ROBERT W. PALMATIER, LISA K. SCHEER, and JAN-BENEDICT E.M. STEENKAMP*

In a study of 362 buyer–salesperson dyads using triadic data (from buyer, salesperson, and sales manager), the authors examine both a customer's overall loyalty to the selling firm and the customer's loyalty vested specifically in his or her salesperson. They find that only salesperson-owned loyalty, a newly identified construct, directly affects the more tangible seller financial outcomes of sales growth and selling effectiveness, whereas both salesperson-owned loyalty and loyalty to the selling firm increase the customer's willingness to pay a price premium. A longitudinal study verifies that the positive effect of salesperson-owned loyalty on sales growth persists over time. However, because salesperson-owned loyalty simultaneously increases the seller's risk of losing business if the salesperson defects to a competitor, managers need to manage effectively the benefit–risk trade-off. Increasing relationship-enhancing activities and value received by the customer builds both salesperson-owned loyalty and loyalty to the selling firm. The loyalty-building impact of relationship-enhancing activities is moderated by selling-firm consistency and by the selling firm's and salesperson's loyalty-capturing strategies.

Customer Loyalty to Whom? Managing the Benefits and Risks of Salesperson-Owned Loyalty

Cultivating loyal customers can lead to increased sales and customer share, lower costs, and higher prices (Reichheld and Teal 1996; Zeithaml, Berry, and Parasuraman 1996). Practitioners bombard consumers with patronage programs and target industrial customers with relationship marketing efforts, value-creating strategies, and key account programs. Research on relationship marketing (Palmatier et al. 2006), brands (Rust, Zeithaml, and Lemon 2000), direct selling (Macintosh and Lockshin 1997), satisfaction (Oliver 1999), and customer value (Sirdeshmukh, Singh, and Sabol 2002) indicates that customer loyalty improves financial performance, but is greater customer loyalty always beneficial for the selling firm?

"Loyalty to the selling firm," as it is typically measured, comingles customer loyalties to the firm and to the salesperson with whom that customer interfaces. If customer loyalty to the selling firm is based in elements that are inextricably bound with the specific salesperson, the "loyalty" should evaporate if the salesperson leaves. Some portion of a customer's reported loyalty to the firm may actually be salesperson-owned loyalty, or fealty directed specifically toward an individual salesperson independent of his or her affiliation with the selling firm. American Express estimates that 30% of customers would follow their financial advisor to a new firm (Tax and Brown 1998). Employee-centered service strategies and employee mobility amplify the potential negative impact (Zeithaml and Bitner 2003). Salesperson-owned loyalty generates favorable outcomes;

To read and contribute to reader and author dialogue on JMR, visit http://www.marketingpower.com/jmrblog.

the conundrum is that it also exposes the firm to the risk of dire consequences. Wielding the double-edged sword of salesperson-owned loyalty requires a delicate balancing act.

This research makes several contributions to the study of business-to-business relationships. First, we theoretically explicate, conceptualize, and measure salesperson-owned loyalty. We develop a new scale that measures salesperson-owned loyalty, but consistent with previous research, we also examine loyalty to the selling firm. This enables us to demonstrate the dangers of misreading illusory loyalty to the selling firm as true loyalty. Second, we investigate the consequences of salesperson-owned loyalty for the selling firm, focusing on financial outcomes and the risk that potential salesperson defection poses. Third, we explore antecedents of salesperson-owned loyalty and examine how loyalty-capturing strategies and selling-firm consistency enhance or curb the effects of relationship-building activities. We test our model with cross-sectional and longitudinal data from the buyer, the salesperson, and the selling firm.

## CUSTOMER LOYALTY IN THE BUSINESS-TO-BUSINESS CONTEXT

Loyalty to the selling firm is the customer's "intention to perform a diverse set of behaviors that signal a motivation to maintain a relationship with the focal firm" (Sirdeshmukh, Singh, and Sabol 2002, p. 20). The customer's intention to continue to conduct business with the selling firm may be based on the customer's interactions with the salesperson and other employees, the comparative advantage of the firm's product/service offering, and/or other loyalty-generating activities associated with the selling firm. Previous researchers warn that a significant portion of customer loyalty to the firm is based on elements embodied in, associated with, and controlled by the salesperson (Beatty et al. 1996; Berry 1995) and that the customer–selling firm relationship can be undermined if a key contact employee no longer deals with the customer (Bendapudi and Leone 2002).

In general, previous measurement approaches have straightforwardly assessed loyalty at multiple relational levels with parallel operationalizations: "How loyal are you to the (1) selling firm and (2) salesperson?" Such operationalizations presume the status quo—that the salesperson is associated with the selling firm. Thus, what is often reported as loyalty to the selling firm inherently includes some loyalty to the customer's specific salesperson. Such illusory loyalty cannot be detected by tracking prior purchase behavior, querying a buyer about general loyalty to the firm, or simply measuring apparent loyalty to the salesperson, because some of that allegiance may be based on the salesperson's present association with the selling firm. However, it can be detected by assessing salesperson-owned loyalty, or the customer's intention to perform behaviors that signal the motivation to maintain a relationship specifically with the focal salesperson. Salesperson-owned loyalty is independent of the salesperson's affiliation with the selling firm and can be threatening because it is a source of loyalty to the selling firm only while the salesperson maintains affiliation with the firm. If salesperson-owned loyalty constitutes the majority of a customer's reported loyalty to the selling firm, the apparent loyalty to the firm is illusory and will decline greatly if the buyer–salesperson relationship is disrupted. The threat is magnified if the salesperson defects to a competitor. As Figure 1 depicts, we explore the consequences and antecedents of salesperson-owned loyalty and loyalty to the selling firm and examine theoretically selected moderators that affect the development of these two types of loyalty.

EFFECTS OF CUSTOMER LOYALTY

Multilevel loyalty research indicates that a customer's loyalty to the salesperson appears to increase overall loyalty to the selling firm (Macintosh and Lockshin 1997; Reynolds and Beatty 1999). Because salesperson-owned loyalty resides with the salesperson independent of the selling firm, there is no basis to presume that it will be affected by the customer's loyalty to the selling firm. However,

Figure 1
ANTECEDENTS AND EFFECTS OF LOYALTY TO THE SELLING FIRM AND SALESPERSON-OWNED LOYALTY
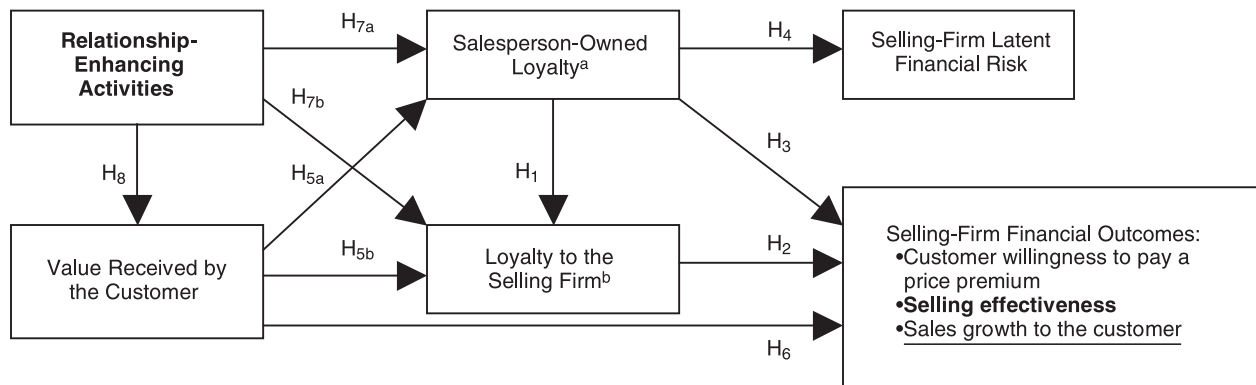
[a]Control variables modeled as antecedents: buyer–salesperson relationship duration and salesperson's share of customer interface with the selling firm (both reported by the buyer) and salesperson's expectation to sell to customer if he or she leaves the selling firm (reported by the salesperson).

[b]Control variables modeled as antecedents: selling firm's product/service breadth, buyer–selling firm relationship duration, and customer size (all reported by the buyer).

Notes: Normal font = reported by the buyer, bold = reported by the salesperson, and underlined = reported by the sales manager.

salesperson-owned loyalty is an important source of customer loyalty to the selling firm as long as the salesperson remains in his or her current position.

Consistent with prior research, we hypothesize that loyalty to the selling firm generates positive financial outcomes for the selling firm (Reichheld and Teal 1996; Zeithaml, Berry, and Parasuraman 1996). More interesting, however, is whether the impact of salesperson-owned loyalty on financial outcomes is fully mediated through loyalty to the firm or if salesperson-owned loyalty has a direct effect. The interplay between interpersonal and organizational effects in marketing relationships can be complex. Oliver (1999) suggests that loyalty to the salesperson and firm can function differently. Iacobucci and Ostrom (1996) report that interpersonal relationships are more intense and more long run than individual-to-firm relationships. Because a buyer can express salesperson-owned loyalty only by buying from the selling firm at which the salesperson resides, we posit that salesperson-owned loyalty also directly affects selling-firm financial outcomes.

