

## **A review of client loyalty to construction professional service firms.**

Nick Williams

School of Architecture and Built Environment, University of Wolverhampton, UK  
[N.Williams@wlv.ac.uk](mailto:N.Williams@wlv.ac.uk)

Dr Paul Hampton

*School of Architecture and Built Environment, University of Wolverhampton, UK*  
[P.Hampton@wlv.ac.uk](mailto:P.Hampton@wlv.ac.uk)

Dr Nii A Ankrah

*School of Architecture and Built Environment, University of Wolverhampton, UK*  
[Nii.Ankrah2@wlv.ac.uk](mailto:Nii.Ankrah2@wlv.ac.uk)

Dr Ezekiel Chinyio

*School of Architecture and Built Environment, University of Wolverhampton, UK*  
[E.Chinyio@wlv.ac.uk](mailto:E.Chinyio@wlv.ac.uk)

### **Abstract**

The global demand for construction professional services is rising but many construction professionals have neither the time nor the skills to effectively market their services offerings. Therefore, retaining and developing existing client accounts is vital. Firms with a loyal client base have lower marketing expenditure, are better able to retain talented employees and have more predictable revenues. The problem addressed by this review paper is understanding the extent of current knowledge regarding client loyalty for construction professional service firms operating in the business-to-business sector. An in-depth literature review revealed that although there is a body of research relating to customer-loyalty in wider business-to-business services, few studies were found in respect to construction professionals. The review also indicated a considerable variation in how loyalty and construction professional services have been operationalised. Furthermore, little is known regarding the extent to which client loyalty is targeted towards construction professional services firms, their employees or both. A conceptual model of client loyalty to construction professional service firms is proposed, based on the findings of the literature review. Future empirical research, accounting for the findings of this paper would be of value to both academics and construction professionals.

### **Keywords:**

*Construction professional services; Loyalty; Commitment; Professional service firm.*

## **1. Introduction.**

A review of client loyalty to construction professional service (CPS) firms is provided in this paper. CPS firms make a substantial contribution to the construction industry and wider economy. In the financial year 2005/2006 they generated £13.9 billion worth of revenue in the UK (CIC, 2008). The market for specialist architectural and quantity surveying services in the UK alone was worth £4.1 billion in 2011 (DBIS, 2013). Despite these facts, few CPS firms have either the skills or the inclination to effectively market their

services (Sawczuk, 2010). In respect to professionals, Amonini *et al* (2010 p.30) go as far as describing “a distain for commercialism” due to a fear of perceived salesmanship. Furthermore, many professions operate within a framework of professional and ethical obligations which constrain more ruthless aspects of selling and opportunism (Simon, 2005). Professionals are often required to adhere to technical codes, having only a limited ability to differentiate their service offerings (Sweeney, Soutar, and McColl-Kennedy, 2011). Therefore, the importance of repeat-business to CPS firms cannot be overstated. Developing stronger and longer-lasting relationships leads to lower risks and transaction costs, to the benefit of both service providers and their clients (Sheth and Parvatiyar 1995). Client loyalty is even more important for firms operating in the business-to-business (B2B) sector as they generally have fewer client accounts, each contributing a larger proportion of firm revenues. Despite this, the amount of research dedicated to professional-client relationships is modest (Broschak, 2015) with even less having been carried out in respect to construction professionals.

The problem addressed by this review paper is understanding the extent of current knowledge regarding client loyalty for construction professional service firms operating in the business-to-business sector. Also addressed is the additional problem of understanding where client loyalty may be targeted in respect of CPS firms, their employees or both. An objective is to review how construction professional services have been studied and if they are a homogenous group for research purposes. The paper is structured into 5 sections. The next section provides a methodology. After that CPS firms and client loyalty are discussed, followed by antecedents, a conceptual model of CPS client loyalty and conclusions.

## **2. Methodology.**

An in-depth literature review was carried out examining the subject area of CPS firms and loyalty in wider B2B service markets. Searches were carried out on both Google Scholar and the University of Wolverhampton’s library and its databases. Analysis was restricted to published journal articles which were read in full. The keywords used were ‘construction professional’ and ‘construction professional services’ sorted to 50 key articles. These were triangulated with ‘loyalty’ but yielded too few results, requiring the wider professional service firm and business-to-business (B2B) service loyalty literature to be reviewed. The analysis of loyalty was undertaken using 19 articles which operationalised loyalty in a business-to-business service context, prioritising the findings of those which focused on professional service industries. A conceptual model of client loyalty for PCS firms is proposed based on the findings of the literature review.

