

# THE ROLE OF RELATIONSHIP QUALITY ON CUSTOMER LOYALTY: THE EFFECTIVENESS OF STRATEGIC RELATIONSHIP MARKETING

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**Abstract** - This study examines customer satisfaction, trust, control mutuality and communication as determinants of relationship quality and customer loyalty in relationship marketing. The study focuses on Malaysia's telecommunication industry in the business-to-customer context. The structural equation modelling technique is used to empirically test the proposed hypotheses based on the sample size of 405 customers collected by a questionnaire survey. Trust had the greatest positive influence on relationship quality, followed by satisfaction. Subsequently, there was no significant effect of control mutuality and communication on relationship quality. Customer loyalty was significantly affected by relationship quality. The contribution of this paper is twofold. From a theoretical perspective, it offers both a conceptual foundation and empirical-based evaluation of customer loyalty through the context of relationship quality. In the practical perspective, the findings proposed useful information to the telecommunication service providers in developing more effective relationship marketing strategies to build better relationship quality and customer loyalty.

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**Keywords** - relationship marketing, relationship value, relationship quality, customer loyalty.

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## I. INTRODUCTION

Relationship marketing is widely practice across many business-to-consumer contexts as it is an important source of a sustainable competitive advantage. Relationship quality is the key variable to achieve customer loyalty and successful relationship marketing (Prince, Palihawanada, Davies, Winsor, 2016). Relationship quality is a consumer's evaluation of the strength of his or her relationship with the service provider (Crosby, Evans and Cowles, 1990). According to the Malaysia Communications and Multimedia Commission (MCMC, 2016), there were a total of 43.9 million cellular telephone subscribers or consumers in Malaysia at the end third quarter of 2016. The strong consumers base in the telecommunication industry has resulted in the importance of building effective relationship marketing by the service providers towards their consumers.

## II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### 2.1 Relationship Quality

Myhal, Kang and Murphy (2008) highlighted the six dimensions of trust, commitment, satisfaction, minimal opportunism, conflict, and communication in relationship quality. Caceres and Paparoidamis (2007) indicated that relationship quality consists of three dimensions of trust, commitment, and satisfaction. Hon and Grunig (1999) proposed the six dimensions of trust, control mutuality, satisfaction, commitment, exchange relationships, and communal relationships. This study focuses on satisfaction, trust, control mutuality and communication as the key

dimensions of relationship quality. This study aim to bridge the research gaps as the selected four dimensions of relationship quality were not adequate covered by the past literature in the context of telecommunication industry.

### 2.2 Satisfaction

Satisfaction is customer's evaluation of their relationship experience with the service provider. Customer satisfaction was found to be a significant predictor of relationship quality in the Ethiopian mobile telecommunication industry (Negi and Ketema, 2013). Li, Green, Farazmand and Grodzki (2012) reported that relationship quality represented by customer satisfaction has influenced customer loyalty in the context of retail stores' shoppers.

*H<sub>1</sub>: There is a positive relationship between satisfaction and relationship quality.*

### 2.3 Trust

Trust is the confidence level in the honesty and integrity of the other party (Crosby et al., 1990). According to Cerri (2012), high levels of mutual trust facilitate the effective exchange between the business partners and enhance relationship quality. Trust was found to be important for client-professional relationship quality in the financial planning environment (Hunt, Brimble and Freudenberg, 2011).

*H<sub>2</sub>: There is a positive relationship between trust and relationship quality.*

### 2.4 Control mutuality

Control mutuality is the degree to which parties in a relationship are satisfied with the amount of control

they have in a relationship (Grunig, 2002). Huang (2001) reported that control mutuality had the greatest influence on successful organisational relationships in South Korea. Steyn (2007) states that stakeholders' involvement in decision-making resulted in the stabilization of the organisational relationships.

*H<sub>3</sub>: There is a positive relationship between control mutuality and relationship quality.*

## 2.5 Communication

Bojei and Alwie (2010) indicated that communication is the weakest dimension of relationship quality to achieved customer loyalty. Communication have positive influence towards relationship quality (Ruswanti and Lectari, 2016). Doaei, Razeai and Khajei (2011) reported that interpersonal communication had influence customer loyalty without relationship quality as mediating role.

