



Editorial comment

Invited Commentary – Relative or absolute measures and metrics: That is the question?



Bo Edvardsson

Professor CTF-Service Research Center and vice Rector, Karlstad University, Sweden

To be, or not to be: that is the question is a well-known quote from William Shakespeare's play Hamlet. It is the opening phrase in the "Nunnery Scene". Hamlet contemplates the pains and unfairness of life and hesitates, but acknowledges the alternative might be still worse. Has this any relevance today? And more specifically, does this have any relevance for marketing and the use of relative or absolute measures and metrics? I will argue it has!

The hesitation to explore and choose new alternatives, the hesitation to 'kill a darling' and select something new is not easy. Understanding and measuring drivers of customers' behaviors, satisfaction and loyalty (including share of wallet) now and in the future has always been important in both scholarly research and in business practice. Throughout the years, surveys and standardized methods focusing on customer satisfaction and loyalty using absolute measures have dominated. These methods and approaches have become institutionalized as a norm in many companies and in scholarly research, but they are now challenged and criticized in different ways. Some scholars have for quite some time have noted that relative measures are more valid than absolute metrics in predicting customers' buying behaviors (for example Bolton, Kannan, & Bramlett, 2000; Mägi, 2003).

I enjoyed reading *Competitive Context Is Everything: Moving from Absolute to Relative Metrics*. The aim of the paper is to show the advantage of relative ranked satisfaction compared to absolute satisfaction as a predictor of share of wallet. The underlying theoretical and methodological foundations are solid. The paper provides important research contributions and I find the article most valuable as a platform for further discussions, methodological developments, and empirical studies in different contexts.

As put forward by the authors, comparisons are a core proposition of prospect theory (Kahneman & Tversky, 1979); specifically, the evaluation of alternatives relative to a reference point. The need for choice is important to identity and individualism (Markus & Kitayama, 1991) and shapes our consumption experiences. Research shows that relative "ranked" satisfaction levels are more strongly correlated to share of wallet than are absolute satisfaction levels (Hofmeyr, Goodall, Bongers, & Holtzman, 2008). Furthermore, relative consumer commitment levels are more strongly

linked to share of wallet than are absolute commitment levels (Keiningham, Aksoy, Williams, & Buoye, 2015).

To investigate only one industry using cross sectional data from the banking context and self-reported share of wallet data has shortcomings. Specifically, the findings show a statistically significant relationship, but do not demonstrate causality. Therefore, additional research is needed to further establish the robustness of this approach. Despite these limitations, however, the paper presents compelling evidence of the advantages of using relative ranked satisfaction to predict share of wallet.

In future research on relative vs absolute measures and metrics, I suggest the inclusion of a more elaborated view on context as is emphasized in the title: *Competitive Context is Everything*. Context is an often used term or concept in marketing and not least in service research. Using the framework of service-dominant logic, Vargo and Lusch (2004) argue for the importance of understanding and measuring value-in-use in the customer's life or business context (Lusch & Vargo, 2014). Context has many facets, including actors' behaviors being shaped by social norms, rules, and habits grounded in social contexts (see Edvardsson, Tronvoll, & Gruber, 2011). Different industry contexts are shaped by specific norms and rules such as the financial services context or country-specific contextual factors such as in Germany, referred to in the work by Keiningham et al. (2015).

A competitive context can be understood and defined in different ways by actors with various intentions. Customers represent one important category of actors and their understanding of contexts and their assessment of available alternatives are very important as a basis for their behaviors. The notion of consideration set is widely known and used in marketing referring to the available, known alternatives for a customer in a context or market (Roberts & Lattin, 1991). As customers become aware of new brands, the brands and their relative customer ratings may also change. From the point of view of individual customers, a competitive context has to do with perceptions of available alternatives and how attractive they are relative to expectations, reputation or image, and customers' own value-in-use experiences. Context is an important factor when customers make comparisons and when companies design how to develop relative measures with predictive power related to actual customer behavior and linkages to share of wallet. Customers' actual behaviors are not an isolated

E-mail address: Bo.Edvardsson@kau.se

event and include aspects beyond individual products, services and brands. To understand the underlying mechanisms and values behind an individual customer's behaviors, relevant contextual factors must be included in measures and metrics.

The article by Keiningham and colleagues provides a convincing theoretical and methodological basis and empirical support for the advantages of using relative measures and metrics rather than absolute measures. I am looking forward to continued discussion and empirical studies in new contexts and elaborated ways of capturing competitive contexts from customers' as well as firms' point of view in order to improve metrics in line with this relativistic view.

References

- Bolton, R. N., Kannan, P. K., & Bramlett, M. D. (2000). Implications of loyalty program membership and service experiences for customer retention and value. *Journal of the Academy of Marketing Science*, 28(1), 95–108.
- Edvardsson, B., Tronvoll, B., & Gruber, T. (2011). Expanding understanding of service exchange and value co creation: A social construction approach. *Journal of the Academy of Marketing Science*, 39(2), 327–339.
- Hofmeyr, J., Goodall, V., Bongers, M., & Holtzman, P. (2008). A new measure of brand attitudinal equity based on the Zipf distribution. *International Journal of Market Research*, 50(2), 181–202.
- Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263–291.
- Keiningham, T. L., Aksoy, L., Williams, L., & Buoye, A. (2015). *The wallet allocation rule: Winning the battle for share*. Hoboken, NJ: John Wiley and Sons.
- Markus, H. R., & Kitayama, S. (1991). Culture and the self: Implications for cognition, emotion, and motivation. *Psychological Review*, 98(2), 224–253.
- Lusch, R. F., & Vargo, S. L. (2014). *Service-dominant logic: Premises, perspectives, possibilities*. New York: Cambridge University Press.
- Mägi, A. W. (2003). Share of wallet in retailing: The effects of customer satisfaction, loyalty cards and shopper characteristics. *Journal of Retailing*, 79(2), 97–106.
- Roberts, J. H., & Lattin, J. M. (1991). Development and testing of a model of consideration set composition. *Journal of Marketing Research*, 429–440.
- Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing*, 68(1), 1–17.