H_1: Salesperson-owned loyalty positively affects loyalty to the selling firm.

H_2: Loyalty to the selling firm positively affects selling-firm financial outcomes.

H_3: Salesperson-owned loyalty positively affects selling-firm financial outcomes.

Selling-firm latent financial risk is the potential negative impact the firm would bear if the salesperson were to defect to a competitor, a realistic threat in many industrial contexts in which products are commodities or are purchased to broad specifications. Latent financial risk projects how the customer would behave if the salesperson defected to a competitor with similar products, quantifying negative ramifications previously discussed theoretically (e.g., Macintosh and Lockshin 1997; Reynolds and Beatty 1999). A customer who would accept price quotes from and consider shifting purchases to a salesperson who had defected poses significant latent financial risk to the firm. As a customer's loyalty exclusively to the salesperson increases, the customer's business is more likely to be lost if the salesperson defects.

H_4: Salesperson-owned loyalty positively affects selling-firm latent financial risk.

BUILDING CUSTOMER LOYALTY

Given the potential financial impact of salesperson-owned loyalty, understanding its antecedents is imperative. Customer loyalty can be affected both by elements that enhance economic value and by activities that strengthen customer relationships (Bagozzi 1975).

Value Received by the Customer

Generating value is central to marketing and is "the fundamental basis for all marketing activities" (Holbrook 1994, p. 22). Value-enhancing strategies such as product improvements or price reductions increase value received by the customer, or the customer's overall assessment of utility (Zeithaml 1988), by increasing customer benefits or decreasing customer costs. As value received increases, the customer is expected to exhibit greater loyalty (Neal 1999; Sirdeshmukh, Singh, and Sabol 2002).

Value received by the customer should also have a direct impact on selling-firm financial outcomes, especially in business-to-business interactions in which value is often the cornerstone of purchase decisions (Anderson and Narus 2004). Many procurement programs are designed to select the supplier with the highest-value offering while attempting to minimize the impact of prior buyer loyalties (Srivastava, Shervani, and Fahey 1999). As benefits exceed costs, a value-maximizing customer should increase current purchases, source new products from this seller, and be more willing to pay a premium to deal with this selling firm.

H_5: Value received by the customer positively affects (a) salesperson-owned loyalty and (b) loyalty to the selling firm.

H_6: Value received by the customer positively affects selling-firm financial outcomes.

### Relationship-Enhancing Activities

Relationship-enhancing activities are actions, resources, and efforts focused on strengthening customer relationships (Crosby, Evans, and Cowles 1990), including social interaction, special reports, adaptive policies and procedures, and all other initiatives to cultivate a relational character in the seller–customer interaction (Anderson and Weitz 1992; Berry 1995; Jap and Ganesan 2000). Relationship-enhancing activities attempt to transform indifferent customers into loyal ones (Berry 1995, p. 236) by building customer bonds with the selling firm and the salesperson (Crosby, Evans, and Cowles 1990; De Wulf, Odekerken-Schröder, and Iacobucci 2001); thus, they are expected to increase customer loyalty at both the firm and the salesperson levels. In addition, many relationship-enhancing activities improve efficiency (Gwinner, Gremler, and Bitner 1998) and increase customer value received by creating tangible customer benefits or by reducing customer costs (Sirdeshmukh, Singh, and Sabol 2002).

H_7: Relationship-enhancing activities positively affect (a) salesperson-owned loyalty and (b) loyalty to the selling firm.

H_8: Relationship-enhancing activities positively affect value received by the customer.

Can strategies be employed to increase the effectiveness of relationship-enhancing activities or to direct the customer loyalty generated by such activities toward the selling firm versus the salesperson? Drawing on social psychology research, we examine the moderating effects of selling-firm consistency and loyalty-capturing strategies (see Figure 2).

Selling-firm consistency. When individuals are evaluated, a continuously updated, online judgment-formation process is often used; because groups typically are not expected to behave consistently, judgments are formed differently, using a recall heuristic (Park, DeKay, and Kraus 1994; Weisz and Jones 1993). However, some groups exhibit greater entitativity, which is the unity, coherence, or consistency of a social target (Campbell 1958). Judgments about collective entities (e.g., firms) that are perceived as having greater entitativity are formed more similarly to the online process used to evaluate individuals (Hamilton and Sherman 1996). Moreover, if the behaviors of group members are perceived as consistent, attributions for those behaviors are likely to be associated with the group; inconsistent

Figure 2
MODERATION OF THE EFFECTS OF RELATIONSHIP-ENHANCING ACTIVITIES ON CUSTOMER LOYALTY
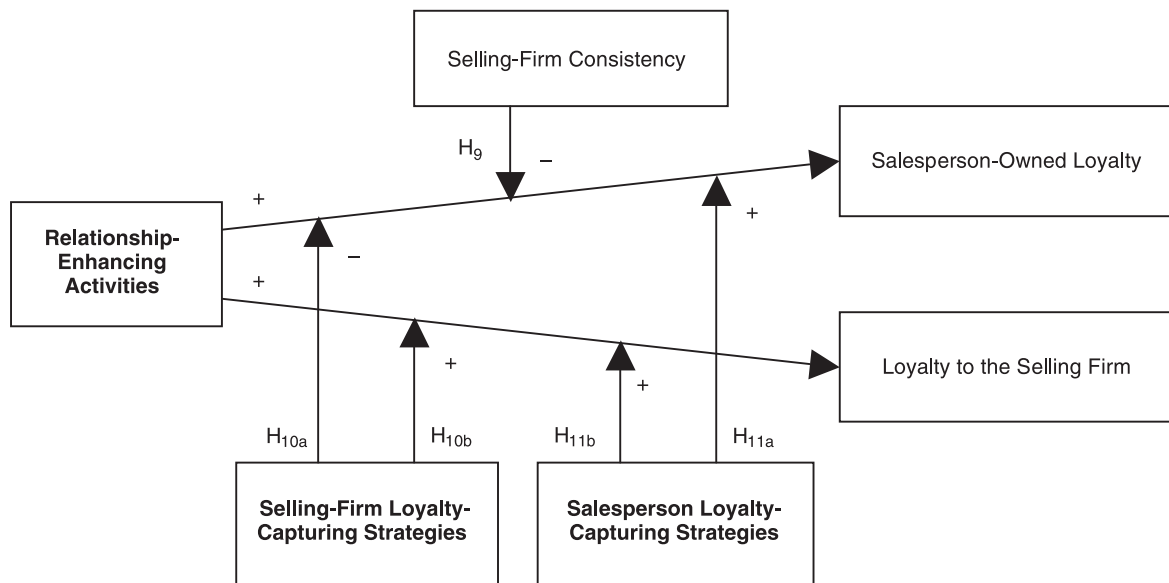
Notes: Normal font = reported by the buyer, and bold = reported by the salesperson.

actions are likely to be attributed to individuals (O'Laughlin and Malle 2002).

If the buyer perceives the salesperson as acting independently and responsible for providing benefits, loyalty stimulated by relationship-enhancing activities should be vested more with the salesperson. If all selling-firm associates, systems, and communications present a unified theme that stresses the firm's role, the buyer will be inclined to attribute relationship-enhancing activities to the selling firm. Customers will make greater attributions to the firm when an employee's actions are more scripted and less autonomous (Iacobucci and Ostrom 1996; Solomon et al. 1985). If the selling firm can induce the customer to perceive the selling firm's associates, policies, procedures, and actions as consistent (and that the salesperson is an interchangeable representative), a greater portion of the loyalty generated by relationship-building strategies can be steered away from salesperson-owned elements toward more stable firm-based loyalty elements. Thus, as selling-firm consistency increases, the positive impact of relationship-enhancing strategies on salesperson-owned loyalty will be reduced, but overall loyalty to the selling firm will not change if customer loyalty is merely shifted from salesperson-owned elements to other loyalty bases associated with the selling firm.

H_9: Selling-firm consistency reduces the positive impact of relationship-enhancing activities on salesperson-owned loyalty.

Loyalty-capturing strategies. Because the customer may attribute the benefits of relationship-enhancing activities (whatever their true source) to the salesperson or the selling firm, both can try to influence attribution formation and capture customer allegiance. Loyalty-capturing strategies include all means through which a party communicates its

role in generating and delivering customer benefits. By themselves, such strategies cannot create customer loyalty, which is generated through value creation or relationship marketing activities; however, loyalty-capturing strategies can direct, divert, and focus emerging customer loyalty toward different parties. The selling firm may use multiple modes (e.g., personalized letters, newsletters, inside and outside salespeople) to communicate diverse benefits offered, thus increasing the customer's perception that benefits stem from the firm. The salesperson may claim credit for such benefits and strive to be the conduit through which they are delivered. Salesperson loyalty-capturing strategies attempt to direct emerging allegiance to salesperson-owned elements; selling-firm strategies attempt to divert emergent customer loyalty from the specific salesperson to other, more general elements associated with the selling firm itself. We hypothesize that the positive impact of relationship-enhancing activities on salesperson-owned loyalty is reduced by selling-firm loyalty-capturing strategies and is increased by salesperson loyalty-capturing strategies.

