Does experience matter?

Differences in relationship benefits, satisfaction, trust, commitment and loyalty for novice and experienced service users

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Abstract

Purpose – Although customer relationships transpire through a process of time, encounters and experience, few studies have examined the dynamics of service relationships. This paper aims to address this issue by examining the effect of experience on the association between relational benefits and relationship quality, and between relationship quality and loyalty.

Design/methodology/approach – Using a national sample of 376 service consumers and nine service industries, the study examines whether the impact of relationship benefits on perceptions of satisfaction, trust and commitment, and ultimately customer loyalty, differs significantly between novice and experienced customer cohorts.

Findings – The results indicate significant differences between novice and experienced cohorts. Specifically, the impact of confidence, social and special treatment benefits on perceptions of satisfaction, trust and commitment, and ultimately customer loyalty, differ significantly based on a customer’s level of relationship experience.

Practical implications – The findings of this study have tactical and strategic implications for service firms, including effective customer asset management, resource allocation, and relationship strategy.

Originality/value – This study makes a significant new contribution to theory and practice.

Keywords Services marketing, Customer loyalty, Customer satisfaction, Trust, Buyer-seller relationships

Customer relationships are increasingly studied in the literature (Palmatier et al., 2006). This is primarily because acquiring new customers can be more costly than keeping existing ones (Reichheld and Sasser, 1990) and longer-term relationships are often more profitable than shorter-term associations (Reichheld and Sasser, 1990). As a result, the customer-provider relationship has emerged as an important strategic focus for firms (Palmatier et al., 2006; Shemwell and Cronin, 1995). This is clearly exemplified by the millions of dollars spent annually on customer relationship management programs (Mitchell, 2002) and the prominence placed on developing customer lifetime value (Cooil et al., 2007).

Customer relationships, however, do not simply exist; they develop over time and with experience (Czepiel, 1990; Cooil et al., 2007). Czepiel (1990), for example, suggests that relationships evolve and change as the relationship progresses. Gwinner et al. (1998) posit that as a relationship grows the benefits associated with being in the relationship develop. Verhoef et al. (2002) report that feelings of attachment towards a supplier increase as the relationship ages, and Altman and Taylor (1973) suggest
relationships move from superficial to deeper levels as relational parties gain experience. A relationship thus develops incrementally through experience with the customer updating perceptions after each service encounter (Bolton, 1998).

While it is assumed that relationships change as experience grows, how experience effects the development of customer loyalty remains unknown. The purpose of this study, therefore, is to examine whether the effect of confidence, social and special treatment benefits on satisfaction, trust and commitment, and the effect of these constructs on customer loyalty is moderated by customer experience. We hypothesise that as experience grows the customer becomes better able to evaluate the relationship experience, including the benefits of being in the relationship. This then results in satisfaction, trust and commitment, and ultimately customer loyalty. No prior study has examined the effect of experience on loyalty formation.

If experience differences exist, firms may need to rethink how they manage relationship-building activities. Instead of simply offering the same benefits to all customers, customisation might be necessary. Examining this effect is important because a firm’s customer base is unlikely to be homogenous. Understanding differences in how customers construct loyalty will assist firms in more effectively utilising their relationship building resources. A greater degree of customisation is possible once any differences are clearly understood and stronger relationships are likely to develop as a consequence of being able to tailor service offerings.

**Relationship dynamics**

Our study responds to a call for the development of dynamic models of exchange relationships (Bell et al., 2005; Mittal and Katrichis, 2000). Understanding how customer preferences change over the duration of the relationship is necessary for building strong customer relationships (Bell et al., 2005; Mittal and Katrichis, 2000). We specifically propose that as experience increases, customers gain the information needed to evaluate the relationship experience including the benefits and outcomes associated with the relationship.

Underpinning these effects is attribute evaluability theory (Alba and Hutchinson, 1987; Hsee, 1996) which suggests that experts possess more highly developed conceptual structures and are better equipped to understand the meaning of product/service information (as well as benefits derived) than novice consumers (Alba and Hutchinson, 1987). Even when novice and experts base perceptions on the same set of product/service attributes it is likely that they will weight them differently (Alba and Hutchinson, 1987; Hsee, 1996).

As novices are less able to understand the importance and implications of information, they are more likely to weight heavily those service attributes that are easily understood, that are familiar from service experiences in other categories, and/or that have been made salient through marketing communications (Alba and Hutchinson, 1987). What this means is that the attributes that are important to novice customers might not be the same as those that are important to more experienced customers, and the impact of these attributes on global service perceptions (such as satisfaction and loyalty) is likely to change as the relationship unfolds (Mittal and Katrichis, 2000).

Associated with the concept of evaluability is the notion that over the duration of the relationship, customers update their perceptions and gain experience. This experience then provides knowledge about service attributes. Many studies have
considered the time-dependent effect of relational constructs from a social psychology and/or marketing perspective (Doney and Cannon, 1997; Swann and Gill, 1997; Verhoef et al., 2002). Social psychology research shows that individuals in long-term relationships have more opportunities to gather information about one another, more motivation to acquire information (Berscheid et al., 1976), and more motivation to integrate that information into coherent representations (Murray and Holmes, 1993).

Marketing studies similarly show that long-term relationships are more stable than younger relationships (Anderson and Weitz, 1989) because as relationship partners gain experience unsatisfactory relationships are terminated, and adjustments are made to surviving relationships so that a higher degree of relational fit can be achieved (Anderson and Weitz, 1989). As relationship experience grows, both parties are also better able to predict behaviour, as the outcome of previous episodes provides a framework for subsequent experiences (Doney and Cannon, 1997; Nicholson et al., 2001).

We propose that the benefits customers derive from engaging in a service relationship will have a differential impact on satisfaction, trust and commitment depending on the customers’ experience in service usage. Indeed, it is not difficult to conceive of a situation where the relationship benefits sought by a novice consumer will differ from those sought by an experienced consumer, and that consequentially these benefits will differentially effect perceptions of satisfaction, trust and commitment. We further propose that perceptions of satisfaction, trust and commitment will differentially impact on loyalty depending on a customer’s level of experience as a service user. Again, it is not difficult to imagine that trust and commitment may be stronger predictors of loyalty for experienced customers who have had the opportunity to build strong relationships.

