



Defining relationship quality for customer-driven business development

Defining
relationship
quality

A housing-mortgage company case

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Abstract

Purpose – The purpose of this study is to compare the company’s perception of their business to the customers’ dynamic view of their relationships with the same company.

Design/methodology/approach – Customers are interviewed about their perceptions of the relationships. The interviews are analyzed by using SPAT (switching path analysis technique) that divides the relationships into different parts with priority to their relevance for the strength of the relationships.

Findings – Customers who experience triggers in their relationships evaluate their mortgage provider differently than those who do not. The construct that influences the dynamism and the differing evaluations is defined as the trigger function. Three trigger categories are identified and described: the situational, the influential, and the reactional. In order to further verify the dynamic aspect of the customer relationship, evidence of customers’ dynamic evaluations and of how the company’s own perceptions of the business differ from those of its customers is provided.

Research limitations/implications – Regarding the generalization of the results for services the findings are limited to one industry; the financial.

Originality/value – This paper contributes to the understanding of the dynamism in the customer relationships of a housing-mortgage company.

Keywords Customer relations, Mortgage companies, Property management, Social dynamics, Sweden

Paper type Research paper

Introduction

In the financial sector, information about customers seems to concentrate on them as borrowers, with the lender as the counterpart (Elyasiani and Goldberg, 2004). The financial institutions include in their service terms such as “certificates of deposit”, “commercial paper”, and “banker’s acceptance”. The question is whether or not these expressions are what customers believe to be the most important features in their relationship with their bank. “Rate” is another term that is often used, and the many regulations are often referred to (Foster and Newman, 1998). Again, customers may focus on quite different things from the above in their relationship with the bank. If their focus is related to loyalty, differences may appear partly because the dimensions are important and partly because they are more easily perceived (Frei and Harker, 1999). Complexity is one aspect that heavily influences the service definition today (Combe and Botschen, 2004). Combe and Botschen suggest that this complexity is positively reflected in actual behavior, and that a kind of interactive trial and error may influence the result. Furthermore, uniqueness in customers, companies, and environmental requirements is more easily adjusted in a behavioral perspective.



For example, when the focus is on the customer relationship from the customer's perspective, the customer's value-in-use is reflected in his or her relationship history (trial and error) in a specified company, and the particular service is defined according to the factors that represent value-in-use (Vargo and Lusch, 2004). In our empirical study, we include two behavioral dimensions: actual behavior in the qualitative part and attitudinal behavior in the quantitative part.

If the development of service research as such, and specifically the emphasis on relationship marketing to achieve a deeper understanding, is accepted, there are also future-development implications. The perspective of the studies is crucial. When the focus is on perceptions in service, the results in terms of attribute evaluation may differ from those in a study in which actual behavior is the point of departure. The behavioral perspective can be viewed from several angles. The service provider's view of the customer relationship is one option, and the customer's view is another. In both cases the viewpoint influences the various factors considered in the study and their importance: what is interesting from one angle may not be interesting from another.

The purpose of this paper is to identify and analyze the attributes expressed by customers that relate to loyalty (relationship perspective) in order to determine which ones are important. These attributes do not merely identify the dynamism in how customers perceive performance during the relationship, but they are also connected to actual loyalty. The dynamic aspect is compared to the company's own "objective" perception of the business.

Dynamism in customer relationships – actual switching behavior

The traditional and most commonly accepted approach to studying service has been from the customer's point of view (Grönroos, 2000). The customer perspective was not an obvious starting point when scholars first defined service (Vargo and Lusch, 2004; Edvardsson *et al.*, 2005). Nowadays, the processual and less detailed depiction of service seems to be more appealing to the marketing-research community. There may be many reasons for this. We realize, for example, that it is not possible for customers to understand the full extent of detailed technical complexity, even if the technical details may have been the service provider's focus at the design and definition stages. These issues were discussed in several studies at the time when the technical solutions were considered to be "high-quality" by the service providers. It was observed that customers had difficulties in fully appreciating the service providers, who they thought did not understand their needs, or almost did not care (Srinivasan, 1987; Heide and Weiss, 1995). The same authors argue that technical changes, for example, are perceptible to some customers, but most of them are unable to make detailed observations or evaluations. Customer perceptions are thus limited in comparison with an "objective" service designed by the service provider.