How do these strategies affect loyalty to the selling firm? Shifting a customer's allegiance from elements associated with a specific salesperson to those associated with other firm-related elements has no impact on overall loyalty to the selling firm. However, the use of loyalty-capturing strategies by either the selling firm or the salesperson is likely to enhance the effectiveness of relationship-enhancing activities by making the provided benefits more salient to the customer. No matter which component is enhanced, customer loyalty to the selling firm increases. Thus, we hypothesize that both types of loyalty-capturing strategies magnify the positive effect of relationship-enhancing activities on loyalty to the selling firm.

H_{10}: Selling-firm loyalty-capturing strategies (a) reduce the positive impact of relationship-enhancing activities on salesperson-owned loyalty and (b) increase the positive impact of relationship-enhancing activities on loyalty to the selling firm.

H_{11}: Salesperson loyalty-capturing strategies increase the positive impact of relationship-enhancing activities on (a) salesperson-owned loyalty and (b) loyalty to the selling firm.

RESEARCH METHODS

We examined relationships between industrial buyers and manufacturers' representatives (reps), an excellent context in which to test our theory-based hypotheses. Relational sources of customer loyalty are critical in many business-to-business contexts, but they are often difficult to disentangle from loyalty generated through proprietary products or brand-based sources. In this research context, loyalty to a selling firm is not driven by unique products or services offered only by that firm. The buyer's relationship with the selling (rep) firm develops across multiple products from different manufacturers, most of which are available from alternative sources.

Sample and Data Collection Procedure

Data were collected during early 2003 from industrial buyers, salespeople, and rep firms. Owners of 41 rep firms provided contact information for their salespeople and for 10–15 customers serviced by each salesperson. Owners were directed to randomly select customers who represented a range of sizes, sales, and relationship strengths and not to allow the salesperson to select customers for the study. Many owners provided their full customer contact database, thus eliminating selection bias. Buyers represented various industries (e.g., industrial supplies, telecom-

munications, electronic/electrical components, utility subcomponents). From an initial sample of 13,850, we drew a random stratified sample of 3000 buyers who represented various industries. In January, we initiated a four-wave mailing to each buyer (a prenotification card, a survey packet one week later, a reminder postcard one week later, and a second survey three weeks later). A cover letter named the buyer's specific salesperson and rep firm, discussed the rep firm's participation in a study endorsed by the Manufacturers' Representatives Educational Research Foundation, and offered a summary report and entry into a raffle for twenty $25 prizes. Each buyer survey was coded to permit matching with the counterpart salesperson. From the 2780 delivered buyer surveys (220 buyer surveys were returned as undeliverable), 511 usable surveys were received, for an 18% response rate (see Table 1).

Each responding buyer reported on relationships with a specific salesperson and selling firm. We surveyed the 195 salespeople who served the 511 responding buyers and probed their relationships with counterpart buyers. Some responding buyers were served by the same salesperson. Each salesperson was asked about at least three buyer relationships. If only one buyer for a specific salesperson responded, we randomly selected two nonresponding buyers to be included on the salesperson survey. Each salesperson survey was customized, listing the customer's name above the section that contained measures for that customer. Two survey mailings plus follow-up e-mails and calls achieved responses from 165 salespeople, for an 85% response rate.

Concurrently, we sent a survey packet by registered mail to sales managers at the 41 participating selling firms, seeking sales revenue for the 511 customers who completed the buyer survey. The cover letter noted the owner's support, offered a customized benchmark report, and stressed that

Table 1
DATA COLLECTION SUMMARY

Source	Details About Source	Number Surveyed	Responses Received	Response Rate (%)	Final Data Set
Cross-Sectional Study (Data Collected in Early 2003)					
Buyers	Stratified random sample of 3000 buyers from 41 participating selling firms	2780[a]	511	18.4	362[b]
Salespeople	Salespeople who service the 511 responding buyers	195	165	84.6	154[c]
Sales managers	Selling firms' sales managers of the 195 salespeople	41	34	82.9	34
Final data set	Data received (>95% complete) from all three sources for unique buyer–salesperson dyads			13.0	362
Longitudinal Study (Data Collected in Early 2005)					
Sales managers	Sales managers of the 34 selling firms that were included in the cross-sectional study	34	14	41.2	14
Final data set	Data received (>95% complete) from buyers in 2003 and from sales managers in both 2003 and 2005				201[d]

[a]3000 surveys mailed less 220 returned as undeliverable.

[b]Corresponding salesperson and sales manager data were received for 362 of the 511 responding buyers.

[c]154 salespeople serviced the 362 buyers for whom sales manager data were also received. Data from the other 11 responding salespeople could not be used because of missing sales manager data.

[d]Data from sales managers were received on customers represented by 201 of the 511 responding buyers from the cross-sectional study. Of those 201 buyers, 56 were not included in the cross-sectional study because of missing counterpart salesperson data.

each buyer had already completed a survey about his or her relationship with the rep firm. The customized survey listed the firm's responding customers and requested sales revenues for each customer for the previous two years (2001 and 2002). Follow-up telephone and e-mail contact prompted 34 sales managers to provide the requested data, for an 83% response rate.

Our final data set consisted of 362 buyer–salesperson dyads, with data from buyers, salespeople, and sales managers, for an effective triadic response rate of 13%. A total of 362 buyers, 154 salespeople, and 34 sales managers produced the data we used to test the hypotheses. Our data permit us to explore potential nonresponse bias by comparing respondents who (1) were included in the final data set and (2) were not included because of incomplete triadic data. If salespeople or sales managers elected not to respond because of systematic differences in the nature of the buyer–seller-salesperson relationships (e.g., poor relationships or unfavorable financial performance), reports of their counterpart buyers (who were excluded from the final data set) should differ from those of buyers whose salespeople and sales managers responded (buyers in the final data set). For each of the three data sources (buyers, salespeople, and sales managers), we found no significant differences ($p > .05$) between the responses of those included and those not included in the final data set, suggesting that nonresponse bias is not a concern.[1]

The average buyer knew the salesperson 6.2 years and dealt with the selling firm for 9.7 years, and 12% of buyers' relationships with the salesperson predated interaction with the firm. On average, the salesperson represented 56% of the buyer's interface with the selling firm. Buyers purchased an average of 3.9 different manufacturers' products from the rep firm and had an alternative supplier for 70.5% of products purchased from the selling firm.

Measurement

We adapted existing measures when possible. In developing new scales, we refined theoretically based items through interviews with eight sales managers. We refined the initially developed surveys through pretests with 24 buyers, five salespeople, and two sales managers. All measures used seven-point Likert scales (1 = "strongly disagree," and 7 = "strongly agree") unless otherwise noted. We summarize final measurement scales for all constructs in the Appendix.

Selling-firm financial outcomes. We used three measures of financial outcomes, each with different performance metrics, sources, and data collection formats. Customer willingness to pay a price premium is a manifest variable that measures the average premium (as a percentage) that the buyer would pay to deal with this selling firm as opposed to another firm with similar products. Selling effectiveness is the extent to which the customer has been persuaded to purchase more (both quantity and variety) from the selling firm. Two items measure the salesperson's report on (1) the relative increase in sales to this customer compared with the

selling firm's overall sales growth and (2) the increase in the variety of products the buyer purchases from the firm (Fang, Palmatier, and Evans 2004). Sales growth to the customer is a manifest variable calculated as the natural log of relative sales performance (Greene 2000). Relative sales performance is derived from the selling firm's sales growth rate to a customer divided by that customer's overall growth rate, each expressed as an index in which revenue in Period 1 (2001) is set to 100. With this approach, relative sales performance is greater than one only if sales to a customer have increased more quickly than the customer's overall baseline growth. We calculated the selling firm's sales growth rate from archival 2001 and 2002 sales revenues for each customer. The customer growth rate is the buyer's report of the customer's overall company revenue growth over the same period. For example, if sales to a customer increased by 20% (sales performance index = 120) and the customer's overall growth was 12% (customer growth index = 112), relative sales performance is 120/112, and sales growth is ln(120/112).

Buyer measures. We were careful to ensure differentiation between selling-firm and salesperson constructs. One section focused on the "firm referenced in the cover letter, including all employees, policies, and systems." A separate section focused on "the relationship that you have with your primary outside salesperson (i.e., salesperson referenced in the cover letter)." Furthermore, each item clearly referenced the selling firm or the salesperson as appropriate; there was no ambiguity about the focal party. A new six-item salesperson-owned loyalty scale assessed loyalty to the specific salesperson over the selling firm. We measured loyalty to the selling firm with six items and value received by the customer with three items adapted from the work of Zeithaml, Berry, and Parasuraman (1996). We measured selling-firm consistency with four items based on the work of Hamilton and Sherman (1996) and O'Laughlin and Malle (2002). We measured selling-firm latent financial risk with two items, the percentage of current purchases the buyer (1) would allow the salesperson to present a price quote at a new firm (bid for business) and (2) would try to shift to the salesperson at a new firm. As we discussed previously, the buyer also reported willingness to pay a price premium and overall customer growth. Control variables include buyer–salesperson and buyer–selling firm relationship durations (years), the salesperson's share of the customer's interface with the selling firm (%), annual customer sales revenue (in millions of dollars), and breadth of the selling firm's product/service offering. Square root transformations of relationship durations and customer size corrected for nonnormal distributions.