Understanding this effect is important to firms because successful relationship building efforts are linked to the recuperation of customer acquisition costs, cross- and up-selling products and services, and the dissemination of positive word of mouth (Danaher et al., 2008; Hennig-Thurau et al., 2002). Given that firms are willing to spend millions of dollars annually on relationship management schemes (Johnson and Selnes, 2004; Mitchell, 2002) research examining the effect of experience on relationship formation is critical. The ability to segment customers on the basis of experience and to customise relationship building efforts for these segments is important because such activities should enhance relationship strength. Given that strong relationships are associated with higher sales, market share, and profits (Crosby et al., 1990; Morgan and Hunt, 1994), and that prior research has not examined these effects, this study makes a valuable contribution to the relationship marketing literature, and to firms practising relationship-building activities.

Table I provides a summary of the literature on which we build our research model and hypotheses, while Figure 1 presents our conceptual model and provides a visual summary of the key issues addressed in this study. We broadly discuss these issues and the central constructs in our research model next.

Confidence, social and special treatment benefits
Competitive advantage often rests on the ability of a firm to create customer relationships that deliver value beyond what is provided by the core service alone (Zineldin, 2006). As a means of increasing customer perceived value the benefits associated with quality relationships and ultimately loyalty have received increasing attention in the literature (e.g. Gwinner et al., 1998; Hennig-Thurau et al., 2002;
<table>
<thead>
<tr>
<th>Authors</th>
<th>Purpose of study</th>
<th>Method</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alba and Hutchinson (1987)</td>
<td>Review basic empirical results</td>
<td>Meta-review of literature</td>
<td>Attributes are weighted differently depending on experience and knowledge of novice and experts</td>
</tr>
<tr>
<td>Anderson and Weitz (1989)</td>
<td>What makes relationships last</td>
<td>Three-stage least squares. ( n = 95 ) firms forming 690 dyads</td>
<td>Trust develops over the duration of the relationship</td>
</tr>
<tr>
<td>Bitner (1995)</td>
<td>Study service experiences</td>
<td>Conceptual</td>
<td>Events occurring early in a service experience contribute more to loyalty</td>
</tr>
<tr>
<td>Bolton (1998)</td>
<td>Duration of provider-customer</td>
<td>Proportional hazards regression. Cross-</td>
<td>Satisfaction ratings prior to any decision to cancel or stay loyal are related to the duration of the relationship. Relationship</td>
</tr>
<tr>
<td></td>
<td>relationship</td>
<td>sectional and time series data. Cellular</td>
<td>between duration and satisfaction</td>
</tr>
<tr>
<td></td>
<td></td>
<td>customers over a 22-month period</td>
<td>stronger for more experienced customers</td>
</tr>
<tr>
<td>Bove and Johnson (2000)</td>
<td>Customer relationship with service workers</td>
<td>Conceptual model</td>
<td>Perceived benefits/rewards, age of relationship, service contact intensity, perceived risk, interpersonal orientation and the</td>
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<td></td>
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<td>service workers’ customer orientation as perceived by the customer impact relationship strength</td>
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<td>Claycomb and Franwick (2004)</td>
<td>Moderating effects of buying</td>
<td>Regression analysis. Survey US companies.</td>
<td>The results suggest that company size, buyer experience, relationship duration and relationship importance affect the</td>
</tr>
<tr>
<td></td>
<td>context on relationship</td>
<td>( n = 174 ). Response rate 17.7 per cent</td>
<td>association between a buyer’s search effort and the communication elements</td>
</tr>
<tr>
<td>Doney and Cannon (1997)</td>
<td>Development of trust of a</td>
<td>Logistic regression and three-stage least</td>
<td>Trust of the supplier firm and trust of the salesperson influence a buyer’s anticipated future interaction with the supplier.</td>
</tr>
<tr>
<td></td>
<td>supplier firm and its salesperson</td>
<td>squares. ( n = 210 ). Response rate 31 per cent</td>
<td>Duration is not related to trust Trust influences advertising use in short but not long relationships. Interaction and involvement</td>
</tr>
<tr>
<td>Grayson and Ambler (1999)</td>
<td>Trust in relationships</td>
<td>Structural equation modeling. ( n = 728 ).</td>
<td>influences advertising use in long but not short relationships</td>
</tr>
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<td></td>
<td></td>
<td>Response 27 per cent</td>
<td>(continued)</td>
</tr>
<tr>
<td>Authors</td>
<td>Purpose of study</td>
<td>Method</td>
<td>Findings</td>
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<td>Hsee (1996)</td>
<td>Preference reversal</td>
<td>Four experiments. $n = 116, 112, 98, 202$. College students</td>
<td>Novice and experienced customers have different knowledge structures on which they base evaluations</td>
</tr>
<tr>
<td>Kumar et al. (1995)</td>
<td>Role of supplier fairness in developing long-term relationships</td>
<td>Regression. $n = 417$ US automobile dealers and 289 from The Netherlands. Response rate 28 per cent and 19 per cent, respectively</td>
<td>Vulnerable resellers’ perceptions of fairness enhance relationship quality; age of relationship does not influence relationship quality</td>
</tr>
<tr>
<td>Lee et al. (2004)</td>
<td>The benevolence-performance link is moderated by relationship duration</td>
<td>Structural equation modelling. $n = 201$. Response rate: 29.6 per cent</td>
<td>Importers’ altruistic benevolence had a positive impact on performance in mature relationships but not in new relationships</td>
</tr>
<tr>
<td>Liang and Wang (2007)</td>
<td>Examines antecedents to behavioural loyalty</td>
<td>Structural equation modelling. Mail survey. $n = 933$ members of a PC school. Response rate: 46.7 per cent</td>
<td>Relationship duration has a positive influence on behavioural loyalty, and product involvement has positive effects on customer satisfaction</td>
</tr>
<tr>
<td>Mittal et al. (2001)</td>
<td>Attribute performance and customer satisfaction over time</td>
<td>Regression. Survey of $n = 573$ cardholders and $n = 33$ college students</td>
<td>The importance of an attribute in determining overall satisfaction varies over time. The satisfaction-intentions association changes over time</td>
</tr>
<tr>
<td>Nicholson et al. (2001)</td>
<td>The role of liking in the development of trust</td>
<td>Structural equation modelling. Mail survey. $n= 238$. Response: 46.9 per cent</td>
<td>When relationships are young, liking partially mediates the effect of similarity of business values and fully mediates the influence of frequency of personal interaction on trust. As the relationship ages, liking drives trust</td>
</tr>
<tr>
<td>Palmatier et al. (2006)</td>
<td>Relationship marketing meta-analysis</td>
<td>Meta-analysis</td>
<td>Relationship duration was found to be relatively ineffective compared to expertise, communication, investment, similarity and benefits</td>
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<tr>
<th>Authors</th>
<th>Purpose of study</th>
<th>Method</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reynolds and Beatty (1999)</td>
<td>A relationship customer typology</td>
<td>Cluster analysis. Mail survey. <em>n</em> = 364. Retail clothing</td>
<td>Certain motivational characteristics are useful in segmenting relationship customers. In particular, there are differences between novice and long-term customers in sales relationships</td>
</tr>
<tr>
<td>Smith (1998)</td>
<td>The effects of similarity on relationship behaviours and relationship quality</td>
<td>Structural equation modelling and partial least squares. <em>n</em> = 128. Response rate: 37 per cent</td>
<td>Duration contributes to commitment and relationalism but is negatively related to relationship investment</td>
</tr>
<tr>
<td>Swann and Gill (1997)</td>
<td>Confidence and accuracy in perception of relationship partners</td>
<td>Experiment and survey</td>
<td>Relationship length and involvement increased the richness of impressions, which fostered confidence</td>
</tr>
<tr>
<td>Verhoef <em>et al.</em> (2002)</td>
<td>Effect of relational constructs on customer referrals and the number of services purchased, as well as the moderating effect of relationship age</td>
<td>Regression. Archival and survey data. Insurance. <em>n</em> = 2,300. Response rate: 35 per cent</td>
<td>Relationship age moderates the association between satisfaction, affective and calculative commitment and the number of services purchased. In particular, as a relationship ages confidence in feelings of attachment with the supplier increases</td>
</tr>
<tr>
<td>Wang <em>et al.</em> (2006)</td>
<td>Studies relationship bonding tactics, customer satisfaction, trust, commitment and customer loyalty</td>
<td>Path analysis. <em>n</em> = 933. Response rate: 46.7 per cent</td>
<td>Relationship quality has a positive influence on customer loyalty, regardless of relationship duration</td>
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</tbody>
</table>
Reynolds and Beatty, 1999). These benefits include confidence, social and special treatment benefits (Gwinner et al., 1998).

