discussed in more detail.

Perception of Available Alternative Suppliers–Defection Intentions Interrelationships:

A meta-analysis of employee turnover, suggests that availability of alternatives plays an important role in turnover intentions (Hom et al. 1992). Additionally, a study of salesperson turnover found favorable perceptions of job alternatives positively related to intention to leave (Sager, Varadarajan and Futrell 1988). The relationship literature has also linked the availability of alternative suppliers to defection intentions (Ping 1993). We offer the following hypothesis:

> H7: Buyer perception of available acceptable supplier alternatives will be positively related to buyer defection intentions.

Commitment–Satisfaction–Defection Intentions Interrelationships

As with the relationship between satisfaction and commitment, there is no consensus regarding the causality of these two constructs and defection intentions. Again, we return to Tett and Meyer's (1993) three theoretical perspectives for guidance. The first perspective maintains that commitment has a direct influence on intention to leave, whereas satisfaction has an indirect effect. This view is empirically supported in both the organizational turnover literature (e.g., Williams and Hazer 1986), and the salesforce turnover literature (e.g., Johnston, Parasuraman, Futrell, and Black 1990). The second perspective holds that the effect of satisfaction on intention to leave is direct, whereas the effect of commitment is indirect. Some empirical studies have found support for this view (Bateman and Strasser 1984), while others have not (Brown and Peterson 1993; Curry, Wakefield, Price and Mueller 1986; Meyer and Allen 1988). The third perspective maintains that both satisfaction and commitment contribute uniquely to intention to leave. Some empirical support has been found for this perspective (Sager 1994; Summers and Hendrix 1991). It appears that there is considerable evidence that commitment leads directly to intention to leave the relationship (e.g., Bashaw and Grant 1994; Cropanzano, James and Konovsky 1993; McNeilly and Russ 1992). However, there is conflicting evidence about whether satisfaction has a direct (Sager 1994) or indirect effect (Brown and Peterson 1993).

Given the absence of consensus in the employee turnover literature, we looked at the relationship marketing literature for guidance. Morgan and Hunt (1994) found that commitment to the relationship had a direct and negative effect on the customer's intention to leave the relationship. However, satisfaction was not examined in their model. Some research indicates that long-term customer satisfaction captures information about expectations of leaving the relationship (Ander son, Fornell and Lehmann 1994; Anderson and Sullivan 1993). Additionally, satisfaction has been found to be negatively associated with customer intentions to defect (Ping, 1993). However, none of these studies examined the role of commitment. Consequently, we believe that there is sufficient theoretical grounding to hypothesize direct, negative paths from both satisfaction and commitment to defection intentions. Therefore, we offer the following hypotheses:

> H_8: Buyer satisfaction with the salesperson will be negatively related to buyer defection intentions.

> H_9: Buyer commitment to the salesperson will be negatively related to buyer defection intentions.

Methodology

Sample and Data Collection Procedure

The theoretical rationale for the previous hypothesized relationships is largely based on the employee turnover literature. While the employee turnover literature was the driving force behind theory development, all constructs have received attention in marketing. To evaluate the usefulness of an employee turnover model adapted to buyer defection intentions, we tested our model in a business-to-business setting.

Business customers of a Fortune 100 firm were surveyed. Prior to designing the questionnaire, depth interviews were conducted with ten of the firm's customers. During these interviews, a variety of open-ended questions were discussed to gain insight into the customer defection process. A focus group also was conducted with six sales managers. The sales managers provided insight into the supplier's view of customer defection. They also discussed what salespeople could do to retain customers. Finally, a focus group was conducted with eight of the supplier firm's salespeople. The salespeople provided insight about customer defection and what they do to retain customers.

Questionnaires were sent to a random sample of 300 customers. Each customer was contacted by phone and asked to participate. One hundred forty-six customers responded to the questionnaire. Based on their feedback, we refined our questionnaire.

For the current research, a systematic random sample of 4000 customers was drawn from a mailing list provided by the supplier firm. After deleting duplicate addresses, inaccurate addresses, and customers for whom no contact name was available, 3040 remained. The supplier firm classified these businesses as small to medium sized customers. Buyers purchased a RUI from the supplier and spent, on average, $50,000 annually. Most respondents indicated that they we're solely responsible for the purchase of the service for their firm. The average length of the relationship between the customer and supplier was 2.5 years. Respondents represented a wide range of industries. Twenty-one percent listed their primary business as manufacturing; the same was true for wholesaling. Eight percent indicated that they were retailers, 36% were in a service business, 2% were engaged in agriculture, and 12% represented a combination of several industries or classified themselves in the "other" category.