Salesperson measures. Preliminary interviews revealed that because relationship-enhancing activities and selling-firm loyalty-capturing strategies vary across customers, the salesperson is best informed about the actions directed to specific customers. We measured relationship-enhancing activities with a new six-item scale that addressed the customer's receipt of dedicated personnel, social benefits, adaptation efforts, and so forth (Berry 1995; Gwinner, Gremler, and Bitner 1998; Reynolds and Beatty 1999). Four-item scales measured salesperson loyalty-capturing strategies (the salesperson's delivery of customer benefits, credit taken for benefits, and control of the information flow

---

[1]Full analyses are available on request. We found no significant differences ($p > .05$) between early and late responders (first 25% versus last 25%; first 33% versus last 33%) for buyers or salespeople (Armstrong and Overton 1977).

from the selling firm to the buyer) and selling-firm loyalty-capturing strategies, which assessed credit taken by the selling firm for customer benefits and the extent to which the firm communicates benefits directly to the customer. The salesperson also reported selling effectiveness and the likelihood of continuing to sell to the customer after leaving the selling firm, which served as a control variable.

Measurement Model

We evaluated the psychometric properties of constructs by estimating two confirmatory factor analysis models, one that included the 14 focal constructs and the control variables in Figure 1 and one that examined the moderators in Figure 2. We restricted each item's loading to its a priori factor and allowed each factor to correlate with all other factors. The fit indexes of both models were good (Byrne 1998). For the first measurement model, $\chi^2_{(409)} = 518.5$, $p < .01$; comparative fit index (CFI) = .980; goodness-of-fit index (GFI) = .922; and root mean square error of approximation (RMSEA) = .027. For the second measurement model, $\chi^2_{(51)} = 137.0$, $p < .01$; CFI = .974; GFI = .942; and RMSEA = .068.

All factor loadings were significant ($p < .01$), demonstrating convergent validity (for loadings, see the Appendix). The average variance extracted by each construct is larger than its shared variance (squared intercorrelation) with other constructs. For each pair of constructs, we compared a two-factor model in which we allowed the factors' correlation to vary with a model in which the correlation was fixed to 1. In each case, the chi-square difference test ($p < .01$) supported discriminant validity (Anderson and Gerbing 1988). The reliability of each multi-item scale is above .70. Thus, we conclude that our measures are valid and reliable. Table 2 provides descriptive statistics and correlations for all variables.

RESULTS

After the measurement models were deemed to be acceptable, we estimated a structural path model to test the hypotheses depicted in Figure 1. The fit indexes ($\chi^2_{(456)} = 581.2$, $p < .01$; CFI = .978; GFI = .913; and RMSEA = .028) suggest that the hypothesized model acceptably fits the data (Byrne 1998). Table 3 summarizes the results.

The Impact of Salesperson-Owned Loyalty

Salesperson-owned loyalty positively affected the customer's loyalty to the selling firm, in support of H_1 ($\beta = .20$, $p < .01$).[2] Loyalty to the selling firm had a positive effect on customer willingness to pay a price premium ($\beta = .18$, $p < .01$) but had no impact on either sales growth to the customer or selling effectiveness. H_2 was supported for only one financial outcome. In contrast, salesperson-owned loyalty positively affected each of the three diverse seller financial outcomes—willingness to pay a price premium ($\beta = .11$, $p < .05$), selling effectiveness ($\beta = .26$, $p < .01$), and sales growth ($\beta = .16$, $p < .01$)—providing strong support for H_3. Salesperson-owned loyalty also positively affected

selling-firm latent financial risk ($\beta = .62$, $p < .01$), in support of H_4.

Antecedents of Customer Loyalty

As we hypothesized, value received by the customer positively affected both salesperson-owned loyalty ($\beta = .15$, $p < .01$) and loyalty to the selling firm ($\beta = .17$, $p < .01$), in support of H_{5a} and H_{5b}, respectively. Value received also positively affected customer willingness to pay a price premium ($\beta = .25$, $p < .01$) and sales growth to the customer ($\beta = .24$, $p < .01$) but not selling effectiveness. Thus, H_6 was supported for two of the three seller financial outcomes. Relationship-enhancing activities ($\beta = .11$, $p < .05$) positively affected value received, in support of H_8.

As H_{7a} and H_{7b} proposed, respectively, relationship-enhancing activities positively affected salesperson-owned loyalty ($\beta = .19$, $p < .01$) and loyalty to the selling firm ($\beta = .11$, $p < .05$), effects that are hypothesized to be moderated. The control variables buyer–salesperson relationship duration, the salesperson's expectation of continuing to sell to the customer after leaving the selling firm, and the salesperson's share of the buyer's interface with the selling firm were also significantly related to salesperson-owned loyalty. Selling firm's product/service breadth, buyer–selling firm relationship duration, and customer size significantly affected loyalty to the selling firm.

A chi-square difference test reveals that a partial mediation model (adding direct paths from relationship-enhancing activities to the three financial outcomes and latent financial risk) does not have significantly better fit ($\Delta\chi^2_{(4)} = 4.8$, not significant [n.s.]) than our full mediation model (Figure 1), suggesting that our model provides a parsimonious explanation of the data (Bagozzi and Yi 1988).

Moderator Analyses

We used the well-established multigroup analysis method for examining moderator effects in structural models (De Wulf, Odekerken-Schröder, and Iacobucci 2001; Stone and Hollenbeck 1989). For each moderator, a median split divided the sample into two subgroups—one high and one low on the moderating variable. In each multigroup analysis, we used a chi-square difference test to compare a model in which all hypothesized paths were constrained to be equal across both groups with an unconstrained model in which we permitted the path hypothesized to be moderated to vary freely across the high and low groups. If the unconstrained model has a significantly lower chi-square than the constrained model and if the effect is in the hypothesized direction, the moderating hypothesis is supported. Four of the five moderating hypotheses received support.[3] Table 4 summarizes the results.

---

[2]Although we had theoretical reasons for positing that loyalty to the selling firm would not affect salesperson-owned loyalty, we tested an alternative, nonrecursive model (adding a path from loyalty to the selling firm to salesperson-owned loyalty). The fit of this nonrecursive model was not significantly better ($\Delta\chi^2_{(1)} = 3.5$, not significant).

[3]As a further test of the hypothesized interactions, we performed two multiple regression analyses on salesperson-owned loyalty and loyalty to the selling firm. Whereas in structural equation modeling multiple interaction effects are tested independent of one another and the main effect of the construct used to form the groups is not included, moderated regression analysis allows for simultaneous estimation of all these effects. We examined the main effects of relationship-enhancing activities, the value received by the customer, the three moderator variables, and the relevant control variables (see Figure 1), and we examined the interactions of each moderator with relationship-enhancing activities. The results were consistent with the multigroup method, but H_{11a} was marginally significant ($p < .1$). Details are available on request.

Table 2
DESCRIPTIVE STATISTICS AND CORRELATIONS

Constructs	M	SD	AVE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Cross-Sectional Study																				
1. Relationship-enhancing activities	2.50	1.15	.46	.79																
2. Value received by the customer	4.34	1.59	.78	.08	.91															
3. Loyalty to the selling firm	5.09	1.40	.76	.14**	.23**	.95														
4. Salesperson-owned loyalty	4.04	1.38	.58	.20**	.17**	.25**	.88													
5. Selling-firm latent financial risk	40.43	24.44	.57	.11*	.14**	.21**	.48**	.73												
6. Selling-firm financial outcome: customer willingness to pay a price premium	4.92	8.01	N.A.	−.01	.30**	.27**	.20**	.11*	N.A.											
7. Selling-firm financial outcome: selling effectiveness	3.84	1.71	.70	.13*	.07	.05	.24**	.11*	.01	.82										
8. Selling-firm financial outcome: sales growth to the customer[a]	−.03	.97	N.A.	.08	.23**	.05	.15**	.14*	.05	.13*	N.A.									
9. Selling-firm consistency	4.81	1.48	.73	.01	.09	.20**	.09	.05	.06	.10	.03	.91								
10. Salesperson loyalty-capturing strategies	4.01	1.36	.64	.21**	−.05	−.01	.12*	−.01	.00	.03	.04	−.13*	.88							
11. Selling-firm loyalty-capturing strategies	3.73	1.37	.83	.15**	−.06	.02	.09	.02	−.05	.08	.02	.13*	.09	.93						
12. Buyer–salesperson relationship duration[b]	2.26	1.05	N.A.	.08	.12*	.20**	.17**	.17**	.06	.04	.06	.10	.04	.01	N.A.					
13. Salesperson's expectation to sell to customer if leave selling firm	4.90	1.80	N.A.	.24**	.10*	.05	.23**	.06	.06	.09	.10	−.02	.26**	.10	.12*	N.A.				
14. Salesperson's share of customer interface with selling firm	55.86	34.16	N.A.	−.03	−.07	−.03	.20**	.10	.11*	.10	.11*	.05	−.01	−.00	.00	.06	N.A.			
15. Selling firm's product/service breadth	5.09	1.30	N.A.	−.01	−.22**	.29**	.08	.10	.01	.07	.01	.10	−.01	−.01	.11*	−.00	−.02	N.A.		
16. Buyer–selling firm relationship duration[b]	2.88	1.19	N.A.	.01	.05	.13*	.10	.02	.04	.04	.01	.10	−.02	.03	.47**	−.01	−.05	.12*	N.A.	
17. Customer size[b]	13.55	11.70	N.A.	−.05	.02	.17**	.07	−.02	.07	.09	.01	.00	−.09	.06	.02	−.06	.10	.02	−.01	N.A.