Confidence benefits refer to perceptions of reduced anxiety and comfort in knowing what to expect in the service encounter; social benefits are the emotional part of the relationship characterised by personal recognition of customers by employees, the customer’s own familiarity with employees, and the creation of friendships between customers and employees; and special treatment benefits pertain to price breaks, faster service or individual service for those customers with an established relationship (Gwinner et al., 1998).

While the association between these relational benefits and satisfaction, trust and commitment has been examined with varying degrees of support (e.g. Hennig-Thurau et al., 2002; Reynolds and Beatty, 1999), prior research has not examined whether these benefits differentially effect satisfaction, trust and commitment depending on the customers’ level of relationship experience. Understanding these effects is critical if firms are to enhance satisfaction, trust and commitment and ultimately build a loyal customer base.

**Satisfaction, trust and commitment**

It is recognised in the literature that satisfaction, trust and commitment are essential aspects of a relationship (De Wulf et al., 2001; Smith, 1998). Satisfaction is important to relationship continuity (Anderson and Sullivan, 1993; Bolton, 1998) and is an important aspect of buyer-seller relationships (Crosby et al., 1990; De Wulf et al., 2001). Satisfaction is defined as the customer’s affective state resulting from an overall appraisal of the service experience (Anderson et al., 1994; Oliver, 1997; Verhoef et al., 2002). As a related construct, trust is defined as confidence in an exchange partner’s reliability and integrity (Crosby et al., 1990; De Wulf et al., 2001; Morgan and Hunt, 1994; Palmatier et al., 2006). Trust captures the belief that the seller will stand by their word (Anderson and Narus, 1990) and fulfil promised role obligations (Dwyer et al., 1987; Scheer and Stern, 1992). Finally, commitment reflects the consumer’s voluntary willingness to remain in and make efforts towards maintaining a relationship (De Wulf et al., 2001; Morgan and Hunt, 1994; Palmatier et al., 2006). Commitment encourages exchange parties to resist short-term benefits in favour of the expected long-term benefits of remaining in the relationship (Morgan and Hunt, 1994).

There is evidence that customers update their relationship perceptions as relational parties gain experience (Bass et al., 1998; Altman and Taylor, 1973). Satisfaction, trust
and commitment are likely to change over the duration of a relationship. In the satisfaction literature, for example, the dynamic role of duration of a service relationship has been examined and the positive effect of relationship duration on relationship satisfaction has been observed (Bolton, 1998; Mittal et al., 2001).

The literature also suggests that building trust promotes long-term relationships by reducing uncertainty and the likelihood of opportunistic behaviour (Hausman, 2001; Doney and Cannon, 1997). Czepiel (1990) proposes that relationship partners develop greater trust and dependence as the relationship progresses, and Bove and Johnson (2000) note that as experience builds over time, an extensive history of shared interaction between relational partners fosters trust. Finally, the literature suggests that committed customers experience relationship closeness (Geyskens et al., 1999; Verhoef et al., 2002), which over time leads to commitment to the relationship (Gill et al., 1998; Verhoef et al., 2002).

While these studies allude to the dynamic nature of the customer-provider relationship, prior research has not examined whether the impact of satisfaction, trust and commitment on customer loyalty changes as the customer moves from being a novice to an experienced service user. The proposed model examines these important effects, providing firms with a means of segmenting their customer base and thus offering greater customisation.

Customer loyalty

A loyal customer is defined as one who holds a favourable attitude toward the service provider, recommends the service provider to other consumers and exhibits repurchase behaviour (Dimitriades, 2006). Customer loyalty is important primarily because of its positive impact on sales, share of wallet, and customer retention (Oderkerken-Schröder et al., 2003; Reynolds and Beatty, 1999). Research supports the link between satisfaction, trust and commitment, and loyalty (Wang et al., 2006; Rauyruen and Miller, 2007).

