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THE MANAGEMENT OF CUSTOMER RELATIONSHIPS IN THE RETAIL INDUSTRY

A thesis submitted in fulfilment
of the requirement for the degree of
DOCTOR OF PHILOSOPHY

by

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ABSTRACT

While relationship building and management, or what has been labelled *relationship marketing* is an old idea, it is also a new focus at the forefront of services marketing/management practice and academic research. The impetus for its development has come from the globalisation of business, technological advances, shorter product life cycles, and the evolving recognition of the importance of customer retention and customer relationship economics. Despite the blossoming of relationship marketing, the creation of a conceptual framework for understanding its properties and studying its possibilities is still underdeveloped.

This thesis investigates the antecedents and consequences of relationship strength in the retail industry. Based on the literature, a conceptual model is proposed that provides a framework for firm-controlled antecedent conditions such as the level of service quality and customer satisfaction provided as well as the use of relational bonds and relational contact, and tests their impact on customer trust and commitment. This model then seeks to explore, from a customer's perspective, the influence of customer trust and commitment on relationship strength, as well as attitudinal outcomes such as perceived relationship quality and behavioural outcomes such as customer loyalty.

Ten research hypotheses were formulated to examine the relationships proposed in the conceptual model. In order to test these hypotheses, a mall intercept survey of 1,261 shoppers was conducted in a chain departmental store setting in Victoria, Australia. The survey findings were analysed using multivariate statistics (SPSS 10.0) and structural equation modelling (LISREL VIII). Coefficient alpha, composite reliability, exploratory factor analysis, confirmatory factor analysis, and correlation analysis were used to determine the reliability and validity of the survey constructs. The statistical procedures used to analyse the data for the purposes of addressing the hypotheses of this study include correlational analysis, regression analysis, and structural equation modelling and path analysis. Analysis of the research model provided support for all the ten constituent hypotheses. Given that the model exhibited a good fit to the data, strong evidence of the robustness and generalisability of the model in an Australian chain departmental store setting was established.

To further validate the survey findings, three customer focus groups ($N = 18$) were conducted. The results of the customer focus groups were transcribed and content analysed, and the reliability of the findings was established, given the high inter-rater reliability figure of .98. Based on the quantitative and qualitative findings, the research model was extended with the inclusion of four new constructs, namely firm image, perceived switching costs, perceived value, and perceived risk.

Consequently, the extended research model, along with several implementation guidelines, was presented to a focus group session consisting of senior retail managers ($N = 8$). The results of the managerial focus group were transcribed and content analysed, and the reliability of the findings was established, given an inter-rater reliability figure of .99. Incorporating the relevant feedback and comments from these managers, a final set of implementation guidelines was developed.

The results of this study make a number of important academic implications, methodological contributions, and managerial applications. This study provides a holistic framework which emphasises those elements of a customer-contact employee relationship that are particularly important in determining a high level of trust and commitment that the customer feels towards the service provider or the service firm. The results also identify the various dimensions of service quality which govern the establishment and maintenance of relationship strength between customers and contact employees in a consumer service setting.

The implications of these results are that retailers should recruit contact employees whose skills and expertise are aligned with the important contributors of relationship strength. To the extent that this is not possible, training whereby employees are exposed to detailed descriptions of the ways their customers perceive high quality service encounters could help bridge the gap. To this end, retailers should also examine carefully what they are asking of their employees and how employee rewards are structured to see whether these are in line with customers' needs and goals.

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DECLARATION

This thesis contains no material that has been accepted for the award of any other degree of diploma in any university or other institution, and to the best of my knowledge, contains no material previously published or written by another person, except where due reference is made in the text of this thesis.

Signed:_____
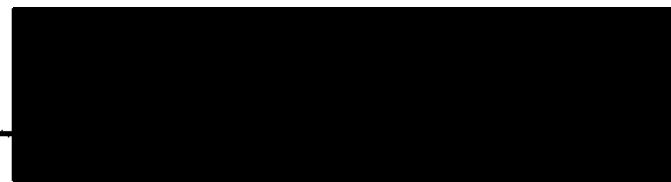
PUBLICATIONS

The following publications are based upon research presented in this thesis, and may contain results and material presented herein.

Wong, A. and Sohal, A. (2002). An examination of the relationship between trust, commitment and relationship quality, *The International Journal of Retail and Distribution Management,* 30 (1), p. 34-50.

Wong, A. and Sohal, A. (2002). Evaluating service encounters from the customers' perspectives: The effect of service quality on overall relationship quality, *Proceedings of the Sixth International Research Conference on Quality, Innovation & Knowledge Management*, 18-20 February, Sunway Lagoon Hotel, Kuala Lumpur.

Wong, A. and Sohal, A. (2001). Evaluating service encounters from the customers' perspectives: The effect of service quality on overall relationship quality, *Working Paper Series*, Department of Management, Monash University, Victoria.

Wong, A. and Sohal, A. (2001). On service quality, service quality dimensions and customer loyalty, *Working Paper Series*, Department of Management, Monash University, Victoria.

Wong, A. and Sohal, A. (2001). Customer-salesperson relationships: The effects of trust and commitment on relationship quality, *Working Paper Series*, Department of Management, Monash University, Victoria.

Wong, A. (2000). The management of customer relationships in the service industry, *The International Journal of Customer Relationship Management*, 3 (1), p. 77-94.

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Wong, A. and Sohal, A. (2000). Customer-salesperson relationships: The effects of trust and commitment on relationship quality, *Proceedings of the Annual Conference of the Australia and New Zealand Academy of Management*, 3-6 December, Macquarie Graduate School of Management, Sydney.

Wong, A. (2000). The antecedents and consequences of relationship strength in the service industry: A conceptual model of relationship strength, *Proceedings of the Australian Services Research Workshop*, 16-18 February, Faculty of Business and Economics, Department of Marketing, Monash University, Victoria, p. 52-53.

Wong, A. (2000). The management of customer relationships in the hospitality industry, *Proceedings of the Council for Australian University Tourism and Hospitality Education (CAUTHE)*, 2-5 February, Tourism and Hospitality Research, La Trobe University, Mt Buller, Victoria.

Wong, A. (2000). The role of relationship strength in the formation of the customer-contact employee relationship, *Working Paper Series*, Department of Management, Monash University, Victoria.

Wong, A. (1999). The antecedents and consequences of relationship strength in the service industry, *Proceedings of the Annual Conference of the Australia and New Zealand Academy of Management*, 1-4 December, Wrest Point Casino, Hobart, Tasmania.

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This thesis is dedicated with deepest love and gratitude to my parents,

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for instilling in me the determination and strength to believe in my dreams,

and for making them a reality.
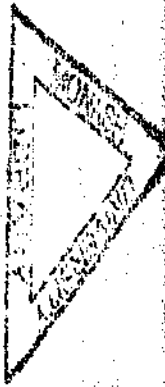
CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 Context Of the Research

In the recent years, customer relationships have received considerable attention from both academics and practitioners (Berry, 1995; Gwinner, Gremler, & Bitner, 1998; Palmer, 2002; Reynolds & Beatty, 1999a). The popularity of relationship marketing stems, in part, from the assumption that building customer relationships will lead to increased profits for the organisation in the form of customer satisfaction, loyalty, word-of-mouth, and increased purchases. A key goal in relationship marketing theory is the identification of key drivers that influence important outcomes for the firm and a better understanding of the causal relationships between these drivers and outcomes (Hennig-Thurau, Gwinner, & Gremler, 2002). In the current literature, several different approaches have been used to identify these variables and to study their impact on relational outcomes. Researchers in the area have addressed topics such as how companies benefit from building long-term relationships (Parasuraman, Berry, & Zeithaml, 1991a); customer motivations for maintaining relationships (Bendapudi & Berry, 1997; Sheth & Parvatiyar, 1995); the role of relational bonds in the development of customer relationships (Smith, 1998), and the relational benefits customers receive from service relationships (Gwinner et al., 1998).

However, according to some authors, studies on relationship marketing in consumer markets are still lacking (Reynolds & Beatty, 1999a; Sheth & Parvatiyar, 1995). In instances where research has been conducted in consumer markets, they focused mainly on generic issues, and there has been little concentration on areas that are influenced by the nature of the industry or transaction concerned (Pressey & Mathews, 2000). Besides, to date, none of the studies conducted in the relationship marketing area have explored the dimensions of service quality and their impact on relationship strength (Jackson, 1994). In addition, there is a lack of studies that examine the various aspects of service that are vital to customer retention (Zeithaml, 2000). Moreover, the different outcomes of relationship strength are left largely unexplored in the relationship marketing literature. Furthermore, there is a lack of studies that explore the impact of factors such as trust, commitment,

deliberation, etc. on customer loyalty in extended service settings (de Ruyter & Bloemer, 1999). Finally, there is little empirical work investigating customer relationship economics, that is the link between attitudinal measures (i.e., service quality, customer satisfaction) and behavioural measures (i.e., customer loyalty, word-of-mouth behaviour, and long term customer relationship profitability) (Storbacka, Strandvik, & Grönroos, 1994). The verification of this linkage is essential, as the theory of reasoned action asserts that attitudes lead to intentions, which lead to actual behaviours (Ajzen & Fishbein, 1980). Moreover, the actual acts by customers inevitably influence the firm's performance and long-term profitability (Storbacka et al., 1994).

Given the preceding discussion, a key challenge for researchers is to identify and understand how managerially controlled antecedent variables (e.g., levels of service quality and customer satisfaction delivered) can influence the nature and degree of important relationship marketing outcomes (e.g., overall relationship quality and customer loyalty behaviours) (Hennig-Thurau et al., 2002). Consequently, this leads to the broad research question: *What are the antecedents and consequences of relationship strength in the service industry?*

1.2 Overview Of the Research

1.2.1   A Relationship Marketing Perspective

Relationship marketing - the establishment and management of long-term marketing relationships - has profoundly influenced marketing and management theory and practice. Researchers in the area acclaim relationship marketing as a paradigm shift and remark upon its effect in changing the rules of competition in the marketplace (Grönroos, 1990b; Gummesson, 2002; Sheth & Parvatiyar, 1995; 2002). This has led to the paradox where considerable research has been conducted on service, consumer, channel, partner, and business-to-business relationships. Despite this, relationship marketing is still considered to be in the very early stages of its development (Sheth & Parvatiyar, 1995; 2002).

Reflective of its early development, research in relationship marketing has been overwhelmed by a variety of conceptual and methodological issues (Smith, 1998). In

addition, there is little agreement on the definition of concepts, how they should be operationalised, or what labels should be attached to them (Wilson, 1995). This has led to an overlapping of the meanings of many of the concepts deployed in the relationship marketing literature.

The first author to use the term relationship marketing was Berry (1983), who conceptualised the concept as a firm's efforts to attract, maintain, and enhance relationships with its customers. Grönroos (1990b) extends beyond this initial conceptualisation by stating that relationship marketing is to establish, maintain, enhance, and commercialise customer relationships (often but not necessarily always long term relationships) so that the objectives of the parties involved are met. This is done by a mutual exchange and fulfilment of promises (p. 5). Similarly, Shani and Chalasani (1992) define relationship marketing as an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualised, and value-added contacts over a long period of time (p.44). Adopting a broader view, relationship marketing may be used to describe a plethora of marketing relationships, such as those between a firm and its buyers, suppliers, employees, and regulators (Morgan & Hunt, 1994).

Although the above definitions differ somewhat, all of them indicate that relationship marketing focuses on the individual customer-seller relationship, that both parties benefit, and that the relationship is longitudinal in nature. Furthermore, the definitions imply that the focus of relationship marketing is on retaining customers. The benefits of relationship marketing come from a continuing patronage of loyal customers who display decreased price sensitivity over time, a concomitant reduction of marketing costs, and partnership actions on the part of those customers (Peppers & Rogers, 1995). Loyal customers are less likely to switch to a competitor solely because of price, and loyal customers tend to offer strong word-of-mouth, make business referrals, as well as provide references and publicity (Bowen & Shoemaker, 1998). The combination of these attributes of loyal customers means that a small increase in loyal customers can result in a substantial increase in profitability. To reinforce this view, a study conducted in nine service industry groups found that a 5% increase in customer retention could result in a 25% to 125% increase in profits (Reicheld & Sasser, 1990).

Despite the above benefits, not all the customers of a service firm will have or even desire long-term relationships with it or its contact employees (Bendapudi & Berry, 1997). There seems to be an inherent assumption that a relationship can be formed with any customer, in any situation, and this often leads to attempts to form relationships in situations where a genuine relationship cannot be formed because customers do not want one or because the circumstances surrounding the firm's interaction with its customers are not conducive (Barnes, 1997). If the concept is applied too broadly or where it is misapplied, resources may be wasted in a futile attempt to form relationships. In addition, the types of relationships that customers seek vary across service providers, and even across different service segments. Consequently, the challenge to effective customer relationship management is to identify those circumstances that are most conducive to the establishment of positive relationships into which the customer enters willingly and remains because he or she perceives some obvious special benefit.

1.2.2   Relationship Marketing in the Retail Industry

Relationship marketing within a retail context can refer to relationships the customer has with the firm, specific branches, stores, departments, or with individual sales associates (Beatty, Mayer, Coleman, Reynolds, & Lee, 1996). Within the retail context, the term *relationship selling* has been applied to customer-retail sales associates relationships, differentiating these relationships from the broader relationship marketing concept (Beatty et al., 1996; Peterson & Lucas, 2001), and further offering insight into the norms and expectations of the customer-salesperson dyad (Peterson & Lucas, 2001). In this instance, relationship selling entails ongoing one-on-one customer-retail sales associate relationships in a service environment in which personalised service is highly desired by the customer. Subsequently, the sales associates are the fundamental link operationalising policy through their every day interactions with customers (Boles, Babin, Brashear, & Brooks, 2001).

In order to effectively investigate the management of customer relationships within the retail context, it is vital to explore the meaning of the concept of retailing. Historical definitions of the term "retail" focus on retail as the act of selling goods and services to the end consumer or those on behalf of the end consumer, by meeting the consumer's small quantity needs (Mason, Mayer, & Wilkinson, 1993; McGoldrick, 1999). In addition,

retailing also refers to all activities in the sale of goods and services to the ultimate consumer; the intermediary process between the manufacturer and the end consumer; and a structure of retail organisations that supply goods and services to the end consumer (Mason et al., 1993). Adopting a more holistic view, Davies (1993, p. 6) defines retailing as the management of all the retailer's resources in meeting the product and service needs of consumers.