Pre-notification postcards were sent out to all buyers. Next, questionnaires were sent to each firm. A one-dollar incentive was attached to each survey. Every buyer received a reminder questionnaire two weeks after the first survey was mailed. Completed questionnaires were received from 844 buyers, for a 28% response rate. Nonresponse bias was assessed by comparing early and late respondents (Armstrong and Overton 1977). No significant differences were found on any of the constructs ($p>.10$).

Measure Development

Table 1 contains the items, scale composite reliability, standardized loadings, and the t-values of each item in each scale. Previously validated scales were adapted when possible to create our measures. Existing scales for perceived equity with the salesperson, buyer satisfaction with the salesperson, buyer commitment to the salesperson, perception of available alternative suppliers, and defection intentions were adapted for use in this study. All of the scales (except where noted) were measured on a Likert format ranging from (1) "strongly disagree" to (7) "strongly agree." Table 1 shows the items, scale composite reliability, standardized loadings, and the t-values of each item.

Perceived equity with the salesperson (scale composite reliability $\rho=.81$) was based on the Oliver and Swan (1989a) scale. The measure of buyer satisfaction with the salesperson (scale composite reliability $\rho=.98$) was adapted from Crosby et al. (1990). The buyer commitment to the salesperson measure was based on the Anderson and Weitz (1992) scale. Based on pretest scale composite reliabilities, we used a reduced 3-item scale in the final questionnaire (scale composite reliability ρ=.70). Perception of available alternative suppliers (scale composite reliability ρ=.90) was based on Price and Mueller's (1981) measure.

Table 1. Construct Measurement Summary and Confirmatory Factor Analysis and Scale Reliability

Item[a]	**Item Description Summary**	**Std. Loading**	**t-value**
Perceived Equity with Salesperson (ρ=.81)			
Equity1	I am treated fairly by my salesperson.	.86	28.40
Equity2	I am not treated right by my salesperson. (R)	.72	22.54
Equity3	The business arrangement I agreed on with my salesperson is a fair one.	.75	23.77
Buyer Satisfaction with Salesperson (ρ=.98)			
The following describe your relationship with your salesperson:			
Sat1	Satisfied (1) .... Dissatisfied (7) (R)	.96	37.90
Sat2	Pleased (1) .... Displeased (7) (R)	.97	38.62
Sat3	Favorable (1) .... Unfavorable (7) (R)	.98	39.25
Buyer Commitment to Salesperson (ρ=.70)			
Commit1	I am always on the lookout for other salespeople to purchase service from. (R)	.66	19.38
Commit2	If another salesperson offered my firm better service, I would most certainly use it, even if it meant losing my salesperson. (R)	.71	21.27
Commit3	I am not very committed to my salesperson. (R)	.60	17.36
Perception of Available Alternative Suppliers (ρ=.90)			
Alt1	I feel confident that my company would find a satisfactory supplier if we left this supplier.	.86	30.09
Alt2	My firm can always find another supplier which provides comparable or better service than out current supplier.	.86	30.42
Alt3	My firm has good alternatives for service besides our current supplier.	.89	31.75
Benefits Necessary to Switch			
Benefit1	About what percentage of your costs would you have to save before you would drop your current supplier?	.95	36.96
Defection Intentions (ρ=.73)			
Defect1	About how likely is it that during the next year your firm will continue to use this company as your primary supplier? (R)	.39	10.42
Defect2	It is very likely that my firm will drop this supplier during the next year.	.63	18.95
Defect3	There is virtually no chance that my firm will leave our supplier during the coming year. (R)	.84	24.03
Defect4	I am not interested in investigating what other suppliers could offer my firm. (R)	.32	8.51

[a] Scale composite reliability =($\rho_\chi = [(\Sigma\lambda_j)^2 \, var(\xi)]/[(\Sigma\lambda_j)^2 \, var(\xi) + \Sigma\Theta_{ij}]$ Bagozzi and Yi 1988, p.80

Defection intention (scale composite reliability ρ=.73) was inspired by Ping's (1993) exiting behavior scale. The first item was assessed by asking the respondents how likely it was that during the next year they would switch to a new supplier. Respondents chose a percentage ranging from 0% to 100%. The remaining items were measured using a Likert format ranging from (1) "strongly disagree" to (7) "strongly agree." While the standardized loadings on two items were low (.39 and .32), we chose to leave these two items in the scale. The reason for this is that the face validity of the items is good.