The literature also provides evidence that loyalty and experience gained over the relationship are positively related (Wang et al., 2006). Liang and Wang (2007), for example, suggest that satisfied longer-term customers are more likely to buy additional services and spread favourable word-of-mouth communication than shorter-term customers. Similarly, Bitner (1995) alludes to the differential effect of experience on customer loyalty, suggesting that events occurring early in a service experience contribute more to building customer loyalty than those occurring later in the relationship. While the literature suggests that loyalty may be differentially impacted by relationship perceptions across the duration of the relationship, prior research has not examined this effect explicitly.

Hypothesis development

The central premise of our study is that the salience of the links in our research model (Figure 1) differs between novice and experienced customers. We believe that the effect of relationship benefits on satisfaction, trust and commitment will differ depending on whether a customer is a novice, an inexperienced service user, or a very experienced service user. Similarly, we believe that the impact of these constructs on customer loyalty will also differ depending on experience levels. In the following sections we present the research hypotheses guiding our study.
Relationship benefits and satisfaction, trust and commitment

Confidence benefits serve to reduce anxiety because they provide customers with a sense of comfort in knowing what to expect in a service encounter (Gwinner et al., 1998). A review of the literature provides support for modelling confidence benefits as driving satisfaction, trust and commitment (Hennig-Thurau et al., 2002; Gwinner et al., 1998). We suggest, however, that this relationship is experience dependent in that confidence benefits are likely to drive satisfaction, trust and commitment more for novice customers than for experienced customers. We suggest that as customers’ gain experience they weigh prior assessments of a service more heavily, placing less weight on new information (Smith and Bolton, 2002). This implies that early experiences and information in the service relationship carry over and new information is relatively less influential in attitude formation (Smith and Bolton, 2002).

We further propose that experienced customers possess more highly developed knowledge structures and are better equipped to understand the meaning of service information than inexperienced consumers (Alba and Hutchinson, 1987). As a result, experienced customers are better able to accurately evaluate and therefore seek out benefits that inexperienced customers may not consider or desire. Even when inexperienced and experienced customers base perceptions on the same set of service attributes it is likely that they will nonetheless weight them differently (Alba and Hutchinson, 1987; Hsee, 1996). As inexperienced customers are less able to understand the importance and implications of service attributes (and benefits) they are more likely to heavily weight attributes like confidence benefits that are easy to evaluate when forming perceptions of satisfaction, trust and commitment.

This effect occurs primarily because confidence benefits serve to reduce service anxiety, which is heightened in the case of inexperienced customers (Alba and Hutchinson, 1987; Hsee, 1996). Indeed, early in the service experience confidence benefits provide the customer with a sense of security in the relationship and are therefore likely to increase satisfaction, trust and commitment towards the service firm. However, as the customer gains experience in the service it is likely that the effect of confidence benefits on these constructs will weaken as customers begin to seek social and special treatment benefits from the relationship.

H1a. The effect of confidence benefits on the customer’s satisfaction with the service provider is significantly greater for novice customers than experienced customers.

H1b. The effect of confidence benefits on the customer’s trust in the service provider is significantly greater for novice customers than experienced customers.

H1c. The effect of confidence benefits on the customer’s commitment to the service provider is significantly greater for novice customers than experienced customers.

Social benefits derived from relationships include personal recognition by employees, and familiarity and friendship between the customer and employee (Gwinner et al., 1998). A review of the literature provides support for modelling social benefits as driving perceptions of satisfaction, trust and commitment (Gwinner et al., 1998; Reynolds and Beatty, 1999; Patterson and Smith, 2001). We suggest, however, that this
association may be experience-dependent, in so far as social benefits derive from familiarity and rapport, which develops over time and encounters (Gwinner et al., 1998). It is therefore unlikely that novice customers will have had the opportunity to build sufficient relational bonds for social benefits to exist.

Simply stated, social benefits are more aligned to experienced customers who have had the opportunity to develop a closer relationship with a service provider. More mature relationships also mean that customers have had sufficient time to gain the information needed to build a frame of reference from which they can more accurately evaluate social benefits (Alba and Hutchinson, 1987; Hsee, 1996). As experienced customers possess more relationship knowledge, they are better equipped to understand the more complex social benefits derived from relationships (Alba and Hutchinson, 1987). The social benefits that come with experience, for example friendship and personal recognition, thus provide the motivation necessary for the customer to commit to the relationship (Palaima and Auruskeviciene, 2007; Hennig-Thurau et al., 2002; Gwinner et al., 1998).

\( H2a. \) The effect of social benefits on the customer’s satisfaction with the service provider is significantly greater for experienced customers than novice customers.

\( H2b. \) The effect of social benefits on the customer’s trust in the service provider is significantly greater for experienced customers than for novice customers.

\( H2c. \) The effect of social benefits on the customer’s commitment in the service provider is significantly greater for experienced customers versus novice customers.

Special treatment benefits arise from prolonged relationships (Gwinner et al., 1998; Reynolds and Beatty, 1999) where loyal customers are rewarded with special deals and price breaks, and faster or more individualised service than customers with low levels of relationship development (Gwinner et al., 1998). A review of the literature suggests that a significant positive relationship exists between special treatment benefits and perceptions of satisfaction, trust and commitment (Gwinner et al., 1998; Hennig-Thurau et al., 2002). Special treatment benefits acknowledge the customers relational status and thus serve to enhance satisfaction, trust and commitment (Hennig-Thurau et al., 2002).

We propose that special treatment benefits are only likely to arise after a customer has demonstrated their value as a relationship partner through time, monetary and effort investment. We therefore suggest that special treatment benefits are more likely to drive perceptions of satisfaction, trust and commitment for more experienced customers who have had the opportunity to develop strong relationships. As was the case with social benefits, we suggest that as service experience increases customers gain the information needed to evaluate complex relationship benefits (Alba and Hutchinson, 1987; Hsee, 1996). It may be the case that offering special treatment benefits to novice customers will be viewed negatively as these benefits imply familiarity beyond what most novice customers would expect from early relationships.

