Drivers of client loyalty in the context of market and technological transformation

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Abstract

This study investigates the drivers of loyalty in the context of market and technological transformation. The focus is the client–marketing agency relationship. In an era of greater competitive intensity, greater pressure to demonstrate a return on investment, and a fragmented communications environment, it is to be expected that client needs, and relationship dynamics, will change. In order to win and maintain client loyalty, it is important that agencies understand client expectations. We propose a mixed method approach to investigate the client perspective. A qualitative first stage will reveal themes and inform scale development, and a quantitative second stage will be used to determine the relative importance of variables in influencing loyalty.

Track

Inter-organizational collaboration: Partnerships, alliances, and networks

Word count

1,999 (excluding abstract, references, and figure)

1. Introduction

Interorganizational relationships can be a source of significant benefits and sustained competitive advantage (Dyer and Singh, 1998). Commonly cited determinants of buyer loyalty include supplier expertise, communication, close actor bonds, trust, and commitment (Ulaga and Eggert, 2006). However, customers change what they value when environmental conditions change (Flint et al., 2011) and the continuity of a relationship will depend on the ability of the supplier to adapt.

In the context of client–agency relationships – the focus of this study – marketers (clients) face technological transformation that has resulted in an increasingly challenging marketing environment (Turner, 2017). In addition, increased competitive intensity is demanding greater creativity and return on investment. Consequently, this requires supplier agencies to respond in kind, by adapting to changing client needs. Keegan et al. (2017) recommend further research into client–agency relationship maintenance in the context of significant environmental change. Our aim is to answer this call by *identifying the expectations of marketers in relation to their communications agencies and, in so doing, identify the drivers of client loyalty*.

From a theoretical perspective, our contribution is to identify the determinants of relationship continuity in interfirm exchanges *in the context of market and technological transformation*. LaPlaca and da Silva (2016) argue that there is a need to investigate the characteristics of business-to-business relationships in new circumstances and contextual realities. Recent transformations in the client–agency environment include the ubiquity of digital marketing, multi-agency portfolios, the increase in in-house creative studios, and reduced marketing budgets. What is unclear is how these changes have influenced the determinants of client loyalty. In addition, given the ever-growing list of agency types, we aim to explore whether the determinants of loyalty vary according to agency type, and we draw on social exchange theory and its contrasting forms of exchange to explain potential differences. In so doing, we begin to answer the call for more research into the impact of firm-specific factors on predictors of loyalty in business-to-business (Paparoidamis et al., 2017).

From a managerial perspective, there is justification for our study. Apart from a handful of high-profile examples, client–agency relationships are not noted for their longevity. The average relationship duration is only three years (R3 Global, 2016). By identifying the expectations of clients in the current turbulent environment, we aim to equip agencies with the knowledge required to satisfy and retain clients.

2. Literature review

2.1 Social exchange

Emerson (1976) defines *social* exchange as the exchange of resources within a social structure of on-going interactions between actors. Forms of exchange between actors have been conceptualised as negotiated, reciprocal, or productive (Emerson, 1981). Negotiated exchange is characterised by a joint decision process in which actors seek agreement on the precise terms of exchange through a bargaining process. Reciprocal exchange is non-negotiated and features a unilateral flow of benefits such that one actor performs an act for another without knowing whether, when, or to what extent the act will be reciprocated (Molm, 2010). Productive exchange is a value-adding process in which actors' resources are combined and directed towards a collective activity, with joint control over the outcome (Emerson, 1976). Lawler et al. (2008) suggest that productive exchange generates a stronger attachment than either negotiated or reciprocal exchange. This is attributed to the 'jointness' in exchange tasks. We propose to explore client–agency relationships in the context of these contrasting forms of exchange. Anecdotal evidence suggests that the nature of the client–agency relationship will vary depending on whether the agency is traditional or digital.

2.2 Environmental turbulence

Difficult economic conditions and greater competitive intensity mean that clients face tougher demands for financial accountability (Stewart, 2009). This has led to higher expectations and increased monitoring to ensure costs are kept under control (Neff, 2015). Agencies maintain that relationships are both weaker and shorter because of this increased scrutiny (Thomas, 2015). Spurred on by the necessity for cost saving, together with a desire for greater control, many firms are setting up in-house creative and/or digital agencies (O'Connor, 2017).

An increasingly digitized marketing landscape is creating greater complexity too. Clients must manage multiple agencies. However, this multi-agency environment is thought to hinder the development of trust (Keegan et al., 2017). Furthermore, increased workloads are compelling buyers to replace face-to-face with online interaction as a time-saving measure, resulting in fewer opportunities for suppliers to build relational bonds (Heirati et al., 2016).

2.3 Client–agency relationship variables

Previous studies into client–agency relationships identify a range of factors influencing client loyalty. These include service outcome factors such as creativity and value for money; functional quality factors such as communication, reliability, proactive behaviour, and overall client care; and relational infrastructure factors which include personal relationships and concern for the client's best interests (Davies and Prince, 1999; Halinen, 1997; Palihawadana and Barnes, 2005). If the client's perception of process, outcome, and relational infrastructure are positive, relational bonds (trust and commitment) will develop (Halinen, 1997).

