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Uncovering client retention antecedents in service organizations

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Abstract

This paper develops a multi-dimensional model of retention to provide a more complete and integrated view of client retention and its determinants in service contexts. To uncover the antecedents of client retention, social and economic exchanges were reviewed under the fundamental ideas of the Social Exchange Theory. Findings from a survey of senior South African advertising executives suggest that client retention is the result of evaluative as well as relational factors that can influence client responses. Despite contractual obligations, advertisers are willing to pay the costs and make the sacrifices of switching should their expectations be unmet. An important contribution of this study is the use of multi-item scales to measure retention. The model developed provides valuable insight to agencies on client retention management and the optimal allocation of resources for maximum customer equity. This model may also be applied to other service organisations to provide insight to client retention.

Keywords: Client retention, social exchange theory, client relationships, service providers

INTRODUCTION

A few years ago clients of and suppliers in the tourism sector had no choice but to use intermediaries, such as Travel Agencies and Tour Operators. This situation changed, mainly due to the Internet and ICT. Today, consumers can interact directly with suppliers and are able to perform the functions previously done by intermediaries such as information searching, reservations and ticket issuing. Suppliers who took advantage from the opportunities, created through these changes, have been gaining presence and share in the tourism sector. Examples of successful strategies included ICT solutions to ease consumer participation in the production processes, becoming more relevant to address consumer needs as well as improvements in supply chain relationships (Berne, Carcia-Gonzalez, M. & Mugica, 2012).

However, the more things change the more it stays the same as contemporary business thought appears to converge on the principle that understanding and retaining customers is critical for a firm's long-term survival, innovativeness and bottom-line results (Agustin & Singh, 2005). This view resonates in the shift of the marketing discipline away from the study of marketplace exchanges as transactions needing to be consummated to that of relationships needing to be nurtured, preserved and cultivated (Palmatier, 2008). Survival and success for organizations in the 21st century therefore hinge on effective judgments about customers' holistic approaches to supplier selection and evaluation (Anderson & Narus, 1990; Hunter, Bunn & Perreult, 2006) in order to understand and explain client retention.

Han, Kwortnik and Wang (2008) found however, that studies focusing on customer retention often use subsets of factors that are theoretically related but rarely examined together. These authors suggest the need for models that represent the interrelated effects that engender retention, especially for services, whereby evaluative as well as relational factors can influence client responses.

This paper argues the importance of client retention as a strategic mandate in today's service markets as commercial reality demands long lasting relationships benefiting both sellers and their buyers (Gremler & Brown, 1999; Heskett, Jones, Loveman, Sasser & Schlesinger, 1994; Leonidou, 2004). Relationships, in services markets, are often close and enduring and achieving a sale is not an effort's fulfillment but rather part of a broader endeavor to build and sustain long-term relationships with the client (Gounaris, 2005). Corporate Travel Agents and Tour Operators can benefit from practices established in the advertising industry. This industry was also subjected to external environmental shifts that required a critical review of client relationship management. Similar, to Corporate Travel Agents and Tour Operators, advertising agencies also serve, in most cases, small customer numbers. Agencies' income distribution mostly adheres to the Pareto principle as a few customer accounts represent a high concentration of revenue (AdFocus, 2011; Arul, 2010). The loss of any major account would significantly influence agency reputation and revenue. The study employs a holistic and comprehensive approach to uncover the antecedents of client retention in the advertising industry.

Results are used to develop a multi-dimensional model of retention for a more complete and integrated view of client retention and its determinants in service context. In the following sections, relevant literature will be reviewed before describing the research methodology. The paper concludes with a review of the empirically tested model.

UNCOVERING THE ANTECEDENTS OF CLIENT RETENTION

To uncover the antecedents of client retention, this study deliberately focused on clients' renewal decisions, as the choice criteria applied for these decisions can be used to explain retention or defection. Unlike an initial purchase decision, a client's renewal decision is much less likely to depend on contract specifications, marketing communications or other competitive offerings (Bolton, Lemon & Bramlett, 2004; Ganesh, Arnold & Reynolds, 2000; Kalwani & Narayandas, 1995). To understand customer re-patronage, Lawler (2001) suggested an effect theory of social exchange.