Another reason why marketing scholars today try to find a new direction for service research is that the relationship perspective has dominated marketing research for years (Vargo and Lusch, 2004). Researchers have achieved excellent results and thereby added to our knowledge of service and its connection to other concepts (Morgan and Hunt, 1994; Bendapudi and Berry, 1997; Rust *et al.*, 2000, 2002; Mittal and Kamakura, 2001; Gustafsson and Johnson, 2003). Service research, in combination with the relationship view, requires more than mere insights into the statistical connection to loyalty. Knowledge is also needed about how and why customers evaluate service differently, with regard not only to different individuals at the same time, but also to

the individuals during different time periods (Bolton, 1998). Acknowledgement of the dynamism in service perception implies that the service definition fluctuates over time from the customer's point of view, which puts service research in a rather new light. The focus seems to have been misdirected in this sense: while it might be beneficial to take an actual-behavior perspective on long-term relationships, an actual-switching perspective would be preferable. We continue by presenting theoretical support for the dynamic view of attribute perceptions.

The dynamic perception and evaluation of products and service systems over time has been the focus of other research (Mittal *et al.*, 1999). These authors point out that customers evaluate both products and services dynamically, meaning that there is an asymmetric crossover effect in terms of behavioral intentions toward the dealer and the manufacturer. While the dealer is the most important at the beginning of the relationship, the focus changes to the manufacturer later on. This dynamism shares common ground with the dynamism that is the focus of the present study. Mittal *et al.* (1999) show how the customer focus changes over time in terms of the magnitude of the crossover effect on behavioral intentions. The focus of change in the present study, however, is on the attributes of the same service provider. The research approach is that of switching behavior, the nature of which was first described by Keaveney (1995).

She successfully applied CIT (the critical incident technique) to the study of switching behavior, and was able to identify switching determinants. The focus in her study was on the poor performance that had led to the switching of service providers, and on service encounters in relationships. The switching determinants that occurred in all of the categories, except by definition "responses to service failures", were the simple type: she classified switching determinants as simple (one category or factor) or complex (more than one category or factor). Of the respondents in her study, 45 percent indicated that their switching incidents were composed of a single behavioral factor. The most frequently mentioned simple categories of service switching were core-service failure, pricing problems, and service-encounter failure (customer-personnel interaction). The subcategories comprised uncaring, impolite, unresponsive, and unknowledgeable personnel. The remaining 55 percent of the critical switching incidents were complex. Core-service failure was mentioned, together with both service-encounter failure and unsatisfactory responses to the problem. The high percentage of complex switching incidents suggests that it is difficult to understand switching behavior only through the plain identification of switching determinants. It may be beneficial to analyze the antecedents and to reflect on the results in a processual way.

It would be useful to compare the static approach adopted by Keaveney (1995) and the switching-behavior and processual approaches (Roos, 1999). Keaveney describes the process part of the switching path, i.e. the reasons for switching, and uses the CIT technique to statically describe these reasons. The categorization into switching determinants and various sub-categories implies unclear and imprecise definition. The dynamism embedded in the determinants may explain the difficulty of prioritizing them in the switching decision. If switching is seen as a process, it is easier to categorize the priority. The very nature of a process makes it possible to identify factors that are of particular importance in terms of its consequences. The consequence in this case is switching.

The identification of the trigger has been shown to reveal the nature of the switching path with all its implications in terms of switching determinants. It has become clear

through understanding the nature of the catalytic switching path (Roos, 1999, 2002) that the trigger makes the customer sensitive to the switching determinant. It gives the switching path energy and direction. Labeling the switching determinant in terms of price, product range, and personnel is not important as such in the configuration. It is the dynamism of the switching path that matters, and the change over time connected to the trigger. When a customer expresses price as a switching determinant, it is a perceived switching determinant that is connected to the trigger in a particular configuration. This realization explains why a switching path starts at a particular time: it is not the switching determinant that is the decisive factor, but it is rather the trigger that gives energy and direction. The trigger provides the direction and the switching determinant gives the performance. It seems that most studies so far have focused on the determinants of the critical incident without recognizing the underlying processes. Different triggers distinguish further the sensitivity to situational, influential, and reactional aspects. These are explained in detail later in this paper. The extent of the different kinds of sensitivity differs between industries (Roos *et al.*, 2004).