Unlike previous marketing studies (e.g., Anderson and Narus 1990; Morgan and Hunt 1994), we separate financial considerations of leaving a supplier from the evaluation of alternative suppliers. Financial considerations are addressed in the search process variable, benefits necessary to switch from the existing supplier. Since no established measure existed, scale development was guided by construct definitions and field interviews. The concept of switching costs has been operationalized as the perceived magnitude of additional benefits that the buyer must obtain to consider switching suppliers. It encompasses monetary and psychic benefits that would be obtained in order to leave the current supplier (Ping 1993). Follow-up interviews with several customers and salespeople supported this definition. Customers indicated that they evaluate the benefits needed to overcome the cost associated with changing suppliers. We developed a single item measure to obtain an overall evaluation of the benefits necessary to switch suppliers. This measure enabled the respondent to incorporate all relevant costs. Benefits necessary to switch supplier were assessed by asking respondents to choose a percentage of purchase cost that the customer would have to save in order to switch suppliers. A response of zero (0) indicates no cost (cost of leaving was very low) and 100 represents a very high level of cost (cost of leaving the supplier was very high) the customer would incur by switching to a new supplier.

Results

Analyses were conducted using LISREL 8 in accordance with Anderson and Gerbing's (1988) two-step approach. The covariance matrix was computed using PRELIS 2. Table 2 shows the correlation/covariance matrix.

Table 2. Correlation/Covariance Matrix for Initial and Extended Models

	X_1	X_2	X_3	X_4	X_5	X_6
Satisfaction with Salesperson	2.91	0.50	0.19	-0.32	-0.46	0.62
Commitment to Salesperson	0.82	0.92	0.09	-0.16	-0.23	0.59
Benefits Necessary to Switch	7.46	2.10	549.82	-0.36	-0.24	0.12
Perception of Available Alternatives	-0.90	-0.25	-13.81	2.68	0.62	-0.20
Defection Intentions	-5.07	-0.14	-3.70	0.66	0.43	-0.28
Perceived Equity with Salesperson	1.34	0.72	3.43	-0.41	-0.23	1.62

Correlations are above the diagonal, variances on the diagonal, and covariances below the diagonal.

Measurement Model

The measurement model was analyzed using all 17 items. The covariance/correlation matrix is shown in Table 2. The error variance of the single-item indicator, benefit of switching from the current supplier, was fixed to $0.1s^2$ (Sorbom and Joreskog 1982). All items performed well. and were retained in the model. The chi-square of the measurement model was 357.78 with 105 degrees of freedom ($p<.01$). The large chi-square value was not surprising since the chi-square statistic in LISREL has been shown to be directly related to sample size (Cudek and Browne 1983). Other goodness-of-fit indices less affected by sample size indicated that the model achieved a good fit (GFI=.95; AGFI=.93; standardized RMR=.04; CFI=.97; RMSEA=.05).

All items have large and significant loadings on their latent construct, indicating convergent validity (see Table 1). Discriminant validity was assessed by using the procedure recommended by Farnell and Larcker (1981). Each pair of constructs passed this test, providing evidence of discriminant validity among the constructs, except one. The test revealed that one of the defection intentions items (defect4) should be removed from the scale. Removal of this item resulted in all pairs of constructs passing the Fornell and Larcker (1981) test.