1.3 Aim Of the Research

The purpose of this study is to examine the formation of customer relationships in service organisations. For purposes of this study, relationship strength is defined as the extent, degree, or magnitude of relationship which is governed by the amount of trust and the level of commitment the customer feels towards the individual service provider (Bove & Johnson, 1999; Shemwell & Cronin, 1995). Specifically, the focus of the study is: (1) to develop a model of relationship strength, based on both qualitative research and a review of the literature; (2) to subsequently test the proposed model in a cross-sectional survey of actual customers from a chain departmental store; (3) to further validate the survey findings through the conduct of focus group interviews with customers of the chain departmental store; (4) to develop a revised model of relationship strength based on the quantitative and qualitative findings, and (5) to derive a set of guidelines for implementing the model, based on relevant feedback and comments from a group of retail managers.

The research model includes both factors leading to relationship strength as well as consequences of relationship strength. As most research in the area of customer relationships has focused on defining and measuring relationship constructs, this study extends current knowledge by examining the antecedents and consequences of relationship strength in the service industry.

The focal variable of this study is on the formation of the customer-contact employee relationship *as perceived by the customer*. On one hand, customers usually rely on visible cues in their evaluation of the service experience, such as interactions with the organisation's contact-employee. These "moments of truth" (i.e., the intensely personal experiences that occur when a customer deals with an organisation) (Carlzon, 1987) are critical because they exemplify the firm and its service to customers. Hence, customer

contact employees are the face of the firm for the customer, and any interaction between the two is part of the service, and is therefore likely to affect any service delivery outcomes, consequently, repeat business, and firm performance (Sergeant & Frenkel, 2000).

However, although customer-oriented employees have been identified as critical to long-term relationship development (Dunlap, Dotson, & Chambers, 1988), this concept has not received much attention (Beatty et al., 1996). On the other hand, customers' perceptions should be a critical component in the relationship formation process for several reasons. Firstly, customers are in a unique position to evaluate contact-employees, as contact-employees are responsible for satisfying their needs and expectations. Also, customers are the best source of information on interaction dimensions such as the ability to provide service quality, as well as gain trust and commitment. Finally, with the increasing emphasis on the development of strong customer relationships, the role of the contact employee as a critical resource has become more important than in the past (Bendapudi & Berry, 1997; Sergeant & Frenkel, 2000), as relationships are highly dependent on the actions of contact employees (Beatty et al., 1996). Therefore, by selecting relationship strength as the focal variable of this study, the scope of this study is narrowed to those service settings in which relationship marketing is appropriate and the contact employee assumes the key implementation role in creating and maintaining close relationships with customers.

Subsequently, the Relationship Strength Model is deemed suitable to be tested in the retail industry, which is characterised by slow growth and intense competition in the recent years (Sirohi, McLaughlin, & Wittink, 1998). This led to the need for retailers to focus on relationship marketing strategies related to retaining the right customers in the long term. Although some retailers are implementing relationship marketing programs from which they hope to gain advantages of close, committed relationships with customers (deLisser, 1994), there is still a lack of information available to them about how to design or implement profitable relationship programs, and also, which factors or variables to focus on in order to bring about long-term customer retention. Hence, to fully understand the effectiveness of customer retention, it is essential to explore the impact of the service provider on the establishment and maintenance of customer relationships *from the customer's perspective*.

1.4 Research Question

Given the current knowledge of customer relationships, one particular research question warrants further attention, and this is addressed in this study:

What are the antecedents and consequences of relationship strength in the service industry?

A significant gap exists in the literature in explaining the role of relationship strength in the formation of long-term customer relationships. This study identifies the role factors such as service quality, customer satisfaction, trust, commitment, and relational contact play in the development of relationship strength. In addition, the attitudinal and behavioural consequences of relationship strength are examined.

1.5 Research Hypotheses

With reference to the above question, corresponding research hypotheses for this study are:

H1   Perceived service quality is positively correlated with relationship strength

H2   Perceived service quality is positively correlated with customer satisfaction

H3   Customer satisfaction is positively correlated with customer loyalty

H4   Relationship strength is positively correlated with customer loyalty

H5   Perceived service quality is positively correlated with trust between the exchange partners

H6   Trust between the exchange partners is positively correlated with commitment

H7   Commitment is positively correlated with relationship strength

H8a   The intensity of relational contact is positively correlated with relationship strength

H8b   The frequency of relational contact is positively correlated with relationship strength

H9   Relationship strength is positively correlated with overall perceived relationship quality

H10   Overall perceived relationship quality is positively correlated with customer loyalty

1.6 Research Methods

1.6.1   Data Collection

One major part of this thesis is to develop a conceptual relationship strength framework. In order to attain this, a review of extant literature was combined with qualitative research. In particular, the study begins by exploratory fieldwork that includes soliciting the assistance of managers from a retail chain. In-depth, on-site discussions of about 30 minutes were conducted with two managers from the retail chain. At the meetings, a draft questionnaire generated from the literature review was shown to the managers, encouraging them to identify unclear items, comment on the importance of research issues, and suggest any relevant changes. In addition, the managers were asked to comment on the length, format, and readability of the questionnaire. These interviews were used (1) to provide additional support for the theory that exists relating to various constructs of relationship strength, and (2) to identify other possible factors influencing relationship strength that may not have been included in previous research.

Based on the managers' feedback and comments, any relevant modifications were incorporated into a new questionnaire and pretested on a sample of fellow researchers and academic staff in the Faculty of Business and Economics at Monash University ($n = 10$). Taking into consideration the feedback from these respondents, both the model and questionnaire were further refined. Following, the questionnaire was pilot tested using the mall intercept technique on the actual sample ($n = 100$) at a retail store. For the final quantitative phase of the study, 1,261 questionnaires were administered at eight different outlets of a large chain departmental store in Victoria, Australia. Consequently, shoppers were also given the choice to take away the questionnaire and complete it in their own leisure time and space. To facilitate the return of questionnaires, shoppers who chose the latter option were given a reply paid, university-addressed return envelope, so that the respondents incurred no additional costs.

In addition, shoppers were asked whether they would like to participate in the second phase of the study, which involved the conduct of qualitative customer focus group interviews at a location convenient to them. Out of the 134 shoppers who volunteered to partake in the study, 18 participated in the focus group sessions. Three focus group

sessions were conducted, one afternoon session in the city area ($n = 6$), another afternoon session in the country area ($n = 8$), and a final evening session in the city area ($n = 4$). Based on both the quantitative and qualitative findings, the research model was refined and several implementation guidelines for adopting the model were developed. Subsequently, these guidelines were presented to a focus group of retail managers ($N = 8$) and relevant feedback and comments from these managers were further incorporated into a final set of implementation guidelines.

1.6.2   Use of Actual Consumers

Active shoppers close to the final purchase decision are ideal participants for research examining the cues that affect consumer pre-purchase perceptions and eventually, purchase behaviour, as this closeness should provide more reliable responses (Sweeney, Soutar, & Johnson, 1999). Furthermore, as this study focuses on the actual formation process of customer relationships, surveying real shoppers would produce a more vigorous and valid result.

1.7 Research Steps

The research study was designed and structured into nine steps as follows:

Step 1: Literature Review, Preliminaries, and Research Protocol

In the first step, a review of the existing literature on relationship marketing/management was conducted to provide an understanding of the current knowledge in the field and also to identify the concepts and variables useful for building a theoretical foundation for the research. An unexplored area of research significant to the advancement of knowledge in this area was identified, while the focal theory (Phillips & Pugh, 1994) underlying the research was defined.

Step 2: Identification of Research Domain

Based on the literature review, a conceptual research model was developed to examine the existing gaps in knowledge in the area. Ten research hypotheses were developed to complement and test the construction of the conceptual model.

Step 3: Development of Research Instrument

In addition to defining the parameters of the research study, the literature review also provided a spectrum of analytical tools and existing measurement scales for research variables. These scales were used in the formulation of the questionnaire.

Step 4: Qualitative Interviews

This step aimed at identifying specific variables of relationship marketing not covered by the literature. A sampling frame was identified, and qualitative interviews were scheduled for questionnaire development and validation. Consequently, in-depth interviews were conducted with two store managers of a retail chain to clarify the variables identified in the model, to ensure applicability of the data for industry practitioners, as well as to identify any variables that may have been previously overlooked. Data collected from these in-depth interviews were incorporated into a final questionnaire and pretested on a sample of fellow researchers and academic staff in the Faculty of Business and Economics at Monash University ($n = 10$). Based on the feedback from these respondents, both the model and questionnaire were further refined. This ensured that the content validity of the research instrument is met.

Step 5: Quantitative Field Research

Once refined, the questionnaire was administered to a pilot sample of 100 respondents, and later to the main sample ($N = 1,261$).

Step 6: Data Analysis

The data collected from the sample were coded, entered, and analysed. This forms the basis of the data theory for this research (Phillips & Pugh, 1994). In addition, validity and reliability issues were considered.

Step 7: Theoretical Model Development – Qualitative Field Research

Conclusions were drawn from the results and an operational model of the concepts was derived. The feasibility of this model was discussed through focus group interviews with customers ($N = 18$), whereby common themes that emerged from the interviews were determined from looking for similar phrases or key words in responses to similar questions. These common themes were then discussed in relation to the proposed research model.

Step 8: Derive Implementation Guidelines

Based on the findings of the quantitative and qualitative field research, the research model was refined. Several implementation guidelines for adopting the model were developed. Subsequently, these guidelines were presented to a focus group of retail store managers ($N = 8$). Following, relevant feedback and comments from these managers were further incorporated into a final set of implementation guidelines.

Step 9: Final Thesis Preparation

Finally, the results and findings of this research study were written up in a formal thesis report. The significance of the findings in the academic field of study, the methodological contribution, the implications for managers, and any recommendations for future research were included in this thesis report. An outline of the research steps is displayed in Figure 1.1.

Review of Literature		STEP 1
↓		
Identify Key Concepts and Variables		
↓		
Develop Research Model and Hypotheses		STEP 2
↓		
Identify Measurement Scales		STEP 3
↓		
Develop Questionnaire and Interview Schedule		STEP 4
↓		
Qualitative Interviews Pretest Questionnaires		
↓		
Revise Questionnaire		
↓		
Pilot Study ($n = 100$) Main Study ($N = 1,261$)		STEP 5
↓		
Data Screening Data Analysis and Interpretation		STEP 6
↓		
Develop Initial Theoretical Model		STEP 7
↓		
Customer Focus Group Interviews ($N = 18$)		
↓		
Derive Implementation Guidelines Managerial Focus Group Interviews ($N = 8$)		STEP 8
↓		
Final Report		STEP 9

<u>Figure 1.1.</u> Research Steps

1.8 Justification for the Research

This study significantly adds to the areas of theoretical contributions, methodological contributions, and managerial implications. These areas are discussed in the following paragraphs.

1.8.1   Theoretical Contributions of the Research

The exploration of the antecedents and consequences of relationship strength in the service industry fills the current disparity and consequent gap in knowledge. The proposed Relationship Strength Model emphasises those elements of a customer-contact employee relationship that are particularly important in determining a high level of trust and commitment that the customer feels towards the service provider or the service firm. To date, there are no empirical studies which examine the strength of customer relationships with service employees or service organisations, and the impact on customer loyalty towards the organisation. In addition, there are no empirical studies that investigate the various dimensions of service quality which govern the establishment and maintenance of relationship strength between customers and contact employees in a consumer service setting.

There are several conceptual studies which detailed the formation of customer relationships in the service industry (Barnes, 1994; Bendapudi & Berry, 1997; Berry, 1995; Hocutt, 1998; Liljander & Strandvik, 1995) as well as focused on buyer-seller or supplier-retailer relationships in industrial market settings (Anderson & Weitz, 1989; Ford, 1980; Lyons, Krachenberg, & Henke, 1990; Wilson & Mummalaneni, 1986). However, most of these studies on relationships have been conducted in contexts other than retailing (Beatty et al., 1996). Therefore, this empirical study may identify circumstances that are most conducive to the establishment of strong and long-term customer relationships in the retail industry. Moreover, this study will also extend the current knowledge of the nature and outcome of relational contact. Finally, this study will verify the linkages between attitudinal measures (i.e., service quality, customer satisfaction) and behavioural measures (i.e., customer loyalty, word-of-mouth behaviour) in the formation of strong customer relationships.

1.8.2 Methodological Contributions of the Research

In many marketing studies, surrogates of actual customer behaviour, such as behavioural intentions or respondents' self-reports of behaviour, are used. As part of the measurement of relationship strength in this study, actual customer behaviour measures are utilised. This information, which includes data such as the length of time the customer has used the service provider, the share of expenditure, and the reasons for purchasing, was collected directly from the customer. Therefore, for purposes of this study, reliance on using behavioural intention as a surrogate for actual behaviour is not a problem.

Furthermore, qualitative research, rather than borrowed theory from other disciplines, is used in model building. In contributing to methodological development, data from a qualitative methodology, the focus group interview, was collected to further develop the Relationship Strength Model.

1.8.3 Managerial Implications of the Research

As this study identifies the antecedents and consequences of relationship strength in the service industry, findings from this study will have practical implications for the management of customer encounters with contact employees, as these findings can contribute to the development of strong customer relationships, some of which are within the control of the organisation. Specifically, the managerial implications discussion in Chapter 9 of the thesis addresses specific strategies managers of service organisations might adopt in order to further develop and maintain long-term customer relationships. Furthermore, this study helps pinpoint the importance of the impact of various dimensions of service quality on relationship strength. Knowledge in this area will allow managers of the service organisations to direct their resources to improving the more important contributors of relationship strength. Hence, managers could recruit contact employees whose skills and expertise are aligned with the important contributors of relationship strength. To the extend that this is not possible, training whereby employees are exposed to detailed descriptions of the ways their customers perceive high quality service encounters could help bridge the gap. To this end, managers should also examine carefully what they are asking of their employees and how employee rewards are structured to see whether these are in line with customers' needs and goals.

Consequently, if the strength of the customer-contact employee relationship is found to impact on customer loyalty positively, managers will have to place particular emphasis on their employee turnover rates and internal transfer policies, as a disruption in the customer-contact employee relationship will have an unfavourable effect on customer loyalty behaviours towards the organisation. In addition, managers would be advised to set up systems for allowing repeat customers to deal with the same employee, or the same group of employees, whenever possible.