The empirical study

Procedure

The empirical study was conducted in a housing-mortgage company in Sweden. It was a two-stage study consisting of a qualitative and a quantitative part representing actual behavior and attitudinal aspects of the behavioral perspective. We wanted to focus on the dimensions of the mortgage service by carrying out a qualitative study based on actual customer behavior. The strategic perspective is represented in the company presentation, which is based partly on an interview with the CEO of the private-customer department. The essence of the company's strategy is always to deliver housing-mortgage loans at the lowest market price. We were interested in the customers' perceptions of the objectively lowest price, and therefore, included the company in the qualitative study as the switched-from provider. The market effect was included as switched-to companies in terms of actual behavior.

The mortgage company. The mortgage company is owned by the Swedish Government and operates in the residential-mortgage market in Sweden. Their mission is to run a low-risk, profitable, and cost-efficient residential-mortgage business and to achieve the rate of return set by the owner, while at the same time maintaining a high service level and ethically high standards. The tools for achieving these goals include having a lean organization that is highly specialized in the provision of residential mortgages, and a cost-efficient distribution structure based on IT solutions. The market share is 12 percent of the total Swedish mortgage market, representing 18.3 percent of residential multi-family properties and 7.7 percent of single-family homes.

The company in our study represents a contemporary service company, meaning that service is not offered in the traditional manner involving close interaction between the customers and the company: this kind of interaction is virtually non-existent in this company. Regardless of the "physical distance" to the customer, however, the company is convinced of its superior service level. It is also convinced that its interest rate is low compared to that of its competitors. In fact, the communication from the company to the market includes frequent statements about their low interest rate, which naturally increases the importance of the benefit focus. Contact with customers is maintained through telephone and e-mail. By taking a customer perspective, we were able to

establish whether there was a common perception of the service definition or whether there were differences in what the company and the customers perceived.

The customer and behavioral perspectives. The customer perspective is regarded as the behavioral aspect of the relationship. Our results illustrate the reasons why the customers left the mortgage company. We then compared the customers' definitions of the company's service to the alternative solutions offered by the competitors. In order to generalize the results, we applied the customer-given definition of the service to a sample of the whole company's customer body in a quantitative study representing attitudinal-behavioral aspects.

The interviews were analyzed qualitatively by using SPAT (the switching path analysis technique, Roos, 1999). Thus we sought not only the reasons why the interviewees switched or ended their relationships (switching determinants), but also what it was in their interaction with the company, in their own lives, or in the market (competitors) that had made them sensitive to the switching reasons (triggers). The triggers placed the customers on switching paths (Roos, 1999) by focusing on certain expressed reasons for moving to a competitor.

Figure 1 shows the analysis tool we used in our qualitative study. We connected the actual-behavioral aspects with the perceptual aspects that led to switching (trigger factors, 1). The trigger factors give reasons why the customers regarded the particular service (2) in the way that they did. Thus, the triggers explain why price, for example, is important in this particular context.

If customers disregard the mortgage company's objectively low price level, what is the reason? We included the customer perspective by conducting customer interviews about the relationship that was switched from (2). We were interested not only in the customer perspective of the mortgage company's service definition, but also in the actual behavior that would equate to the relationship perspective, and for that reason we chose a behavioral reference point in the actual switching behavior (3) (Roos, 1999, 2002). We do not focus on the switched-to service provider in the results, however, except in so far as it is embedded in the switching determinant as a

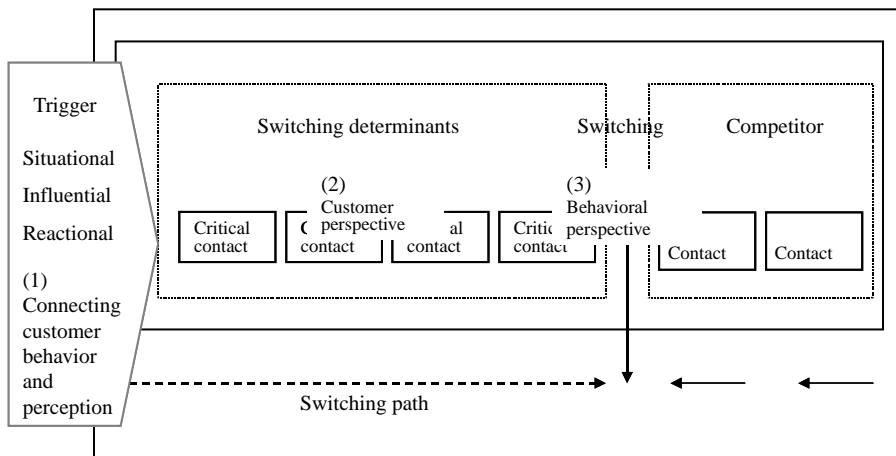


Figure 1.
Different perspectives on
customer perceptions

Source: Adapted from Roos (1999)