Table 3. Summary of Hypothesized Structural Model and Rival Models

Relationships	**Par. Estimates**	**t-Value**	**H. Supported**
Hypothesized Model			
Perceived Equity with Salesperson → 7 Satisfaction with Salesperson (H_1)	0.616	17.95	Yes
Perceived Equity with Salesperson → 7 Commitment to Salesperson (H_2)	0.477	8.98	Yes
Satisfaction with Salesperson → 7 Commitment to Salesperson (H_3)	0.191	4.03	Yes
Commitment to Salesperson → 7 Benefits Necessary to Switch (H_4)	0.402	9.48	Yes
Commitment to Salesperson → 7 Perception of Available Alternative Suppliers (H_5)	-0.998	-12.28	Yes
Benefits Necessary to Switch → 7 Perception of Available Alternative Suppliers (H_6)	-0.108	-2.92	Yes
Perception of Available Alternative Suppliers → 7 Defection Intentions (H_7)	0.076	2.35	Yes
Satisfaction with Salesperson → 7 Defection Intentions (H_8)	-0.077	-1.94	No
Commitment to Salesperson → 7 Defection Intentions (H_9)	-0.752	-7.51	Yes
Rival Model 1			
Equity → Satisfaction	0.497	10.80	Yes
Equity → Commitment	0.607	12.63	Yes
Commitment → Satisfaction	0.197	4.00	Yes
Satisfaction → Benefits of Switching	0.186	5.14	Yes
Satisfaction → Available Alternatives	-0.429	-7.56	Yes
Benefits of Switching → Available Alternatives	-0.505	-8.50	Yes
Available Alternatives → Defection Intentions	0.188	6.57	Yes
Satisfaction → Defection Intentions	-0.055	-1.24	No
Commitment → Defection Intentions	-0.691	-7.73	Yes
Rival Model 2			
Equity → Satisfaction	0.634	18.65	Yes
Equity → Commitment	0.624	12.92	Yes
Satisfaction → Benefits of Switching	0.185	5.12	Yes
Satisfaction → Available Alternatives	-0.427	-7.53	Yes
Benefits of Switching → Available Alternatives	-0.504	-8.51	Yes
Available Alternatives → Defection Intentions	0.189	6.53	Yes
Satisfaction → Defection Intentions	-0.097	-2.41	Yes
Commitment → Defection Intentions	-0.674	-7.87	Yes

Model	**df**	χ^2	**GFI**	**AGFI**	**RMR**	**CFI**	**RMSEA**	**SMC defect**
Hypothesized Model	96	324.58	0.95	0.94	0.04	0.97	0.05	.73
Rival Model 1	96	559.40	0.92	0.89	0.10	0.94	0.07	.69
Rival Model 2	97	575.31	0.92	0.90	0.10	0.94	0.07	.68

Structural Model

Results of the model indicate the model fits well (Table 3). The chi-square is significant ($\chi^2_{(96)}$=324.58, p<.01), which is not unexpected given the sample size. The model performed favorably on other fit diagnostics. Specifically, GFI=.95, AGF1=.94, and CF1=.97. Also, the RMR of .04 is also below the suggested value of .05 or lower (Byrne 1989). Additionally, the RMSEA value of .05 indicates a close fit of the model (Browne and Cudek 1993).

Eight of the nine hypotheses were supported. Parameter estimates and t-values for the hypothesized relationships are also shown in Table 3. The hypotheses dealing with equity were supported. This indicates that buyers who perceive their relationship with the salesperson to be equitable are more likely to be satisfied with the salesperson (H_1; t= 17. 95) as well as committed to their salesperson (H_2; t=8.93).

Results indicate that as satisfaction with the salesperson increases, buyer commitment to the salesperson increases (H_3; t=4.03). Buyer commitment to the salesperson results in an increase in the buyer's assessment of the benefits necessary to switch from the current supplier increase (H_4; t=9.48). Both buyer commitment to the salesperson (H_5; t=-12.28) and the benefit necessary to switch current suppliers (H_6; t=-2.92) lead to a decrease in the buyer's perception of available alternative suppliers. Results also indicate that buyers who feel there are many available alternative suppliers are more likely to have defection intentions (H_7; t=2.35). H_9 was also supported which maintains that as buyer commitment to the salesperson increases buyer defection intentions decrease (t=-7.51).

Interestingly, H_8 was not supported (t=-1.94). This hypothesis maintained that buyers who were satisfied with their salesperson would be less likely to develop defection intentions. One reason for this may be that buyer commitment to the salesperson is a more important predictor of customer defection than satisfaction with the salesperson. Finally, we examined the amount of variance of defection intentions explained by this model. The SMC indicated that 73% of defection intentions was accounted for by the variables in this model.