\( H3a. \) The effect of special treatment benefits on the customer’s satisfaction with the service provider is significantly greater for experienced customers than for novice customers.
$H_3b$. The effect of special treatment benefits on the customer’s trust in the service provider is significantly greater for experienced customers versus novice customers.

$H_3c$. The effect of special treatment benefits on the customer’s commitment to the service provider is significantly greater for experienced customers than for novice customers.

Satisfaction, trust, commitment and customer loyalty
Research has demonstrated a significant positive relationship between satisfaction and loyalty (Chandrashekaran et al. 2007; Wang et al., 2006; Hennig-Thurau et al., 2002) and between trust and loyalty (Rauyruen and Miller, 2007; Gremler et al., 2001; Wang et al., 2006). While the association between commitment and customer loyalty has received considerably less research attention than that between satisfaction and trust (Hennig-Thurau et al., 2002) we posit commitment as an important driver of customer loyalty.

We further suggest that the relationship between these constructs is complex, with customer experience moderating the salience of these associations. Given that satisfaction is likely to be felt immediately where as trust and commitment are likely to be built up with time and encounters, we believe that novice customers are likely to rely more heavily on satisfaction judgments in developing loyalty than more experienced customers. In contrast, the cumulative, the longer-term nature of trust and commitment suggests that for more experienced customers these constructs may have a greater impact on loyalty than they do for novice customers.

$H_4$. The impact of customer satisfaction on loyalty to the service provider is significantly greater for novice versus experienced customers.

$H_5$. The impact of customer trust on loyalty to the service provider is significantly greater for experienced customers versus novice customers.

$H_6$. The impact of customer commitment on loyalty to the service provider is significantly greater for experienced customers versus novice customers.

Methodology
Research design
A cross-sectional research design was employed to examine the effects of experience on our research model. This design allowed a large cross-section of the population to be studied and the differences between groups within the population to be compared. As the primary goal of our study was to examine loyalty development for novice and experienced customers, a cross-sectional design was considered appropriate.

Two self-rated, experience-based cohorts, i.e. novice and experienced customers, were identified. Novice customers were those customers who considered themselves inexperienced users of the service, whereas experienced customers were those who considered themselves a very experienced user of the service. We note that novice customers also had lower relationship duration and contact frequency than their more experienced counterparts.

Rather than focusing on a single service industry, our study included nine service types, i.e. doctor, hairdresser, travel agent, photo printing, pest control, cinema, fast
food, banking, and airline as per Gwinner et al. (1998). These services were selected on the basis of Bowen’s (1990) classification typology.

There were three versions of the questionnaire, corresponding to the Bowen typologies given above. The cover page listed just three service industries and asked respondents to “Choose one service provider from the following list that you feel you have a current relationship with”. The remainder of the questionnaire evaluated aspects of just that service provider. The questionnaire was piloted on a representative sample of 30 consumers prior to mailing. Minor changes were made on the basis of the pilot study.

A national sample of consumers over 18 years of age comprised the sample frame. In total, 2,000 surveys were distributed evenly across the three service types. The overall sample size was 376, resulting in a response rate of 18.8 per cent. We then categorised responses according to whether the customer rated themselves as either a novice user of the service ($n = 173$) or a very experienced user of the service ($n = 171$). As the survey also included a moderately experienced user category ($n = 32$), we removed customers in this category from the dataset. These samples were considered of sufficient size to achieve a high level of statistical power (McQuitty, 2004). Analysis of a sample of questions revealed no evidence of non-response bias (Armstrong and Overton, 1977). Further, the demographic profile of the sample was reasonably balanced by gender and well spread over age, income and education groups. A comparison with recent census data reveals no large skews in the sample.

**Measures**

Items from prior seminal research were used as the basis of measures for the research constructs. The variables in our research model were all measured using seven-point Likert scales, where 1 reflected “strongly disagree” and 7 reflected “strongly agree”. Confidence benefits, social and special treatment benefits were measured with items from Gwinner et al. (1998) and Reynolds and Beatty (1999). Where necessary, items were adapted to fit the service contexts being investigated. Satisfaction was measured on a scale adapted from Oliver (1997) and Hennig-Thurau et al. (2002), trust was measured with items from Morgan and Hunt (1994) and from Doney and Cannon (1997), and commitment was measured with items from Hennig-Thurau et al. (2002) and Smith (1998)[1]. Loyalty was measured with items from Zeithaml et al. (1996) and Plank and Newell (2007). The Appendix provides a detailed list of items.

**Reliability and validity of measures**

All measures were first subjected to exploratory factor analysis and then to confirmatory factor analysis. This was undertaken on the full sample of $n = 344$. Exploratory factor analysis results confirmed the factor structure proposed in the research model. All scales were found to be uni-dimensional. Confirmatory factor analysis supported the fit of the measurement model as all items were found to serve as strong measures of their respective construct ($\chi^2 = 770.24$, $p < 0.05$, $df = 239$, $CFI = 0.95$, $IFI = 0.95$, $RMSEA = 0.08$). Analysis also revealed adequate levels of construct reliability with estimates exceeding 0.80 and average variance extracted exceeding 0.50. The discriminant validity of all measures was established. A correlation matrix is provided in Table II, while scale reliability and average variance extracted are shown in Table III.

Common method bias was considered when choosing items and designing the survey. Harman’s single-factor test found no evidence of such bias (Podsakoff et al., 2003).
Analysis also indicated that multicollinearity was unlikely to be a problem in the dataset, as tolerance values were less than 2 per cent. As our measures proved to be reliable and valid, our model’s explanatory power was high, and our samples were of a sufficient size, Grewal et al. (2004)’s conditions for protecting against multicollinearity were satisfied.

Results
To test equality across cohorts, we conducted a multi-group analysis of structural invariance (Byrne, 2004; Deng et al., 2005; Dagger and Sweeney, 2007). We chose this method because multigroup SEM is a powerful and versatile approach to testing invariance (Steenkamp and Baumgartner, 1998). First, the unconstrained baseline model was examined ($\chi^2_{(df)} = 879.52_{(348)}$, CFI = 0.93, IFI = 0.93, RMSEA = 0.07) and demonstrated good fit. We then tested for invariance in structural weights between the novice and experienced customer cohorts. The findings are shown in Table IV.