comparison standard (Liljander, 1995). When price is the switching determinant, for example, the respondent has determined the company as less priceworthy (value-in-use, Vargo and Lusch, 2004) than the switched-to competitor. The influence of the market is thus embedded in the results.

The qualitative study

We begin our presentation of the empirical study by describing the procedure of the qualitative study. Since we define service by connecting the customer focus to the behavior, we quantify the results before presenting the service definition of the housing-mortgage company.

The procedure

For the data collection, we received a list with the contact information of 300 customers/households that had switched from the company during 2002, and we contacted 235 of the people on it. We transcribed and analyzed 57 of the resulting interviews. The main reason for the non-response was that we were not able to make contact with the person making the decision to switch. The authors conducted two parallel analyses, and in many cases neither the trigger categorization nor the switching-determinant categorization differed. The different categories were discussed and harmonized. A few interviews were not used because the customers had paid their final installment without taking a new loan. These were not considered in this study because they had not switched for reasons connected with interaction with the company, their own situation, or the market. The interviewees were between 25 and 70 years old, almost evenly distributed, with some predominance of 25-30 year olds. The length of the relationships extended from 1 to 35 years, with a predominance of customers with relationships of between one and five years.

The instruments of the switching path analysis technique. The analysis of a switching path focuses on three elements: the trigger, the process, and the outcome. The outcome stage includes the kind of switching the customer's behavior indicates, the process describes the switching-determinant configuration, and the trigger reveals the sensitive factors influencing the behavior change.

The interview guide that is suggested for use with SPAT was put together with the objective of giving the interviewee the opportunity to tell his or her switching story with minimum interference from the interviewer. Accordingly, the first question, "Why did you switch?" may elicit almost enough information in some interview situations, but not in others. In the latter case, the interviewer may have to follow the interview guide throughout in a trade-off between "no information" and "guided information". The latter alternative was chosen in this study.

The analysis stage in SPAT could start with the identification of the triggers. The switching paths differ according to the kind of trigger, in combination with the switching-determinant configuration that directs the customer onto the path. A situational trigger is something outside the switched-from service provider that has increased the sensitivity of the situation, frequently a change in the customer's own life. An influential trigger operates when conditions in the switched-to service provider act as a comparison standard for the switching customer. Such conditions may be formed by the competitive companies' efforts to increase market share, to which customers respond positively. The reactional trigger influences customer sensitiveness

to matters within the switched-from service provider, and is often a perceived critical incident during the relationship. The switching determinants are what the customers express as reasons for switching from one service provider to another.

Results

Triggers. The distribution of triggers was the following: 43 situational triggers, 12 influential triggers, and seven reactional triggers. A few customers referred to two triggers, giving a total of 62.

Our results show that situational triggers dominated. Customers need financial support when they face new situations such as buying a bigger home or moving to a house from an apartment. A sum of 43 customers mentioned a situational trigger, which they defined as:

- the need for additional financing because of changed housing needs in the family;
- a wish to consolidate loans;
- contact with the competitor in connection with renovating the house; and
- a wish to transfer the mortgage loan to “the salary bank”.

In these cases, the customers contacted a new alternative source of finance on their own initiative behind, which was a perceived need (sensitiveness) for a new solution. The typical difference between the situational and the influential triggers was, in fact, the initiative.

One situational customer said:

I contacted the competitor by calling them. I don't remember ever being in contact with my switched-from company. I think they sent me some bits of information now and then. However, today my situation is that I'm leaving my former bank. I have switched. I wanted to concentrate my loans and my financial business in one bank. We have bought another house and my former bank didn't show enough interest. The one we chose was very interested in having us as customers. I know the bank we switched to but we haven't had any business with it.