*H<sub>4</sub>: There is a positive relationship between communication and relationship quality.*

## 2.6 Customer Loyalty

Customer loyalty is defined as 'a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brandset purchasing, despite situational influences and marketing efforts have the potential to cause switching behaviour' (Oliver, 1999). Bojei and Alwie (2010) reported that relationship quality positively influenced the customer loyalty in service sector. Ruswanti and Lectari (2016) also indicated significant positive relationship between relationship quality and customer loyalty in banking sector. In contrast, Chen and Myagmarsuren (2011) found that direct relationship does not exist between relationship quality and customer loyalty in telecommunication services. However, relationship quality affect customer loyalty was mediated by relationship value.

*H<sub>5</sub>: There is a positive relationship between relationship quality and customer loyalty.*

## III. RESEARCH METHODOLOGY

### 3.1 Sampling and Measurement

This paper is based on data collected from a survey on the existing customers of local telecommunication service providers (Maxis, Digi and Celcom) in Kuala Lumpur and Selangor, Malaysia. A sample size of 405 was determined and non-probability convenience sampling method was adopted for this study. Self-

administered questionnaires were distributed to the respondents who present at the selected Maxis, Digi and Celcom outlets in Kuala Lumpur and Selangor. The survey instrument was designed with 28 items assessed by a six-point Likert scale (1: strongly disagree and 6: strongly agree). SPSS AMOS version 21 was used to perform the SEM analysis to test the hypotheses.

### 3.2 Validity and Reliability Assessment

The pilot study results indicated the factor loading for all the 28 proposed items is above 0.3 and thereby will be retained (Hair, Black, Babin and Anderson, 2010). The Cronbach's Alpha values for all constructs were above 0.7 which have shown a high level of internal consistency in the data (Pallant, 2007). The Cronbach's Alpha values were 0.951 (Satisfaction), 0.843 (Trust), 0.911 (Control Mutuality), 0.887 (Communications), 0.902 (Relationship Quality) and 0.877 (Customer Loyalty).

## IV. RESEARCH RESULTS

### 4.1 Demographic Profile of the Respondents

From the total of 405 respondents, majority respondents are female (59%), followed by male (41%). As for the respondents' monthly income, 4.7 percent earned less than RM1500, 13.3 percent of the respondents have an income between RM1500–RM3000. Furthermore, 41.4 percent of the respondents have an income between RM3000–RM6000 and 31.4 percent of the respondents belong to the income group of RM6000–RM10000. Respondents with an income above RM 10000 comprises 9.2 percent. Majority respondents are Chinese respondents (51.6%), followed by Malay (26.3%), Indian (13.5%) and others (8.6%). As for the respondents' age, 9.3 percent belong to the age group of 18-20, followed by 25.6 percent under the age group between 21 -38. Majority of 49.1 percent of the respondents under the age group of 39-49, and 16 percent belong to age group of 50 and above.

### 4.2 Model Compatibility Testing

The research model has achieved a good fit as shown in Figure 1. The *Chi-Square* value is 902.86 and according to Barrett (2007), chi square probability value greater than 0.05 indicates acceptable model fit. The ratio of  $\chi^2/df$  was 2.66, lower than the value 3.0, as suggested by Byrne (2001). Incremental fit indices were greater than 0.9, with IFI of 0.93, CFI of 0.93 and TLI of 0.92. The absolute index with RMSEA of 0.064, achieved lower than 0.8 (Browne and Cudeck 1993).

### 4.3 Model Causality Testing

The final structural model is shown in Figure 1.