## **3. Construction Professional Service (CPS) firms.**

Professional service firms (PSF’s) are understood to have particular characteristics which demand distinctive management theories. Von Nordenflyct (2010) identified three defining characteristics of PSF’s, specifically: (1) knowledge intensity; (2) a professionalised workforce; and (3) low capital investment. Professional characteristics vary between different professions, depending on the type of service delivered and the market in which they operate. Trait heterogeneity has restricted wider research on the professions mainly to law and accountancy practices which researchers are confident fit the model of a PSF (Von Nordenflyct, Malhotra and Morris, 2015). Furthermore, there has been a tendency for scholars to make broad generalisations across the wider PSF sector on the back of such research which may not hold true for CPS.

Figure 1 shows the subject matter of the CPS articles reviewed. Client loyalty and relationship management generally in respect of CPS appears to be underexplored. Other than a related article on client-switching behaviour in property services (Levy and Lee, 2009) no articles could be found in regard to CPS and client loyalty.



**Figure 1. Subject matter within the CPS research reviewed.**

Another aspect considered is whether sub-disciplines within CPS are sufficiently homogenous to research collectively. The definition of CPS in this study was adapted from CIC (2008 p.3) who define this group as including “architects, quantity surveyors, surveyors (other), building services engineers, civil and structural engineers, planners (town planners), project managers and multidisciplinary practices”. Chan, Chan and Scott, (2007) argue that different construction professions have similar traits, such as self-regulation sanctioned by government authorities, a requirement to adhere to a codes of conduct and membership of a professional institution. Chan, Leung and Yuan (2014) argue that construction professionals of different sub-disciplines face similar job adversities, such as task-complexity, tight deadlines and often-adverse working relationships. Furthermore, CPS in general are often dynamic, time-consuming and require working with multiple diverse disciplines. Previous CPS research was reviewed to support the assumption that they are similar enough to be studied as a whole. The findings in Table 1 show that 62% of the articles reviewed gathered data from more than one CPS sub-profession but studied them collectively. Only 24% of articles reported findings separately by sub-profession. Table 2 summarises how the findings of this group of articles were reported. Half of the articles identified differences between the sub-professions, particularly between design and non-design CPS professionals in respect to goal orientation, personality characteristics, leadership style and team roles adopted. For example, Akiner and Tijhuis (2007 p.113) found that architects valued “freedom” and “challenge” job aspects more so than civil engineers. It was noted that research aims rarely included the identification of differences between sub-professions, most focussing on collective CPS findings.

**Table 1. CPS Research design by sub-profession.**

Research design – collective or separate CPS sub-profession data	Proportion of articles
CPS studied collectively with no distinction between sub-professions	31 (62%)
Results reported separately by sub-profession	12 (24%)
Studies of one sub-profession only	7 (14%)

**Table 2. Findings of CPS articles gathering separate data for sub-professions.**

Findings of articles analysing data by sub-profession	Proportion	Example Articles
Articles analysing data for sub-professions separately which identified differences between them	50% (6 articles)	Akiner & Tijhuis (2007), Graham, (2010)

Articles analysing data for sub-professions separately which focused on the results for CPS collectively	50% (6 articles)	Bowen et al (2007), Bowen, Edwards and Lingard (2013)
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#### 4. Client Loyalty.

Sawczuk, (2010) cites the myriad of benefits gained by CPS firms in sustaining client-relationships which include: increased revenues; reduced marketing spends; reduced risk due to experience of serving the client; the ability to ring-fence resources to a loyal client, leading to efficiencies; and better staff retention due to a sense of security. Jewell, Flanagan and Lu (2014) found via a survey of CPS provider firms, that an average of 70% of revenues were achieved from only 30% of their client base.

Loyalty is a more complex concept than mere retention and re-purchase. Some scholars have criticised studies that only consider *behavioural loyalty*, claiming that they are insufficiently explanatory and fail to distinguish between spurious and true loyalty (Rauyruen and Miller, 2007). Furthermore, mere patronage of a service provider may be due to habit or contractual lock-in (Russo *et al* 2016). *Attitudinal loyalty* in a B2B context has been defined as “the level of customer's psychological attachments and attitudinal advocacy towards the service provider/supplier” (Rauyruen and Miller, 2007. p.23). Clients who have high behavioural loyalty, but low attitudinal loyalty are more susceptible to attrition and may be more responsive to offers by competitors. Watson *et al*, (2015 p.803) propose an overall definition of loyalty, accounting for both attitudinal and behavioural elements, defining it as “a collection of attitudes aligned with a series of purchase behaviours that systematically favour one entity over competing entities”.

A review of the B2B service loyalty literature revealed a marked inconsistency in how loyalty has been defined and operationalized as shown in Figure 2. Studies have used attitudinal measures (Jayawardhena *et al*, 2007), behavioural measures (Williams *et al*, 2011) or both (Huang, Leu and Farn 2008). Watson *et al*, (2015) recommend that loyalty studies should include both attitudinal and behavioural measures as there is a greater association with desirable outcomes for the firm when used together, compared to when they are used in isolation. Furthermore, they recommend that for researchers seeking to identify how loyalty is built that behavioural and attitudinal loyalty should be measured and reported separately as antecedents differently effect each element.