Twelve customers mentioned influential triggers, and they had all been contacted in different ways by various competitors. They defined the triggers as follows:

- the competitor attracted them by offering a lower rate of interest during the visit to the bank;
- the competitors tempted them by offering better loan conditions in public announcements such as commercials or direct mail shots; and
- the competitor appealed to the customers by offering the same rate of interest as the competition if they concentrated their business with them.

One customer on an influential path said:

I basically compared all the actors in the market. I used to constantly keep myself updated regarding interest rates. I made my choice based on their advertising in an information letter I subscribe to. I think I have a lower interest rate now.

A few customers (seven) had experienced some kind of critical incident in their relationships. They mentioned reactional triggers: something had happened during the

time they were customers in the company, or they had experienced deteriorating service over a longer period. These kinds of incidents were grouped as follows:

- complex arrangements for security assessment in the loan procedure;
- complicated arrangements for obtaining additional financing; and
- confusing answers from contact persons in the organization.

One reactional customer said:

I switched back to a bank where I was a customer long ago. The reason is that I realized that the bank I now switched from was not giving me the lowest interest rate they offer despite the promise they gave me before. Why was that? That is my question to them.

All of these trigger definitions together built up a picture of the sensitiveness that drew the customers of the company to search for new alternatives. When the search was concretized and the focus was defined, it was called the switching determinant.

The switching determinants. Once the situation, the disturbance in the interaction between the company and the customer, or activity on the market had induced the customers to think about alternatives to their current relationship, the focus of the search emerged.

Customer-expressed reasons for switching their housing-mortgage company were:

- (1) rate of interest;
- (2) conditions;
- (3) service;
 - lack of willingness to negotiate,
 - complicated form design,
 - the lack of branches, and
 - the lack of personal contact.
- (4) the lack of contact; and
- (5) the lack of interest in the customer.

It can be seen that “rate of interest” was the most frequent reason expressed for switching, followed by “service”, “loan conditions”, “lacking contact”, and “lacking interest in the customer”. The quantification concentrates on the general customer perception of the company’s rate of interest, as well as on the general conditions related to a less-than-comprehensive service. The quantitative results deliberately focus on these aspects.

Including the trigger effect in the quantification produced the following generalization:

- *The effect of the market (influential trigger).*customer-behavioral perspective of the market effect on the mortgage company.
- *The effect of the interactive capability of the company (reactional trigger)* Customer-behavioral perspective of the company’s service.
- *The company capability to adjust to the customers’ value-in-use perception (situational trigger).* Customer-behavioral perspective of the company’s and the customers’ congruence in this regard.

We then merged the switching determinants into three collective variables in order to generalize and demonstrate the trigger effect quantitatively (Table I).

The quantitative study

The procedure

In the quantitative study 3,015 customers (sample) were contacted by telephone. The interviewers made 7,100 telephone calls that resulted in 1,007 interviewed customers. The average age of the interviewees was 40.7 years and the median-group age was 40-49 years.

Results

In the quantitative study 3,015 customers (sample) were approached by telephone. The interviewers made 7,100 telephone calls that resulted in 1,007 interviewed customers. The average age of the interviewees was 40.7 years and the median-group age was 40-49 years. One screening question was used to ascertain whether or not the respondent was involved in the mortgage decisions. Since switching is more frequent for customers younger than 50 years of age, the sample was biased to include only those customers that are more prone to switching. The demographical profile for the customers is seen in Table II.

The triggers and switching determinants building the relationship definition. Since the survey was designed to capture the customer relationships using SPAT model, questions regarding the existence of triggers among the customers were included in the survey. Customers who expressed that a trigger influenced their relationship consisted of 71.4 percent of all the interviewed customers. Situational trigger had 25.7 percent and influential trigger had 42.3 percent while only 3.4 percent of the customers had a reactional trigger. There are some differences in the demographical variables among

Switching determinants	Variables for quantification
Rate of interest	1. Price
Conditions	2. Quality
<i>Service</i>	
Willingness to negotiate	3. Personnel
Complicated form design	2. Quality
Lacking branches	2. Quality
Personal contacts	3. Personnel
Lacking contact	3. Personnel
Lacking interest for the customer	3. Personnel

Table I.
Derivation of the
variables for
quantification

Gender	Education	Age	Size of household
30 percent female	2.2 percent nine-year compulsory school	9 percent 20-29 years	Average 3.3 people
70 percent male	35.8 percent upper secondary school	31 percent 30-39 years	
	60.3 percent university level	53 percent 40-49 years	

Table II.
Demographics of the
sample

the different trigger categories. When the respondents had an influential trigger they usually had a slightly larger household (3.7 people). The situational trigger was more frequent among the younger respondents (38 years) and smaller households (1.2 people). The reactional triggers were also more frequent among the slightly younger respondents (37 years). Interestingly, the respondents with no triggers were slightly older than the average age (42 years).