Constructs	M	SD	AVE	1	2	3	4
Longitudinal Study							
1. Value received by the customer	4.29	1.50	.75	.90			
2. Loyalty to the selling firm	4.94	1.35	.73	.27**	.94		
3. Salesperson-owned loyalty	4.18	1.29	.58	.18**	.23**	.89	
4. Selling-firm financial outcome: Sales growth to the customer[a]	4.35	1.50	N.A.	.18**	.13*	.18**	N.A.

*p < .05 (two-sided).
**p < .01 (two-sided).
[a]Logarithmic transformation.
[b]Square root transformation.
Notes: AVE = average variance extracted, and N.A. refers to single-item variables. Coefficient alphas appear along the diagonal. For the cross-sectional study, N = 362; for the longitudinal study, N = 201.

Table 3
RESULTS: HYPOTHESIZED MAIN EFFECTS

Hypothesized Path	Cross-Sectional Study Results		Hypotheses	Longitudinal Study Results	
	Standardized Path Coefficient	t-Value		Standardized Path Coefficient	t-Value
Salesperson-owned loyalty → loyalty to the selling firm	.20	3.59**	H_1		
Loyalty to the selling firm → customer willingness to pay a price premium	.18	3.30**			
Loyalty to the selling firm → selling effectiveness	−.04	−.59	H_2		
Loyalty to the selling firm → sales growth to the customer	−.05	−.91		.06	.78
Salesperson-owned loyalty → customer willingness to pay a price premium	.11	2.01*			
Salesperson-owned loyalty → selling effectiveness	.26	4.02**	H_3		
Salesperson-owned loyalty → sales growth to the customer	.16	2.78**		.14	1.86*
Salesperson-owned loyalty → selling-firm latent financial risk	.62	7.86**	H_4		
Value received by the customer → salesperson-owned loyalty	.15	2.80**	H_{5a}		
Value received by the customer → loyalty to the selling firm	.17	3.16**	H_{5b}		
Value received by the customer → customer willingness to pay a price premium	.25	4.80**			
Value received by the customer → selling effectiveness	.05	.83	H_6		
Value received by the customer → sales growth to the customer	.24	4.31**		.15	1.93*
Relationship-enhancing activities → salesperson-owned loyalty	.19	3.01**	H_{7a}		
Relationship-enhancing activities → loyalty to the selling firm	.11	1.86*	H_{7b}		
Relationship-enhancing activities → value received by the customer	.11	1.75*	H_8		
Buyer–salesperson relationship duration → salesperson-owned loyalty	.13	2.52**	Control		
Salesperson's expectation to sell if leave → salesperson-owned loyalty	.15	2.83**	Control		
Salesperson's share of customer interface → salesperson-owned loyalty	.23	4.38**	Control		
Selling firm's product/service breadth → loyalty to the selling firm	.22	4.48**	Control		
Buyer–selling firm relationship duration → loyalty to the selling firm	.09	1.76*	Control		
Customer size → loyalty to the selling firm	.16	3.19**	Control		
R^2 (loyalty to the selling firm)	.19				
R^2 (salesperson-owned loyalty)	.18				
R^2 (customer willingness to pay a price premium)	.15				
R^2 (selling effectiveness)	.07				
R^2 (sales growth to the customer)	.09			.06	
R^2 (selling-firm latent financial risk)	.38				

*$p < .05$ (one-sided).
**$p < .01$ (one-sided).

We hypothesized that selling-firm consistency would reduce the positive impact of relationship-enhancing activities on salesperson-owned loyalty. The multigroup moderation test reveals that high and low selling-firm consistency groups differed significantly ($\Delta\chi^2_{(1)} = 9.1$, $p < .01$). Because the positive effect of relationship-enhancing activities on salesperson-owned loyalty was lower for high selling-firm consistency ($\beta = .06$) than for low selling-firm consistency ($\beta = .37$), H_9 was supported. Although selling-firm consistency was not hypothesized to moderate the effect of relationship-enhancing activities on loyalty to the firm, for completeness, we tested this potential moderation. As expected, we found no effect.

Selling-firm loyalty-capturing strategies negatively moderated the positive impact of relationship-enhancing activities on salesperson-owned loyalty ($\Delta\chi^2_{(1)} = 8.5$, $p < .01$; for the low seller loyalty-capturing group, $\beta = .33$; for the high seller loyalty-capturing group, $\beta = .06$) and positively moderated the positive impact of relationship-enhancing activities on loyalty to the selling firm ($\Delta\chi^2_{(1)} = 6.9$, $p < .01$; for the low selling-firm loyalty-capturing group, $\beta = −.05$; for the high selling-firm loyalty-capturing group, $\beta = .26$). Thus, H_{10a} and H_{10b} are supported.

Salesperson loyalty-capturing strategies positively moderated the positive impact of relationship-enhancing activities on salesperson-owned loyalty ($\Delta\chi^2_{(1)} = 4.4$, $p < .05$; for

the low salesperson loyalty-capturing group, $\beta = .05$; for the high salesperson loyalty-capturing group, $\beta = .31$), but they did not moderate the effect of relationship-enhancing activities on loyalty to the selling firm ($\Delta\chi^2_{(1)} = .1$; n.s.). Thus, H_{11a} is supported, but H_{11b} is rejected.

LONGITUDINAL STUDY: LONG-TERM EFFECTS ON SELLING-FIRM OUTCOMES

Although the findings of our first study are compelling, a cross-sectional survey is inherently correlational in nature. To explore the effects of salesperson-owned loyalty further, we conducted a second, longitudinal study. Specifically, we conducted longitudinal tests of the effects of loyalty to the selling firm (H_2), salesperson-owned loyalty (H_3), and value received by the customer (H_6) on the selling firm's financial outcomes.

We also examined further the vulnerability that salesperson-owned loyalty can create in the buyer–selling firm relationship. Defection by a salesperson with higher salesperson-owned loyalty will affect financial outcomes more negatively because the salesperson will often manage to convert at least some of that customer's business to the competitor. Thus, we hypothesize the following:

H_{12}: When salesperson defection occurs, selling-firm financial outcomes are more negatively affected when predefection salesperson-owned loyalty is high.

Table 4

RESULTS: MODERATION OF RELATIONSHIP-ENHANCING ACTIVITIES' EFFECTS ON CUSTOMER LOYALTY

Path Tested	β of Low Group	β of High Group		
Moderating Effect of Selling-Firm Consistency on	*Low Consistency*	*High Consistency*	$\Delta\chi^2$ *(d.f. = 1)*	*Hypotheses*
Relationship-enhancing activities → salesperson-owned loyalty	.37**	.06	9.1**	H_9 (−)
Moderating Effects of Selling-Firm Loyalty-Capturing Strategies on	*Low Selling-Firm Loyalty Capturing*	*High Selling-Firm Loyalty Capturing*		
Relationship-enhancing activities → salesperson-owned loyalty	.33**	.06	8.5**	H_{10a} (−)
Relationship-enhancing activities → loyalty to the selling firm	−.05	.26**	6.9**	H_{10b} (+)
Moderating Effects of Salesperson Loyalty-Capturing Strategies on	*Low Salesperson Loyalty Capturing*	*High Salesperson Loyalty Capturing*		
Relationship-enhancing activities → salesperson-owned loyalty	.05	.31**	4.4*	H_{11a} (+)
Relationship-enhancing activities → loyalty to the selling firm	.14*	.09	.1	H_{11b} (+)

*$p < .05$.
**$p < .01$.
Notes: β represents the standardized path coefficient for that group; $\Delta\chi^2$ represents the difference in χ^2 between the constrained and the free models for the path being tested with 1 degree of freedom.

