

Relationship Quality as Predictor of B2B Customer Loyalty

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Abstract

Relationship marketing has become extremely important recently due to the fierce competition in today's marketplace. Companies are required to build long-term profitable relationship with customers and to achieve customer loyalty. Also, switching behaviors frequently occur among most of targeted customers. Fewer studies, however, discuss the effects of relationship quality efforts on customer loyalty. Therefore, this study is aimed to investigate the impact of relationship quality on customer loyalty in B2B context in the Egyptian shipping services sector. Building on prior research, we propose relationship quality as a higher construct comprising trust, commitment and satisfaction. An analytical model is developed as a guideline to test the relationships between relationship quality dimensions and customer loyalty.

1. Introduction

Today's marketplace is characterized by highly saturated markets, increased competition and a greater need to pay attention to customer needs. Matching the growing complexity of the business environment has led to an ever-more diversified and demanding customer base. Customer can easily defect to competitors who promise better offerings at lower prices [1].

The key success factor to survive in mature markets relies on sustaining long-term relationships with stakeholders. The challenge all marketers face today is in finding ways of increasing customer loyalty. Transforming indifferent customers into loyal ones and establishing a long term relationship with customers is critical for organizational success. [1].

Marketing attention shifted gradually but definitely from mutually independent transactions to loyalty based repeat purchases and cross-sell opportunities. Relationship quality is perceived as a tool from which customer loyalty can be secured and, as a result, the attainment of higher competitiveness and enhanced customer satisfaction can be achieved. Numerous factors that influence relationship marketing success, three factors consistently identified as

important: trust [2], relationship commitment [3] and satisfaction [4].

There is little agreement among researchers as to which individual or composite relational effect best captures the key aspects of a relationship that most affect customer loyalty or performance [5]. For this reason, this study aims to empirically investigate the impact of relationship quality dimensions on customer loyalty.

2. Literature Review

2.1 Relationship Quality

Over the last two decades, Relationship Quality (RQ) has become one of the pillars of Relationship Marketing (RM) and gained in importance as a measure of successful business relationships [5].

There is no consensus on a definition of RQ. However, there is some degree of consensus that RQ is a higher-order construct comprising several different, though related dimensions [6].

Holmlund's definition is considered the one that best reflects the nature and domain of Relationship Quality: "Relationship quality is the cognitive evaluation of business interactions by key individuals in the dyad, comparatively with potential alternative interactions" [7].

Trust, commitment and satisfaction should be included as dimensions of relationship quality. Indeed, these three constructs, also referred to as the building blocks of RQ, are commonly viewed as important results of good quality relationships.

2.1.1 Trust

Trust is defined as the ability and willingness to rely on the relationship manager's integrity and behavior (i.e. trustworthiness) so that the long-term expectations of the buyer will be met [2].

Many researches have suggested that customers' trust is a significant role in building long-term relationship and achieving customer loyalty.

2.1.2 Commitment

It is defined as an enduring desire to maintain a valued relationship". In marketing-practice and research it is agreed that mutual commitment among partners in business relationships produces significant benefits for companies. Commitment is important to the study of relationships because it not only signals enduring stability at the conceptual level, but also serves as a reliable surrogate measure of long-term relationships at the operational and empirical level [3].

2.1.3 Satisfaction

It is defined as the assurance, perceived by the buyer, regarding the relationship manager's future performance, given that past performance has been consistently satisfactory [8].

In relationship marketing literatures, customer satisfaction has also been thought to be a key performance indicator for evaluating the quality of a relationship between service provider and customers. In business-to-business research, several authors show that a link between satisfaction and loyalty exists.

2.2 Customer Loyalty

Customer loyalty is the most important goal of implementing relationship marketing activities. It is defined as a "deeply held commitment to rebuy a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior". Loyal customers are less likely to switch to a competitor solely because of price, and they even make more purchases than non-loyal customers. Loyal customers are also considered to be the most important assets of a company. It is thus essential for vendors to keep loyal customers who will contribute long-term profit to the business organizations [9]. In general, customer loyalty is the final purpose that firms implement relationship marketing.

3. Research Hypotheses

Based on the evidence of past research on loyalty and relationship quality, it is possible to lay out the following research questions: Does relationship quality influence customer loyalty? Does the suggested relationship quality dimensions influence customer loyalty? In order to examine these relationships we developed the following research hypotheses:

H1: Relationship Quality has significant positive effect on customer loyalty.

This effect must be evidence through the following hypotheses:

H1 a) Trust is positively related to customer loyalty.

H1 b) Commitment is positively related to customer loyalty.