The quantitative results showed us that customers who were not on a switching path were satisfied with the factors the qualitative study revealed as important, from a customer-behavioral perspective when defining service in this mortgage company. These factors were price, personnel, and service. These factors were consequently included as latent variables in the conceptual model shown in Figure 2. The behavior we are aiming to predict is loyalty. These latent variables in Figure 2 were to a large extent operationalized using questions from the customer satisfaction index (ACSI) (Fornell *et al.*, 1996) and the extensions of the same model (Johnson *et al.*, 2001). The one construct that is not included in the ASCI and similar models is personnel. The indicators/questions for this latent variable were developed based on the in-depth interviews that were carried out.

PLS (partial least squares) was used in the quantitative study. The analysis iterates findings by combining principal component analysis and regression analysis (Wold, 1982). The procedure essentially extracts the first principal component from each subset of measures for the various latent variables and uses these principal components within a system of regression models. The algorithm then adjusts the principal-component weights to maximize the predictive power of the model. This approach aims at explaining the most remote variable of the equation system which in this study is loyalty.

The questions and some basic statistics can be found in Table III. From Table III it can be determined that none of the latent variables have a Cronbach's $\alpha < 0.70$, implying satisfactory reliability (Peterson, 1994). In our measurement model, all of the individual loadings reach the recommended level of 0.707 (Hulland, 1999).

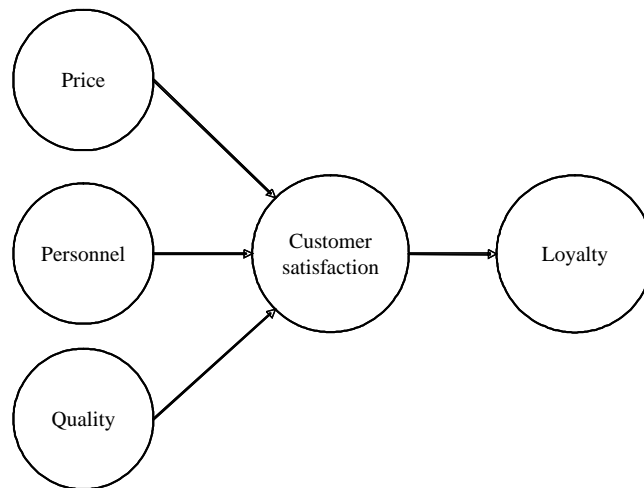


Figure 2.
The conceptual model

Construct	Question	Loading	α
Quality	Overall quality	0.882	0.792
	Customization	0.851	
	Reliability	0.794	
Personnel	Understand your specific needs	0.877	0.864
	Give advice that fit your needs	0.896	
	Inform in a way that you understand	0.888	
Price	Right price level compared to what is offered	0.862	0.803
	Right price level compared to competition	0.886	
	The company's prices are lower than competitors	0.824	
Customer satisfaction	Overall satisfaction	0.916	0.867
	Expectancy disconfirmation	0.912	
	Performance versus the customer's ideal service provider in the category	0.841	
Loyalty	Will be a customer with the company long term	0.861	0.825
	Likelihood of retention	0.907	
	Likelihood of choosing the same company	0.818	

Table III.
Questions and basic
statistics for the latent
variables used in the
survey

The process of moving from information to decisions draws heavily on importance-performance analysis (Martilla and James, 1977). Accordingly, resources should be allocated to improve those areas of product or service performance that are important to customers but are poorly performed by the company.

As an output of this process, the drivers of satisfaction and loyalty are often categorized and displayed using a strategic satisfaction matrix as shown in Figure 3. The essential aspects to improve are those where impact or importance is high and performance is low. This effectively focuses resources and quality improvements where they have the greatest impact on satisfaction and subsequent loyalty and profitability. Those aspects where performance and impact are both high illuminate a firm's competitive advantage. From Figure 3, when looking at the importance and the influences of price, quality, and personnel for customer satisfaction we notice that they change with changing trigger influences.