Cropanzano and Mitchell (2005) consider the social exchange theory (SET) one of the most influential conceptual paradigms in organizational behavior. SET offers a social- psychological perspective postulating attitudes and behaviors are determined by the rewards of interaction minus the penalty or costs of that interaction (Griffith, Harvey & Lusch, 2006). Social exchanges are considered within three fundamental ideas: rules and norms of exchange, resources/offer exchanged, and relationships emerging (Cropanzano & Mitchell, 2005). These ideas, complemented by economic behavior and motive stemming from economic and management theories, potentially provide a framework to explain inter-organizational behavior holistically. Applied to agency-client relationships, one would expect that the client would renew the contract if the sum of rewards of social and economic exchanges exceeds the costs. Social and economic exchanges that could impact on retention will be reviewed within each of the three fundamental ideas of SET.

Rules and Norms of Exchange

One of SET's basic tenets is that relationships evolve over time into trusting, loyal and mutual commitments if parties observe certain rules (Cropanzano & Mitchell, 2005). These rules are important as clients and agencies depend on each other's efforts to reach mutual goals. Indeed, clients and agencies need to work closely together as the client depends upon the agency's best efforts to provide services and recommendations to achieve their operational goals, whereas the agency needs information, direction and endorsement from the client to do their best work (Davies & Palihawadana, 2006; Woonbong, Marshall & Son, 1999). This involves mutual and complementary arrangements, which are defining characteristics of social exchanges (Cropanzano & Mitchell, 2005; Mills & Morris, 1986). Business and economic literature relate these social exchanges to the level of power in agency-client relationships, explaining this construct with different theoretical perspectives such as the resource dependence theory, agency theory, transaction cost and network approaches (Davies & Prince, 2011; Hammervoll, 2005; Predergast, Shi & West, 2001; Roemer, 2006). Literature suggests that the level of power is determined by the extensiveness of the choice set and the importance of the purchase (Gounaris, 2005; Hunter *et al*., 2006). A party with greater relative dependence has, by definition, relative greater interest in sustaining the relationship whilst the party with the power has the ability to command favorable outcomes in the supply market (Hunter *et al*., 2006). Power is often managed by negotiated agreements that detail duties and obligations and can be bounded by legal or contractual sanctions (Cropanzano & Mitchell, 2005).

Although, agencies are contractually hired to serve clients' needs in the hope of reaching mutually beneficial arrangements, this may not always be the case (Davies & Prince, 2011; Cropanzano & Mitchell, 2005). Terminating the relationship could however be problematic due to contractual sanctions or high anticipated switching costs resulting in relationship inertia or calculative commitment (Davies & Prince, 2011; Gounaris, 2005). Davies and Prince (2011:147) define switching cost as "the time, effort, money and psychological burden involved in setting up a relationship with a new agency or the benefits lost from terminating an agency from an existing relationship." These costs can be financial and/or procedural (Burnham, Frels & Mahajan, 2003). As switching barriers make customer defection difficult or costly, it could foster greater retention (Davies & Prince, 2011).

Offer of Exchange

The SET views the offer of exchange in terms of economic value as well as symbolic relevance (Cropanzano & Mitchell, 2005). The transaction cost economics theory and the distributive justice or equity theory complements this view. These theories claim clients should respond in proportion to the expected value from their future exchanges attributed to their agencies. Agencies disappointing on quality encourage client perceptions of opportunism or incompetence, detracting from future exchange value thus weakening norms of equity (Davies & Palihawadana, 2006). However, when agencies deliver consistent service quality, clients often expect future value from the relationship that can help to reduce switching (Bolton *et al*., 2004).

Hence the importance of determining factors which clients use to evaluate quality and performance of appointed agencies. A de facto standard for monitoring progress is customer satisfaction. Motivated by the belief that customer retention and profitability will follow client satisfaction, firms internationally have adopted this measure to monitor core services provided by suppliers (Anderson & Sullivan, 1993; Szymanski & Henard, 2001). Core services for advertising agencies include, for example, an appropriate range of services valued by clients, successful management of their account teams, and competitive rates charged (Palihawadana & Barnes, 2005). However, given the interactive nature of agencies' services, overall agency performance also depends upon the client. In both the domains of conceptualizing and production of services, clients and agencies need to work closely together (Mills & Morris, 1986; Woonbong *et al.,* 1999). Performance is thus measured against satisfaction with service output and quality as well as interactive performance dimensions adding or detracting value from exchanges between the parties. Furthermore, value is determined by the relationship to be considered in the next section.