H1 c) Satisfaction is positively related to customer loyalty.

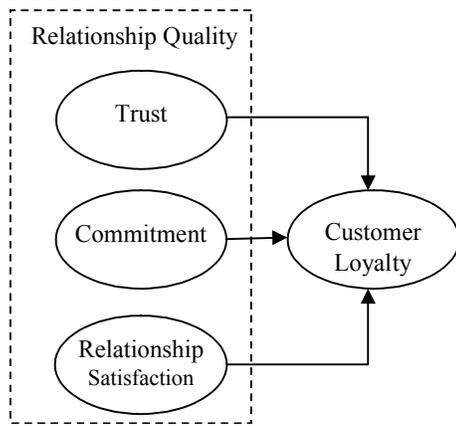


Figure 1: Conceptual Framework

4. Research Methodology

4.1 Selection of sample

This study is empirical and conducted in a business-to-business setting of the shipping and freight delivery service industry in Egypt. The survey is targeted at business customers; the study was carried out on a convenience sample of 500 respondents, through distribution of structured questionnaires to customers within Egypt. A total of 310 usable questionnaires were collected.

4.2 Data Analysis

The statistical package SPSS (version 17.0) was used for data analysis. A two-step detailed statistical analysis of data was involved. First, Factor analysis was performed to extract the underlying factor of relationship quality; second, multiple regression analysis was performed to understand the relationship quality-customer loyalty relationship.

4.3 Scale and Measurement

As discussed in the above section, we have identified relationship quality to be multidimensional construct consisting of three components: trust; commitment and satisfaction.

Each of the components should be measured reliably with a multi-item scale. To measure relationship quality and customer loyalty we used a five point likert scale (1 = strongly disagree" and 5 = strongly agree") for the 14 statement/ items of the three dimensions of the scale.

We used existing measures whenever possible to develop items for each dimension of the relationship quality and customer loyalty. We developed initial items based on the work of [2].

We developed 14 items for relationship quality dimensions. Items were pre tested for relevance, face validity, interpretation and readability with marketing academics and company managers and company customer. Therefore some modifications and slight changes in wording were required to fit the shipping services context.

4.4 Measure Reliability

The first stage focused on the specification of dimensions for the verification of the 14 items scale, its reliability and validity, analyzing the elements and dimensions which determine the relationship quality construct in shipping services. Two-step procedure was followed. First, different analyses of the correlations between the initial scale items were carried out for this purpose, as well as examinations of scale reliability. The correlation matrix contained many high correlations.

The next step was an exploratory factor analysis to initially assess the psychometric properties of the scale. Factor analysis was used to allow the grouping of variables and therefore, simplify data for possible interpretation. The statistical purpose of factor analysis was to determine whether there were linear combinations of variables that will assist in summarizing the data and identifying underlying relationships. The scale items were purified through an iterative process. Items that did not load heavily on the primary factor and items that had significant cross loadings were removed. This resulted in a removal of three more items. The remaining fourteen items were factor analyzed again. The analysis produced a three-factor solution, which accounts for 59.25% of the variation in the data,

according to the criteria developed by (Kaiser, 1958). As can be seen in Table 1, these factors are: trust, satisfaction and commitment. Table 1 provides the descriptive output for each factor.

A reliability analysis was conducted on the summated scale of these constructs using reliability coefficients. The internal consistency was assessed by means of the Cronbach's alpha coefficient. Tables 1 report the reliability of the multi-item scale which using Cronbach's coefficient alpha. The overall coefficient alpha for the scale is 0.894 which is greater than the recommended cut-off level of 0.70. With regard to individual subscales, the reliability coefficient of all the three components: trust (0.791), satisfaction (0.770) and commitment (0.658) met the standard. Therefore, these indicated high reliability estimates since reliability figures less than 0.60 are generally considered to be poor, those in the range of 0.70 to be acceptable, while those above 0.80 to be good.

4.5 Construct validity

According to Cronbach (1970), evidence of construct validity exists when the pattern of correlation among variables conforms to what is predicted by theory. Therefore, convergent and nomological validities are examined.

5. Results

The data analysis was conducted in two steps. First, an exploratory factor analysis with varimax rotation was performed to determine the underlying dimensions of Relationship quality construct and testing of the measurement model for relationship quality construct in order to determine if the extracted dimensions in step 1 offered a good fit to the data. Finally, we examined the hypothesized relationships. These steps are discussed in the following subsections.

5.1 Factor Analysis

The three factors shown in Table 1 relate to elements of relationship quality in existing literature and collectively, these retained factors account for 59.25 percent of the total variance in the 14 variables. Based on the items loading on each factor, the factors were, respectively, labeled as trust, commitment and satisfaction.