To date, the services literature has conflicting opinions on the application of technology in services and its relationship to service quality, customer satisfaction, and productivity. Some authors believe that appropriate applications of information technology may help a service organisation serve its customers more productivity, therefore reducing some of the pressure of high service quality and customer satisfaction (Anderson, Fornell, & Rust, 1997; Quinn, Doorley, & Paquette, 1990; Quinn & Paquette, 1990; Sergeant & Frenkel, 2000). However, Hackett (1990) comments that investment in technology in the service sector does not always result in increased service quality and profitability, as the emphasis on technology is at the expense of employee skills and capabilities. In addition, the replacement of human labour with technology reduces both the continuity and amount of relational contact between service employees and their customers, thereby altering relationships that may have previously existed (Barnes, 1997). Furthermore, it is incumbent upon firms to develop technology-based services that can provide the same high level of service that customers expect from human contact and personal interaction with service providers (Bitner, 2001). Therefore, if this study verifies the positive effect of strong customer relationships on customer loyalty, managers employing automation will be encouraged to find an appropriate level of technology suitable for their service sector, as this enables them to enhance the provision of service quality and customer satisfaction to the particular target group.

Finally, this study will provide some insight into the true worth of goodwill when purchasing an existing service business with high customer contact. If this study confirms that the formation of strong customer relationships actually leads to customer loyalty, then new owners of service businesses have to consider keeping the existing staff, rather than employing new staff. As the loss of service employee may have a detrimental effect on customer loyalty to the service business, the transition in ownership must be made with as

few changes in service personnel as possible, in order not to disrupt any existing customer-contact employee relationships that may be present.

1.9 Overview of the Thesis

This chapter provided the background and justification for the research. Following this chapter, Chapter 2 contains a review and synthesis of past theoretical and empirical research relevant to this study. The purpose of the chapter is to provide the background and historical support for this study. In Chapter 3, the Relationship Strength Model, developed from the relevant literature, is presented along with specific research hypotheses. Chapter 4 describes the methodology used with regard to the empirical segment of the thesis, while Chapter 5 and 6 discuss the quantitative findings and analysis of the study in terms of their support for the Relationship Strength Model. Subsequently, Chapter 7 discusses the customer focus group findings and the common themes that emerged from the interviews, while Chapter 8 discusses the overall findings of both the quantitative and qualitative phase of the study. Additionally, an extended Relationship Strength Model generated from the overall findings is presented along with a set of implementation guidelines derived from the managerial focus group findings. Finally, Chapter 9 outlines a summary of the findings of the study, the theoretical and methodological contributions of the study, the managerial implications of the study, as well as the limitations and future research directions of the study.

1.10 Definitions

The following provides some definitions to some of the more frequent terms used throughout this study.

Service provider: The term service provider encompasses all workers involved in the delivery of goods or services to a customer. Service providers who work in organisations are also known as "service employees", "customer-contact employees", "frontline employees", or "part-time marketers" because they interact directly with customers (Bendapudi & Berry, 1997; Bitner, Booms, & Mohr, 1994; Gummesson, 1994a).

Service quality: Service quality is defined as the degree of discrepancy between customers' normative expectations for the service and their perceptions of the service performance (Parasuraman, Zeithaml, & Berry, 1988).

Customer satisfaction: Customer satisfaction refers to the customer's emotional product/service evaluation of the experiences obtained from usage, consumption, and ownership of the specific good or service (Westbrook, 1981).

Trust: Trust is defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman, Zaltman, & Deshpandé, 1992); as the belief that a partner's word or promise is reliable and a party will fulfil his/her obligations in the relationship (Schurr & Ozanne, 1985); and as a partner's belief that the other partner will perform actions that will result in positive outcomes, as well as not take unexpected actions that would result in negative outcomes (Anderson & Narus, 1984).

Commitment: Commitment is defined as a belief by an exchange partner that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes that the relationship is worth working on to ensure that it endures indefinitely (Morgan & Hunt, 1994).

Relational bonds: Relational bonds are the psychological, emotional, economic, or physical attachments in a relationship that are fostered by association and interaction and serve to bind parties together under relational exchange (McCall, 1970; Turner, 1970).

Relational contact: Relational contact includes the frequency and intensity of personal interactions between the customer and the service provider (Crosby, Evans, & Cowles, 1990; Lagace, Dahlstrom, & Gassenheimer, 1991).

Relationship strength: Relationship strength is defined as the extent, degree, or magnitude of relationship which is governed by the amount of trust and the level of commitment the customer feels towards the individual service provider (Bove & Johnson, 1999; Shemwell & Cronin, 1995).

Relationship quality: Relationship quality refers to a customer's perceptions of how well the whole relationship fulfils the expectations, predictions, goals, and desires the customer has concerning the whole relationship (Jarvelin & Lehtinen, 1996).

Customer Loyalty: Loyalty is determined by a combination of repeat purchase levels (repeat patronage behaviour) and relative attitude (level of attachment) (Dick & Basu, 1994). Premium loyalty, which consists of a high relative attitude and a high repeat patronage, is the most preferred condition of customer loyalty.

1.11   Limitations of the Study

Several general limitations of the study should be noted when interpreting the findings and developing future research to extend its scope. It is acknowledged that cross sectional survey design has limitations with respect to causal inferences and the use of standardised questions limits respondent comments. Also, customers' past behaviours were collected on a self-report basis. In addition, the findings of the study are confined to the chain departmental store sector within the retail industry in Victoria, Australia, and this limits its potential generalisability to other service-oriented industries, both within Australia and overseas. Furthermore, test re-test reliability was not evaluated in the assessment of the measurement scales used in this study. However, reliability and validity issues were addressed through the evaluation of content, convergent, discriminant, nomological, concurrent and predictive validities, as well as internal consistency reliabilities. Finally, the LISREL methodology adopted in this study may be construed as a limitation due to some inherent problems with LISREL analysis such as the sensitive nature of the Chi-square test (Kelloway, 1998).

1.12   Delimitations of Scope and Key Assumptions

This study is limited to a manageable number of factors for investigation, and it is stressed that the Relationship Strength Model is not designed to include all possible influences on the formation of the customer-contact employee relationship. The consideration is limited to the identified variables simply because the focus of the investigation is on the composite set of links between customer's perceptions of service quality, customer

satisfaction, trust, commitment, relational contact, relationship strength, relationship quality, and customer loyalty. However, it is recognised that there are a number of other factors that can impact on relationship strength. Other potential factors that would add valuable contribution to relationship strength include the physical surroundings or atmosphere of the environment, the role of other customers in the relationship development process, the internal service quality and service culture of the organisation, as well as the gender and demographic makeup of the service provider.

1.13 Conclusion for Chapter One

An overview of this thesis was presented in this chapter. The research problem and its background were introduced. A broad review of current research in the relationship marketing literature was summarised. Consequently, the research aim, question, hypotheses, methodology, and research steps were outlined. Finally, the theoretical contributions, methodological contributions, and managerial implications of the research were justified, an overview of the thesis provided, the research definitions outlined, and limitations, delimitations and key assumptions of the study stated. The next chapter presents the literature of relationship marketing/management in the service industry, while Chapter 3 presents a model of relationship strength that includes several research constructs and examines the 10 hypotheses specifying the relationships in the model. Finally, the methodology to operationalise the model is described in Chapter 4.

CHAPTER TWO

A LITERATURE REVIEW OF THE RESEARCH ON CUSTOMER RELATIONSHIP MANAGEMENT

2.1 Introduction

2.1.1   The Nature of Relationships

In the current marketplace, considerable attention has been paid to the concept of *relationships* between service providers and their customers (Barnes, 1997), and this concept has been enthusiastically embraced by both academics and practitioners alike (Berry, 1995; Sheth & Parvatiyar, 1995). On the surface, there is considerable merit in the idea of a service company building relationships with its customers in an attempt to increase the level of trust and commitment that customers feel towards the company (Sheaves & Barnes, 1996). The higher levels of trust and commitment in turn, are associated with higher levels of customer retention and inevitably, organisational profitability (Crutchfield, 2001). However, there is little consideration given to what actually constitutes a relationship, and even less to how it is practiced in retail businesses and other organisations (Barnes, 1997; Sheaves & Barnes, 1996).

The theoretical work of social psychology concerning the nature of interpersonal relationships provides a framework for investigating the characteristics of relationships considered in the relationship marketing literature (White & Schneider, 1998). Generally, in the social psychology literature, relationships are categorised by the nature of the relationship involvement – be it friendship, work relationship, dating relationship, marriage, child-parent relationship, or neighbours (Sheaves & Barnes, 1996). McCall (1970, p. 4) distinguishes between social relationships and other forms of relationships. "In social relationships, the basis for the probability of interaction is that the two persons view themselves as the sole members of a common collectivity – for example, a marriage – constraining them both to interact in a more or less specific fashion." In this instance, there are two ends of these social relationships (Sheaves & Barnes, 1996). At one end is the *role* relationship, whereby each person perceives himself or herself and the other in a

particular role, and the interaction between the two is dictated by their roles in this common collectivity (McCall, 1970). When the primary constraint on the form of interaction is the role relationship, the social relationship is known as a *formal* relationship. At the other end is the mere acquaintanceship, whereby two people simply recognise each other as distinctive individuals and feel constrained to interact simply because each recognises the other (McCall, 1970). Subsequently, where the primary constraint on the form of interaction is the knowledge of *persons* rather than of *roles*, the social relationship is a *personal* relationship.

Unfortunately, delving into the social psychology literature does not provide a definite answer to the concept of relationships. A clear conceptualisation of when a relationship is actually in place, or when a relationship can truly be said to exist is still missing (Sheaves & Barnes, 1996). It is plausible that a certain interaction may be perceived by some people as a relationship, while others may perceive the same interaction to be merely an interaction, devoid of the elements which would make up a relationship. Therefore, the concept of relationships is highly subjective, and given this lack of clear definition of a relationship, it may be useful to examine the various components or dimensions of interaction on which relationships are based in order to further understand this elusive concept.

2.1.2   The Importance of Relationship Marketing

The importance of relationship marketing has emerged as a major focal point for business strategy during the past decade, and this can be attributed to factors such as the blurring boundaries between markets or industries, an increasing fragmentation of markets (Palmer, 2002; Shani & Chalasani, 1992), shorter product life cycles, rapid changing customer buying patterns, the impact of information technology on service delivery (Bitner, 2001; Kandampully, 2002), and more knowledgeable and sophisticated customers (Webster, 1992). In addition, other explanations for the shift towards relationship orientation in marketing include the continuing growth of the service economy as well as the increasing competition in the current marketplace (Lehtinen, 1996). Regarding practice, firms are also considering the adoption of relationship marketing strategies as critical for sustaining a competitive advantage (Sharma, Tzokas, Saren, & Kyziridis, 1999). A focus on competitive advantage through anticipation, innovation, and

relationships will provide the means to sustainable market leadership (Kandampully & Duddy, 1999a). Due to the above reasons, the philosophy of relationship marketing is being advocated more and more strongly by marketers (Gummesson, 1994b).

The management of customer relationships in the service industry is critical for many reasons. Firstly, as Lovelock (1983) points out, many services by their very nature require ongoing membership (e.g., insurance, cable television). Even when membership is not required, customers may seek on-going relationships with service providers to reduce their perceived risk in evaluating services characterised by intangibility and credence properties. Similarly, as it is often not possible to remove defective services before they reach customers, a strong relationship often helps to recover inevitable mishaps (Claycomb & Martin, 2001). In addition, due to the intangibility of services, customer evaluative criteria are less well articulated, and the appraisal of the value received is much more subjective (Berry, 1980; Zeithaml, Berry, & Parasuraman, 1993). Therefore, customers often play a co-production role in service contexts, and they are more likely to form relationships with individuals and with the organisation they represent than with the goods they purchase (Bendapudi & Berry, 1997; Parasuraman, 2002). Finally, employees play a major role in shaping the service experience as the interface between the service and its provider is inseparable, therefore, the service setting is especially conducive to customers forming relationships in services. As Weitz and Jap (1995) conclude, the attention to customer relationship management activities has aptly been reflected by the "work" metaphor, and firms are working on the management of long-term relationships with their customers. Consequently, there have been calls for greater attention to the role of relationships in services (Grönroos, 1990b; Gummesson, 1987a; Sheaves & Barnes, 1996).

Not surprisingly, the customer-contact employee relationship has been the focus of a wide variety of service and retailing research (Macintosh & Lockshin, 1997; Spies, Hesse, & Loesch, 1997). For example, issues such as the customer-sales associate relationship (Beatty et al., 1996), the influence of retail sales training (Pettijohn & Pettijohn, 1994), and the personalisation of services (Mittal & Lassar, 1996) have been addressed in previous research. This stream of research supports the notion that the customer-contact employee interaction influences overall service quality (Mittal & Lassar, 1996), customer satisfaction (Spies et al., 1997), customer loyalty (Beatty et al., 1996), and purchase intentions (Macintosh & Lockshin, 1997).

However, despite the growing importance and emphasis on relationship marketing, the operationalisation of this concept is still unclear. While much work has been focused on generic issues, little concentrates on areas that are influenced by the nature of the industry or transaction concerned (Pressey & Mathews, 2000). Besides, to date, none of the studies conducted in the relationship marketing area have explored the dimensions of service quality and their impact on relationship strength (Jackson, 1994). In addition, there is a lack of studies that examine the various aspects of service that are vital to customer retention (Zeithaml, 2000). Moreover, the different outcomes of relationship strength are left largely unexplored in the relationship marketing literature. Finally, there is a lack of studies investigating customer relationship economics, that is the link between perception measures (service quality, customer satisfaction) and action measures (customer loyalty, word-of-mouth behaviour and long term customer relationship profitability) (Storbacka et al., 1994). The verification of this linkage is essential, as the theory of reasoned action asserts that attitudes lead to intentions, which lead to actual behaviours (Ajzen & Fishbein, 1980). Consequently, the actual acts by customers inevitably influence the firm's performance and long-term profitability (Storbacka et al., 1994). Therefore, this leads to the broad research question: *What are the antecedents and consequences of relationship strength in the service industry?*

2.1.3 Relationship Strength Defined

Relationship strength is defined as the extent, degree, or magnitude of relationship which is governed by the amount of trust and the level of commitment the customer feels towards the individual service provider (Bove & Johnson, 1999; Shemwell & Cronin, 1995). Relationship strength is measured both as purchase behaviour (loyalty) and as communication behaviour (word-of-mouth) (Storbacka et al., 1994). In this instance, repetitive purchase behaviour which is based on positive commitment by the customer indicates a stronger relationship.