Exchange Relationships

Development and maintaining client retentions are some of the most critical elements in service markets and even more profound in the advertising industry (Caceres & Paparoidamis, 2007). Besides satisfaction, described in the previous section, indicators of relationship strength comprise commitment, trust, and collaboration (Davies & Palihawadana, 2006).

Relationship commitment exists when a partner believes the relationship is important enough to warrant maximum efforts at maintaining that relationship over time (Morgan & Hunt, 1994). The motive underlying commitment is a generalized sense of positive regard for and attachment to the other party (Geyskens, Steenkamp, Scheer & Kumar, 1996; Han *et al*., 2008). Because commitment entails vulnerability, parties will seek only trustworthy partners (Caceres & Paparoidamis, 2007). The social exchange theory explains this causal relationship through the principle of generalized reciprocity, holding that "mistrust breeds mistrust and as such would also serve to decrease commitment in the relationship and shift the transaction to one of more direct short-term exchanges" (McDonald, 1981). A client's trust focuses on expectations of an agency's trustworthiness in a stream of future episodes (Agustin & Singh, 2005) and is an important element of the perceived quality of the service (Davies & Prince, 2005; De Ruyter, Moorman & Lemmink, 2001; Gounaris, 2005). The more the customer trusts the supplier, the higher the customer's perceived value of the relationship hence a greater expectation that the customer will remain in the relationship (Ganesan, 1994).

Relationships are also often built from collaboration between companies to facilitate and improve both strategic and operational focus (Daugherty, Richey, Roach, Min, Chen, Arndt & Genchev, 2006). In a service context, account support, communication, and conflict harmonization to enhance collaboration has been strongly emphasized. For example, Cagley and Roberts' (1984) study on criteria for advertising agency selection indicated quality of the people assigned to the account as the most critical attribute in the overall evaluation process. De Ruyter *et al*. (2001) found communication an important consideration during the evaluation of relations. Conflict, on the other hand, can negatively affect relationships but resolving conflicts constructively may actually strengthen inter-organizational relationships and lead to greater trust and commitment (Anderson & Sullivan, 1990; De Ruyter *et al*., 2001).

Considering the preceding literature review it could be proposed that service providers could evaluate reappointment (retention) against the constructs of rules and norms of exchange, the offer of exchange and the relationship of exchange. However the identified constructs have various antecedents as established within the literature review. Antecedents and constructs are treated as independent variables of this study, whereas retention represents the dependent variable.

RESEARCH METHODOLOGY

Following a positivistic paradigm, quantitative research methods were employed. Data were collected using a structured questionnaire administered via a web-based survey. This approach is appropriate as the reasons for retention are classified as latent variables that cannot be directly observed but rather inferred from a group of indicators (Page & Meyer, 2000).

Sample

The population comprised of South African advertisers who employ advertising agencies for advertising services. An industry database of advertisers with a minimum advertising spend of R500000 was used as a sample frame. The size of

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this target population suggested that a census was feasible. Hundred and sixteen (116) respondents submitted suitable surveys online resulting in a response rate of 17.8%.

Measurement Instrument

Following a literature review, constructs with a previous established positive relationship to retention in a service context were considered. Rating questions, using a four-point likert scale, were used to collect opinion data. Table I summarizes the antecedents and associated measurement items employed. Items were selected on the basis of construct reliability and contextual alignment.

Table 1 Retention Antecedents and Measurement Items

Rules and norms of exchange	
Purchase importance	Hunter *et al*. (2006)
When the current agency was appointed: Our advertising expenditure was a major financial commitment to our organization Compared to other expenditures, high level approval was required	
Power	Hunter *et al*. (2006)
When the current agency was appointed: We had much bargaining power in this appointment The agency we chose gave us a much better deal than most of their clients	
Calculative commitment / relationship inertia	De Ruyter *et al*.(2001)
We stay in a relationship with our agency because: Too much time, energy, and expense are involved in terminating our relationship with the agency We are bound by a contract	
Switching barriers	Burnham *et al*. (2003)
I worry that the service offered by other agencies won't be as good as expected If I try to switch agencies, I might end up with bad service for a while Switching to a new agency will probably involve hidden costs/charges The company could end up with a bad deal financially if I switch to a new agency The company cannot afford the time to get the information to fully evaluate other agencies Comparing the benefits of our agency with the benefits of other agencies takes too much time/effort, even when I have the information Even after switching, it would take effort to 'get up to speed' with the new agency The company will lose benefits of being a long-term client if we leave our agency Many formalities are involved in switching to a new agency Switching to a new advertising agency involves some up-front costs	
Offer of exchange	
Satisfaction with service output and performance	Palihawadana and Barnes (2005) and Davies and Palihawadana (2006)
Based on your overall experience with your appointed agency how satisfied are you with: Professional/technical skills Quality of service Level of creativity Quality of client care Price Integrity when advice is offered Pro-activity in generating new ideas Correct interpretation of briefings Access to number of creative teams Stability of key account management Consistent work processes Empathy to creative changes Constant information on account status Compatibility of working styles between the agency and your company Compliance to budget limitations Strength in strategic thinking	
Relationship that emerge	
Commitment	Gounaris (2005); Morgan and Hunt (1994)

