

How Giving the Client a Sense of Control Can Shape Clients' Satisfaction and Retention

By Lin Guo, Jing Jian Xiao, and Chuanyi Tang

Introduction

Satisfaction has been identified as a central determinant of client retention, and its effect on client retention has been intensively discussed within the paradigm shift from transactional marketing to relationship marketing (Cronin et al., 2000). Transactional marketing generates passive, transitory, and reactive relationships with the clients and tends to be short-term in nature. On the other hand, relationship marketing is all about creating long-term bonds with clients to produce stronger, long-term purchasing and word-of-mouth activity. This type of marketing is also helpful to increase referrals and generate leads for the agent.

Our research set out to determine how satisfaction with the selling organization contributed to client retention with the organization in a relational service context. Retaining clients is a critical issue in service industries, like the residential real estate industry, which is characterized as a relational service exchange.

Specifically, we find that client satisfaction has both direct and indirect effects on client attitudes toward remaining with the agent long-term. **Interestingly, satisfaction alone cannot guarantee client retention with the agent.**

Client's Overall Satisfaction

Both client overall satisfaction and their attitude towards the agent summarize their evaluative beliefs about the agent and can be considered similar to each other to some extent. Additional evidence that can support this similarity comes from the organizational behavior literature which suggests that an employee's satisfaction with his or her job is as a measure of that employee's attitude toward the organization (van Breukelen et al., 2004). Think of this in terms of real estate: a buyer's satisfaction with his agent is a measure of the buyer's overall satisfaction with the purchase or the sale of his home.

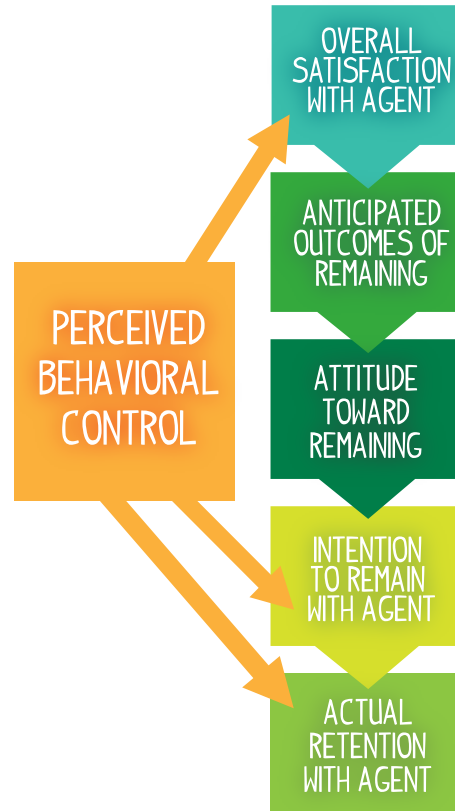
The Role of Perceived Behavioral Control

To understand how to influence your client's satisfaction and likelihood of retaining a client, you must first understand his level of perceived behavioral control, that is, his perception of how easy or difficult it is to perform a behavior. Perceived behavioral control has a particular behavior as a target and varies among situations (Ajzen, 1991). This concept can be applied to home-buying situation. A seller who has limited awareness of market conditions might have the perception that the market has strengthened such that it will be easy for his agent to quickly move his property. On the other hand, a buyer who is more aware of the market situation (i.e., market is

still “supply heavy”) might have the perception that it will be easy for her agent to negotiate down an asking price on a property. Buyers’ perceived behavioral control exerts direct effects on their intention to remain with the agent and actual retention that the agent experiences with his/her clients.

The conceptualization of perceived behavioral control goes hand-in-hand with the concept of perceived self-efficacy. Self-efficacy, the conviction that one can successfully execute the behavior required to produce a certain outcome, measures one’s confidence towards the probability, feasibility, or likelihood of executing a given behavior. The intention to perform a behavior is constrained by both resources and the abilities one has to perform the behavior. For example, a buyer’s self-efficacy beliefs to perform a behavior will, therefore, strongly influence his/her intended as well as actual behavior.

Importantly, our research suggests that perceived behavioral control has a direct effect on client satisfaction, intention to remain, and actual retention behavior. In the aforementioned sales situation, a seller who has limited awareness of market conditions might have the perception that the market has strengthened such that it will be easy for his/her agent to quickly move his/her property. This perception is false, given the current housing supply. However, the seller’s perception will negatively influence his satisfaction and retention when the agent cannot move the property as quickly as the seller thinks the agent should.



Conclusion

Customer satisfaction has both direct and indirect effects on customers’ attitudes toward remaining in the service, which is the proximal predictor of client retention. Although satisfaction is a necessary premise of client retention, satisfaction alone is not sufficient to successfully retain clients. Customers’ perceived behavioral control exerts direct effects on clients’ satisfaction, intention to remain and actual retention. Thus, agents should help the clients enhance their feelings of self-efficacy and controllability regarding their housing transactions in order to increase their intention to remain with the agent as well as the likelihood of actual retention. This also means that once agents have helped their clients enhance their perception of self-efficacy and controllability in the exchange, clients will evaluate the agents in a more favorable way (Guo et al., 2009).

References

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