5.1.1 Factor 1 Trust

The respondents felt that trust is a very important aspect of relationship marketing. This factor accounted for 19.7 % of variance and its reliability was 0.791.

5.1.2 Factor 2 Commitment

All the three items loading on this factor relate to different aspects of commitment dimension of relationship quality. The respondents felt that if an organization wanted build and maintain long-term relationship with the customers, it should cultivate mutual commitment. This factor accounted for 19.7 percent of variance and its reliability was 0.658.

5.1.3 Factor 3 Satisfaction

The respondents felt that if an organization wanted to build and maintain long-term relationship with the customers, it should cultivate customer satisfaction. This factor accounted for 19.9 % of variance and its reliability was 0.770.

5.2 Test of Hypotheses

Hypothesis 1 postulates that relationship quality has significant positive effect on customer loyalty. In order to test this hypothesis, we conducted a multiple regression analysis using customer loyalty as the dependent variable, and the various components of relationship quality (trust, satisfaction and commitment) as the predicting variables. Thus, we can identify the relative importance of relationship quality components in explaining the variation in the customer loyalty levels. However,

since the three components of relationship quality are closely related, multi-collinearity may exist. Therefore, to remove this impact, a two-stage analysis was conducted. First, the 14 items of the relationship marketing orientation were factor analyzed into three factors. Then the factor scores of the three dimensions were used as independent variables for the regression analysis. Table-2 presents the regression results of the variables; it shows that relationship quality has a significant positive association with customer loyalty where customer loyalty is the dependent variable. As can be seen from the table, many interesting findings emerge. First, the regression model achieve a high degree of fit, as reflected by an R2 of 0.56 ($F = 101.9$; $p < 0.001$). Second, trust and satisfaction demonstrate a positive and significant association with customer loyalty. These are generally expected results. Third, commitment, a key construct identified by previous relationship marketing research is found to have significant effect on customer loyalty. Moreover, as can be seen from Table 2, the positive sign of all the three estimates (beta coefficients) shows that the greater the extent of these relationship quality variables, the higher the level of customer loyalty. Therefore, on the basis of the analysis made, it can be said that successful relationship marketing efforts of the Egyptian shipping companies can improve customer loyalty. Finally, the first hypothesis that there is a significant positive relationship between relationship quality variables and customer loyalty has been accepted.

6. Discussion

This study provides initial empirical evidence of the relationship quality on customer loyalty. The results of the regression analyses provide support for the hypothesized relationships. Consistent with H 1, that relationship quality has significant positive effect on customer loyalty.

There are several factors that management of shipping service providers can use to improve their specific service delivery process and to establish long-lasting relationships with their customers. Relationship quality is one of key strategic issues for managers of shipping companies for establishing and maintaining long-term relationships with their clients.

(1) To remain competitive and obtain competitive advantages, the company managers can try to increase relationship and thus customer loyalty by managing each dimension of relationship quality in the context with the Egyptian shipping companies' customers.

(2) The three dimensions of the relationship quality scale may serve training needs for company staff to develop appropriate training programs that can help to improve their understanding of the activities involved in developing relationship quality.

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Table1: Result of exploratory factor analysis of relationship quality (Scale Reliability):

Construct	Factor Loadings	Variance explained	Reliability Cronbach Alpha
Factor1: Trust 1. Company has higher integrity 2. Work in close cooperation 3. Company has good will reputation 4. Company is trust worthy 5. Consistent in providing quality services 6. Company is reliable in providing unique services.	0.590 0.649 0.620 0.769 0.809 0.498	19.698	0.791
Factor 2: Commitment 7. Remain a client to enjoy the relationship. 8. Feel company is looking out for my interest. 9. I have strong sense of loyalty toward company.	0.800 0.689 0.601	19.650	0.658
Factor 3: Satisfaction 10. Company completely meets my expectations. 11. Company shows a sincere interest in solving complaints. 12. Employees work in a tidy professional way. 13. Satisfied with all services offered. 14. Company tries very hard to establish long term relationship.	0.598 0.560 0.792 0.698 0.602	19.902	0.770
Relationship Quality (Scale reliability)		59.25	0.894

Table 2: The effect of relationship quality (Trust, Commitment and satisfaction) on customer loyalty: estimated standardized regression coefficients

Independent Variable	Standardized B	t	Sig.
Trust	0.016	0.190	0.849
Commitment	0.007	0.177	0.792
Satisfaction	0.018	0.186	0.860