My firm's relationship with this agency: Is something we are very committed to Deserves our maximum effort to maintain We stay in a relationship with our agency because: We enjoy working together Our philosophy matches	
Trust	Geyskens *et al*. (1996)
Our company can count on the agency to be sincere When making important decisions, the agency is concerned about our welfare	
Account support	Cagley and Roberts (1984), Ganesan (1994) and Daugherty *et al*. (2006).
We are satisfied with the quality of people assigned to the account Our agency's personnel thoroughly learn the characteristics of our business The agency is willing to make recommendations and/or object to our decisions when they believe them to be wrong Agency's representatives deal frankly with our company Agency's promises are reliable Our agency has tailored its products/services and procedures to meet our specific needs Our company and agency include each other in formal business planning meetings Our company and our agency share relevant cost information	
Communication	Daugherty *et al*. (2006)
Our company and the agency communicate frequently The basic terms of our relationship have been explicitly verbalized and discussed The basic terms for sharing information between our company and agency have been explicitly verbalized and discussed We share proprietary information	
Conflict harmonization	Anderson and Narus (1990)
Disagreement between our company and agency has made of our working relationship much more productive Our agency tends to give us the "benefit of the doubt" in conflict situations Conflict is seen as a "productive discussion" rather than an "argument"	

Data Analysis

Exploratory factor analysis was used to identify representative variables to present a consideration set appropriate for client retention. Varimax rotation was employed to derive a simpler factor structure, and factors with Eigenvalues less than 1 were screened out (Hair, Black, Anderson & Babin, 2005: 90). To confirm suitability of variables in the correlation matrix and the significance of correlations, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity were calculated.

In line with norms suitable to factor structures used in social sciences, items with a communality of higher than 0.80 or less than 0.40 were removed from the data; minimum item loadings of 0.32 were considered and cross-loading items were dropped from the analysis if there was several adequate to strong loaders (0.50 or better) on each factor (Velicer & Fava, 1998).

To measure the strength of the relationship between the independent variables and the dependent variable Spearman's RHO correlation coefficients were calculated to determine the effect size (Saunders et al., 2007). Cohen gives the following guidelines for the social sciences: small effect size, $r = 0.1 – 0.23$; medium, $r = 0.24 – 0.36$; large, $r = 0.37$ or larger (Cohen, 1988). Only variables with significant relationships were considered ($p < 0.05$) in the development of new factors. The reliability of the new factors was measured and factors with a Cronbach's alpha higher than 0.5 were accepted (Hair *et al.,* 2005).

RESULTS

The results will report on the respondent profiles and the antecedents that explain client retention when advertisers renew advertising agency contracts. Renewal of the agency's contract was used as a proxy for retention propensity.

Respondent Profile

ISSN: 2223-814X

Data analysis revealed most respondents were appointed in a senior marketing position and were employed in that position for five years on average. Most of the respondents (62%) were involved in the appointment of the current advertising agency. Given the opportunity to renew the contract with their current agency, 38.3% of respondents strongly agreed that they would renew the contract, 46% of the respondents showed some uncertainty whilst 16% strongly agreed that they would not renew the contract.

Antecedents of Client Retention: The next section reports on the findings from the factor and correlation analysis and the results will be used to construct a model to explain client retention. Results will be reviewed under the fundamental ideas of SET.