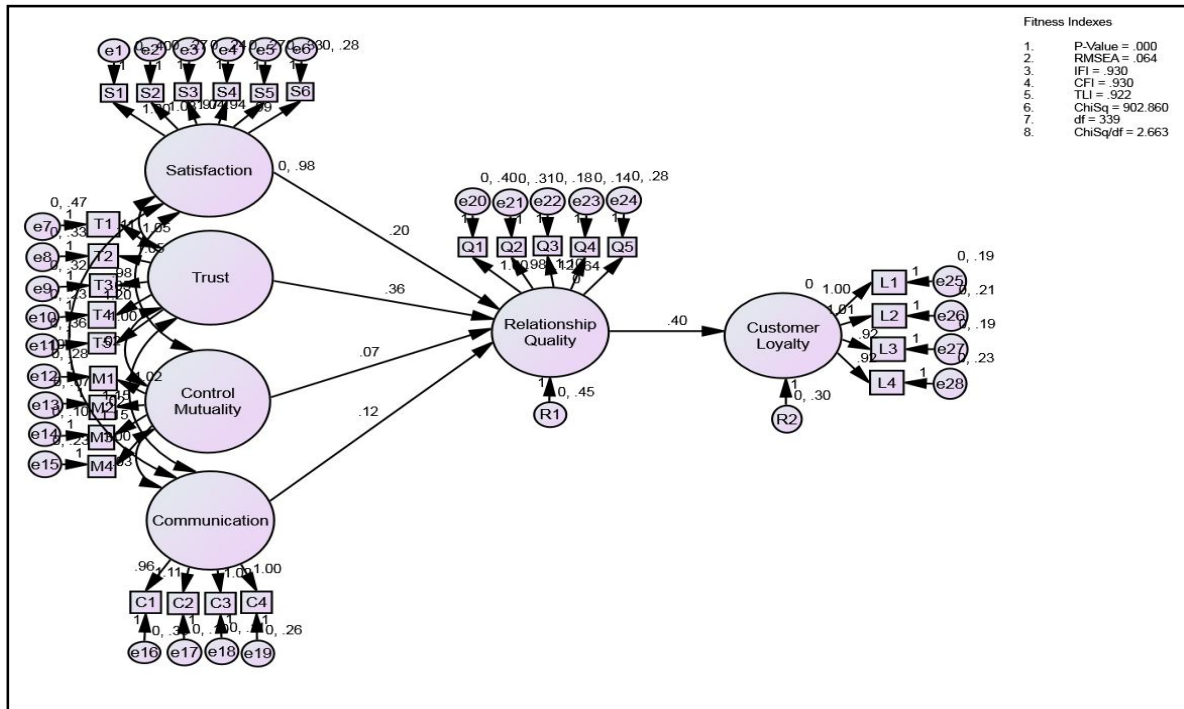


Figure 1: Final Structural Model

The regression weights and probability value which indicates its significance is shown in Table 1. Satisfaction had significant positive effect (0.199) on relationship quality and  $H_1$  is accepted.  $H_2$  is accepted and trust has significant effect on relationship quality (0.359). The regression coefficient of the relationship between control mutuality and relationship quality is

not significant (0.069). The regression coefficient of the relationship between communication and relationship quality is also not significant (0.120). As a result,  $H_3$  and  $H_4$  is rejected. Relationship quality had positive effect (0.403) on customer loyalty, and  $H_5$  is accepted.

Table 1: Regression Weights and the Probability Value which Indicates its Significance

Paths	Estimate	S.E.	C.R.	P	Result
Relationship quality <-- Satisfaction	.199	.040	5.039	***	Supported
Relationship quality <-- Trust	.359	.072	4.955	***	Supported
Relationship quality <-- Control Mutuality	.069	.059	1.175	.240	Rejected
Relationship quality <-- Communication	.120	.061	1.953	.051	Rejected
Customer Loyalty <-- Relationship quality	.403	.046	8.684	***	Supported

**DISCUSSION AND CONCLUSION**

The findings reveal that for long-term relationship success, relationship quality should focus on increasing customer satisfaction and trust through improvement of service delivery and innovativeness of new services. The service providers should emphasize on building a positive brand image to meet customer’s expectation and provide more value benefit packages to the customer. In the price sensitivity consumer market in Malaysia, frequent reward and promotional offers would increase consumers’ consumption level and loyalty. In the aspect of control mutuality and communications, the service providers should improve on the credibility, accuracy, adequacy and completeness of the information, and effectively communicate via social media and personal contact with the customers. Effective and timely communication helps in

formation of cooperation and trust in relationships and avoid customer from switching to other competitors and affect customer loyalty. This study is confined to the telecommunication industry in Malaysia and limited four dimensions of relationship quality. Future studies should explore on other industries and other dimensions of relationship quality such as commitment, benevolence and conflict handling.

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