2.2 Comparing Transaction Marketing and Relationship Marketing

2.2.1   Transaction Marketing

Transaction marketing, also referred to as the Four Ps or the marketing mix paradigm, has dominated marketing thought, research, and practice since it was introduced almost 40 years ago (Grönroos, 1994). In the 1950s, the marketing mix concept was introduced by Borden (1964). Borden isolated twelve factors or elements which, when combined, would produce a "marketing mix" that serves to influence demand. The concept was subsequently simplified to four ingredients, the Four Ps (product, price, place, and promotion) by McCarthy (1960). The Four Ps became treated as the unchallenged basic model of marketing, totally overpowering previous models and approaches, such as the organic functionalist approach advocated by Wroe Alderson (1950) as well as other systems-oriented approaches and parameter theory developed by the Copenhagen School in Europe (Mickwitz, 1959; Ramussen, 1955). This model of marketing became the basis of marketing theory taught and (less widely) practised around the world (Burns & Bush, 1998; Christopher, Payne, & Ballantyne, 1991; Churchill, 1999).

The concept of transaction marketing is believed to be primarily based on consumer goods and durables in the US (Gummesson, 1993; Webster, 1992). According to Berry (1983) and to Payne and Ballantyne (1991), this traditional view of marketing does not fit the realities of industrial markets and services marketing, and the concept is also found wanting in international markets as it does not consider trade barriers and other market access barriers (Gummesson, 1987a). In addition, critics claim that although the traditional combination of the exchange concept of the Four Ps is appropriate for consumer marketing – where the exchange is a brief, single transaction – the model is inappropriate in the industrial or service contexts where customer relationships are often ongoing (Grönroos, 1990a; Gummesson, 1987a). Furthermore, marketing thinking in the last decade has shifted from a transactional to a relationship building orientation, as service marketers have sought to emphasise service as an ongoing interactive process where establishing longer-term relationships with customers is critical to organisational success (Ballantyne, 1996).

To some extent, these shortcomings have been recognised by marketing writers in the United States, where attempts have been made to extend the Four Ps to include some of the issues relating to the non-FMCG (fast moving consumer goods) areas of marketing. This results in a proliferation of "Ps", as process, people, productivity and quality, physical evidence, power, and public relations have been added to the mix (Booms & Bitner, 1982; Lovelock & Wright, 1999). As the model of marketing becomes more complex, definitions of marketing have emerged to reflect these changes. The American Marketing Association, in its most recent definition, defined marketing as "the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchange with target groups that satisfy individual and organisational objectives" (1985, p. 1). However, this definition is still seen as inadequate by some Nordic academics, who maintain that the approach remains *product* rather than *market* led (Grönroos, 1990a; Gummesson, 1987a). Consequently, this led to the emergence of the concept of relationship marketing.

2.2.2   Relationship Marketing

The concept of relationship marketing surfaced within the fields of services marketing and industrial marketing (Christopher et al., 1991; Grönroos, 1989; Gummesson, 1987a; Gummesson, 1993; Jackson, 1985a). The phenomenon described by this concept is strongly supported by ongoing trends in modern business (Palmer, 2002). The concept of relationship marketing encompasses some of the constructs suggested by past research (Morgan & Hunt, 1994). The origins of these constructs draw from buyer-seller relationship research (Dwyer, Schurr, & Oh, 1987; Wilson, 1995) and have been developed in business-to-business as well as service contexts (Berry, 1995; Hunt & Morgan, 1994). These constructs include relational contracting (MacNeil, 1980), internal marketing (Ballantyne, 1997), symbiotic marketing (Varadrajan & Rajaratnam, 1986), strategic alliances (Smith, 1997), working partnerships (Anderson & Narus, 1990), and long-term orientation (Ganesan, 1994). Proponents of the relationship marketing school such as Gummesson (1996) see relationship marketing as relationships, networks, and interactions. In the network approach, markets are described as sets of interconnected exchange relationships between actors controlling resources for production (Johanson & Mattsson, 1992). Cooperation and interdependence are central features of network

organisations, and these innovative organisation forms fall clearly into the domain of relationship marketing (Cravens & Piercy, 1994).

On the other hand, Grönroos defines relationship marketing in the following way: "Relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises" (1990b, p. 5). For a relationship to exist, it has to be mutually perceived to exist, that is, acknowledged to exist by the parties involved (Barnes, 1997). Such relationships are usually, but not necessarily always long-term. Establishing a relationship with a customer can be divided into two parts: to *attract* the customer, and to *build* the relationship with that customer so that the economic goals of that relationship are achieved. Consequently, most authors who have written on the subject of relationship marketing have accepted that the principle of retaining customers, rather than constantly seeking new ones, is a sound business practice (Barnes, 1994; Berry, 1983; Peppers, Rogers, & Dorf, 1999; Reicheld & Sasser, 1990).

Alternatively, it is important to note that customer retention alone does not constitute loyalty, as there may be many reasons why a customer deals with the same organisation over and over again. A customer may deal with a particular product or service because it is convenient to do so, or may purchase a particular brand on a regular basis because, although it is not the preferred brand, it is the only brand available in the vicinity (Barnes, 1994). Therefore, a customer who deals with the same organisation regularly may not be loyal to it.

Implicit in the development of relationship marketing thought is the idea that there is a continuum of customer relationships, ranging from transactional to relational orientations (Dwyer et al., 1987; Jackson, 1985b). Jackson (1985b) was one of the first writers to suggest that the application of transactional or relational marketing should depend on the customer's orientation to a relationship. In addition, Anderson and Narus (1990) propose that organisations should analyse the position of their customers on a continuum of transactional to collaborative exchanges. Near the transaction end, there are exchanges which are discrete, short-term, and often mechanical; there is usually little commitment on either side, while at the opposite end, there is a relationship which is on-going, complex, highly personal, and characterised by complete trust and discretion (Barnes, 1994). Accordingly, it is essential to differentiate between transactional and relational marketing,

as not all customers desire the same working relationship with an organisation (Berry, 1995; Dwyer et al., 1987; Garbarino & Johnson, 1999). The differences between the two marketing approaches are elaborated below.

2.2.3   Transaction Marketing Versus Relationship Marketing

Transaction marketing incorporates concepts such as the marketing mix, the product life cycle, and the segmentation process (Baker, Buttery, & Richter-Buttery, 1998). The firm relies on mass marketing, therefore, decisions are made based on information systems that in turn rely on market research and market share statistics. In this situation, it is difficult to gauge whether an increase in market share has been achieved due to customer retention or customer acquisition. Moreover, transaction marketing is usually selling-focused and short-termed, and businesses are usually built around getting the deal.

In addition to the process of orientation and the marketing paradigm, relationship marketing relies on two other important concepts: promise and trust. The promise concept states that marketing responsibilities do not only include the promise leading to customers reacting in a given way, but promises must be fulfilled (Bitner, 1995). Subsequently, trust is a construct found in most models of long term relationships, and conceptually, trust in relational exchanges is the cornerstone of developing strong strategic partnerships and greatly impacts on the level of commitment between exchange partners (Achrol, 1991; Crutchfield, 2001; Moorman et al., 1992; Morgan & Hunt, 1994). Besides, relationship marketing is usually results-focused and longer-termed, and businesses are usually built upon ongoing and mutually beneficial relationships. For example, an organisation with a transactional orientation would pursue the goal of increasing market share by selling as much product as possible to as many customers who will buy the product within a specific sales period. In this instance, the pursuit of market share makes the organisation more concerned with acquiring new customers, rather than retaining present customers. In contrast, organisations with a relationship orientation would place greater emphasis on generating repeat business by turning new customers into regularly purchasing clients, and then progressively move them through being strong supporters of the company and its products, and finally to being active and vocal advocates for the company and thus playing an important role as a referral source (Christopher et al., 1991). Further comparisons

between the concepts of transaction marketing and relationship marketing can be seen in Table 2.1.

Table 2.1

A Comparison of Transaction and Relationship Marketing

Transaction Marketing	Relationship Marketing
Do the deal and disappear	Negotiate a win-win situation and stay around being a resource for better results
Push price	Promote value
Short-term thinking and acting	Long-term thinking and acting
Build the business on deals	Build the business on relationships
Getting new customers	Keeping all customers and clients
No structure for ongoing business	Structure created to support relationship
Selling-focused	Relationship-focused for results
Short-term empathy	Long-term empathy and rapport
Incentive for doing the deal	Incentive for long-term relationship and revenue
Foundation of sale telling and selling	Foundation of revenue trust
Race for a sale result	Swift, strong, safe, and enduring results through relationship building
After-sales support and service poor – seen as a cost	After-sales support and service strong – seen as an investment in the relationship
Product-service focused	People expectations and perceptions focused
Reward incentive for doing deal	Reward incentive for maintaining and growing relationship and revenue
The deal is the end. Pursuit of the deal	The sale is just the beginning. Pursuit of long-term relationship and results

Source: Pathmarajah, A. (1998). In M. J. Baker, P. G. Graham, D. P. Harker & M. C. Harker, *Marketing: Managerial Foundations*, London: MacMillan, p.22.

2.3 Service Quality and Customer Satisfaction

2.3.1   Service Quality

The conceptualisation of service quality has been a central theme of the services literature over the past 15 years (Gabbot & Hogg, 1997). Traditionally, it has been easy for service

managers to claim that the unique characteristics of services precluded any attempt at measurement, however, the competitive nature of the present day business environment has forced a serious rethink of this attitude (Lovelock, Patterson, & Walker, 1998). Some of the greatest challenges facing organisations in today's marketplace include the intensifying global competition, the continuous increase in customer expectations and customers' subsequent demands as the quality of service improves, the impact of e-businesses on services, as well as the infusion of information technology into service encounters (Bitner, Brown, & Meuter, 2000; Kandampully, 2002; Parasuraman et al., 1988; Rao & Kelkar, 1997). These challenges are forcing organisations to break free from the traditional customer satisfaction paradigm, to adopt proactive strategies which will assist them in building and sustaining a competitive edge (Kandampully, 1998). One strategy that has been related to success in services is the concept of quality and quality management, and a high emphasis on quality is further cited as an essential element within relationship marketing (Christopher et al., 1991). In addition, the delivery of service quality is increasingly being seen as central to service providers' efforts to position themselves effectively in the marketplace. Consequently, it has become imperative for firms within the services sector to recognise the importance of managing service quality through their various organisational processes (Kandampully & Butler, 2001).

The increased significance of the services sector to the global economy has led to a heightened concern by practitioners, as well as consumers, regarding the quality of services being offered (Sung, Yeong, Yonghee, & Geon, 1997). This increased significance is reflected in the way that customers now critically assess the standard of service provided by competing service firms (Antonacopoulou & Kandampully, 2000). As a result, the concept of quality and its relationship with the service industries has become a major preoccupation of many businesses within this sector (Lovelock et al., 1998). According to Berry, Parasuraman, and Zeithaml (1988), service quality has become a great differentiator and the most powerful competitive weapon which many leading service organisations possess. Leading service organisations strive to maintain a superior quality of service in an effort to gain customer loyalty (Zeithaml, 1996), therefore, a service organisation's long term success in a market is essentially determined by its ability to expand and maintain a large and loyal customer base. Subsequently, enhanced service quality is essential to the formation of strong customer relationships. Hence, the following hypothesis is advanced:

H1: Perceived service quality is positively correlated with relationship strength

Within the retail industry, Berry (1986) has suggested that many successful goods retailers differentiate themselves, not through the homogeneous goods they sell, but through the service they offer. In addition, the intensified pressure of competition in the retail industry has forced retailers to improve the quality of the service they offer in order to enhance their competitive position (Zhao, Bai, & Hui, 2002). The favourable perceptions of a store offering a high standard of service may be transformed to perceptions of the quality of the merchandise offered (Kerin, Jain, & Howard, 1992). This view is further exemplified by a study conducted by Sirohi et al. (1998) which found service quality as the most critical determinant of merchandise quality perceptions.

From the review of literature on service quality, it has been found that early research efforts concentrated on defining and measuring the quality of tangible goods and products, while the seemingly more difficult services sector was ignored. Grönroos (1990b) has noted that product quality was traditionally linked to the technical specifications of goods, with most definitions of quality arising from the manufacturing sector where quality control has received extensive attention and research. On the other hand, Crosby (1979, p. 151) defined quality of goods as *"conformance to requirements"*; Juran (1980, p. 132) defined it as *"fitness for use"*; while Garvin (1983) measured quality by counting the incidence of "internal" failures (those observed before a product left the factory) and "external" failures (those incurred in the field after a unit had been installed). These product-based definitions of quality may be appropriate to the goods-producing sector, however, knowledge about the quality of goods is insufficient to understand service quality (Parasuraman, Zeithaml, & Berry, 1985).

Customers of services observe and evaluate the production process as they experience the service they receive (Zeithaml, 1988). Berry et al. (1985) argued that consumers evaluate the level of service quality they receive based on three types of attributes, namely search, experience, and credence attributes. In this instance, search attributes, such as physical facilities, appearance of personnel, and the supplier's image can be considered before consuming the service. Experience attributes, like responding quickly to a request and performing a service at the agreed time are assessed on the basis of the actual service experience. Finally, credence attributes such as security of an investment cannot be determined even after repeated use of a service.

Within the literature, some generic determinants of service quality have been discussed. Grönroos (1978) argues that service quality comprises of three dimensions. The first dimension is the technical outcome of quality, which is the actual outcome of the service encounter. Most often, customers can measure the service outcome in an objective manner. The second dimension is the functional quality of the service encounter, which is the element of quality that is concerned with the interaction between the provider and the recipient of a service. Indeed, customers often perceive this dimension in a subjective manner. The third dimension is corporate image, which is concerned with customers' perceptions of the service organisation, and image depends on technical and functional quality, price, external communications, physical location, appearance of the site, and the competence and behaviour of the service firm's employees. On the other hand, Lehtinen and Lehtinen (1992) contend that service quality has three dimensions, which include physical quality, corporate quality, and interactive quality. These authors further suggest that in examining the determinants of quality, it is necessary to differentiate between quality associated with the process of service delivery and quality associated with the outcome of the service. This is a useful separation and is taken into account in considering the determinants of service quality.