Rules and norms of engagement

Findings from the factor analysis (KMO = 0.754; $p < 0.001$) suggested five factors could explain rules and norms of exchange cumulatively explaining 66.5% of the variance. These factors were labeled as economic risk cost, switching cost, evaluation costs, buyer power and contract

Table 2 which follows, presents the underlying structure for the five factors and includes scale variables (see table 1 for an overview of the measurement items), factor loadings and the respective factors' alphas.

Table 2: Rules and Norms of Engagement

Measurement Items	Economic Risk Costs α = 0.835	Switching Costs α = 0.765	Evaluation Costs α = 0.735	Buyer Power α = 0.619	Contract
I worry that the service offered by other agencies won't be as good as expected	.862				
If I try to switch agencies, I might end up with bad service for a while	.832				
Switching to a new agency will probably involve hidden costs/charges	.719				
The company could end up with a bad deal financially when switching	.668				
Many formalities are involved in switching to a new agency		.818			
Switching to a new advertising agency involves some up-front costs		.756			
Even after switching, it would take effort to 'get up to speed' with the new agency		.754			
The company will lose benefits of being a long-term client if we leave our agency		.575			
Comparing the benefits of our agency with the benefits of other agencies takes too much time/effort, even when I have the information			.801		
The company cannot afford the time to get the information to fully evaluate other agencies			.765		
Too much time, energy, and expense are involved in terminating our relationship with the agency			.720		
Compared to other expenditures, high level approval was required				.798	
We had much bargaining power in this appointment				.738	
The agency we chose gave us a much better deal than most of their clients				.565	
We are bound by a contract					.811

ISSN: 2223-814X

Economic risk cost is the result of four variables that measure the costs of accepting uncertainty that could have a negative outcome when appointing a new agency. The second factor, evaluation cost, results from three variables that consider the time and effort associated with the research and analysis needed to make a switching decision. Although both factors displayed inter-correlations with other factors they did not show a significant association with retention, suggesting these costs were not sufficient to deter clients from defection.

The remaining three factors showed significant association with retention but displayed small effect sizes. The long-term focus of agency-client relationships resulting in clear terms of engagement could explain small effect size. Rules are well established and considered a pre-requisite of retention. It was no surprise that switching cost, the result of four variables considering financial, learning and set-up costs, correlated positively with retention (r_s = 0.202, $p < 0.05$). Buyer power also associated positively with retention (r_s = 0.212, $p < 0.05$). This factor is the result of four variables that confirm the competitiveness of the advertising industry where balance of power favors clients. Clients are spoilt for choice and have bargaining power when agreements are negotiated. However, clients find their current arrangements with agencies valuable contributing to retention propensity. The negative correlation between the contract and retention (r_s = -0.207, $p < 0.05$) is noteworthy. The contract is the result of one variable that required clients to indicate whether they stay with the agency due to contractual obligations. The negative correlation suggests clients will not retain agencies based on contractual agreements.

Offer of exchange

Findings from the factor analysis (KMO = 0.907; $p < 0.001$) suggested that the offer of exchange could be explained by three factors cumulatively explaining 61.8% of the variance. These factors were labeled as service output, service quality and account management. Table 3 presents the underlying structure for the three factors and includes scale variables, factor loadings and the respective factors' alphas.

Table 3: Offer of Exchange

Measurement Items	**Service Output** α = 0.886	**Service Quality** α = 0.828	**Account Management** α = 0.735
Pro-activity in generating new ideas	.822		
Level of creativity	.729		
Integrity when advice is offered	.676		
Strength in strategic thinking	667		
Access to number of creative teams	.639		
Empathy to creative changes	.553		
Professional/technical skills	.549		
Quality of client care	.544		
Consistent work processes		.817	
Stability of key account management		.810	
Quality of service		.570	
Correct interpretation of briefings		.552	
Price			.768
Compliance to budget limitations			.744
Constant information on account status			.616
Compatibility of working styles between the agency and your company			.512

Service output results from eight variables measuring satisfaction with the nuances of agency services, including pro-activity in generating new ideas, level of creativity, integrity, strength in strategic thinking, access to creative teams, empathy to creative changes, professional/technical skills and client care. The second factor, service quality, results from five variables dealing with features and characteristics of

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services provided, such as consistent work processes, stability of key account management, compatibility of working styles, correct interpretation of briefings and overall quality. The third factor, account management, results from three variables dealing with financial aspects related to the service including satisfaction with price, compliance with budgets and provision of constant information on the account status. Each factor displayed significant inter-correlations and association with retention with a large effect size. The findings confirm retention propensity increases if clients are satisfied with service output ($r_s = 0.432$, $p < 0.01$), service quality ($r_s = 0.63$, $p < 0.01$) and account management ($r_s = 0.466$, $p < 0.01$). Retention propensity is thus positively associated with the offer of exchange and these factors significantly affect the advertiser's decision whether to renew the contract.

