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## **WORKING PAPER**

# **Linking perceptual and behavioral customer metrics to multi-period customer profitability: A comprehensive service–profit chain application**

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## ABSTRACT

This study proposes and empirically tests a comprehensive service-profit chain (SPC) framework that links survey-based customer satisfaction (CS), service quality (SQ), and share of wallet (SOW) measures to longitudinal data on two outcome variables – customer retention, and customer profitability – gathered from a financial services company’s internal records. The framework also incorporates other potential determinants of customers’ actual behavior (e.g., demographics, loyalty intentions, switching costs). The study offers several important insights. First, it demonstrates that an “interactive customer segment” (one that replaces current offerings with newer ones) is more profitable than are other segments. Second, it augments current knowledge about the SOW-profitability link by revealing that: (i) different levels of SOW generate not only different levels of customer profitability (cross-sectional effect), but also different profitability trajectories through time (longitudinal effect), with the high-SOW segment outperforming full- and low-SOW segments, and (ii) the longitudinal relationship between SOW and profitability is nonlinear, with heterogeneity in profitability across customers being significantly higher than the variability of the observed profitability values over time.

Keywords: Service-Profit Chain, Share of Wallet, Retention Behavior, Multi-Period Customer Profitability, Financial Services

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