Method

Sample. Early in 2005, the 34 participating sales managers from the cross-sectional study were asked to report 2004 sales revenue for all customers who had responded originally. The continuing support of Manufacturers' Representatives Educational Research Foundation, a second report, and follow-up efforts motivated 14 managers to provide data on 201 buyer–selling firm dyads, for a 41% response rate (see Table 1).[4] Nonresponse bias is a concern in longitudinal studies because systematic changes (e.g., a sudden drop in sales) might lead high-performing relationships to be overrepresented in the data. We found no mean differences ($p > .05$) on buyer-provided and sales manager–provided variables between buyer–selling firm relationships for which sales managers provided 2004 data (N = 201) and those for which sales managers did not provide longitudinal data (data were available only from the cross-sectional study for N = 217). This suggests that nonresponse bias is not a problem.[5]

Measurement. We measured sales growth to the customer with a sales performance index that we derived from archival selling-firm sales data for 2002 (cross-sectional study) and 2004 (longitudinal data collection) provided by the sales manager. We performed a natural log transformation on the sales performance index.[6] We measured salesperson defection by providing the sales manager with the name of the salesperson who had serviced each customer in the original study and asking whether that salesperson subsequently had left the selling firm and gone to a competitor. Buyer-reported salesperson-owned loyalty, loyalty to the

selling firm, and value received by the customer were drawn from the original study. The measures demonstrated acceptable convergent and discriminant validity, and the reliability of all multi-item scales was above .85. Table 2 provides descriptive statistics and correlations.

Longitudinal Effects on Sales Growth to the Customer

We used a structural path model to test our hypotheses about sales growth to the customer. We allowed the antecedents salesperson-owned loyalty, loyalty to the selling firm, and value received to covary, and we hypothesized that each would have a direct positive effect on sales growth. Model fit was good: $\chi^2_{(98)} = 129.7$, $p < .05$; CFI = .985; GFI = .929; and RMSEA = .040. As in the cross-sectional study, although loyalty to the selling firm had no effect, salesperson-owned loyalty positively affected sales growth to the customer ($\beta = .14$, $p < .05$) Thus, both cross-sectional and longitudinal studies provide compelling evidence of salesperson-owned loyalty's consistent, positive effect on tangible sales growth, providing strong support for H_3 but no support for the effect of reported loyalty to the selling firm (see Table 3). Value received by the customer positively affected sales growth ($\beta = .15$, $p < .05$), providing consistent, strong longitudinal evidence for the long-term positive effects hypothesized in H_6.

The small number of salesperson defections in our sample (N = 29) hampers the testing of our hypothesis (H_{12}) that when defection occurs, financial outcomes are more negatively affected when predefection salesperson-owned loyalty is high. However, mean sales growth was significantly lower with customers whose salesperson defected to a competitor than with those whose salesperson did not defect ($\overline{X} = 3.91$ versus $\overline{X} = 4.42$; t(199) = 1.72, $p < .05$).

DISCUSSION

Previously, we identified several contributions of this research to the study of business-to-business relationships.

---

[4]Of these 201 buyers, 56 had been omitted from the cross-sectional study because the counterpart salesperson had not responded. Because we focus here only on constructs provided by buyers and sales managers, these 56 cases are usable for this longitudinal study. Comparisons between the 145 buyers included in both studies and the 56 buyers included only in the longitudinal study revealed no significant differences ($p > .05$) on buyer-reported constructs.

[5]Details are available on request.

[6]In contrast to the first study, no adjustment for baseline customer growth was made; because buyers were not resurveyed, updated customer growth information was not available. We also estimated our structural

---

model from the cross-sectional study using the uncorrected sales growth information. The results remain substantively the same.

We structure this discussion around these contributions. First, we theoretically explicate, conceptualize, and measure the construct of salesperson-owned loyalty. Although parallel operationalizations at the interpersonal and organizational levels can provide insight into some relational constructs (Doney and Cannon 1997; Ganesan and Hess 1997; Sirdeshmukh, Singh, and Sabol 2002), parallel operationalizations of customer loyalty have left the true object and ownership of that loyalty ambiguous. The way "loyalty to the selling firm" has typically been measured inherently encompasses customer loyalties to both the selling firm (firm-owned loyalty) and the salesperson (salesperson-owned loyalty), as well as the synergistic loyalty derived from the unique intersection of the selling firm and the salesperson. This can be dangerously deceptive if customer loyalty is composed largely of salesperson-owned elements. Salesperson-owned loyalty can pay huge dividends in financial outcomes for the selling firm as long as the salesperson remains with the firm, but it can have a major negative impact if that salesperson leaves. The salesperson-owned loyalty construct advances the understanding, measurement, and management of a firm's relationship-building activities and the potential financial impact of customer loyalty and salesperson turnover.

Second, we explore the consequences of salesperson-owned loyalty for the selling firm and focus on financial outcomes and the latent risk potential of salesperson defection. We test our hypotheses with triadic data and explore the financial ramifications of customer loyalty by examining three distinct financial outcomes, each with different performance metrics, drawn from different sources, using different data collection formats. Across our cross-sectional and longitudinal studies, loyalty to the selling firm positively affected only customer willingness to pay a price premium. In contrast, salesperson-owned loyalty significantly affected all three financial outcomes in the cross-sectional study and positively affected sales growth longitudinally; these results are difficult to dismiss as an artifact of any one metric, data source, or measurement method. Our longitudinal structural model provides solid evidence for causal direction and mitigates concerns about shared method and same-source bias because we measured the customer's salesperson-owned loyalty and loyalty to the firm before the resultant actual sales growth. Post hoc evaluation of path coefficients in our cross-sectional data suggests that the average direct effect of salesperson-owned loyalty on financial outcomes (.18) was larger than its indirect effect (.02, mediated by loyalty to the selling firm). Salesperson-owned loyalty's effect on financial outcomes may operate predominantly independently of loyalty to the selling firm, a result that is consistent with social psychology research that indicates that interpersonal relationships have a greater impact on behaviors than do person-to-group relationships (O'Laughlin and Malle 2002).

Salesperson-owned loyalty also affects the new construct of selling-firm latent financial risk. Although salesperson-owned loyalty can have negative ramifications if there is any disruption in the customer–salesperson relationship (e.g., retirement, promotion, transfer, moving to a competitor), selling-firm latent financial risk focuses on one specific type of disruption in the customer–salesperson relationship—namely, the salesperson's defection to a

competitor. It offers a way to quantify potential damage from salesperson defection before it occurs. Buyers reported that they would try to shift an average of 26% of their current purchases to follow a defecting salesperson. A salesperson may use loyalty-capturing strategies to enhance salesperson-owned loyalty and then draw on that customer loyalty after defection; salesperson-owned loyalty accounted for 38% of the variance in latent financial risk. However, concerns about the potential negative impact of salesperson-owned loyalty must be weighed against its benefits. Decreasing salesperson-owned loyalty does not imply that loyalty will automatically be vested in the selling firm. Some potential customer loyalty may simply be forgone. Even if customer loyalty could be fully diverted to elements that are not associated with the specific salesperson, it may not offer as much "bang for the buck" as the interpersonal salesperson-owned loyalty.

Third, we investigate antecedents of salesperson-owned loyalty and examine how loyalty-capturing strategies and selling-firm consistency enhance or curb the effects of relationship-building activities. Relationship-building efforts increase customer value, but their impact on customer loyalty is complex and is moderated both by perceived selling-firm consistency and by loyalty-capturing strategies that the selling firm and the salesperson employ. We demonstrate how loyalty-capturing strategies and perceived selling-firm consistency, new constructs derived from social judgment theory (Hamilton and Sherman 1996; O'Laughlin and Malle 2002), moderate the positive effects of relationship-enhancing activities on customer loyalty, thus providing insight into how firms can mitigate the negative effects of salesperson-owned loyalty.

Managerial Implications

This research offers insights for firms that employ an internal or external sales force in business-to-business contexts. Sellers that simply track customer loyalty to the firm lack important diagnostic data about the nature and basis of customer allegiance. Often, managers have an intuition that excessive salesperson-based loyalty is troublesome, but they have no grasp of what portion of selling-firm loyalty is "owned" by a salesperson or what the financial impact would be if that salesperson defected to a competitor. Failure to acknowledge the extent to which loyalty to the selling firm is vested in salesperson-owned elements can lead to the underestimation of risk. Latent financial risk can help managers assess one specific, potentially devastating consequence of salesperson-owned loyalty and determine situations in which that risk is not a major concern. Latent financial risk may be of less concern when salesperson turnover involves internal promotion or reassignment. Without assessing latent financial risk, it is difficult for managers to determine the extent to which the present favorable financial outcomes of salesperson-owned loyalty may be undermined by the salesperson's defection to a competitor. If latent financial risk is high, managers may strive to reduce the likelihood of defection through noncompete agreements or salesperson compensation plans, including stock ownership. The salesperson-owned loyalty and latent financial risk constructs both provide useful insights for marketing practitioners.