Relationship of exchange

Findings from the factor analysis (KMO = 0.897; $p < 0.001$) suggested the exchange relationship could be explained by four factors cumulatively explaining 62.0% of the variance. These factors were collaboration, commitment, communication and conflict resolution. Table 4 presents the underlying structure for the four factors and includes scale variables, factor loadings and the respective factors' alphas.

Table 4: Relationship of Exchange

Measurement Items	**Collaboration** α = 0.900	**Commitment** α = 0.839	**Communication** α = 0.840	**Conflict Resolution** α = 0.569
We are satisfied with the quality of people assigned to the account	.797			
Agency's promises are reliable	.730			
Agency's representatives deal frankly with our company	.694			
Our company can count on the agency to be sincere	.677			
We enjoy working together	.597			
Our agency has tailored its products/services and procedures to meet our specific needs	.582			
Our agency's personnel thoroughly learn the characteristics of our business	.579			
When making important decisions, the agency is concerned about our welfare	.544			
The agency is willing to make recommendations and/or object to our decisions when they believe them to be wrong	.509			
Our philosophy matches	.420			
The relationship deserves our maximum effort to maintain		.780		
We are very committed to the relationship		.717		
Our company and our agency share relevant cost information		.609		
Our company and agency include each other in formal business planning meetings		.586		
The basic terms of our relationship have been explicitly verbalized and discussed			.797	
The basic terms for sharing information have been explicitly verbalized and discussed			.795	
Our company and the agency communicate frequently			.515	
We share proprietary information			.458	
Disagreement between our company and agency has made of our working relationship much more productive				.749
Our agency tends to give us the "benefit of the doubt" in conflict				.653
Conflict is seen as a "productive discussion" rather than an "argument"				.481

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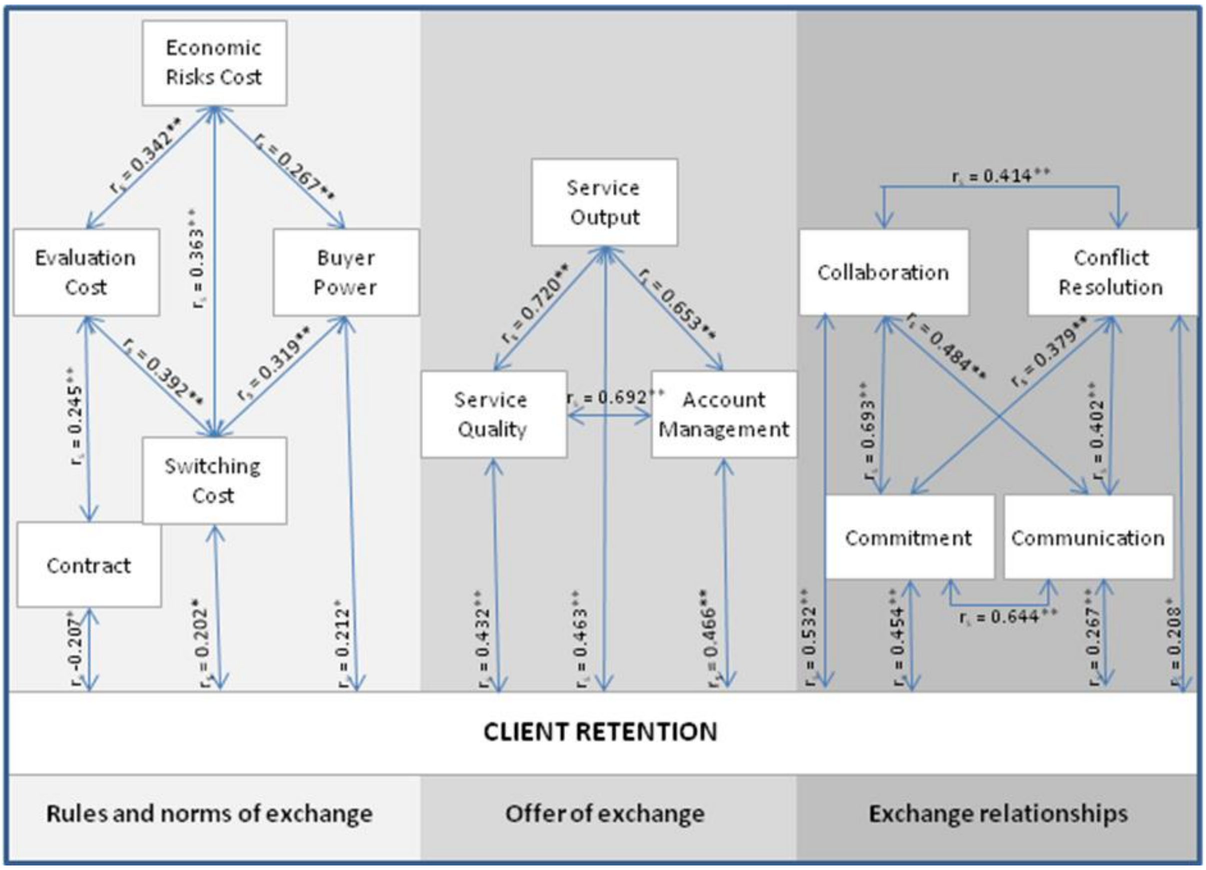
Correlation analysis results indicate inter-correlation between factors with large effect size (see Figure 1). All factors are also correlated to retention. The strongest association was between collaboration and retention propensity (r_s = 0.532, p < 0.01). Collaboration results from 10 variables that considered the working relationship between staff members from the agency and the client. This finding confirms the importance of the human element in relationships. The second factor, commitment, results from four variables measuring the belief of the client that an ongoing relationship with the agency is important enough to warrant maximum effort to maintain the relationship. The association between commitment and retention has large effect size (r_s = 0.454, p < 0.01). The third factor, communication, results from four variables measuring the extent and frequency of communication. The last factor, conflict resolution results from three factors considering how parties deal with disagreement. These findings confirm the importance of good agency-client relationships in contract renewal.

