The Impact of Service Orientation on Relationship Quality and Future Intentions

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Abstract

This paper examines the impact of service orientation (SO) on relationship quality, and its consequences for consumer behaviour in the travel industry. Specifically consumers' positive behavioural intentions, perceptions of switching costs, and consumer activism are examined as consequences of relationship quality (RQ). A sample of leisure and business travellers on a cross sea ferry were surveyed using a consumer intercept methodology. We find that SO has a significant and positive impact on RQ and that RQ has a positive impact on positive behavioural intentions and perceptions of switching costs. Both RQ and switching costs were found to reduce consumer activism. The implications of these findings for service managers and academics are discussed and directions for future research presented.

Keywords: Services, Relationship Quality, Service Orientation, Future Intentions

Introduction

In the Business to Business (B2B) context, successful relationship marketing (RM) is well established as a strategy for increasing customer retention, and implementing such a strategy provides firms with a sustainable competitive advantage (Anderson and Narus, 1990; Roberts, Varki and Brodie, 2003). In the context of consumer markets much less work has been conducted examining the nature and impact of RM, its organisational antecedents and consequences for consumer behaviour (Beatty et al., 1996; De Wulf et al., 2001). Understanding the relationship from the customer's perspective, however, has been identified as an important area of marketing research (De Wulf et al., 2001; Gwinner et al., 1998; Hennig-Thurau, Gwinner and Gremler 2002). Therefore, this paper aims to investigate the quality of the relationship between the customer and the service organisation from the customer's perspective. To more fully understand this, we also investigate the role of SO as an antecedent to RQ and in turn, the impact of RQ on the consumer's future intentions with the firm.

Conceptual Framework

Retaining customers has become an important goal for organisations. This has increased academic interest in RM (Colgate and Danaher, 2000). Not only can customer retention result in long run benefits for the firm, it also offers certain psychological, social and economic benefits for customers (Gwinner et al., 1998). In the context of B2B services, RM has been shown to provide firms with a sustainable competitive advantage (Anderson and Narus, 1990). However, in the context of consumer markets (B2C) much less work has been conducted, and the antecedents of RM, and consequences for consumer behaviour, require

further exploration (Beatty et al., 1996; De Wulf et al., 2001). Typically individual customers are less likely to be closely involved or structurally integrated with their suppliers. For this reason the interaction of consumers with front line staff becomes paramount in determining the quality of the B2C relationship and consumers often do not differentiate between the person providing the service and the organisation (Bitner, 1990). In order for service organisations to compete more effectively it behoves them to better understand the nature of service relationships from the consumers' perspective (Gwinner et al., 1998; De Wulf et al., 2001). Key questions to be answered are 'how are consumers' perceptions of the quality of their relationships with service providers formed, and what are the consequences of high quality relationships for the firm?

RQ has been conceptualised as a measure of the extent to which a consumer wishes to maintain a relationship with their service provider (Roberts et al., 2003). De Wulf et al., (2001) assert that RQ is a higher-order construct consisting of several distinct, although related dimensions. Several conceptualisations of the dimensionality of RQ exist; however, there is general agreement that satisfaction, trust and commitment are important (Crosby et al., 1990; De Wulf et al., 2001; Dorsch et al., 1998; Hennig-Thurau and Klee, 1997; Roberts et al., 2003). In other words, a quality relationship is defined in terms of high levels of satisfaction, trust and commitment (De Wulf et al., 2001). Relationship-satisfaction is an overall affective based measure and is viewed as a cumulative effect over the course of the relationship; as opposed to specific to each transaction (Anderson et al., 1997; De Wulf et al., 2001). Relationship-trust is defined as a consumer's confidence in a service provider's reliability and integrity and has similarities with the concept of trustworthiness (De Wulf et al., 2001; Morgan and Hunt, 1994). Relationship-commitment is conceptualised as the consumer's enduring desire to continue a relationship with a service provider because of a liking or positive attitude, accompanied by this consumer's willingness to make efforts at maintaining the relationship (De Wulf et al., 2001; Morgan and Hunt, 1994).