Because interpersonal relationships often have stronger and more enduring effects than person-to-firm relationships (Hamilton and Sherman 1996), firms should leverage interpersonal relationships whenever feasible. Efforts that impede interpersonal boundary relationships (e.g., frequent rotation of salespeople, shift to electronic interfaces) may undermine a key driver of performance. When selling proprietary products, when salesperson turnover is low, and when buyer–salesperson relationships are relatively stable over time, management should design programs that emphasize interpersonal contacts, consolidate flows of customer attention through a single boundary spanner, motivate the salesperson to communicate benefits provided to the customer, and actively employ salesperson retention strategies. Having salespeople deliver and claim credit for customer benefits can increase the impact of relationship-enhancing activities on salesperson-owned loyalty without undermining overall loyalty to the selling firm.

However, firms must be cognizant of the risks that salesperson-owned loyalty poses for the seller; when the salesperson or buyer changes, relational capital is lost. This is particularly problematic if the salesperson defects to a competitor because a war for customer loyalties often results.[7] Our findings reveal that salespeople who expect to continue selling to the customer if they leave the seller make greater use of loyalty-capturing strategies ($r = .26$, $p < .01$); salespeople may work strategically to steer growing customer allegiance built through relationship marketing toward salesperson-owned loyalty and then exploit that loyalty after defection. When selling commodity products, when salesperson turnover is high, or when defection is likely, management should communicate directly with the customer, emphasize the salesperson's limited role in allocating benefits, ensure message consistency across all customer–seller interface points, reward the development of seller-based elements of customer loyalty, use team selling, rotate salespeople, and devise procedures that limit salesperson discretion.

Limitations

The channel context of this research offered the advantage of reducing potential confounding effects of brand loyalty or manufacturer reputation, but manufacturers' representative firms differ substantially from manufacturers. The nature of customer loyalty evoked by a *Fortune* 500 company may differ from that associated with a manufacturers' rep firm. We did not investigate fully the sources of customer value; further research is needed to clarify the roles of the salesperson and the selling firm in creating and capturing customer value. Although common method variance is reduced by using multiple data sources (of the 16 hypothesized direct path effects depicted in Figure 1, we tested 9 using data drawn from different sources), care must be

taken when comparing the coefficients of paths between constructs measured from different sources with those between constructs measured from the same source (a common source may artificially inflate coefficients). Finally, although we are confident that the theoretical model is widely applicable across long-term interorganizational contexts, our specific findings should not be presumed to apply to consumer relationships or short-term interorganizational relationships and should not be generalized without context-specific research.

Directions for Further Research

Our identification and operationalization of salesperson-owned loyalty is the first step toward a more complete conceptualization of customer loyalty. Further research should more fully examine not only loyalty vested in the salesperson specifically but also loyalty associated with the selling firm specifically (firm-owned loyalty) and that generated by the unique intersection of the salesperson and the selling firm (synergistic loyalty).

Studies in other cultures and marketing contexts (e.g., services, retail, online) are needed to clarify the robustness of our theoretical model and the generalizability of our findings. Future studies could examine how salesperson turnover and commitment affect efforts to develop salesperson-owned loyalty. A more in-depth examination of salesperson- versus selling-firm-controlled relationship-building activities and the elements that lead customers to perceive selling-firm consistency is also needed. Because relationship marketing's impact can be altered by strategies that are employed in the delivery of benefits, researchers can best evaluate the effectiveness of diverse relationship marketing programs if they control for how these programs are delivered and communicated. Researchers are advised to measure a variety of financial outcome variables because not all financial outcomes are affected in the same way. Focusing only on similar financial outcomes could provide misleading information. Our research also reveals that examining the effect of customer value received on customer loyalty without also studying value's direct effects on financial outcomes may systematically underestimate the importance of value creation.

The theory of differential judgment formation for individuals versus groups could shed light on puzzling differences in customer relationships with selling firms and salespeople (Doney and Cannon 1997; Iacobucci and Ostrom 1996; Macintosh and Lockshin 1997; Sirdeshmukh, Singh, and Sabol 2002) and on other marketing phenomena. Judgments about individuals appear to be less affected than judgments about groups by expectancy-violating events (Hamilton and Sherman 1996; Weisz and Jones 1993). Firms may mitigate fallout from service failures by leveraging interpersonal relationships, such as addressing customer complaints through a specific, identified, dedicated individual rather than through an impersonal, random customer service center.

---

[7]For a recent example, see McGeehan (2004).

Appendix

Constructs and Measures	Item Loading[a]
Buyer-Reported Measures	
Salesperson-Owned Loyalty	
If my salesperson moved to a new firm with similar products, I would likely shift some of my purchases to this salesperson's new rep firm.	.82
I would do less business with this rep firm in the next few years, if my salesperson changed.	.77
I would be less loyal to this rep firm, if my salesperson moved to a new firm.	.86
I feel greater loyalty toward my salesperson than to this rep firm.	.84
I would recommend this salesperson to my coworkers even if this salesperson changed firms.	.45
If this salesperson changed companies, I would recommend this salesperson to others in my company.	.75
Loyalty to the Selling Firm	
For my next purchase, I will consider this rep firm as my first choice.	.82
I will do more business with this rep firm in the next few years than I do right now.	.88
All else being equal, I plan to buy from this rep firm in the future.	.81
I say positive things about this rep firm to my coworkers.	.92
I would recommend this rep firm to someone seeking my advice.	.96
I encourage friends and coworkers to do business with this rep firm.	.82
Value Received by the Customer	
I would continue to do business with this rep firm, even if prices were increased somewhat.	.85
This rep firm's prices are reasonable considering the value I receive.	.86
I feel that I am getting a good deal in my dealings with this rep firm.	.93
Selling-Firm Consistency (Buyer's Perception of Selling-Firm Consistency)	
All of the people I deal with at this rep firm treat me the same.	.70
The behaviors of the employees at this rep firm are very consistent.	.92
All the people I deal with at this rep firm behave in a similar manner.	.90
All of the interfaces (people, electronic, etc.) of this rep firm are consistent.	.90
Selling-Firm Latent Financial Risk (Buyer's Perception of Selling-Firm Latent Financial Risk)	
Consider the purchases you currently make from this rep firm. If your salesperson moved to a new rep firm selling similar products, how much of what you currently purchase from the existing rep firm would you likely…	
•allow this salesperson to quote at the new rep firm with similar products? (%)	.68
•try to shift to this salesperson's new rep firm over the next 3 years? (%)	.86
Selling-Firm Financial Outcomes: Customer Willingness to Pay a Price Premium	
What price premium (average) would you pay to deal with this rep firm versus another rep firm with similar products? (%)	
Control Variable: Buyer–Salesperson Relationship Duration	
How long have you known your outside salesperson? (number of years)	
Control Variable: Salesperson's Share of Customer Interface with the Selling Firm	
How much of your time interfacing with this rep firm is with the outside salesperson? (%)	
Control Variable: Selling Firm's Product/Service Breadth	
This rep firm has many different products/services and a broad offering.	
Control Variable: Buyer–Selling Firm Relationship Duration	
How long have you had business dealings with this rep firm in your career? (number of years)	
Control Variable: Customer Size	
What were your company's approximate annual sales for the past year? (in millions of dollars)	
Salesperson-Reported Measures	
Relationship-Enhancing Activities	
This customer often receives special treatment or status.	.79
This customer is often provided meals, entertainment, or gifts by me or my rep firm.	.61
This customer often receives special reports and/or information.	.70
Dedicated personnel are assigned to this customer beyond what is typical for our rep firm.	.45
This customer receives special financial benefits and incentives.	.66
Our policies and procedures are often adapted for this customer.	.54
Salesperson Loyalty-Capturing Strategies	
I try to personally deliver all the benefits and information to this customer.	.78
I frequently represent benefits as coming from me at this customer.	.86
If possible, I would take credit for a benefit given to this customer.	.77
I try to control most of the information provided to this customer.	.80

Appendix
CONTINUED

Constructs and Measures	Item Loading[a]
Selling-Firm Loyalty-Capturing Strategies (Salesperson's Perception of Selling-Firm Loyalty-Capturing Strategies)	
Others in my firm often take credit for the benefits this customer receives.	.75
The rep firm often communicates (newsletter, presentation, etc.) benefits directly to this customer.	.96
My rep firm often takes a team approach to communicating with this customer.	.97
Others from the rep firm often communicate benefits to this customer.	.80
Control Variable: Salesperson's Expectation to Sell to Customer if Leave the Selling Firm	
If I left this rep firm I would likely still sell to this customer.	
Selling-Firm Financial Outcomes: Selling Effectiveness	
The sales at this customer are growing faster than the overall sales of the rep firm.	.81
The number of different part numbers this customer bought from my rep firm increased last year.	.85

Measures Based on Sales Manager Data (Cross-Sectional Study)

Selling-Firm Financial Outcomes: Sales Growth to the Customer (Calculated)
One-year (2001 to 2002) sales growth index was calculated as the natural log of the ratio of (1) the selling firm's sales growth rate to the customer (source: sales manager) and (2) that customer's overall base growth rate (source: buyer), each indexed to 0% growth = 100.

