

Chapter 15

Inside the Small Island Economies: Loyalty Strategies in the Telecommunications Sector

Wilson Ozuem

University of Gloucestershire, UK & Regents University, UK

Tara Thomas

London Metropolitan University, UK

ABSTRACT

The extant literature presents antecedents of loyalty into four groups: characteristics of the environment, characteristics of the dyadic relationship, characteristics of the consumer, and consumer perceptions of the relationship with the marketing firm. However, it pays little to no attention to the antecedents of loyalty in small island economies. Prior research on small island economies is heavily focused on cultural, environmental, and macro-economic issues. Thus, the focus of this chapter is to capture antecedents that are cognizant of the distinct market conditions that potentially impact customer loyalty within the telecommunications sector. It seeks to advance understanding of loyalty in Business-to-Business (B2B) relationships in the context of a small island economy and identify triggers and determinants to convert passively loyal customers into actively loyal customers.

INTRODUCTION

Customer loyalty has shifted our understanding of the basic exchange of goods and currency to a more intricate interaction of customer and supplier, thus adding a new dimension to the term relationship. Businesses now place equal, if not greater emphasis, on retaining existing customers

over constantly acquiring new ones. Customers' decisions to frequent a known supplier of goods or services over seeking new suppliers can be influenced by a variety of factors that can include, but are not limited to, commitment (Anderson & Weitz, 1992; Wilson, 1995), trust (Moorman et al., 1993; Morgan & Hunt, 1994), satisfaction (Gwinner et al., 1998; Reynolds &

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Beatty, 1999a; Henning-Thurau et al., 2002; Wong & Zhou, 2006) experience (Crosby & Johnson, 2006) or all of the above and in varying order depending on the product, the service, the customer and the industry. This array of factors reveals the complex and multidimensional nature of loyalty (Majumdar, 2005) and proves the 'one size does not fit all' theory which is what keeps the concept of customer loyalty at the height of academic research. Aimed at helping marketers understand what businesses can do to convert new or existing customers into loyal customers, it has shown that a customer loyalty strategy is essential to a company if they want to retain its customers (Zeithaml, 1988; Bloemer & Odekerken-Schröder, 2002; Anderson & Narus, 2004).

The discussion of loyalty is further complicated by exploring the relationships that exist between supplier and supplier, more popularly referred to as Business-to-Business (B2B) interactions. B2B markets differ from Business-to-Consumer (B2C) markets across several dimensions (Avlonitis & Gounaris, 1997; Coviello & Brodie, 2001) including volume and frequency of interactions. This, in turn, impacts the dictating drivers for loyalty (Morris & Holman, 1988). Some authors argue it is even more challenging to breed loyal corporate customers who are actually more expensive to serve as they often demand better deals in return for their longstanding custom and demand a premium service (Reinartz & Kumar, 2002). Nonetheless, loyal customers provide a consistent and stable source of revenue through repeat and increased purchases.

The antecedents of loyalty, both in terms of the B2B and B2C, have attracted a wealth of attention in extant marketing literature but despite globalisation, there are still cross-national differences that prevent blanket strategies or distinct commonalities (Aksoy et al., 2013) as a vast amount of theory and findings has been built in mature and highly competitive economies (Ehrenberg & Goodhardt, 2000) and pays little to no attention to the antecedents of loyalty in Small Island economies. Across

the globe, there are more than 130,000 islands which host more than 500 million people. Island populations can range from 64 on Pitcairn to 7.13 million in Hong Kong. Between these extremes are Islands such as Guernsey, Isle of Man, Bermuda, and Seychelles, each with a population of fewer than 100,000, but economically prominent in their own right because of their financial services and tourism industries. Prior research on Small Island economies is heavily focused on cultural, environmental, and macro-economic issues (Poetscheke, 1995; Baum, 1996; Pelling & Uitto, 2001; Hampton & Christensen, 2002; Cox, 2010). A recurring feature of these publications highlight the challenges that Islands with small populations face particularly emphasizing their high reliance on costly communication which is primarily due to their small size and little to no opportunity to create economies of scale. Small Island economies are highly reliant on their telecommunications providers to remain conversant and economically competitive with the wider global economy. Figure 2 illustrates the exponential growth trend of this sector across the globe.

The telecommunications sector is a converging industry (Wirtz, 2001; Srinivasan et al., 2007). Converging industries are intensifying competition and have created two world segments whereby companies are executing a dual strategy to remain competitive at a global and a local level (Mourdoukoutas & Mourdoukoutas, 2004). Choi and Valikangas (2001) define industry convergence as the 'blurring' of competitive boundaries in a market. It refers to the introduction of 'hybrid' products which combine previously distinct products which are not in direct competition with each other (Malhorta & Gupta, 2001). This 'blurring' can allow the telecommunications industry to encompass a wide spectrum of products and services but for the purposes of this paper we will limit their scope to the direct provision of fixed telephone lines, mobiles and broadband services.

Ball et al. (2004) presents extant literature on the antecedents of loyalty into four groups:

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