Figure 3 shows the factors included in the service definition for the company in a relationship perspective (loyalty). For the no-trigger condition, the mortgage company should improve quality in order to improve customer satisfaction and consequently loyalty. It is interesting to note what happens in the strategic satisfaction matrices as triggers are introduced.

Customers with triggers and those without require quite different actions. The impact of price is clearly important for reactional-trigger customers because it is expensive for the company to buy itself out of a situation when the customers have experienced critical incidents. Satisfaction built on objective factors to do with the product has no impact under such conditions. Price is an important factor for this financial company. When the range of products is narrow and most of the services offered by retail banks generally are reduced to a minimum, there is no tolerance of competitively high rates of interest in the niche company. The lack of communication with customers gave the competitors the opportunity to maintain their campaigns silently. As a result of the contacts they made, the customers of the niche company were placed on a path that gradually leads to a switch.

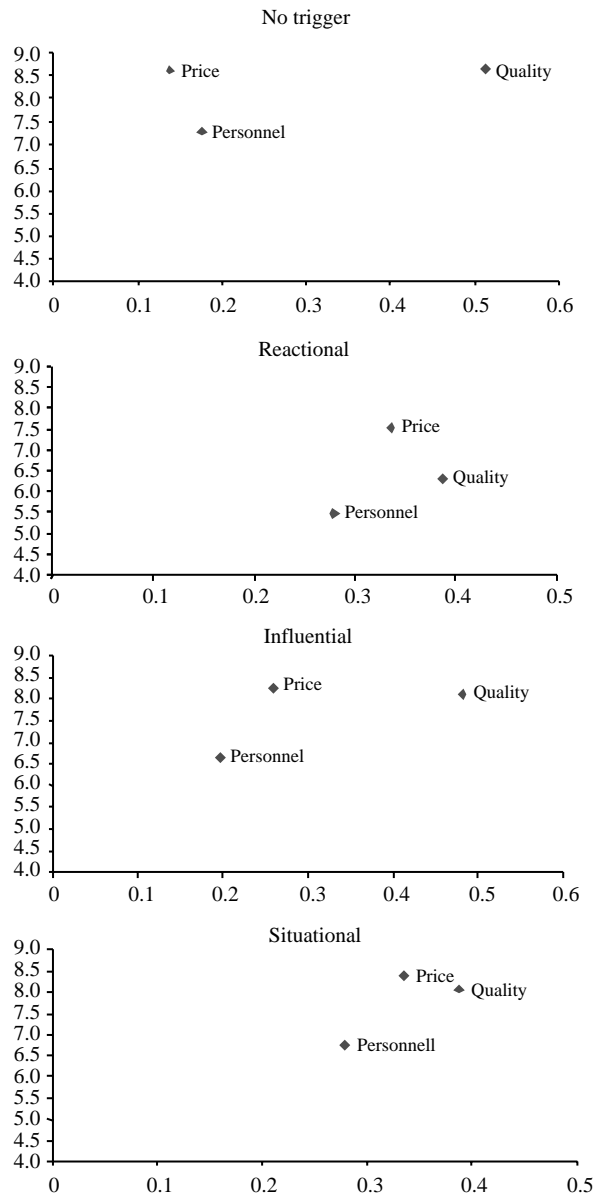


Figure 3.
Strategic-satisfaction
matrix – the importance
and influence of price
quality and personnel for
different trigger
conditions

A summary of the results

Our aim in this paper was to find out whether or not the dynamic perspective is significant in contributing to our understanding of relationship quality in financial services. The results indicate that a behavioral perspective is rewarding in terms of understanding customer relationships.

The results defined the focus of customer perceptions in a housing-mortgage company, qualitatively at first from an actual-behavior perspective. The factors were identified, as were the reasons for the focus on them (triggers). Given the qualitative definitions of the price and contact factors influencing triggers of communication with the company, we regressed the same factors on a larger sample. The results showed that the impact of price, when customers perceived uncertainty as in the trigger condition, was decisive for loyalty. When we looked at the reason for the uncertainty of conviction about the value-in-use of the financial service, we noticed that the doubt stemmed from the lack of communication between the company and its customers. We also discovered that communication was more important given the particular niche strategy of including only housing-finance service.