Antecedents to Relationship Quality

The link between employee behaviours and consumer behaviour has long been recognised in services marketing research (see for example Zeithaml et al., 1996; Bienstock et al., 2003). Employee behaviours such as organisational citizenship behaviour (Bienstock et al., 2003), prosocial service behaviour (Bettencourt and Brown, 1997), customer orientation (Bettencourt and Brown, 2003) and SO (Lytle, Hom, and Mokwa, 1998; Kelley, 1992) have all been linked to positive evaluations of the service encounter. It is likely (given the association between employee behaviours and consumers' evaluations of service encounters) that similar behaviours will also impact RQ. Despite some research examining antecedents to RQ; such as; relationship investment (De Wulf et al., 2001), relational selling behaviour (Crosby et al., 1990), and customer orientation (Wray et al., 1994), further research in this area is necessary (Roberts et al., 2003).

As an extension of previous studies, this research examines the impact of SO on RQ. SO captures customers' perception of the organisation's service related policies and practices, and has its conceptual grounding in the notion of organisational climate (Schneider and Bowen, 1985). SO is described as the organisation's "climate for service" (Kelley, 1992), and exists when the organisation's policies and practices are directed towards the delivery of exceptional customer service (Lytle et al., 1998). The consumer's perception of the firm's SO will be dependent on how they perceive the attitudes and behaviours of the service employees that they come into contact with during the service experience. This in turn, influences their

evaluation of the experience. It is important to note at this junction, that SO is not a measure of service provider personality or "service mindedness" (cf. Hogan, Hogan, and Busch, 1984; Hurley, 1998). Such personality traits of the service workers are conceptualised as customer orientation (Donnovan et al. 2004; Brown et al. 2002). Consequently, if an organisation has a high degree of SO, it will be committed to delivering excellent service and customers will perceive higher levels of RQ towards the firm. Therefore it is proposed that;

H_1: A higher perceived level of SO leads to a higher level of RQ.

Outcomes of Relationship Quality

Two key RM outcomes are identified in the literature; customer loyalty and positive word of mouth (WOM) communications (Hennig-Thurau et al., 2002). Consistent with other work in this area (Hennig-Thurau et al., 2002), we conceptualise customer loyalty as repeat purchase behaviour. To differentiate this from conceptualisations of loyalty that include both a behavioural and attitudinal dimension, we will refer to behavioural loyalty in this study. Consumers who perceive that they have a high quality relationship with their service provider are likely to demonstrate behavioural loyalty to the organisation (De Wulf et al., 2001). High levels of RQ are also likely to result in other positive behaviours towards the organisation such as positive WOM (Reichheld, 1996; Roberts et al., 2003). In this current study these positive behaviours (positive behavioural loyalty and WOM) are grouped together and are termed positive behavioural intentions. It makes sense to presume that if the consumer values the relationship they have with their service provider, that is, they are satisfied with the service, they trust the provider and they are committed to the provider, they are more likely to display positive behaviour toward the provider. Therefore, it is hypothesised that a higher level of RQ will result in a higher level of positive behavioural intentions.

H_2: A higher level of RQ leads to a higher level of positive behavioural intentions.

In addition to these positive behaviours, customers who are committed to a relationship with an organisation are less likely to become *activists* against the company (Hoyer and MacInnis, 1997). Activism in this context involves negative behaviours towards the firm, including complaining to other customers and complaining to external agencies (p 285). Therefore it is hypothesised:

H_3: A higher level of RQ leads to a lower activism against the company.