3. Research method

We propose a mixed methods approach; an in-depth qualitative approach – already completed – to identify themes with which to inform the second, quantitative stage. We are keen to develop our own scale items given that environmental change may affect the relevance or dimensionality of specific drivers (Gilmore and McMullen, 2009).

We took a strategic and purposive approach to sampling to ensure information-rich cases that were representative of the population (Patton, 2002). We used networks such as the Professional Marketers' Forum to advertise the research study and ask for participants. We selected firms of varying size, working with both traditional and digital agencies, and with relationships of varying duration. All respondents were marketers with at least five years' experience, working in FMCG, professional, or consumer services. The justification for only seeking the view of the buyer is that, in the context of client–agency relationships, it is the client who sets the agenda and decides whether to continue the relationship (Beverland et al., 2007).

We report findings from 23 semi-structured, one-to-one interviews, lasting an average of 50 minutes each. We used an interview guide that explored client expectations and their perceptions of agency performance. Interviews were recorded and transcribed by the researchers. Using Nvivo 11, we coded the transcripts, and then abstracted from first-order concepts, through higher-order theoretical constructs, to overarching aggregate dimensions (Corley and Gioia, 2004). The resulting framework is shown in figure 1, and we report the findings anchored on the five aggregate dimensions.

4. Findings

4.1 Expertise

Knowledge

Clients identified three dimensions to knowledge. The first is an understanding of the market in which the client operates: "I work in a very complicated market. They need to show they understand it" (David). The second is a demonstrable desire to continue to learn: "I expect them to want to know more and build their knowledge over time" (Kevin). The third is what clients called insight; telling the client something they don't already know: "I understand that finding an answer to differentiation is difficult, particularly in our profession, but I expect the agency to really understand our culture and pull out that difference" (Alison).

Creativity

With the recent explosion of in-house agencies, clients are employing external agencies to provide services that can't be obtained in-house. Agencies need to demonstrate they are adding value. Most clients acknowledge that, while in-house studios provide benefits, their ideas are generally predictable: "The DNA of the person who is going to come up with great creative ideas doesn't live inside a corporation" (Margaret). However, novelty is of little value if it is not relevant. There is a feeling that sometimes, there is a disconnection between agency ideas and the realities of the market.