Rival Models

Although there is support in the literature for an indirect effect between satisfaction and defection intentions (e.g., Reichheld 1996; Brown and Peterson 1993), the finding that satisfaction does not directly predict defection intentions may be disconcerting to some. Consequently, we tested two rival models to see if either could predict defection intentions better than our hypothesized model. As mentioned in the literature review section, Tett and Meyer (1993) maintain there are three theoretical perspectives regarding the relationship of satisfaction, commitment and defection intentions. We hypothesized and tested the first perspective--that satisfaction is an antecedent to commitment. A second perspective maintains that commitment leads to satisfaction (Bateman and Strasser 1984), and a third perspective maintains that both satisfaction and commitment contribute uniquely to intention to leave (Sager 1994). In rival model one, we proposed commitment as antecedent to satisfaction (in effect switching the place of these two constructs in the model). In rival model two, both commitment and satisfaction are included in the model but there is not a relationship hypothesized between these constructs. In this model, consistent with the literature (Sager 1994), satisfaction is viewed as an antecedent of benefits necessary to switch suppliers, evaluation of alternative suppliers, and defection intentions. Commitment was hypothesized to only affect defection intentions.

As shown in Table 3, fit statistics for rival model one (commitment antecedent to satisfaction) indicate an adequate fit for this model (RMSEA=.07; GFI=.92; AFGI=.89; Standardized RMR=.10; and CFI=.94). It explained approximately 69 percent of the variance in defection intentions. In rival model two (both commitment and satisfaction included, but not related), the fit statistics are marginally better than the first model, but still not quite as good as the model proposed in this paper. Rival model two explained approximately 68 percent of the variance in defection intentions. Fits statistics (see Table 3) indicate a good fit (RMSEA=.07; GFI=.92; AFGI=.90; Standardized RMR=.11; and CFI=.94). These findings indicate that, while both of these alternative conceptualizations do a fairly good job of explaining the variance in the constructs, they do not work as effectively as the originally proposed model. Interestingly, in rival model one (commitment as antecedent to satisfaction), the path between satisfaction and defection intentions is not significant (t=-1.24), but the path between commitment and defection intentions is significant (t=-7.73). In the rival model two (no relationship between satisfaction and commitment), the path between satisfaction and defection intentions (t=-2.41) and the path between commitment and defection intentions is significant (t=-7.87). This provides support for the assertion that the relationship between satisfaction and defection intentions may be mediated by commitment.

Implications

There are strategic implications associated with understanding and reducing customer defection rates. The reason for this is that loyal customers are more profitable than newly acquired customers (Kalwani and Narayandas 1995; Webster 1994). Thus, an effective strategy to reduce defection rates can also impart a competitive advantage. This research indicates that the salesperson plays an important role in reducing customer defection. It also indicates that the defection process is far more complex than merely keeping customers satisfied and should address concepts such as customer commitment and building equitable relationships. These findings are supportive of previous research that recognizes the importance of customer relationships and equity (Jones et al. 2000; Oliver and Swan 1989a).

Salespeople particularly need to focus on developing equitable relationships to create a sense of customer commitment and satisfaction. One way to do this is to be honest and open in communications with the customer and not use information in an opportunistic manner (Lohtia and Krapfel 1994). In addition, this honesty may pay off in terms of increased trust of the salesperson on the part of the buyer (Swan et al. 1988) as well as perceptions of increased equity.

To further assist salespeople, companies need to determine what customers perceive as being equitable. One way to do this is by interviewing long-term customers and recent defectors. Interviews could focus on whether or not the customer perceived the relationship as equitable, and what led to that perception. It is important for salespeople to understand what customers perceive as equitable in order to maintain the long-term orientation of the relationship. These interviews should help the company develop a plan to prevent defection.

This study indicates that high levels of customer commitment to the salesperson (directly) and satisfaction with the salesperson (indirectly) are important in reducing customer defection. If satisfaction and commitment are high, it is unlikely that the buyer will determine that the benefits associated with leaving a supplier justify the costs involved in making such a move. Low levels of commitment make it more likely that the buyer will evaluate favorably the level of benefits obtained by leaving. Post-sales support and follow-up calls by the salesperson (as well as other personnel from the supplier) are one way to help build greater levels of satisfaction and commitment by increasing the quality of communication between the two firms. Follow-up calls also may result in perceptions of greater equity on the part of the customer since they indicate increased salesperson input (Oliver and Swan 1989a).

An important contribution of the current research is the inclusion of both satisfaction with the salesperson and commitment to the salesperson in a model that explains a large portion of the variance in customer defection intention. Findings indicate that while customer satisfaction with the salesperson is important, it is not the primary determinant of customer retention. Our results demonstrate that customer commitment to the salesperson plays a more important role than satisfaction with the salesperson in reducing customer defection. As noted in earlier work, a satisfied customer may defect to another supplier (Oliver 1999; Reichheld 1993).