As can be seen, the first column of Table IV presents the hypothesised relationships in the structural model, the second and third column present the $\beta$ weights for ($c_1$) novice and ($c_2$) experienced customer cohorts and their significance levels. The second last column presents the $\chi^2$ and degrees of freedom for each constrained model, and the final column presents the difference in $\chi^2$ and degrees of freedom between each constrained model and the baseline model (Deng et al., 2005). This difference is used to
assess whether a parameter shifted significantly between cohorts. The analysis indicated substantial differences in path weights between the two cohorts. These differences are discussed next.

**Relationship benefits and satisfaction, trust and commitment**

As shown in Table IV, the impact of confidence benefits on satisfaction ($\Delta \chi^2 = 4.23$, $p < 0.05$) and trust ($\Delta \chi^2 = 18.51$, $p < 0.01$), was significantly different between novice and experienced customers, which supports $H1a$ and $H1b$. Examination of the path weights indicates that confidence benefits are more important as drivers of satisfaction ($c_1 \beta = 0.91$, $p < 0.05$; $c_2 \beta = 0.70$, $p < 0.05$) and trust ($c_1 \beta = 0.95$, $p < 0.05$; $c_2 \beta = 0.62$, $p < 0.05$) for novice customers than for more experienced customers. This suggests that as customers gain more experience, confidence benefits weaken as drivers of satisfaction and trust. The impact of confidence benefits on commitment ($\Delta \chi^2 = 0.03$, $p > 0.05$), however, was not significantly different between cohorts. Thus, hypothesis $H1c$ was not supported.

The effect of social benefits on satisfaction ($\Delta \chi^2 = 4.84$, $p < 0.05$), trust ($\Delta \chi^2 = 13.88$, $p < 0.01$), and commitment ($\Delta \chi^2 = 4.24$, $p < 0.05$) was found to differ significantly between novice and experienced customers. In fact, social benefits were found to be significant in driving perceptions of satisfaction ($c_1 \beta = -0.01$, $p > 0.05$; $c_2 \beta = 0.25$, $p < 0.05$), trust ($c_1 \beta = -0.11$, $p > 0.05$; $c_2 \beta = 0.33$, $p < 0.05$) and commitment ($c_1 \beta = 0.14$, $p > 0.05$; $c_2 \beta = 0.43$, $p < 0.05$) only for the more experienced customer cohort. This supports $H2a$, $H2b$ and $H2c$. As such, it would seem that social benefits develop as the relationship matures and the customer gains more experience with.
the service. Social benefits do not have a significant impact on satisfaction, trust and commitment perceptions when the customer is an inexperienced user of the service.

The impact of special treatment benefits on satisfaction ($\Delta \chi^2 = 11.88, p < 0.01$) and trust ($\Delta \chi^2 = 10.40, p < 0.01$) shifted significantly between novice and experienced customers. The results indicated that special treatment benefits drove customer satisfaction only when customers were very experienced service users ($c_1 \beta = -0.11, p > 0.05; c_2 \beta = 0.25, p < 0.05$). Thus, $H3a$ was supported. The effect of special treatment benefits on trust increased (negative to positive) as the customer moved from being a novice to more experienced service user ($c_1 \beta = -0.13, p < 0.05; c_2 \beta = 0.21, p < 0.05$), which supports $H3b$. This suggests that special treatment benefits reduce perceptions of trust for novice customers. The influence of special treatment benefits on commitment did not differ between novice and experience customers ($\Delta \chi^2 = 2.04, p > 0.05$). Thus, $H3c$ was not supported[2].

Satisfaction, trust, commitment and service loyalty
The impact of satisfaction ($\Delta \chi^2 = 10.01, p < 0.01$) and trust ($\Delta \chi^2 = 3.97, p < 0.05$) on loyalty was found to vary significantly between novice and experienced customers, as can be seen in Table IV. Satisfaction was found to be a significantly stronger driver of loyalty for novice customers versus experienced customers ($c_1 \beta = 0.77, p < 0.05; c_2 \beta = 0.34, p < 0.05$). This suggests that novice consumers rely more on satisfaction as a driver of loyalty than more experienced consumers, supporting $H4$. The impact of trust on loyalty was significant for experienced customers but not for novice customers ($c_1 \beta = -0.09, p > 0.05; c_2 \beta = 0.19, p < 0.05$) as predicted by $H5$. In contrast, the path weight between commitment and loyalty did not change significantly between the two cohorts ($\Delta \chi^2 = 2.55, p > 0.05$). Hence, $H6$ was not supported[3].

Discussion
Theoretical implications
A review of the literature suggests that relationships develop over time, with repeated service encounters (Bass et al., 1998), that customers are not homogenous (Danaher et al., 2008), and that novice and experienced customers will have differing expectations of service attributes (Alba and Hutchinson, 1987; Hsee, 1996) depending on the extent of their prior experience. While we know these effects are likely to occur, exactly how they influence relationship development has not been examined. Understanding these effects is critical to firms seeking to maximise resources and lifetime value. Given that firms expect to achieve a 10 per cent increase in revenue as a result of relationship-building efforts (Mitchell, 2002) improving the effectiveness of these programs is an important direction for research.

We posit, in the present study, that the benefits customers seek from a relationship and the way in which they construct loyalty may differ depending on their status as either a novice or experienced customer. Prior research has not examined this effect despite the implications for relationship-building efforts. We explore first our findings relative to the relationship benefits-satisfaction, trust and commitment association and then how experience moderates the association between these constructs and customer loyalty. A summary of findings is presented in Table V.

As a means of retaining customers, firms must understand the benefits associated with service relationships (Gwinner et al., 1998). This is important because relational
benefits drive customer satisfaction as well as trust and commitment towards the relationship (Hennig-Thurau et al., 2002; Gwinner et al., 1998). We believe that these associations are experience-dependent and thus more complex than portrayed in prior research. Our research specifically showed that for inexperienced customers, confidence benefits are the strongest drivers of satisfaction and trust. This may be because confidence benefits reduce perceptions of anxiety associated with service usage (Gwinner et al., 1998; Berry and Parasuraman, 1991). When novice customers receive confidence benefits from the service relationship they feel more comfortable in predicting future service outcomes which results in higher satisfaction and trust. As the customer gains experience in using the service this effect is attenuated.