Previous research has identified that customers' satisfaction with services increases the perceived costs of switching suppliers and consequently consumer loyalty (Patterson and Smith, 2003). We also predict (given the association between RQ and consumers' evaluations of service encounters), that if a consumer has a higher level of RQ they are likely to experiences increased switching costs, and so are less likely to seek alternative suppliers. These switching costs reduce the likelihood that the consumer will end the relationship (Morgan and Hunt, 1994) and can be categorised as continuity costs, set-up costs, and sunk costs. (Patterson and Smith, 2003). Furthermore, these costs may be real or perceived, economic or psychological costs (Gundlach et al., 1995). We hypothesise therefore, that perceptions of RQ will influence perceptions of switching costs:

H_4: A higher level of RQ leads to a higher level of perceived switching costs.

We also predict that switching costs will impact consumer activism. If customers perceive high barriers to switching service provider they are unlikely to become activists against their service provider, and are more likely to accept their current situation (East et al., 2001). Therefore it is hypothesised that:

> H_5: A higher level of perceived switching costs leads to a lower level of consumer activism against the firm.

Figure 1. Structural Model
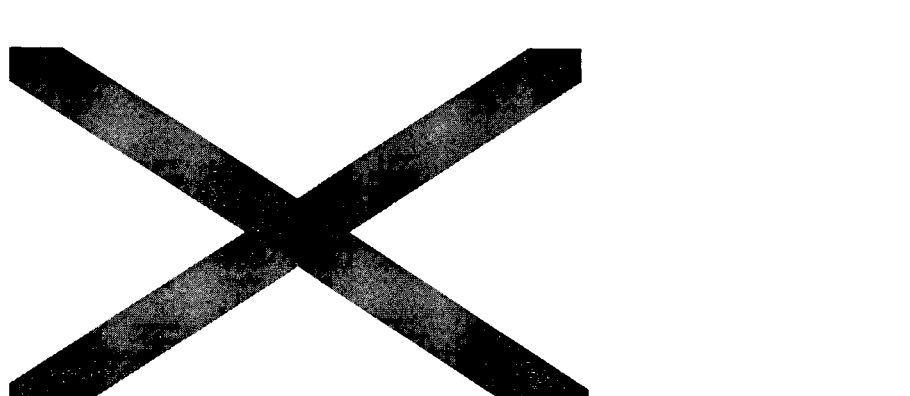
Research methodology

The study was a self complete questionnaire, administered to business and leisure travellers on a cross channel ferry, and collected from pre-specified pick up points. The sample consisted of passengers chosen using a customer intercept while they were on board the ferry. Passengers were asked if they would complete the questionnaire during their voyage. In total 808 questionnaires were administered and 728 usable responses were received. This corresponded to an effective response rate of 90%. All of the constructs in this study were measured using adaptations of existing marketing and psychology scales (SO: Lytle et al. 1998; relationship commitment: Ganesan 1994, Garbarino and Johnson 1999, Morgan and Hunt 1994; switching costs: Barnes, 1997, Gundlach et al. 1995, Morgan and Hunt, 1994; relationship satisfaction: Ganesan 1994; consumer activism, positive behavioural intentions and relationship trust: Roberts et al. 2003). With the exception of relationship satisfaction, all scales utilised a seven point response options anchored at strongly agree and strongly disagree. Relationship Satisfaction was measured using a five point semantic differential scale, as recommended by Yi (1990).

Results

Confirmatory factor analysis was conducted to evaluate the scales for their internal consistency in this context. Coefficient _ and Composite Reliabilities (Appendix 1) all exceeded minimum recommended values (Nunnally, 1978; Bagozzi, Yi and Phillips, 1991; Hair et al., 1998), and discriminant and convergent validity were met according to the criteria outlined by Fornell and Larcker (1981). All of the items measuring these constructs have significant t-values (>1.96), suggesting that they adequately represent the constructs that they purport to measure (Anderson and Gerbing, 1988). A higher-order factor model of RQ (relationship satisfaction, --trust and --commitment) was estimated in LISREL 8.54 following the method of De Wulf et al. (2001). Whilst the overall χ^2 of the model is significant, ($\chi^2_{(41)}$ =

100.27, $p<0.0$), χ^2 is sensitive to sample size (Hair et al 1998) and consequently other fit statistics are also commonly cited when estimating model fit. These suggest that the model fitted the data acceptably; GFI = 0.97, CFI = 0.99, SRMR = 0.03. The model also met the criteria for convergent validity, suggesting the higher-order construct was a suitable measure for RQ (De Wulf et al., 2001). Next a measurement model with the five constructs of interest was estimated (i.e. SO, RQ, positive behavioural intentions, switching costs and consumer activism). This model also produced acceptable fit measures ($\chi^2_{(94)}$ = 315.26, $p<0.0$ (as might be expected given this test statistic's sensitivity to sample size),GFI = 0.94, CFI = 0.98, SRMR = 0.05).