**Figure 2. Different ways in which loyalty has been operationalised.**

There are also variations in the literature regarding the temporal orientation of loyalty measures. Some scholars have developed them to be ‘prospective’ (forward-looking), some are retrospective (backward looking). By way of example, Cahill *et al*, (2010 p.269) operationalises loyalty via referrals retrospectively as “*have recommended*”. However, Wu, Chen and Chen (2015 p.339) use “... would definitely recommend” a similar measure but in a prospective (forward-looking) tense. A mix of forward-looking and backward-looking measurement items were found in over half of the B2B service loyalty literature studies reviewed.

Watson *et al* (2015) found this inconsistency to be problematic both in terms of inferences one can make and the like-for-like comparison with other studies.

Longitudinal studies in wider B2B services have suggested that loyalty is dynamic, the influence of different antecedents varying over the duration of the client-service provider relationship (Curran, Varki and Rosen, 2010). For practicability reasons, most loyalty studies reviewed using surveys were cross-sectional. In most cases, the limitations of such an approach was acknowledged in the respective articles, as should be case for any future research adopting a similar design.

Another aspect of client loyalty is its target, given that it can be directed at the firm, the key-contact employee or both. The impact of employee loss from professional firms has attracted recent academic attention. Broschak and Block (2014) found that the loss of client accounts is associated with employee mobility. If client loyalty is directed towards the individual employee rather than the firm, there is a risk that the individual may leave the business, the benefits of loyalty being lost with them. Notwithstanding employment contracts with restrictive covenants, the damage could be even worse if the employee is lost to a competitor leading to the client switching. Many loyalty articles conflate these loyalty dimensions, failing to tease out where customer loyalty is directed. Only 16% of the B2B service loyalty articles reviewed considered key-contact employee loyalty and firm loyalty separately. In their mixed-industry study, Anaza and Rutherford (2014) found that client loyalty to employees was positively associated with loyalty to the firm. However, research regarding the target of loyalty, its risk and benefits in respect to CPS is lacking.

## 5. Antecedents of Loyalty.

Scholars are divided on the relative importance of *rational factors* or *affective factors* influencing loyalty (Williams *et al*, 2011). Catar and Catar (2009) demonstrated a positive association with *social bonds* and client commitment in professional relationships. *Communication effectiveness* between professional service providers and clients has been associated with perceived service quality, trust and commitment (Sharma and Patterson, 1999). *Trust* has long been understood to be a critical component of service relationships (Parasuraman, Zeithaml and Berry, 1985). This issue of trust is closely tied with professional ethics. As Koene (1994, in Dinovitzer *et al*, 20015 p.118) asks “if professionals are not trustworthy, whom should we trust?” A commonly cited definition of trust in a commercial setting is “a willingness to rely on an exchange partner in whom one has confidence” (Moorman Deshpande and Zaltman, 1993 p.82). Trust takes on even greater performance for B2B services as buyers are faced with determining the value of service provider offerings in the face of technical complexity and intangibility. Morgan and Hunt (1994) found that trust and commitment are important mediating variables, this relationship also being demonstrated within professional services settings (Catar and Catar, 2009; Catar and Zabkar 2009). Creating and communicating *value* is important for all professional service providers. Christopher (1996. p.58) states that “customer value is created when the perceptions of benefits received from the transaction exceed the costs of ownership”. Value is what you *get* compared to what *give* and has been shown to have a direct positive influence on loyalty in professional service settings (Trasores, Weinstein and Abratt; 2009; Sarapaivanich and Patterson, 2015). *Satisfaction* in a B2B service context has been defined as “a positive affective state, resulting from the appraisal of a firm’s working relationship with another firm” (Geyskens, Steenkamp, and Kumar, 1999.p.95). Customer satisfaction has been positively associated with both purchase intention and attitudinal loyalty in B2B service markets (Rauyruen and Miller, 2007). Despite this, Narayandas (2005) argues that the satisfaction is poorly correlated with loyalty in B2B markets. Clients may prefer a service provider who provides an overall lower level of satisfaction to another if they can be trusted to deliver more consistently. *Commitment* in a B2B service context is an implicit or explicit pledge of relationship continuity between the exchange partners (Dwyer Schurr and Oh, 1987). Commitment has been defined as “an enduring desire to maintain a relationship” (Moorman, Zaltman and Deshpande, 1992 p.316) and has been conceptualized as having both affective (relational) and calculative (rational) dimensions. Affective