Although the preceding discussion identified the determinants of service quality, they lacked sufficient detail. Their most significant contribution is to separate quality into attributes of process and outcome quality. Consequently, Parasuraman et al. (1988) have suggested a more detailed classification of service quality, which include the five dimensions of *tangibles*, *reliability*, *responsiveness*, *assurance*, and *empathy*. These dimensions are elaborated further in section 2.3.3.

Consequently, literature published in the late 1970s and the 1980s provided a clearer understanding of service quality and its measurement (Lee & Hing, 1995). These efforts to define and measure service quality have taken a slower route and came into focus at a much later stage because of the four unique attributes of services which are difficult to define and measure. These attributes are: *intangibility* (Bateson, 1977; Lovelock, 1981), *heterogeneity* (Booms & Bitner, 1982), *inseparability* (Carman & Langeard, 1980; Grönroos, 1978), and *perishability* (Grönroos, 1990c; Zeithaml & Bitner, 1996). Czepiel (1980) refers to the "double intangibility" of services as the key issue in service management/marketing, namely its *intangibility* and *inseparability* which present managers with a complex task in that they have to satisfy customers under the constraints

of economic efficiency and competitive challenges. The unique characteristics of services in the retail industry are further outlined in the following sections.

2.3.2 Attributes of Service in the Retail Industry

Attributes of service most generally found in the retail industry are namely intangibility, heterogeneity, inseparability, imprecise standards, and fluctuating demand. The following is a brief description of these attributes.

2.3.2.1 Intangibility

Service is a very elusive concept which is extremely difficult to measure and consequently to evaluate (Bateson, 1977; Chase, 1978; Lovelock, 1981). Unlike goods, which are tangible objects to be possessed, services are performances or actions that cannot be seen, felt, tasted, or touched in the same manner as tangible goods (Zeithaml & Bitner, 1996). For the retail industry, the intangibility of services means that precise specifications for the uniform quality of service are difficult, if at all possible, to set. This makes it difficult for retail managers, staff, and customers to count, measure, test, or verify service outputs and service quality. As services are intangible and usually cannot be tried prior to purchase, customers tend to look for tangible evidence of what they are about to experience in a service encounter (Shostack, 1977). This may potentially lead to problems when conducting research. Hence, in order to effectively examine the process and outcome of service delivery, the instrument used for measuring service quality should include a means of capturing customers' perceptions of the *tangibles* dimension of service quality such as the physical facilities, fixtures and fittings, as well as the appearance of staff (Lee & Hing, 1995).

2.3.2.2 Heterogeneity

The heterogeneous nature of a service stems from the high degree of human involvement in the service process. Since services are performances, frequently produced by humans, no two services will be precisely alike. The employees delivering the service are frequently perceived as the service in the customer's eyes, and people differ in their performance from day to day or even hour to hour (Zeithaml & Bitner, 1996).

Furthermore, heterogeneity also results because no two customers are precisely alike; each will have unique demands or experience the service in a unique way. In the retail industry, service is provided by people such as the cashiers, sales associates, customer service officers, and sales promoters, and since all individuals have different personalities and attitudes, the services that they provide are not likely to be totally uniform (Booms & Bitner, 1982). This concept is further complicated because the same individual may offer a different level of service depending on their mood at that time. Hence, there is virtually no way that this heterogeneity can be accurately predicted, completely controlled, or simply defined, as the heterogeneity connected with services is largely the result of human interaction, between and among employees and customers. This attribute of service quality is noted as a limitation to this study, as the variability of service from one period to another and from consumer to consumer makes the accurate measurement of quality difficult.

2.3.2.3 Inseparability

The consumer is an integral part of the actual production of service (Carman & Langeard, 1980; Grönroos, 1978). That is, for any type of service to be generated, it is necessary for the consumer to be present in order to consume it. Consequently, the consumer participates, and in many cases, facilitates the production and delivery of the service. This also means that frequently customers will interact with each other during the service production process and thus may affect each other's experiences. Particularly in many of the labour-intensive services provided by retail stores, quality is created during the process of service delivery, in encounters between staff and shoppers. This attribute of inseparability highlights the importance of both employee roles and performance in the achievement of service quality. Hence, the instrument used to measure service quality must have adequate means of assessing customers' perceptions of service quality during these service encounters.

2.3.2.4 Imprecise Standards

Although the retail industry has established policies, rules, and procedures to govern the standardisation of its product, contingencies might arise when it comes to the actual delivery of service between the service provider and the customer. Furthermore, many aspects of service quality do not lend themselves to standards. Quality aspects such as

"friendliness", "helpfulness", and "politeness" might be interpreted differently by various customers. In addition, these aspects are also susceptible to subjective assessment by consumers. In this instance, the judgement of the service provider must be relied upon to successfully manage these contingencies and to achieve the highest standards of service possible, and evaluating judgements of the service provider leads to further discrepancies about the measurement of service quality.

2.3.2.5 Fluctuating Demand

On most occasions, the customer's demand for service is clustered around peak demand periods such as weekends, school holidays, or festive seasons (Sasser, Olsen, & Wyckoff, 1978). The resulting peaks and valleys in demand may create an environment which makes it fairly difficult to ensure consistent quality during peaks and valleys, and this is likely to lead to inconsistencies that are averaged out in the overall assessment of service quality. However, as the data for this study were collected across various days of the week and across different months of the year, inconsistencies in the overall assessment of service quality could be captured by the different periods in demand.

2.3.3   Service Quality Defined

Grönroos (1984) define service quality as a perceived judgement, resulting from an evaluation process where customers compare their expectations with the service they perceive to have received (p. 38). The author also suggests that service quality issues can be split into technical quality (what is done) and functional quality (how it is done). Grönroos (1984) further declares that the quality of a service is dependent on two variables: expected service and perceived service, and that any previous experience with a service could influence the expectations of a consumer, whereas the perceived service is the result of a consumer's perception of the service itself. Following on the above definitions, service quality has also been described as a form of attitude, related but not equivalent to satisfaction, that results from the comparison of expectations with performance (Bolton & Drew, 1991; Parasuraman et al., 1988). Consequently, service quality can be manifested via two timeframes: short-term and long-term quality (Ojasalo, 2000; Ojasalo, 2001). Short-term quality generates satisfaction which emerges immediately, but does not last long, whereas long-term quality generates satisfaction

which does not emerge instantly, but lasts a long time. Similarly, Parasuraman et al. (1988), based on exploratory research to understand the construct of service quality and its determinants, defined service quality as "the degree of discrepancy between customers' normative expectations for the service and their perceptions of the service performance" (p. 17). Perceived service quality is then interpreted from the differences in degree and direction between perceptions and expectations.

A good operational example of a standardised framework for understanding service quality is the SERVQUAL instrument developed by Parasuraman et al. (1988). Discussion of this instrument is of value because the SERVQUAL instrument is a reasonable illustration of the programmatic development of a universal list of service quality dimensions. Parasuraman et al. (1988) sought to determine common dimensions of service delivery beginning with focus group interviews of consumers' experiences with four service sectors, namely retail banking, credit card, securities brokerage, and product repair and maintenance. The researchers discovered ten general dimensions which they labelled tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communications, and understanding. Later investigations by the same group of researchers showed that some of the ten dimensions were correlated, hence, refinements were made until the instrument was composed of five higher-order dimensions which subsumed the previous ten. These five dimensions include *tangibles*, *reliability*, *responsiveness*, *assurance*, and *empathy* (Parasuraman et al., 1988):

(1) Tangibles: the appearance of physical facilities, equipment, personnel, and communications materials;

(2) Reliability: the ability to perform the promised service dependably and accurately;

(3) Responsiveness: the willingness to help customers and provide prompt service;

(4) Assurance: the competence of the system and its credibility in providing a courteous and secure service; and

(5) Empathy: the approachability, ease of access, and effort taken to understand customers' needs.

The work of Parasuraman et al. (1988) has concentrated on the belief that service quality is measurable in the eyes of the consumer. The authors take the view that service is deemed to be of high quality when customers' expectations are confirmed by the subsequent service delivery. However, this view has been challenged on a number of

grounds. One stream of objections suggests that absolute measures of attitudes provide a more appropriate measure of quality than explanations based on confirmation-disconfirmation models, also known as gap-scores (Cronin & Taylor, 1994), which seek to explore the relationship between a customer's pre-purch .: expectations and their perceptions of service performance (Oliver, 1997). Indeed, the failure to define the perceptions element of the SERVQUAL instrument in terms of attitudes has been heavily criticised (Iacobucci, Grayson, & Ostrom, 1994). In addition, there have also been numerous criticisms of SERVQUAL for the inductive nature of the original research in that it failed to draw on the theory base in the disciplines of psychology, social sciences, and economics (Anderson, 1992). However, despite the limitations addressed in the preceding discussion, the SERVQUAL scale is still the most widely used measure of service quality, given appropriate adjustments for industry and country contextual effects (Athanassopoulos, Gounaris, & Stathakopoulos, 2001; Carman, 1990; Lam & Woo, 1997; Parasuraman et al., 1988; Saleh & Ryan, 1991; Sivadas & Baker-Prewitt, 2000).

Consequently, despite much research on service quality, the bulk of the literature continues to conceptualise dimensions of service quality (i.e., tangibles, reliability) as components of the construct rather than as antecedents to the consumer's overall evaluation of service quality. Dabholkar, Shepherd, and Thorpe (2000) have suggested that in building a literature stream, constructs are often first defined in terms of components, and as the literature develops, some of these components are viewed as antecedents in order to offer greater understanding of the phenomenon under study. This can be exemplified in the construct of satisfaction, which was originally defined as disconfirmation (Miller, 1976), and later, disconfirmation was viewed as an antecedent to satisfaction (Oliver, 1981). Following, satisfaction was equated to emotion (Westbrook, 1983), and later, emotion was viewed as an antecedent to satisfaction (Westbrook & Oliver, 1991). Hence, following the work of Dabholkar et al. (2000), viewing the related dimensions of service quality as antecedents to service quality should increase further understanding of the concept of service quality as well as the role of the antecedents in forming evaluations of overall service quality.

2.3.4   Customer Satisfaction

As noted above, service quality and customer satisfaction are two distinct constructs. In order to further discuss the differences between these two constructs, it is imperative to define the concept of customer satisfaction. In marketing and consumer research, customer satisfaction has been used in order to describe differences between specific alternatives and brands (Yi, 1990). In contrast, economists used customer satisfaction as a denominator to describe differences between product groups and industries (Meeks, 1984). In this instance, customer satisfaction cannot be measured directly using an objective measure. Instead, the concept is treated as an abstract and a theoretical phenomenon that can be measured as a weighted average of multiple indicators (Johnson & Fornell, 1991). Measured using this approach, customer satisfaction becomes the common denominator in making it possible to compare different industries, companies, and individuals.

Customer satisfaction with an organisation's products or services is often seen as the key to an organisation's success and long-term competitiveness competitiveness (Athanassopoulos et al., 2001; Hennig-Thurau & Alexander, 1997). Satisfaction is a psychological construct describing the subjective emotional state that occurs in response to an evaluation of a set of experiences (Locke, 1969). The emotional state may vary from positive (i.e., satisfaction) to negative (i.e., dissatisfaction), depending on the individual and the evaluation made. The concept of satisfaction has been applied to a range of human experience, and has been successfully studied in regard to experiences with products as well as work, marriage, services, and life in general. Within the marketing and consumer literature, customer satisfaction refers to the customer's emotional product/service evaluation of the experiences obtained from usage, consumption, and ownership of the specific good or service (Westbrook, 1981).

In the services marketing/management research literature, both process and outcome (or performance) definitions of satisfaction coexist. With regard to the former, several conceptualisations of satisfaction have been discussed in the literature (Yi, 1990). The central theme of the process definition of satisfaction is the expectancy disconfirmation paradigm (de Ruyter & Bloemer, 1999). According to this paradigm, consumers form expectations, which act as a standard against which service performance will be judged. A comparison of expectations and perceptions will result in a confirmation or

disconfirmation, and this idea of confirmation or disconfirmation has its roots in Helson's (1948; 1964) adaptation-level theory.

When the service perceptions exactly meet expectations, customers' expectations are confirmed. On the other hand, a discrepancy between expectations and perceptions will result in disconfirmation. There are basically two types of disconfirmation: positive disconfirmation occurs when service performance exceeds prior expectations and negative disconfirmation occurs when expectations exceed performance. Confirmation and positive disconfirmation result in satisfaction whereas negative disconfirmation results in dissatisfaction. These process definitions of satisfaction enable evaluations ranging from brief service encounters to service experiences that involve consumption periods of considerable duration. Alternatively, outcome definitions of satisfaction can be viewed as a state of fulfilment that is connected to reinforcement and arousal. Several types of satisfaction have been discerned in the satisfaction-as-states framework developed by Oliver (1989), and these include states such as satisfaction-as-contentment, satisfaction-as-pleasure, satisfaction-as-relief, satisfaction-as-novelty, and satisfaction-as-surprise. Specifically, it is important to recognise that eliminating dissatisfaction is not always the same as achieving satisfaction (Kondo, 2001).

In addition, customer satisfaction can be viewed as an immediate post-purchase evaluative judgement or an affective reaction to the most recent transaction experience with a firm (Oliver, 1993). Customer satisfaction is a requisite for customer loyalty, but satisfied customers may not become loyal customers (Bowen & Shoemaker, 1998). As noted above, customer satisfaction is different from service quality. The most common explanation of the difference between the two is that perceived service quality is a form of attitude, a long-run overall-evaluation, whereas customer satisfaction is a transaction-specific measure (Bitner, 1990; Bolton & Drew, 1991; Chadee & Mattsson, 1996; Cronin & Taylor, 1992). This view is supported by qualitative research conducted by Parasuraman et al. (1985) which found several examples where consumers were satisfied with a particular service but still did not think that it was of a high quality.

Another distinction between the two constructs is that service quality is primarily a cognitive, left-brain, evaluative, objective concept, while satisfaction is a combination of an affective, right-brain, feelings-based, and subjective component with a cognitive, left-brain, evaluative, objective component (Shemwell, Yavas, & Bilgin, 1998). Subsequently,

almost all studies conducted on customer satisfaction possess a distribution in which a majority of the responses indicated that customers are satisfied and the distribution itself is skewed towards the higher end of the scale (Danaher & Haddrell, 1996). That is to say, in many studies, data is collected so that very little variation in customer satisfaction is obtained (Soderlund, 1998), and this might obscure the potential richness of the construct, making it more difficult to explore.

