4. Customer Loyalty and Business Economics

4.1 Defining and Describing Customer Loyalty

The quest for loyalty has always been a cornerstone in human activity in general and in organisational life in particular. In a hierarchical power structure, members of an organisation accept the need of obeying leaders and following instructions. In ancient times, participants even swore their loyalty as an entry ceremony. In modern organisations, loyalty is also implicitly assumed and the reward-punishment system has loyalty as a central decisive factor. In hierarchies, market forces are eliminated. As long as you are a member of this organisational hierarchy, you must stick to our rules.

One thing is hierarchy – another thing is markets. Customers do not behave like organisational members. Loyalty is something a company strives to attain, not something that can just be requested or assumed. It must be earned. This is the case whether you work in a business-to-business context or you pitch for a relationship anchored brand loyalty on consumer markets. In both situations, you must give at least the same or even more than you receive – as perceived by your customer.

Customer loyalty conceptually implies both an attitude - "think and feel"- dimension and a behavioural "do and experience"-dimension. Neither one acts exclusively of the other. A few of the many definitions of loyalty highlights this assertion:

"Customer loyalty is the seller’s perception of the con-
sumer's positive attitude to the product manifested by rebuying".\textsuperscript{38}

"The loyalty creating company is a company where the entire organisation carries out conscious, ongoing and effective efforts with the purpose of securing an optimal development of satisfied, loyal and hence profitable customers".\textsuperscript{39}

We will work with the distinction between instrumental and motivational loyalty. \textit{Instrumental loyalty} is the kind of loyalty most often found in business-to-business relationships. It is related to the objective features and the functional dimensions of the product or service vis-à-vis a usage situation. \textit{Motivational loyalty} is the predisposition emerging from a more affective pattern of reaction, typically expected in consumer markets. The rationale/cognitive and the affect-driven/emotional reasons for loyalty are not per se contradictions and are often mixed.\textsuperscript{40} In both cases, the supplier must deliver perceived relationship value in excess of the money the customers are paying.

There are many ways of classifying loyal versus non-loyal customer behaviour. One such classification proposes three ways of considering customer buying behaviour:

- \textit{Switching behaviour}: where purchasing is seen as an either/or decision – either the customer stays with you (loyalty) or turns against you (switching).
- \textit{Promiscuous behaviour}: Also an either/or situation in the sense that either the customer is loyal to you or flirts with many and various alternatives (promiscuous).
- \textit{Polygamous behaviour}: Again, the customer makes a stream of purchases, but their loyalty is divided among a number of products. They may be more or less loyal to your brand or solution than to any other.