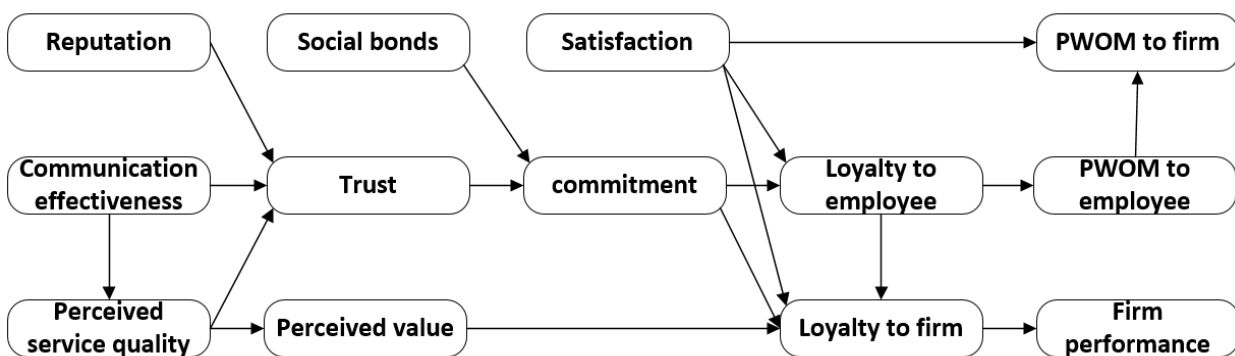
commitment is similar to attitudinal loyalty and has been conceptualized as an antecedent to loyalty operationalised by positive word-of-mouth (Catár and Catár, 2009; Catár and Zabkar, 2009) and repurchase intentions (Morgan and Hunt, 1994). Clients use *reputation* to make determinations of professional service quality (Broschak, 2015). It has been defined as “a collective assessment of a company’s attractiveness to a particular group of stakeholders, relative to a reference group of companies with which the company competes for resources” As Mahotra (2003, p. 953) states in respect to individual professionals within a consultant engineering firm “they certainly leverage on their association with a brand-name but cannot match the greater history of experience of the firm”.

## 6. Outcomes of loyalty.

Recommendations and referrals, are the lifeblood of many CPS firms, particularly smaller ones with less marketing resources. Most of the B2B service loyalty articles reviewed (92%) used positive word-of-mouth (PWOM) measures within their loyalty constructs. Recent theoretical and empirical arguments have been presented that PWOM is a separate phenomenon and should not be used as a measure of loyalty. PWOM is socially complex and is influenced by self-image, consideration for others and serendipitous encounters. A consumer setting example of the drawbacks of using PWOM to indicate loyalty is that a customer may be loyal to a condom brand but unlikely to recommend it. Although perhaps not having such a stark effect in a B2B service setting, a professional client may be more or less likely to recommend a service, depending on its importance and interest within a firm or peer-group.

## 7. Conceptual Model.

The conceptual model in Figure 3 proposes a mechanism for client loyalty to CPS firms integrating the findings of several key studies regarding commitment and loyalty antecedents in professional service relationships (Catár and Catár, 2009, Harvey and Wayne Mitchell, 2015; Sharma and Patterson, 1999, Sarapaivanich and Patterson, 2015; Trasorras and Abbrat, 2009). The model also integrates the relationship between key-contact employee and firm loyalty (Anaza and Rutherford (2014). The association between loyalty and firm performance in terms of turnover, share of client spend and profitability is included (Watson *et al*, 2015).



**Figure 3: Model of client loyalty to CPS firms and their key contact employees – A conceptualisation of the researchers.**

## 8. Conclusions.

Either by virtue of research design or empirical findings, most of the extant research reviewed treated CPS as an homogenous group. Most prior studies made no distinction between the different sub-professions when gathering data or when discussing the findings. Future research should account for variation in CPS client loyalty antecedents, in particular between design and non-design professions.

The review revealed important findings which should be accounted for during the design of future CPS client loyalty research. Variations were found in how loyalty has been operationalised in terms of a behaviour, an attitude, or both. A better understanding of the antecedents and outcomes of loyalty would be achieved by considering and measuring the attitudinal and behaviour aspects of loyalty separately. The temporal orientation of survey measures should be carefully designed and internally consistent to augment predictive power and allow like-for-like comparisons with other loyalty studies. Furthermore, the dynamic nature of loyalty over the duration of relationships should either be accounted for in the research design or the study limitations. While PWOM is important for CPS firms in terms of generating new business, it is conceptually different from loyalty and should be measured separately as an outcome rather than an indicator. Research is lacking in respect of the target of CPS client loyalty. Firms risk losing the benefits of loyalty if it is centred towards employees who defect to other firms. Furthermore, evidence is lacking in regard to whether loyalty to employees translates into loyalty to their employers and therefore if it is to be encouraged or discouraged by CPS firms.

In conclusion, client loyalty to CPS firms was found to be a neglected subject. Future research, empirically testing the findings of this review would add to current knowledge as well as being of practical interest to construction professionals.

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