Furthermore, customers require experience with a product or service to determine how satisfied they are with it, while quality can be perceived without actual consumption experience (Oliver, 1993). Also, it had been long recognised that customer satisfaction is dependent on value (Howard & Sheth, 1969; Kotler & Levy, 1969), where value can be viewed as the ratio of perceived quality relative to price or benefits received relative to costs incurred (Zeithaml, 1988). Thus, customer satisfaction is also dependent on price, whereas the service quality is not. Finally, service quality pertains to a customer's current perception of a product or service, while customer satisfaction is based not only on current experience, but also on all past experiences, as well as any future or anticipated experiences (Anderson, Fornell, & Lehmann, 1994).

2.3.5   Cumulative Satisfaction

Cumulative satisfaction or overall satisfaction is an overall evaluation based on the total purchase and consumption experience with a good or service over time (Anderson et al., 1994). The measurement of cumulative satisfaction rather than encounter-specific customer satisfaction is preferred, as the former captures a consumer's general level of satisfaction based on *all* experiences with a firm. In other words, cumulative satisfaction is an overall construct, summing satisfaction with specific products and services of an organisation, as well as satisfaction with other related facets of the organisation (Czepiel, Rosenberg, & Akerele, 1974).

The total set of experiences realised in patronising a firm is exceptionally diverse, and this include experiences related to being in the firm itself and dealing with the firm, as well as experiences related to consuming the products and services obtained from the firm. For example, research by Westbrook (1981) demonstrated that satisfaction with a retail establishment is an accumulation of separate evaluations with the salespersons, store

environment, products, and other factors. Each of these experiences receives an evaluation, and an accompanying emotional reaction from the customer. Therefore, customers derive satisfaction or dissatisfaction from individual experiences in the store as well as in the use of each product or service purchased from the store. Moreover, Crosby and Stephens (1987) found that overall satisfaction with life insurance has separate components of satisfaction with the service provider, core service, and organisation. To further reinforce this view, Spreng, MacKenzie, and Olshavsky (1996), and Mittal, Ross, and Baldasare (1998) have developed models of how satisfaction/dissatisfaction with product or service attributes and processes are incorporated into overall satisfaction evaluations.

In order to attain cumulative customer satisfaction with an organisation's product or service offerings, it is essential that the organisation constantly monitors and increases its level of service quality. This view is supported by a study conducted by Gotlieb, Grewal, and Brown (1994), which found that perceived service quality affects satisfaction, and behavioural intentions are affected by satisfaction. In other words, consumer satisfaction is an intervening variable that mediates the relationship between service quality judgements and behavioural intentions (i.e., service quality → customer satisfaction → behavioural intentions) (Cardozo, 1965; Fornell, 1992; Halstead & Page, 1992; Taylor & Baker, 1994). In fact, perceived service quality has been considered as one of the primary drivers of customer satisfaction (Kristensen, Martensen, & Gronholdt, 1999; Martensen, Gronholdt, & Kristensen, 2000). On the other hand, a major approach to predict customer loyalty, the satisfaction-loyalty model, posits that increased loyalty results from higher levels of customer satisfaction (Hennig-Thurau & Alexander, 1997). Thus, the accurate measurement of quality is critical in ensuring continued patronage from consumers (Rao & Kelkar, 1997).

Based on the above literature, the following hypotheses are proposed:

H2: Perceived service quality is positively correlated with customer satisfaction

H3: Customer satisfaction is positively correlated with customer loyalty

2.4 Relationship Marketing and Customer Loyalty

2.4.1 Cultivating Long-term Relationships with Customers

Services are taking on an increasing importance both domestically and internationally. In today's changing global environment, organisations are searching for innovative ways to achieve competitive advantage, increase customer loyalty, and improve efficiency. Confronted with these challenges, marketers are differentiating their product service offerings by cultivating long-term relationships with their customers, who are setting new standards for service excellence (Javalgi & Moberg, 1997).

2.4.1.1 Benefits to the Organisation

Understanding how or why a sense of loyalty develops in customers remains one of the crucial management issues today (Pritchard, Havitz, & Howard, 1999). The rewards of loyalty are long-term and cumulative (Griffin, 1998; Hennig-Thurau, Langer, & Hansen, 2001). Some business analysts have suggested that the cost of recruiting a new customer is five times more than the cost of retaining an existing customer (Barsky, 1994; Reicheld & Sasser, 1990). Doing business with continuing customers saves money on a variety of recruitment costs, such as the costs of advertising to entice new customers; the costs of personal selling to pitch to new prospects; the costs of setting up new accounts; the costs of explaining business procedures to new clients, and the costs of inefficient dealings during the customer's learning process (Peppers & Rogers, 1993). Moreover, increased loyalty can bring cost savings to a company through reduced customer turnover expenses; increased cross-selling success, leading to a larger "share of the customer"; positive word-of-mouth; and assuming loyal customers are also satisfied, reduce failure costs (Griffin, 1998).

In addition, Shani and Chalasani (1992) suggest that having a "core group" of customers provides the company with a market for testing and introducing new products or offers with reduced risk. Furthermore, Madhavan, Shah, and Grover (1994) state that from the firm's perspective, the benefits of loyalty also bring about much stability and decreased uncertainty. Finally, Colgate, Stewart, and Kinsella (1996) state that loyalty can act as a barrier to competitor entry by keeping a stable and solid base of customers.

Given the preceding discussion, continuing customers profit the organisation more than by saving on costs, as these customers progress to buy a more comprehensive product line from the supplier (Mittal & Lassar, 1998). The longer an organisation can keep a customer, the greater the lifetime revenue the organisation can derive from the customer. Furthermore, as revenues increase from the same customer, the costs of serving the customer decline.

This point is further illustrated by the marketing ladder of customer loyalty in Figure 2.1 (Payne, 1995). As seen in the figure, it is apparent that many organisations put their main emphasis on the lower rungs of identifying prospects and attempting to turn them into customers rather than on the higher "relationship" rungs of turning existing customers into regular clients and subsequently strong supporters and advocates for the company and its products and services. Organisations need to recognise that moving customers up the loyalty ladder is important, and in order to attain that, it is essential to know explicitly and in-depth exactly what each customer is buying - and that every customer is different - and how it can continue to offer additional satisfaction that will differentiate its offerings (Payne, 1995). As a result, the true success of relationship marketing will result from growing the "share of customer" rather than the "share of market" (Peppers & Rogers, 1995). This perspective leads to a concern with customer retention, which can be achieved through the development of long-term customer loyalty (Pritchard & Howard, 1997; Sheth & Parvatiyar, 1995).
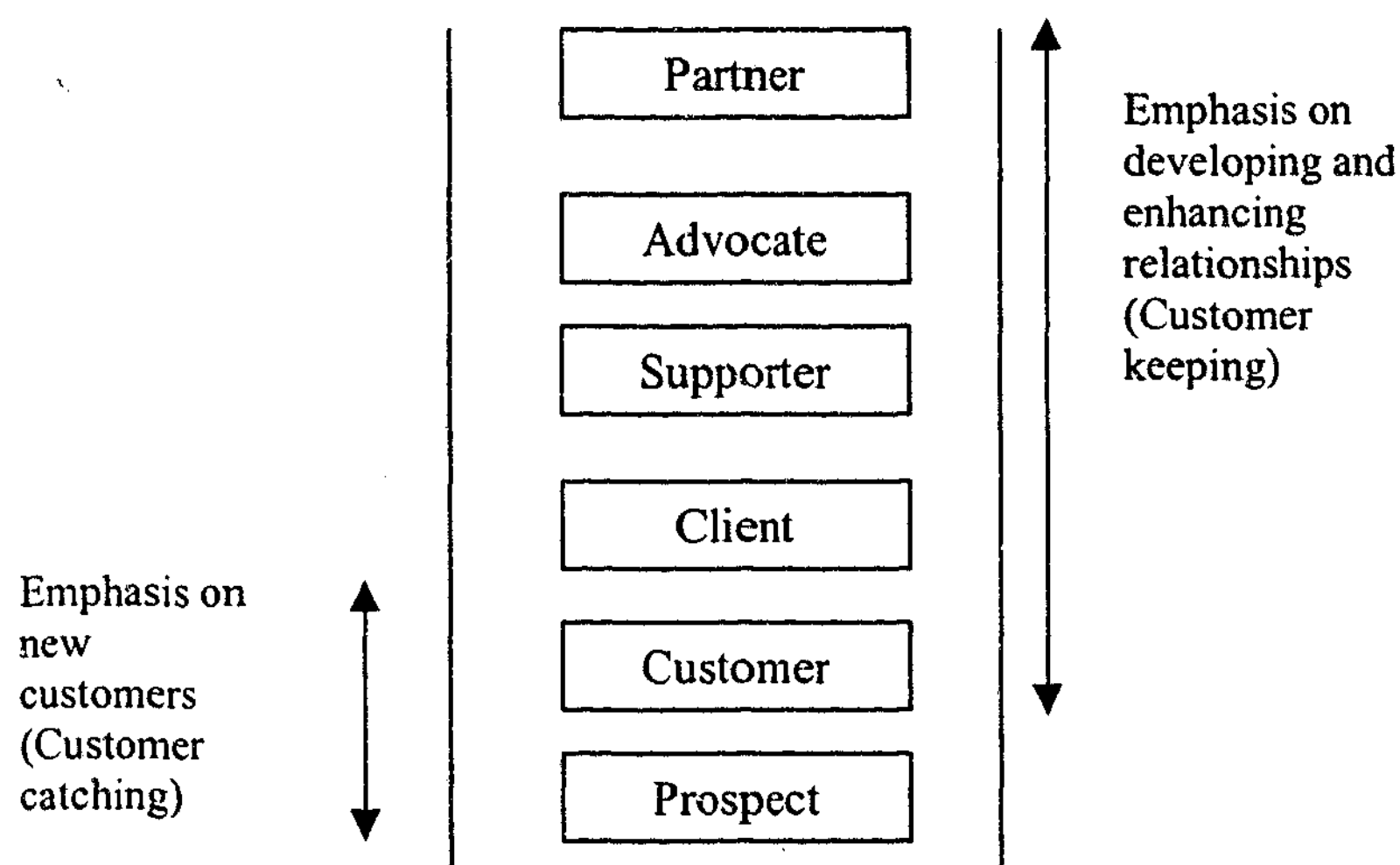
Figure 2.1 The relationship marketing ladder of customer loyalty

Source: Payne, A. (1995). Relationship marketing: A broadened view of relationship marketing. In A. Payne, *Advances in Relationship Marketing*, Cranfield: Kogan Page Ltd, p.33.

2.4.1.2 Benefits to the Customer

Long-term relationships with service providers or the service firm they represent minimise risk, simplify choice, and provides a feeling of optimal satisfaction for the customer (Gremler & Brown, 1996). Maintaining customer loyalty to a particular service provider or service firm reduces a customer's perceived risk and fosters customer confidence that the organisation will not supply an inappropriate or non-performing product or service to the customer, or if such a product or service is inadvertently sold, the customer is assured that the organisation will take effective and corrective action (Gremler & Brown, 1996; Gwinner et al., 1998; Jarvis & Wilcox, 1977). In addition, service provider loyalty is also seen as a channel by which customers can economise on decision effort by substituting habit for repeated, deliberate decisions (Day, 1969).

Hence, a greater understanding of a customer's needs derived from a long-term relationship with a service provider reduces the time and effort expended by the customer in supplying new information and communicating problems or needs (Beatty et al., 1996; Berry, 1995; Gwinner et al., 1998). Also, service providers generally become more interested in the satisfaction of long-term customers, and this may result in the receipt of special treatment from the service provider which may take the form of price incentives, faster service, and/or service customisation. In this sense, customisation may include preferential treatment, extra attention, personal recognition, and special services not available to other customers (Gremler & Brown, 1996; Gwinner et al., 1998). Peterson (1995) suggests that the primary reason for consumers to engage in long-term relationships is to obtain discounts or money-saving schemes. Consequently, customers may derive social benefits from long-term relationships with service providers, and these benefits may include feelings of familiarity, friendship, rapport, and social support (Goodwin & Gremler, 1996; Gremler & Brown, 1996; Sheaves & Barnes, 1996).

2.4.2 Customer Loyalty

There are several definitions of customer loyalty. Loyalty refers to a favourable attitude towards a brand in addition to purchasing it repeatedly (Day, 1969); a relationship between relative attitude towards an entity and repeat patronage behaviour (Dick & Basu, 1994); a situation when repeat purchase behaviour is accompanied by a psychological

bond (Jarvis & Wilcox, 1977); and repeat purchase intentions and behaviours (Peter & Olson, 1990). Evident in the above definitions, customer loyalty has been generally described as occurring when customers: (1) repeatedly purchase a good or service over time, and (2) hold favourable attitudes towards a good or service, or towards the company supplying the good or service.

Oliver (1997) proposes that customer loyalty can be viewed as developing in four phases, namely cognitive loyalty, affective loyalty, conative loyalty, and action loyalty. In the first loyalty phase, the information base available to the consumer compellingly points to one brand over another. This stage is referred to as cognitive loyalty (loyalty based on cognition only). In this stage, the level of attachment a consumer feels for the organisation's offerings is low. The next phase of loyalty is based on affect. Affective loyalty, as an attitude is more difficult to dislodge than cognitive loyalty because loyalty is encoded in the consumer's mind as affect and not solely cognition. Following, the third loyalty phase is conative loyalty. Conation implies an intention or commitment to behave towards a goal in a particular manner (Oliver, 1997). Conative loyalty, then, is a loyalty state containing deeply held commitment to buy. This type of loyalty goes beyond affect, for it takes into consideration motivational properties to pursue the preferred product or service. Finally, the last loyalty phase is action loyalty. In this phase, the following sequence is presented: intention, accompanied by motivation, leads to a state of readiness to act and a desire to overcome obstacles to achieve the action (Oliver, 1997).

As suggested, loyalty comes into being – first as cognitive loyalty, then as affective loyalty, then as conative loyalty, and finally as action loyalty – the loyalty sustained by commitment and action inertia. A summary of these four phases can be seen in the Four-Stage Loyalty Model in Figure 2.2.