CONCLUSION

Although academics and practitioners generally agree customer retention is vital to business success, there is less agreement on what determines customer retention. In response, a conceptual model was developed to illustrate which salient choice criteria advertisers use when renewing advertising agency contracts. The fundamental ideas of the social exchange theory were used to construct a holistic perspective. This model, illustrated in Fgure 1, provides a holistic and integrative perspective on client retention and also a framework for advertising agency executives to manage retention and optimally allocate resources for maximum customer equity.

Figure 1: Antecedents of Client Retention



** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

From a practitioner's perspective, it should be noted that agencies are naive to think clients will be retained once a contract is signed. The South African advertising industry is considered a buyers' market and clients expect nothing but the best. Should their expectations not be met, they would identify suitable alternative service providers. Switching costs may initially deter defection, but unresolved, means the agency might fail to retain the client. Although clients are well aware of the uncertainty, effort and time involved in switching findings suggest that they seem willing to make the sacrifices.

True to the nature of services, clients are retained based on evaluative as well as relational factors. Clients are retained if they are satisfied with the agency's services, the quality of those services and the agency's ability to keep within budget. However the working relationship between agency and client staff members remains fundamental to explain why clients retain agencies. Collaboration between parties was the factor with the largest effect size on retention propensity. This finding emphasize that client retention is not just an outcome based on agency effort and performance but rather the result of interactional effort. Commitment to the relationship and clear communication were further requirements for retention. In addition, conflicts should be resolved in a cordial manner. To measure, manage and improve business relationships advertisers and agencies need to consider a spectrum of factors. A holistic perspective can improve the business relationship for both parties and can be used to strengthen and build long-term relationships.

From an academic perspective the results offer insights into the structure of client retention for services by a comprehensive theory-driven retention model. This model supports that retention is multi-dimensional and highlights the limitations of studies that measure single factors related to retention. The model therefore contributes to the literature by providing a more complete, integrated view of customer retention and its determinants in service contexts. This model developed for the South African advertising industry, may have limitations when applied elsewhere or to other service industries. The cross-sectional design of the study presented a limitation as retention is dynamic and the relative influence of antecedent factors evolves as relationships mature. Future research would usefully extend the model to other service industries, both locally and globally, as replication in other settings would enhance the generalization of this model.

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