Discussion

The trigger distribution differed between the qualitative and the quantitative studies because of the different approaches taken. Whereas the qualitative study reflected actual behavior, the quantitative study focused on estimating behavior as intentions. Given the trigger definitions, the discrepancy is quite natural. It is not possible to perceive a reactional trigger beforehand in terms of rapid switching, for example, and only the reactional triggers that cause long switching paths can be tracked as intentional behavior. Another reason for the differing trigger proportions is that we do not know how the switching path develops over time. It is likely that an influential trigger will turn into a situational trigger when the competition is fierce between companies offering financial services because each company wants to constantly expand its business. Switching occurs when the customer's own situation adds to the sensitiveness, thus it may be that the customer articulates different triggers at different points on the switching path. Bolton (1998) pointed out that customers' perceptions most likely differ over time. Our results indicate that they do. Moreover, we were able to establish not only that customer perceptions differ, but also why they differ. There may be other reasons, but at least the trigger function in customer relationships offers one explanation.

Without including the competitors in the behavioral perspective, we would have failed to show why the customers considered the price high in this case. Since the competitors were capable of offering a wider range of services at the same price, the customers almost demanded a lower price from the housing-mortgage company if it was to maintain their trust. The company had maintained that it offered the lowest price in the market during the entire relationship. What it did not know was that the competitors had, in fact, offered perceptibly lower rates of interest. This was a competitive practice that was difficult for the company to identify. The logic behind the switching-path perspective is that the objective price level is not necessarily the perceived price in terms of becoming sensitive to switching (Roos, 1999), and it is, therefore, important for the niche company to be aware of the features that place its customers on switching paths.

The service definition of the mortgage company – a customer perspective on price

In this housing-mortgage company the definition of service from a customer-behavioral perspective focused on price. Regardless of the objectively lowest rates of interest in the financial market, the customers did not perceive the

benefits because of the narrow range of services. The total lack of branches (only mail, e-mail and telephone service were available) removed the personal element of service, and other loans, such as car loans, had to be obtained from retail banks. Thus the value-in-use as perceived by the customers did not match the company's perception. The rate of interest fluctuated accordingly in the customers' minds related to the range of services and the willingness to negotiate. This was not the only reason, however. Some customers became sensitive to these conditions because of the lack of communication from the company. Its strategy precludes any contact during the time between the critical, normal, and enforced contact, concerning repayment periods and the need for new loans for example. The competitors had the advantage of communicating with the same customers on issues connected with salary payment or savings schemes, including share options and investment in funds. These issues came to light in our study as trigger conditions, and had not been noticed by the company as conditions that influenced the perceived price level. In line with the developers of our theoretical framework (Edvardsson *et al.*, 2005; Heide and Weiss, 1995; Srinivasan, 1987; Vargo and Lusch, 2004), we can confirm that complexity conceals the results of many studies on customer relationships. It is difficult to define the service according to plain attributes. The complex switching determinants described in Keaveney (1995) may have been an indication of the processual nature of switching processes. Her static approach did not allow the process to show through, however, and the result was that the priority of the different switching reasons was concealed.

We suggest that no objective definition of a company's service really exists: it is all a question of perspective. For this niche-financial company, the customer's perception of price is typically not objective in line with the company's perception. When the aim is to strive for a relationship strategy, the perspective has to be that of the customer, and may have to include an additional behavioral aspect. This kind of specific information may be useful when the company is searching for a deeper understanding of the effects of communication, such as in its articulated company strategy and the image projected in its advertising slogans. The housing-mortgage company in this study had to reconfigure its service definition to include sensitivity toward its customers and their perceptions of the lowest rate of interest in the market. The current situation is that its service definition appears to have different levels of value as well as different comparison standards than those of its customers. This kind of discrepancy affects trust and image in the long run (Moorman and Rust, 1999).

Future research

Service is not perceptible everywhere in the organization, but it has to be implemented where it is perceptible. It is an offering, a strategy, and it has to be based on perfect data. Perfect data in this respect is the use of the particular company's service definition. The perspective approach would thus seem to be relevant here because it is applicable generally in organizations. Service and generalization do not seem to be associates, but if the service perspective is used, generalization may be possible. We hope that future research will continue in this direction by finding ways of defining service from different perspectives rather than seeking general definitions.

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Further reading

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