Stage	Sustainers	Vulnerabilities
Cognitive	Cost Benefits Quality	Cost Benefits Quality
Affective	Satisfaction Involvement Liking Preference Cognitive consistency	Dissatisfaction Persuasion Trial
Conative	Commitment Cognitive consistency	Persuasion Trial
Action	Inertia Sunk costs	Persuasion Trial
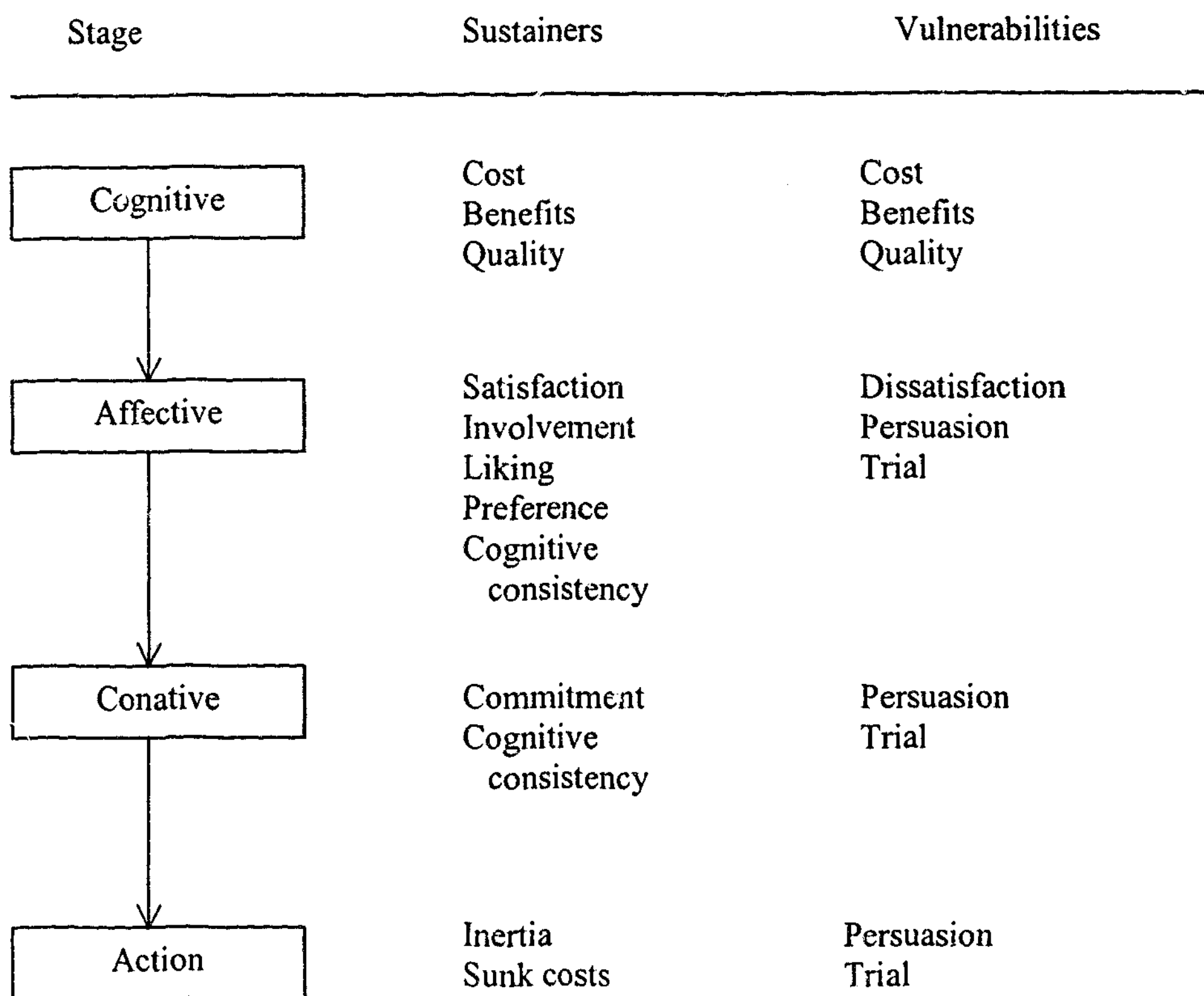
Figure 2.2 Four-Stage Loyalty Model: Sustainers and Vulnerabilities

Source: Oliver, T. A. (1997). *Satisfaction: A Behavioral Perspective on the Consumer*, Boston: Irwin McGraw-Hill, p. 394.

Accordingly, loyalty appears to consist of three separate dimensions, and they are namely the behavioural, attitudinal, and cognitive dimensions. The behavioural dimension of loyalty has been interpreted as a form of customer behaviour (e.g., repeat purchasing behaviour) directed towards a particular product or service (Jacoby & Chestnut, 1978); the proportion of purchases devoted to a given brand (Cunningham, 1956); and the probability of repeat purchase (Ehrenberg, 1965). For example, Sheth (1968, p. 397) combined "the number of times the consumer buys and the relative frequency of buying a given brand" into a definition of behavioural loyalty. As Dick and Basu (1994) suggest, a major problem with behavioural loyalty is that it does not provide a comprehensive understanding of the factors underlying repeat purchase. In addition, Day (1969) criticises behavioural measures of loyalty for a lack of conceptual basis and for having a narrow and outcome-focused view of what is in fact a dynamic process. For example, a low degree of repeat purchasing of a particular product or service may very well be the result of situational factors such as non-availability, variety seeking, and lack of provider

preference. Hence, the behavioural dimension of loyalty may not yield a comprehensive insight into underlying reasons for loyalty. Subsequently, there is a need for the conceptualisation of the attitudinal dimension of loyalty.

The attitudinal dimension of loyalty is best described as a psychological commitment to a brand (Jacoby & Chestnut, 1978). Jarvis and Wilcox (1976) suggest that the attitudinal dimension includes consumer's preferences or intentions. Consequently, Dick and Basu (1994) encourage the use of composite measures of loyalty, as the restriction of loyalty to either behaviour or attitude seems incomplete. Furthermore, composite measures of behavioural and attitudinal loyalty tend to capture the essence of loyalty more effectively (Day, 1969).

In addition to the behavioural and attitudinal dimensions of loyalty, Lee and Zeiss (1980) term a cognitive form of loyalty. These authors focus specifically on commitment, and they describe a committed individual as one who is dedicated, loyalty, or persistent. In addition, Newman and Werbel (1973) argue that repurchase is not sufficient evidence of brand loyalty, and that a good brand loyalty measure should be based on three types of information: (1) brand purchase behaviour; (2) attraction of the buyer to the brand, and (3) the amount of brand deliberation, or cognitions, involved in making a purchase decision. A study conducted by these authors suggest that loyalty to a brand or store means that it comes up first in a consumer's mind when the need for making a decision as to what to buy arises. This deliberation about the brand is referred to as cognitive loyalty. Having examined the various phases and dimensions of loyalty, the next two sections will discuss customer loyalty in relation to service loyalty and customer retention.

2.4.3   Customer Loyalty and Service Loyalty

Most of the research in the area of customer loyalty has primarily focused on brand loyalty, while loyalty to service organisations has remained underexposed (Gremler & Brown, 1996). Scholars have suggested that the construct of service loyalty differs significantly from brand loyalty (Czepiel & Gilmore, 1987; Snyder, 1986; Zeithaml, 1981). Some authors have suggested that service providers have the ability to create stronger loyalty bonds with their clients than do suppliers of more tangible goods (Czepiel & Gilmore, 1987; Zeithaml, 1981), while others contend loyalty is greater or more

prevalent among service consumers than goods consumers (Bloom, 1981; Snyder, 1986; Zeithaml, 1981). Hence, it is essential to note that product loyalty cannot be generalised to service loyalty, and there are a number of reasons to support this notion (Gremler & Brown, 1996; Keaveney, 1995). Firstly, as person-to-person interactions form an important element in the marketing of services, service loyalty is more dependent on the development of interpersonal relationships as opposed to loyalty with tangible products (Crosby et al., 1990; Czepiel, 1990). Furthermore, the influence of perceived risk is greater in the case of services, as customer loyalty may act as a barrier to customer switching behaviour (Kandampully & Butler, 2001; Zeithaml, 1981). This view is reinforced by a study which demonstrated that loyalty is more prevalent among service customers than among customers of tangible products (Snyder, 1986). Finally, in the service context, attributes such as reliability and confidence may play a major role in the establishment and maintenance of loyalty (Dick & Basu, 1994).

2.4.4   Customer Loyalty and Customer Retention

Simply stated, customer loyalty is a purchase behaviour, unlike customer satisfaction, which is an attitude (Griffin, 1996). Customer loyalty, a key mediating variable in explaining customer retention (Pritchard & Howard, 1997), is concerned with the likelihood of a customer returning, making business referrals, providing strong word-of-mouth, as well as providing references and publicity (Bowen & Shoemaker, 1998). Loyal customers are less likely to switch to a competitor due to a given price inducement, and these customers make more purchases as compared to less loyal customers (Baldinger & Rubinson, 1996). Although most research on loyalty has focused on frequently purchased package goods (brand loyalty), the loyalty concept is also important for industrial goods (vendor loyalty), services (service loyalty), and retail establishments (store loyalty) (Dick & Basu, 1994). Accordingly, customer loyalty constitutes an underlying objective for strategic marketing and management planning (Kotler, 1984) and represents an important basis for developing a sustainable competitive advantage (Kotler & Singh, 1981).

A number of authors have suggested that loyalty is a relational construct (Jacoby & Kyner, 1973; Sheth & Parvatiyar, 1995). However, Dick and Basu (1994) argue that much of the existing research on customer loyalty has focused on measurement and segmentation issues, and that more emphasis should be placed on integrating loyalty into the larger body

of marketing theory. The authors developed a framework for customer loyalty that combines both attitudinal and behavioural measures. The authors proposed that loyalty is determined by a combination of repeat purchase levels (repeat patronage behaviour) and relative attitude (level of attachment). Relative attitude, which refers to "a favourable attitude that is high compared to potential alternatives", is determined by attitude strength and attitudinal differentiation (Dick & Basu, 1994, p. 100). The combination of the strength of an individual's repeat patronage behaviour and relative attitude leads to four specific conditions of loyalty as seen in Table 2.2 (Dick & Basu, 1994).

Table 2.2

Customer Loyalty Classification Scheme

Relative Attitude	Repeat Patronage	
	High	Low
High	*Premium Loyalty*	*Latent Loyalty*
Low	*Spurious Loyalty*	*No Loyalty*

Source: Dick, S. A., & Basu, K. (1994). Customer loyalty: Toward an integrated conceptual framework. *Journal of Academy of Marketing Science, 22* (2), p. 101.

A low relative attitude combined with low repeat patronage represents an absence of loyalty, where consumers see few differences between alternative products or services. On the other hand, a low level of relative attitude coupled with a high repeat patronage produces spurious loyalty, which occurs when a consumer frequently purchases a particular product or service, but sees no significant differences between similar products or services (Javalgi & Moberg, 1997). Spurious loyalty is a function of time to a certain extent, as a longer time period would provide spuriously loyal buyers a greater opportunity to switch (Day, 1969). A high relative attitude combined with a low repeat patronage represents latent loyalty, and this exists when a consumer has a strong preference or attitude towards an organisation's product or service over its competitors' product or service, but does not exhibit high repeat patronage due to some situational or environmental variable. Finally, a high relative attitude combined with a high repeat patronage produces premium loyalty, which is the most preferred of the four conditions. Consequently, premium loyalty would obviously be the ultimate goal for organisations (Javalgi & Moberg, 1997). This definition is subsequently used in this study as it avoids the problem of spurious loyalty and allows focus on the effects of repeat purchase intentions.

Customer loyalty differs from customer retention in that customer retention describes the length of the relationship an individual has with an organisation; the individual's relative attitude towards the organisation or repeat patronage behaviour is not being highlighted (Hennig-Thurau & Alexander, 1997). In other words, premium loyalty is an important leading indicator of customer retention. For example, an airline may have a high level of customer retention, only to find out that it has a large number of frequent flyer accounts, but in reality, travellers have defected to other airlines but have not closed their membership accounts. Despite the differences, customer retention has been considered as an important source of long-term business success (Rust & Zahorik, 1993), and building a relationship with a customer is a good way to retain that customer in the long-term (Sheaves & Barnes, 1996). To further reinforce this view, a study conducted by Barnes (1997) suggested that it is unlikely that customers may be retained, often for very long periods, without a genuine relationship being present. Therefore, the following hypothesis is proposed:

H4: Relationship strength is positively correlated with customer loyalty

Also, while customer databases allow an organisation to gain detailed knowledge of customers and maintain close on-going contact, the existence of such databases may not represent an obvious strategy to customer retention, particularly if the customer is not a willing partner in the relationship with the organisation (Barnes, 1994). Viewing the establishment of customer relationships as something as minimal as creating barriers to exit or the placing of customer records on a database does a disservice to the intricacy of the concept of relationship marketing. With respect to this, Dowling and Uncles (1997) argue that many of the so-called "loyalty programs", primarily those based on some type of reward or incentive scheme oriented towards purchase continuity or volume, are really nothing more than thinly disguised sales promotion activities. Further, they suggest that these programs have little or nothing to do with building and maintaining customer loyalty. Instead, they argue that these "loyalty programs", while commonly very expensive to develop and maintain, often do not promote customer loyalty, rather they encourage customer promiscuity. For example, in most cases, a customer may belong to more than one frequent shopper program at the same time, and this suggests that customers join the schemes of different stores they use, rather than use the stores whose schemes they have joined (East & Lomax, 1999). Hence, although loyalty programs may be liked by customers, they are very expensive to administer and maintain. Therefore,

while database marketing may be a necessary tool to implement relationship marketing, it is not, in itself, relationship marketing (Shani & Chalasani, 1992). In order to fully comprehend the concept of relationship marketing, a variety of interrelated relationship marketing dimensions are explored in the following sections.

2.5 The Relationship Marketing Framework

2.5.1   Relationship Marketing Defined

The relationship marketing perspective provides the basis for the study of building and enhancing relationships with customers, whether it is termed as customer relations, customer retention, relationship marketing, relationship management, goodwill, customer loyalty, partnering, after-marketing, defensive marketing, or something else (Claycomb & Martin, 2001). Regardless of the term used, the outcome of this perspective is the recognition that stronger relationships with customers will result in a number of competitive advantages.