Longitudinal Study Measures Incorporating New Data from Sales Manager

Selling-Firm Financial Outcomes: Sales Growth to the Customer (Calculated)
Two-year (2002 to 2004) sales growth index was calculated as the natural log of the selling firm's sales growth rate to a customer, indexed to 0% growth = 100. Sales growth was calculated from raw customer-specific revenues provided by the sales manager in the cross-sectional study and in the longitudinal data collection.

Salesperson Defection
Did 2002 salesperson go directly to your competitor? (Responses: yes, no, ?)[b]

[a]Reported as standardized loadings from the cross-sectional study. Loadings from the longitudinal study are available on request.
[b]Before this question, the names of the customer and the salesperson who had serviced each customer in the cross-sectional study were provided, and the sales manager was asked if that salesperson had subsequently left the selling firm.
Notes: All items were measured using seven-point scales anchored by 1 = "strongly disagree" and 7 = "strongly agree" unless otherwise indicated.

REFERENCES

Anderson, Erin and Barton A. Weitz (1992), "The Use of Pledges to Build and Sustain Commitment in Distribution Channels," *Journal of Marketing Research*, 29 (February), 18–34.

Anderson, James C. and David W. Gerbing (1988), "Structural Equation Modeling in Practice: A Review and Recommended Two-Step Approach," *Psychological Bulletin*, 103 (3), 411–25.

——— and James A. Narus (2004), *Business Market Management: Understanding, Creating, and Delivering Value*. Upper Saddle River, NJ: Prentice Hall.

Armstrong, Scott J. and Terry S. Overton (1977), "Estimating Nonresponse Bias in Mail Surveys," *Journal of Marketing Research*, 14 (August), 396–402.

Bagozzi, Richard P. (1975), "Marketing as Exchange," *Journal of Marketing*, 39 (October), 32–39.

——— and Youjae Yi (1988), "On the Evaluation of Structural Equation Models," *Journal of the Academy of Marketing Science*, 16 (Spring), 74–94.

Beatty, Sharon E., Morris Mayer, James E. Coleman, Kristy E. Reynolds, and Jungki Lee (1996), "Customer-Sales Associate Retail Relationships," *Journal of Retailing*, 72 (3), 223–47.

Bendapudi, Neeli and Robert P. Leone (2002), "Managing Business-to-Business Customer Relationships Following Key Contact Employee Turnover in a Vendor Firm," *Journal of Marketing*, 66 (April), 83–101.

Berry, Leonard L. (1995), "Relationship Marketing of Services—Growing Interest, Emerging Perspectives," *Journal of the Academy of Marketing Science*, 23 (4), 236–45.

Byrne, Barbara (1998), *Structural Equation Modeling with LIS-REL, PRELIS, and SIMPLIS: Basis Concepts, Applications, and Programming*. Mahwah, NJ: Lawrence Erlbaum Associates.

Campbell, Donald, T. (1958), "Common Fate, Similarity, and Other Indices of the Status of Aggregates of Persons as Social Entities," *Behavioral Science*, 3 (1), 14–25.

Crosby, Lawrence A., Kenneth R. Evans, and Deborah Cowles (1990), "Relationship Quality in Services Selling: An Interpersonal Influence Perspective," *Journal of Marketing*, 54 (July), 68–81.

De Wulf, Kristof, Gaby Odekerken-Schröder, and Dawn Iacobucci (2001), "Investments in Consumer Relationships: A Cross-Country and Cross-Industry Exploration," *Journal of Marketing*, 65 (October), 33–50.

Doney, Patricia M. and Joseph P. Cannon (1997), "An Examination of the Nature of Trust in Buyer–Seller Relationships," *Journal of Marketing*, 61 (April), 35–51.

Fang, Eric, Robert W. Palmatier, and Kenneth R. Evans (2004), "Goal-Setting Paradoxes? Trade-Offs Between Working Hard and Working Smart: The United States Versus China," *Journal of the Academy of Marketing Science*, 32 (2), 188–202.

Ganesan, Shankar and Ron Hess (1997), "Dimensions and Levels of Trust: Implications for Commitment to a Relationship," *Marketing Letters*, 8 (4), 439–48.

Greene, William H. (2000), *Econometric Analysis*. Upper Saddle River, NJ: Prentice Hall.

Gwinner, Kevin P., Dwayne D. Gremler, and Mary Jo Bitner (1998), "Relational Benefits in Services Industries: The Customer's Perspective," *Journal of the Academy of Marketing Science*, 26 (2), 101–114.

Hamilton, David L. and Steven J. Sherman (1996), "Perceiving Persons and Groups," *Psychological Review*, 103 (2), 336–55.

Holbrook, Morris B. (1994), "The Nature of Customer Value: An Axiology of Services in Consumption Experience," in *Service*

Quality: New Directions in Theory and Practice, Roland Rust and Richard Oliver, eds. Thousand Oaks, CA: Sage Publications, 21–71.

Iacobucci, Dawn and Amy Ostrom (1996), "Commercial and Interpersonal Relationships: Using the Structure of Interpersonal Relationships to Understand Individual-to-Individual, Individual-to-Firm, and Firm-to-Firm Relationships in Commerce," *International Journal of Research in Marketing*, 13 (1), 53–72.

Jap, Sandy D. and Shankar Ganesan (2000), "Control Mechanisms and Relationship Life Cycle: Implications for Safeguarding Specific Investments and Developing Commitment," *Journal of Marketing Research*, 37 (May), 227–45.

Macintosh, Gerrard and Lawrence S. Lockshin (1997), "Retail Relationships and Store Loyalty: A Multi-Level Perspective," *International Journal of Research in Marketing*, 14 (5), 487–97.

McGeehan, Patrick (2004), "From Star Broker's Defection, a War of Loyalties," *The New York Times*, (November 10), C1.

Neal, William D. (1999), "Satisfaction Is Nice, but Value Drives Loyalty," *Marketing Research*, 13 (Spring), 21–23.

O'Laughlin, Matthew J. and Bertram F. Malle (2002), "How People Explain Actions Performed by Groups and Individuals," *Journal of Personality and Social Psychology*, 82 (1), 33–48.

Oliver, Richard L. (1999), "Whence Consumer Loyalty?" *Journal of Marketing*, 63 (Special Issue), 33–44.

Palmatier, Robert W., Rajiv P. Dant, Dhruv Grewal, and Kenneth R. Evans (2006), "Factors Influencing the Effectiveness of Relationship Marketing: A Meta-Analysis," *Journal of Marketing*, 70 (October), 136–53.

Park, Bernadette, Michael L. DeKay, and Sue Kraus (1994), "Aggregating Social Behavior into Person Models: Perceiver-Induced Consistency," *Journal of Personality and Social Psychology*, 66 (3), 437–59.

Reichheld, Fredrick F. and Thomas Teal (1996), *The Loyalty Effect*. Boston: Harvard Business School Press.

Reynolds, Kristy E. and Sharon E. Beatty (1999), "Customer Benefits and Company Consequences of Customer-Salesperson Relationships in Retailing," *Journal of Retailing*, 75 (1), 11–32.

Rust, Roland T., Valarie A. Zeithaml, and Katherine N. Lemon (2000), *Driving Customer Equity*. New York: The Free Press.

Sirdeshmukh, Deepak, Jagdip Singh, and Barry Sabol (2002), "Consumer Trust, Value, and Loyalty in Relational Exchanges," *Journal of Marketing*, 66 (January), 15–37.

Solomon, Michael R., Carol Surprenant, John A. Czepiel, and Evelyn. G. Gutman (1985), "A Role Theory Perspective on Dyadic Interactions: The Service Encounter," *Journal of Marketing*, 49 (Winter), 99–111.

Srivastava, Rajendra K., Tasadduq A. Shervani, and Liam Fahey (1999), "Marketing, Business Processes, and Shareholder Value: An Organizationally Embedded View of Marketing Activities and the Discipline of Marketing," *Journal of Marketing Management*, 63 (Special Issue), 168–79.

Stone, Eugene F. and John R. Hollenbeck (1989), "Clarifying Some Controversial Issues Surrounding Statistical Procedures for Detecting Moderator Variables: Empirical Evidence and Related Matters," *Journal of Applied Psychology*, 74 (1), 3–10.

Tax, Stephen S. and Stephen W. Brown (1998), "Recovering and Learning from Service Failure," *Sloan Management Review*, 40 (1), 75–88.

Weisz, Carolyn and Edward E. Jones (1993), "Expectancy Disconfirmation and Dispositional Inference: Latent Strength of Target-Based and Category-Based Expectancies," *Personality and Social Psychology Bulletin*, 19 (October), 563–73.

Zeithaml, Valarie (1988), "Consumer Perception of Price, Quality, and Value: A Means–End Model and Synthesis of Evidence," *Journal of Marketing*, 52 (July), 2–22.

———, Leonard L. Berry, and A. Parasuraman (1996), "The Behavioral Consequences of Service Quality," *Journal of Marketing*, 60 (April), 31–46.

——— and Mary Jo Bitner (2003), *Services Marketing: Integrating Customer Focus Across the Firm*. New York: McGraw-Hill/ Irwin.