In contrast to confidence benefits, social benefits do not appear to play a role in building satisfaction, trust or commitment for novice customers. This may be because social benefits require familiarity and rapport, which develop as the customer gains experience. More experienced customers have had the opportunity to develop closer relationships where social benefits are likely to effect satisfaction, trust and commitment. Similar to our finding for social benefits, special treatment benefits only positively drive perceptions of satisfaction and trust for experienced customers. In fact, for novice customers, special treatment benefits negatively drive trust. This suggests that early in the service relationship special treatment benefits may be perceived as attempts to “buy” the customers’ trust. Simply stated, special treatment benefits may be misinterpreted by novice customers as inappropriate in early relationship stages.

The effect of confidence and special treatment benefits on commitment did not differ significantly between novice and experience consumers. This may be because commitment exemplifies a greater degree of faithfulness or obligation to the service provider than satisfaction or trust and is thus more difficult to foster. What is interesting is that the effect of social benefits on commitment did shift significantly between groups. This may be because social benefits – which emphasise familiarity, friendship and relationship development – are more aligned to creating commitment than confidence or special treatment benefits, and because social benefits are built up

<table>
<thead>
<tr>
<th>Effect of confidence, social and special treatment benefits on satisfaction, trust and commitment</th>
<th>Novice customers</th>
<th>Experienced customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confidence benefits strongly drive satisfaction, trust and commitment</td>
<td>Special treatment benefits are negative drivers of trust and may be perceived as the firm trying to “buy” the customers’ favour</td>
<td>Confidence benefits decrease in strength as drivers of satisfaction and trust</td>
</tr>
<tr>
<td>Social benefits emerge as increasingly important in driving satisfaction, trust and commitment</td>
<td>Special treatment benefits emerge as increasingly important in driving satisfaction, trust and commitment</td>
<td></td>
</tr>
</tbody>
</table>

Effect of satisfaction, trust and commitment on loyalty

<table>
<thead>
<tr>
<th>Novice customers</th>
<th>Experienced customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only satisfaction drives loyalty</td>
<td>Satisfaction decreases in strength as a driver of loyalty</td>
</tr>
<tr>
<td>Trust and commitment emerge as drivers of loyalty</td>
<td></td>
</tr>
</tbody>
</table>

Table V. Summary of findings
over time, significant differences between novice and experienced consumers are likely to exist. In sum, our findings suggest that as experience increases confidence benefits decrease in strength as drivers of satisfaction and trust while social benefits emerge as an increasingly important driver of satisfaction, trust and commitment. Interestingly, special treatment benefits only positively drive satisfaction and trust when customer experienced is high. These findings suggest that more experienced customers seek a higher level of relationship benefit.

As well as our findings relative to the impact of relationship benefits on satisfaction, trust and commitment we also found that the impact of satisfaction and trust in driving loyalty was significantly different between novice and experienced customers. For novice customers, only satisfaction drives loyalty. This may be because satisfaction is an immediate judgement that is independent of the customers’ level of experience. As experience increases the effect of satisfaction on loyalty weakens. In contrast, trust only becomes a significant driver of loyalty for experienced customers. This may be because trust will only develop with experience as familiarity and rapport increase between relational parties. The effect of commitment on loyalty did not significantly differ between novice and experienced customers. This may be because commitment implies a level of obligation and closeness irrespective of the customer’s level of experience in the service relationship. These findings are important because they suggest that the way in which loyalty is constructed will differ depending on customer experience. For relationship marketing theory our findings offer a new perspective on how relationships develop.

Managerial implications

Our findings indicate that relationship benefits, satisfaction, trust, commitment and loyalty vary as a function of the customer’s experience in a service relationship. The key managerial implication of this finding is that firms may need to rethink the way that their relationship-building efforts are managed. Rather than treating all customers in the same way a degree of customisation is possible and necessary. Our findings show that firms may need to adjust their relationship-building strategies depending on experience levels. As information on experience is relatively easy for firms to acquire via their customer information systems, customisation based on experience can be readily implemented in practice. Given that the benefits associated with building stronger customer relationships include an increased ability to recoup acquisition costs, cross- and up-selling products and services, the likely dissemination of positive word of mouth (Danaher et al., 2008), and the maximisation of resources allocated to relationship-building efforts, customising relationship-building efforts to experience levels can deliver long-term benefits for firms.

The results of our research specifically direct firms to emphasise confidence benefits if they are to create satisfaction, trust and commitment early in the service relationship. For novice consumers, having confidence in the provider is critical. Giving a sense of reduced anxiety, creating faith in the trustworthiness of the provider, and reducing perceptions of risk are central to providing confidence benefits. Confidence benefits allow the customer to know what to expect from the service provider. This can be achieved by listening to what customers have to say, treating customers as individuals, ensure the core service is delivered on time and correctly, ensure that the environment in which the service is received is pleasant and conveys the correct impression to
customers, and providing information on staff qualifications, training, skill, and professional development activities.

In the long run, however, firms should focus on creating social benefits and special treatment benefits in order to improve satisfaction, trust and commitment and strengthen the service relationship for more experienced customers. In fact, offering special treatment benefits will be perceived negatively as these benefits may be perceived as inappropriate by novice customers. Social benefits can be created though personal recognition by employees, which assists in developing familiarity between the customer and employee, and the building of friendship between the provider and customer. Firms need to focus on building relationships with customers by using the customer’s name, recognising them, and fostering the social aspects of the relationship. Special treatment benefits are associated with providing the customer with benefits that are unstructured. To experienced customers, firms can provide price breaks or special deals that most customers will not get, they can offer faster service, or they can place the customer on a priority list.

Our results also suggest a shift in approach to managing satisfaction, trust and commitment in order to achieve customer loyalty. In the early phases of relationship development when the customer is relatively inexperienced as a user of the service, marketers should focus on creating customer satisfaction in order to maximise customer loyalty. Confidence benefits provide the best avenue for achieving this outcome. To achieve customer loyalty as the relationship develops, and the customer moves from being a novice user of the service to an experienced user, strategies should focus on building trust and commitment, in addition to satisfaction. This can be achieved via social and special treatment benefits. Given that loyalty has been linked to positive business outcomes including increased share of wallet, retention, and customer lifetime value (Oderkerken-Schröder et al., 2003; Reynolds and Beatty, 1999; Jones and Sasser, 1995; Smith and Wright, 2004), it is important that service firms understand the changes that occur as the service relationship progresses and customers gain experience in service consumption.