Our findings support Reichheld's (1993) assertion that satisfaction is not a surrogate for buyer retention. In addition, customers may say that they are satisfied but still defect because satisfaction is a passive state requiring a lower level of involvement (Lowenstein 1993). Finally, it may be that satisfaction plays a less important role in established buyer-seller relationships (Wilson 1995). Perhaps commitment to the salesperson plays an increasingly important role once a relationship is established.

As part of a good retention plan, firms should identify elements that increase the customer's cost of leaving. These elements should be introduced into the relationship whenever possible and as soon as possible. Once again, follow-up calls may be a part of this process. Another sales-related factor that firms should consider is the effect a salesperson has on the customer's value chain. A salesperson can help demonstrate his/her value to the customer by assisting the customer's firm in making beneficial changes to their value chain. These changes would influence the customer's overall profitability-a value-added service a new supplier might not be able to match. For example, a salesperson may provide expertise that assists a customer in setting up a successful telemarketing program. If the buyer's relationship with the salesperson is lost, the buyer would have to invest a great deal of time/energy educating a new salesperson. This would increase the cost of leaving the existing supplier. If the costs of leaving are perceived as high, it is less likely that the buyer will even consider evaluating alternatives, much less defect.

Once a supplier understands why buyers think about leaving, an early warning system can be created to identify "at risk" customers. While it is important for companies to gauge customer satisfaction, they must also be aware of other elements in the defection process (i.e., perceived equity, customer commitment, benefits necessary to switch, and the evaluation of alternatives) (Reichheld and Sasser 1990). By considering these constructs in the defection process, companies can be proactive in identifying buyers who are "at-risk" and likely to defect.

Study Limitations

While this study helps us to better understand the customer defection process, it has limitations. Data were gathered from customers of one company and in one setting (RUIs), which limits the generalizability of the study. While respondents represented firms from a wide cross-section of industries, this does not ensure generalizability though it does provide some evidence that the sample is representative of a larger business population. Additionally, there is potential for single source bias given that only one respondent per company was used.

A second limitation of this study is that it examined defection intentions rather than actual turnover behavior. Ideally, turnover behavior would have been examined, since buyer defection intentions may not be a precise indicator of actual buyer turnover. The sales force turnover research indicates that propensity to leave has been shown to be the primary precursor of turnover (Futrell and Parasuraman 1984; Johnston et al. 1990; Sager 1991) and the best predictor of actual turnover (Johnston and Futrell 1989; Sager et al. 1988). Since the customer turnover model performed in a manner consistent with employee turnover models, it is likely that a buyer's defection intentions are the immediate precursor of leaving the current supplier. In addition, the current study does not examine the interaction of any combination of the constructs in the model. Recent research indicates that this may be an important issue (Jones et al. 2000).

Areas for Future Research

Our buyer defection intentions model provides insight into potential customer defection processes in a business-to-business setting. Although it is difficult to conduct longitudinal studies in a business-to-business setting, future research should attempt to assess similar models over time. One interesting approach would be to hold constant both the increase in benefits that would be necessary to switch suppliers and the perception of available suppliers to ascertain the effect of commitment, satisfaction and perceived equity on customer defection intentions.

Additional research needs to focus on providing greater understanding of the antecedents to the customer defection process. For example, research could examine how salespeople bring "value" to a relationship and discourage turnover. Variables such as volatility of the environment and salesperson-customer communication are additional areas that require further examination. Future research could also evaluate whether customer defection intentions predict defection behavior. Finally, a typology could be developed that examines the circumstances that lead satisfied buyers to defect and dissatisfied buyers to remain.

In summary, our research provides a first step for examining the importance of the salesperson in understanding the customer defection process in a business-to-business setting. It yields insights into how buyers develop defection intentions in a business-to-business RUI setting. Our findings suggest that employee turnover models are well suited to offer theoretical guidance in modeling buyer defection. It appears that the process buyers go through when thinking about defecting from a supplier is similar to the process employees go through when thinking about leaving their employer. This study suggests that the defection process is multi-faceted. There is more to the customer retention process than just keeping buyers satisfied. Specifically, the buyer's commitment to the relationship and the perception of available alternative suppliers are directly related to buyer defection, while satisfaction with the salesperson, the benefits necessary to switch from the relationship and perceived equity in the relationship all play an indirect role in the buyer defection process.

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