Finally, a model examining the structural relationships between the five constructs was tested (Fig. 1). The fit statistics for this model were good: ($\chi^2_{(99)}$ = 329.75, $p=0.0$ (again, as might be expected from this test statistic's sensitivity to sample size), GFI = 0.94, CFI = 0.98, SRMR = 0.05). The structural model suggests that the relationship between SO and RQ (H_1) is positive and significant (_=0.76, t = 17.44). As predicted in H_2 the relationship between RQ and positive behavioural intentions is positive and significant (_=0.78, t = 19.61). The relationship between RQ and consumer activism is also supported, suggesting that higher levels of RQ lead to lower levels of consumer activism (H_3) (_=-0.23, t = -4.02). Additionally, as hypothesised, the relationship between RQ and switching costs is positive (H_4). Higher levels of RQ lead to higher levels of perceived switching costs (_=0.47, t = 9.62). Finally, the hypothesised relationship between switching costs and consumer activism is significant, i.e. higher levels of perceived switching costs leader to lower levels of activism (H_5) (_=-0.15, t = -2.60). The proposed model accounts for 55% of the variance in RQ, 63% for positive behavioural intentions, 23% for switching costs and 11% for consumer activism.

Discussion and Summary

This research addresses the call for additional investigation into the antecedents of RQ (Roberts et al., 2003), and also examines some of the consequences of high quality relationships for the firm. We show that SO does, indeed, act to increase consumers' perceptions of RQ. Our results indicate that consumers' perceptions of the level of SO that organisations demonstrate have a positive impact on their likelihood to evaluate their relationship with the organisation favourably. This implies that service organisations should manage their customer interface to ensure that such perceptions are facilitated. This will include adopting policies and practices that are directed at allowing front line staff to deliver exceptional service to customers. Such policies may include empowering employees (Thomas, 1998), training them (Jones and Sasser, 1996) and implementing internal marketing to motivate them to deliver service excellence (Grönroos, 1985).

Furthermore this research adds support to previous studies examining the benefits of high quality relationships with customers. Specifically we find that RQ is positively associated with positive behavioural outcomes and with customers' perceptions of switching costs. This suggests that customers who trust that the organisation is trying to satisfy them are more likely to continue to patronise the firm than those customers who do not; they are also more likely to perceive the risk associated with switching to a competing provider as being higher. These customers are reluctant to leave service providers with whom they have established high quality relationships as they risk dissatisfaction and potentially lower levels of RQ with an unknown service provider.

High quality relationships with the firm, and associated perceptions of the cost of switching to a competitor, also result in reduced customer activism (negative behaviours towards the firm, including complaining to other customers and complaining to external agencies (Hoyer and MacInnis, 1997 p 285). This would imply that building high quality relationships also reduces the levels of negative word of mouth within the market, as consumers are reluctant to engage in activities to damage their interest in the firm. This finding is particularly important as the impact of word of mouth communications, especially negative communications in the marketplace is often large and hidden to many organisations, and reducing consumer activism is an important goal for all organisations.

Further replications of this work are necessary to examine the stability of these results in other service contexts. The use of dyadic data should also be considered for replicating this work. Data about employee behaviour (SO) could be collected directly from front line staff and linked to data collected from service customers regarding their attitudes and behavioural intentions.

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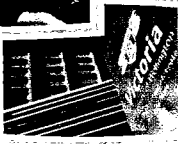
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