At a more global level, shifts in construct relationships have tactical and strategic implications for service firms including customer acquisition and retention, resource management, employee training and relationship management. With respect to acquisition and retention strategies, our findings clearly show that the benefits customers seek from a relationship differ according to whether they are novice or experienced customers. The effect of these benefits on satisfaction, trust and commitment and loyalty also differs between the experience-based cohorts. This suggests that the strategies used to acquire and retain customers will need to be different. With regard to resources management, firms can allocate resources more effectively if they understand which variables are drivers of loyalty for novice and experience customers. Employees can also be trained to deal differently with customers based on their level of service experience. Customer databases can be utilised to identify customer experience through the proxies of contact frequency and tenure. Self-reported experience levels could also be added to the data collected from customers. Advertising communication should focus on promoting the relationship benefits appropriate for a customer’s level of service experience. As for relationship management, all of the strategies mentioned thus far can be used to manage customer relationships over the lifetime of the customer.
Limitations and future research

This study utilised a cross-sectional design, comprised of two cohorts in order to extend our understanding of service relationships. It would be interesting to track the same group of consumers from their first service encounter through to more developed relationship stages and identify how loyalty formation occurs during this dynamic process. Although we used a cross-sectional design, the study is no different in this respect from other studies examining evaluations at different time points using a cross-sectional design (e.g. Dagger and Sweeney, 2007; Mittal and Katrichis, 2000; Mittal et al., 2001).

The research model did not consider the interrelationship of satisfaction, trust and commitment. A worthy direction for future research would be to address these interrelationships. Similarly, we did not study the influence of constructs such as service quality, perceived value, relationship management, and market orientation on satisfaction, trust and commitment or loyalty for reasons of parsimony. However, we recognise that other constructs may contribute to loyalty and encourage researchers to examine the role of additional constructs in the model.

While, in the present study we examined our research hypotheses across nine different service industries, future research may benefit from an examination of the differences between service types. Bowen (1990), for example, offers a classification typology in which services can be grouped as high-contact, customised services (travel agents, hairdressers and family doctors), moderate-contact, semi-customised services (photo printing service, general banking and pest control), and moderate-contact, standardised services ( cinemas, airlines and fast food outlets). Examining whether our research model differs across these service groups would be of interest to researchers and service firms. Services that are high contact and highly customised may better facilitate relationship development than services characterised by low contact, standardised service offerings.

Finally, as did this research, future research could examine other moderation effects on the association between important relationship constructs. The effect of customer demographics such as age, gender, and income, relationship characteristics such as the duration, strength and intensity of the relationship, and service type effects such as those noted above may also provide interesting results. Studying these effects is an important direction for theory, as we need to know how different moderators change the association between constructs, and for improving our understanding of customer heterogeneity as it applies to service firms trying to achieve retention through developing customer relationships.

Notes

1. While satisfaction, trust and commitment have been conceptualised as components of relationship quality by some researchers (e.g. Wang et al., 2006), we view these as distinct constructs based on the conceptualization of Palmatier et al. (2006) and Wong and Sohal (2002, 2006).

2. We model benefits as driving satisfaction, trust and commitment based on the literature supporting this association (Gwinner et al., 1998; Wang et al., 2006). We recognise, however, that a reciprocal influence may exist between relationship benefits and satisfaction, trust and commitment, in that as the benefits associated with the relationship increase they may serve
to strengthen the relationship and enhance satisfaction, trust and commitment. The continued relationship then results in even more benefits.

3. We also tested a competing model in which confidence, social and special treatment benefits were represented by a higher-order construct termed relationship benefits, and satisfaction, trust and commitment were modelled as dimensions of a higher-order relationship quality construct. The findings of this analysis indicated that the proposed model was superior to this competing higher-order model based on all fit indices. The proposed model had a lower normed $\chi^2$/df index and superior RMSEA, GFI, NFI, IFI and CFI indices.

References


<table>
<thead>
<tr>
<th>Construct</th>
<th>Scale items</th>
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| Confidence benefits             | I have more confidence the service will be performed correctly  
I have less anxiety when I buy the service  
I know what to expect when I go in  
I get the service provider’s highest level of service                                                                                                                                                                                                                                         |
| Social benefits                 | I am recognised by certain employees of the service provider  
I am familiar with the employee(s) who perform(s) the service  
I have developed a friendship with the service provider  
The service provider knows my name                                                                                                                                                                                                                                                          |
| Special treatment benefits      | I get discounts or special deals that most customers do not get  
I get better prices than most customers  
The service provider does services for me that they don’t do for most customers  
I am placed higher on the priority list when there is a line or queue for this service  
I get faster service than most customers                                                                                                                                                                                                                                               |
| Satisfaction                    | My choice you use this service provider was a wise one  
I am always delighted with the service provider’s service  
Overall I am satisfied with this service provider  
I think I did the right thing when I decided to use this service provider  
I feel good about using this service provider                                                                                                                                                                                                                                               |
| Trust                           | This service provider can be trusted  
This service provider can be counted on to do what is right  
The service provider has high integrity  
The service provider is trustworthy  
The service provider keeps their promises                                                                                                                                                                                                                                               |
| Commitment                      | My relationship with the service provider is something that I'm very committed to  
My relationship with the service provider is very important to me  
My relationship with the service provider is something I really care about  
My relationship with the service provider deserves my maximum effort to maintain  
I believe the service provider and I are both committed to the relationship  
I have a strong sense of loyalty to this service provider  
The service provider is prepared to make short term sacrifices to maintain our relationship  
I believe the service provider and I view our relationship as a long-term partnership                                                                                                                                                                                                 |

Table AI. Construct measures (continued)
<table>
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<tr>
<th>Construct</th>
<th>Scale items</th>
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| Loyalty   | I say positive things about the service provider to other people  
           | I recommend the service provider to someone who seeks my advice  
           | I encourage friends and relatives to do business with the service provider  
           | I consider the service provider my first choice when I purchase the services they supply  
           | I will continue to do business with the service provider for the next few years  
           | I am willing to maintain my relationship with the service provider  
           | I am loyal to the service provider |

Table AI.