4.2 Communication

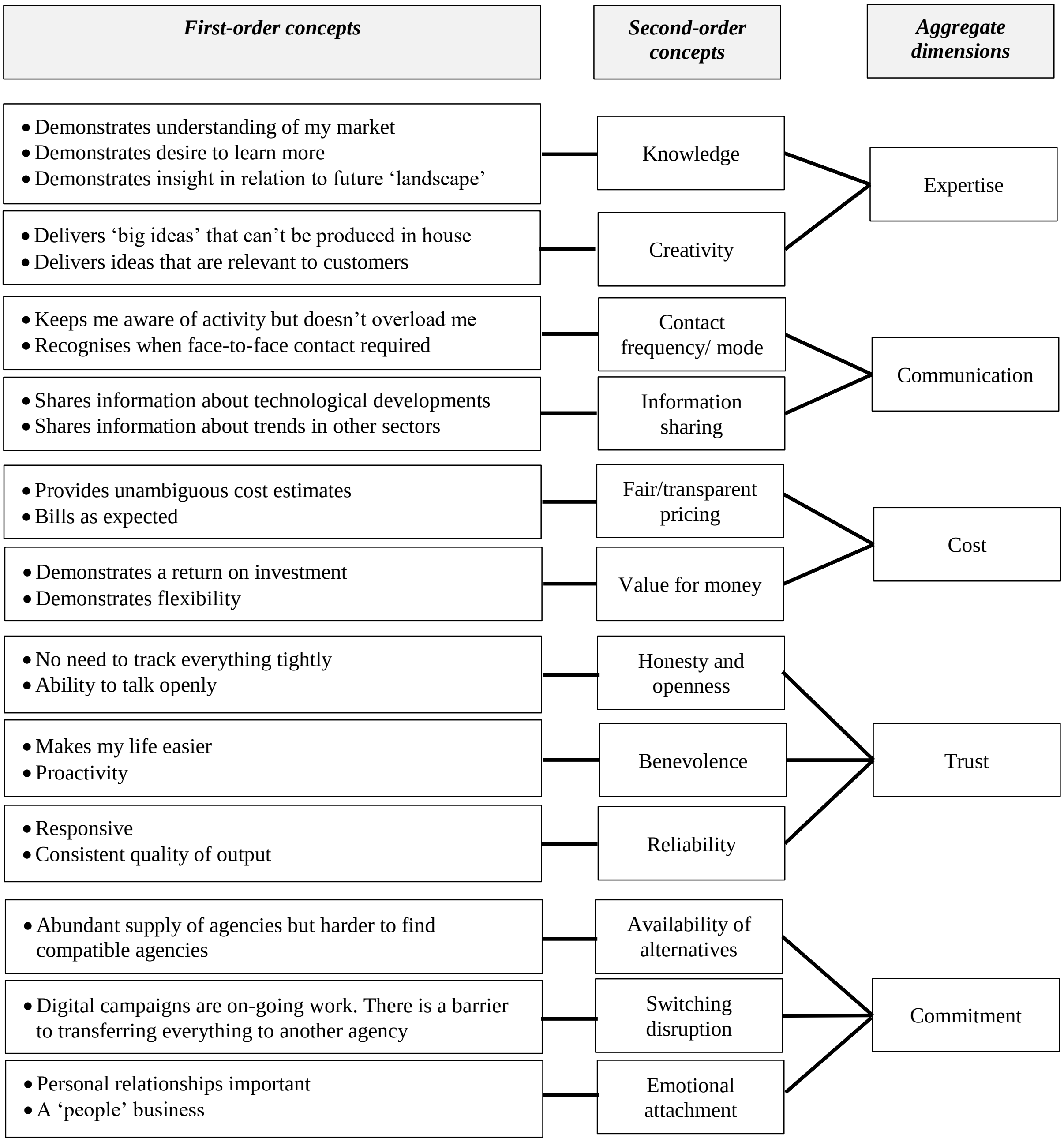
Contact frequency/modality

Clients want a balance between being kept up-to-date and being overloaded with messages: "We're fired these messages and we're not bothering to say thank you, because, if they're not sending us something useful, we haven't got time" (Jane). On the other hand, communication is seen by some as an indication of being valued: "The only thing I could infer from the lack of communication was that we weren't spending enough for it to be worth their investment" (Fiona). Regarding modes of communication, several underlined the importance of face-to-face meetings for certain tasks or at certain points in the relationship: "In the early stages, the only way to build a relationship quickly is face-to-face." (Sharon).

Information sharing

Clients value information relating to events in other sectors that might inform their own, or developments in technology that impact their marketing communication planning: "We're quite good at watching our own industry but they see things going on in other sectors that might be relevant for us" (Claire) and "I expect them to be up-to-date with latest trends and thinking, because I can't be. That's why I use an external agency" (Sharon).

Figure 1: Abstraction process



4.3 Cost

Fairness/Transparency

Understandably, pricing transparency is a core requirement. However, this is not always easy in a context where there is inherent ambiguity. Further, there is a suspicion that some agencies are exploiting this: "The trouble with agencies is that pricing is never clear upfront. They say 'your budget only covered up to this stage. Anything else will cost you more'. It's ambiguous" (Alison).

Value for money

Clients are under pressure to demonstrate that their marketing budget is being spent wisely, which in turn puts pressure on agencies to do the same: “There’s a lot more pressure on agencies to deliver real return. They’re being held much more accountable” (Simon).

4.4 Trust

Honesty/openness

Clients acknowledge it is difficult to monitor everything the agency does, and they want to reach a point where this is not necessary because they can rely on the agency’s honesty. When this threshold is reached, there is an ability to talk openly with each other without jeopardising the relationship: “There’s a great deal of trust and goodwill between both sides and as a result that means, when awkward conversations need to take place, we can do that” (Ruth).

Benevolence

Clients want agencies to demonstrate goodwill. Proactivity demonstrates the agency is taking the initiative, thinking about the client’s best interests, and about how to help the client meet goals: “I expect them to look around, to know what’s going on elsewhere, to say ‘this is what others are doing, and it could work for you’” (Sharon).

Reliability

With limited resources, clients need an agency that is self-sufficient and can deliver a job with minimal supervision: “I need an agency that can be an extension of my team and who I don’t need to hand-hold” (Adina). Furthermore, clients need agencies that can be relied upon to deliver on time: “They always respond quickly to what I need. I never seem to be at the back of a queue” (Alison).

4.5 Commitment

Availability of alternatives

All respondents acknowledged that there is an abundance of alternative agencies. However, several admitted that compatible agencies are harder to find: “There are lots of agencies. Finding an agency is easy. But finding one with the right capabilities, that fits with us, would be difficult” (Kevin).

Ease of switching

Where the work is of an ad hoc nature, it is easier for clients to switch because projects have a finite end. Where the work is continuous, such as digital, switching is liable to cause disruption: “There’s a big barrier to transferring everything to another digital agency. You can’t suddenly switch it off and start again in a month. You’re locked-in” (Kevin).

Emotional attachment

All clients acknowledged the importance of personal relationships. The rapport between client and agency contributes to the health of the relationship: “It’s very important. It was important at the time of selection and it is still a necessary ingredient” (Adina).

5. Next steps

Based on the qualitative findings, we propose to develop a survey, using a test-retest process to refine scales. We plan to collect and analyse this data prior to the conference. We will use structural equation modelling to analyse the relationship between constructs, to determine the relative importance of the variables in influencing loyalty, and to explore differences across agency types.

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