Consequently, relationship marketing has been defined in several ways. Berry (1983) defines relationship marketing as attracting, maintaining, and – in multiservice organisations – enhancing customer relationships. He advocates a number of relationship strategies, including a core service strategy, customisation, relationship pricing, and internal marketing. Similarly, Jackson (1985b) refers to industrial relationship marketing as efforts oriented towards strong, lasting relationship with individual accounts. Predominantly among most definitions of relationship marketing is the view that buyer-seller encounters accumulate over time, and opportunities exist to transform individual and discrete transactions into relational partnerships (Czepiel, 1990). This view supports the notion that a relationship exists when an individual exchange is assessed not in isolation, but as a continuation of past exchanges likely to continue into the future. Perceived in this way, customer acquisition is only an intermediate step in the marketing process, with the ultimate goal being to strengthen already strong relationships, and to convert indifferent customers into loyal ones (Berry & Parasuraman, 1991). According to Morgan and Hunt (1994), relationship marketing may be used to describe a plethora of marketing relationships, such as those between a firm and its buyers, suppliers, employees, and

regulators. However, such a broadened definition has been criticised by some scholars. For example, Peterson (1995) declares Morgan and Hunt's definition as too broad and inclusive and states that if their "definition is true, then relationship marketing and marketing are redundant terms and one is unnecessary and should be stricken from the literature because having both only leads to confusion" (p.279).

In order for the concept of relationship marketing to be useful, Berry (1983) identified three conditions that should exist, and they are: (1) the customer must have an ongoing or periodic desire for the service; (2) the service customer must control the selection of the supplier, and (3) there must be alternate suppliers. As a result, these conditions appear to preclude the definition of relationship marketing as "locking-in" the customer. Other authors pointed to trust, commitment, satisfaction, and the sharing of secrets as characteristics of relationships (Crosby et al., 1990; Morgan & Hunt, 1994). Multidimensional in nature, relationship marketing as a theoretical construct has been studied in terms of a variety of interrelated concepts. Some of the more prominent relationship building dimensions that have constantly emerged in the literature include trust, commitment, relational bonds, and relational contact. These dimensions are discussed below.

2.5.2   Trust

Trust has received a great deal of attention in social psychology (Deutsch, 1960; Lewicki & Bunker, 1995), sociology (Lewis & Weigert, 1985; Strub & Priest, 1976), economics (Dasgupta, 1988; Williamson, 1985), as well as marketing (Anderson & Weitz, 1991; Dwyer et al., 1987; Ganesan, 1994; Moorman et al., 1992). Primarily, the development of trust relies on the formation of a trustor's expectations about the motives and behaviours of a trustee. Lewicki and Bunker (1995) suggest that the study of trust may be categorised based on how the construct is viewed: as an individual characteristic, as a characteristic of interpersonal transactions, and as an institutional phenomenon. Accordingly, specific disciplines have historically been associated with each of these approaches. Personality psychologists have traditionally viewed trust as an individual characteristic (Rotter, 1971), while social psychologists have defined trust as an expectation about the behaviour of others in transactions, focusing on the contextual factors that enhance or inhibit the development and maintenance of trust (Lewicki & Bunker, 1995). On the other hand,

sociologists advocate that the study of trust involves how institutions and incentives are created to reduce the anxiety and uncertainty associated with transactions among relative strangers (Goffman, 1971). Within the economics literature, trust is viewed as a calculative process, as when an individual or organisation calculates the costs and rewards of another party cheating or staying in the relationship (Dasgupta, 1988; Lindskold, 1978). In this sense, trust serves as a label describing an equilibrium behavioural outcome not to cheat one's opponent or partner. Additionally, economists suggest that trust follows from the ability to structure contracts or rewards and punishments so that individuals behave in a prespecified manner (Bhattacharya, Devinney, & Pillutla, 1998). Allowing for the fact that individuals may be inherently trustworthy, economists concern themselves with the costs and benefits of specified behaviours. Subsequently, much of the work in the area of interorganisational research suggests that dependence and trust influence the complexion of relationships and future purchase intentions (Gassenheimer & Manolis, 2001; Morgan & Hunt, 1994; Swan, Bowers, & Richardson, 1999).

Trust acts as a key element within a relationship which occurs in a social context, and trust is somewhat different from satisfaction in that trust refers to a long-term attitude of relying upon the other party in the relationship, though both trust and satisfaction can be based on a single encounter or developed across cumulative events. Consequently, trust is sometimes built upon the accumulation of satisfaction in the past personal interactions. Anderson and Weitz (1989) take this view further in suggesting that trust can be thought of as an overall measure of the dominant dyadic sentiments in the relationships, and it plays an important role in the development of long-term relationships. Consequently, Schurr and Ozann (1985) found that there was a higher level of buyer-seller cooperation when a seller was expected to be more trustworthy.

The perceived level of trust between exchange partners is an important criterion for understanding the strength of marketing relationships and has been defined in a variety of related ways. Trust is a fundamental relationship model building block and is included in most relationship models (Wilson, 1995). Trust has been defined in various ways in the relationship marketing literature: "as a willingness to rely on an exchange partner in whom one has confidence (Moorman et al., 1992, p. 315), and as the belief that a partner's word or promise is reliable and a party will fulfil his/her obligations in the relationship" (Schurr & Ozanne, 1985, p. 940). These two definitions of trust draw on Rotter's (1971, p. 444) classic view that trust is "a generalised expectancy held by an individual or group that the

word, promise, verbal, or written statement of another individual or group can be relied on". Both definitions also stress the importance of confidence on the part of the trusting partner. Anderson and Narus (1990) focus on the perceived outcome of trust when they define it as "a partner's belief that the other partner will perform actions that will result in positive outcomes, as well as not take unexpected actions that would result in negative outcomes" (p. 45). Indeed, one would expect a positive outcome from a partner on whose integrity one can rely on confidently (Morgan & Hunt, 1994).

Other authors have defined trust in terms of shared values (Heide & John, 1992; Morgan & Hunt, 1994), mutual goals (Wilson, 1995), opportunistic behaviour (Dwyer et al., 1987; Morgan & Hunt, 1994), making and keeping promises (Bitner, 1990; Bitner, 1995; Bitner et al., 1994), and uncertainty (Crosby et al., 1990; Parasuraman et al., 1985). Trust is also viewed as central in studies conducted by the Industrial Marketing and Purchasing Group (IMP) in Europe (Ford, 1990; Håkansson, 1982). Using a similar definition of trust, Gwinner et al. (1998) find the psychological benefits of confidence and trust to be more important than special treatment or social benefits in consumer relationships with service firms.

Focusing on the retail industry, contact employees earned their customers' trust by continually demonstrating that they have the customers' best interest at heart, that they have the skills required to meet customer needs, and that they have the ability to solve customer problems honestly and skilfully (Beatty et al., 1996). Also, contact employees developed customers' trust by exhibiting extensive product, merchandise availability, and fashion knowledge. These related factors of service quality contribute to the development of trust, and trust begins to develop as the customers experience positive service interactions and receive benefits from this personal interaction. Consequently, the following hypothesis is proposed:

H5: Perceived service quality is positively correlated with trust between the service exchange partners

Finally, Grönroos (1996) suggests that "the relationship philosophy approach relies on...a trusting relationship with customers...instead of an adversarial approach to customers..." (p.12). As can be seen, trust is an important construct in relational exchange because relationships characterised by trust are so highly valued that parties will desire to commit

themselves to such relationships (Hrebiniak, 1974). Undeniably, because commitment encompasses vulnerability, parties will seek only trustworthy partners (Morgan & Hunt, 1994). To support this notion, trust has been posited as a major determinant of relationship commitment (Achrol, 1991; Delgado-Ballester & Munuera-Alemán, 2001; Miettilä & Möller, 1990; Morgan & Hunt, 1994). Further, Moorman et al. (1992) find that the levels of trust marketing research users have in their research providers significantly affected user commitment to the research relationship. Within a retail context, when customers have high levels of trust in the salesperson and the retail store they represent, they are more likely to pursue open communications and higher levels of obligation to make the relationship succeed and to make it mutually satisfying and beneficial (Macintosh & Lockshin, 1997). Therefore, having a positive relationship contributes to positive relationship outcomes such as trust and intentions to continue a relationship with the salesperson and the retail store (Crosby et al., 1990; Swan & Oliver, 1991). Subsequently, the following hypothesis is advanced:

H6: Trust between the exchange partners is positively correlated with commitment

2.5.3   Commitment

Similar to trust, commitment appears to be one of the most important variables for understanding the strength of a marketing relationship, and it is a useful construct for measuring the likelihood of customer loyalty as well as for predicting future purchase frequency (Dwyer et al., 1987; Gundlach, Achrol, & Mentzer, 1995; Morgan & Hunt, 1994). While commitment is the most common dependent variable used in buyer-seller relationship studies (Wilson, 1995), there has been no agreement as to the proper measurement scale to use for this multidimensional construct (Hocutt, 1998). Furthermore, to date, there has been a lack of attention given to the paucity of consumer research on the definition and measurement of commitment (Kelley & Davis, 1994; Morgan & Hunt, 1994).

Definition work on the construct of commitment began in the sociology and psychology disciplines. In the sociological literature, the concept of commitment is used to analyse both individual and organisational behaviour (Becker, 1960). Sociologists use commitment as a descriptive concept to mark out forms of action characteristic of

particular kinds of people or groups. They also use it as an independent variable to account for certain kinds of behaviour of individuals and groups, as well as in analyses of a wide variety of phenomena: power, religion, occupational recruitment, bureaucratic behaviour, and political behaviour (Becker, 1960). On the other hand, psychologists defined commitment in terms of decisions or cognitions that fix or bind an individual to a behavioural disposition (Kiesler, 1971).

Earlier work by Salancik (1977) described commitment as being present when a person engages in three perceptual stages – revocability, publicness, and volition. Revocability is determined by the psychological cost entailed in rethinking and altering the informational structure that supports one's commitment, while publicness involves a willingness to be explicitly identified with the images and values of a (brand) preference by significant others (e.g., friends, family) (Salancik, 1977). Finally, volition refers to people's perception that their preferences are "free" and not dictated by other constraints. Adopting this stance, commitment becomes stronger and deeply held when people sense that their decision is: (1) not easily reversed; (2) known to significant others, and (3) undertaken as an exercise of free choice.

Conceptualisations of commitment as a relationship, in the context of marriage or work, have interpreted the construct within a social-psychological framework, whereby the construct was conceptually characterised by intent to remain, along with certain personal and environmental factors that underpin intent (Mowday, Porter, & Steers, 1982). In this sense, commitment was inferred not only from the employee's beliefs and options (a series of cognitions) but also by their level of intent to act in a particular way (Pritchard et al., 1999). In other disciplines, commitment has been characterised as a multidimensional phenomenon, composed of several cognitive features (Kiesler, 1971). Nevertheless, in consumer research, the complex nature of the construct has seldom been considered. For example, Kelley and Davis (1994) examined customer commitment as a general trait, adapting Mowday, Steers, and Porter's (1979) measure of organisational commitment. Likewise, Morgan and Hunt's (1994) study in relationship marketing adopted the same scale.

In the relationship marketing literature, commitment has been described in many ways. Moorman et al. define commitment as an enduring desire to maintain a valued relationship (1992). The term "valued relationship" emphasised the belief that commitment exists only

when the relationship is considered important. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995; Morgan & Hunt, 1994). Since commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received (Mowday et al., 1982). This perspective is consistent with Dwyer et al.'s (1987) definition of commitment in a buyer-seller relationship as the existence of "an implicit or explicit pledge of relational continuity between exchange partners" (p. 19). In this instance, the authors suggest that commitment implies a willingness to make short-term sacrifices to realise longer-term benefits.

Likewise, in channels research, commitment has been conceptualised in terms of a temporal dimension, focusing on the fact that commitment becomes meaningful only when it develops consistently over time (Moorman et al., 1992). In addition, commitment has also been operationalised as a channel member's intention to continue the relationship (Anderson & Weitz, 1989; Scheer & Stern, 1992). Committed partners are willing to invest in valuable assets specific to an exchange, demonstrating that they can be relied upon to perform essential functions in the future (Anderson & Weitz, 1992). These self-interest stakes alleviate the uncertainty and cost of continually seeking and consummating new exchanges, hence contributing to stronger relationships. Similarly, Kumar, Hibbard, and Stern (1994) use intention to stay in the relationship as an important desirable consequence of commitment that has a direct impact on supplier-customer relationships. Intention to stay reflects the customer's motivation to continue the relationship. Therefore, in view of the literature, the following hypothesis is proposed:

H7: Commitment is positively correlated with relationship strength

On the other hand, Gundlach et al. (1995) argue that commitment has three components: an instrumental component of some form of investment or calculative act, an attitudinal component that may be described as affective commitment or psychological attachment, and a temporal dimension indicating that the relationship exists over time. The attitudinal domain of a relationship is best understood in symbolic terms (i.e., customer identification), as committed customers tend to identify strongly with the goals and values of an organisation (Kelley, Donnelly, & Skinner, 1990).

Commitment is also believed to be associated with motivation and involvement (Mowday et al., 1982), positive effect and loyalty (Assael, 1969; Kanter, 1972), as well as performance and obedience to organisational policies (Angle & Perry, 1981). Consequently, commitment provides a basis for the advancement of social norms of governance, which are considered important means for regulating long-term relational exchanges and reducing opportunistic behaviours (MacNeil, 1980). However, whereas corresponding commitments can align incentive structures so as to deepen and strengthen relational involvement, disproportionately held commitments can undermine the relationship through elevating one party's vulnerability to opportunism (Gundlach et al., 1995). Therefore, if improperly managed, commitment can provide both benefits (i.e., reliable, long-term exchange) and liabilities (i.e., increased vulnerability to opportunism) in any relational exchange.

Adopting a broader perspective, Morgan and Hunt (1994) define commitment as a belief by an exchange partner that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes that the relationship is worth working on to ensure that it endures indefinitely. In this sense, commitment can exist only where the party giving the commitment considers a relationship to be important. What at first sight appears to be commitment on the part of one party may hide the fact that there may be a lack of alternatives which are either available to the buyer, or which they are sufficiently motivated to seek out. Such a relationship is qualitatively different to one where both parties are engaged as willing participants, therefore it is important not to confuse customer loyalty with commitment (Dick & Basu, 1994).

In the social psychology literature, loyalty displayed in personal relationships is usually termed as "commitment". At first glance, some definitions of customer loyalty and commitment suggest that these two constructs share similar attitudinal biases (Pritchard et al., 1999). As brand attitude becomes central to the repurchase decision in relational exchange, brand loyalty becomes increasingly similar to the conceptualisation of commitment (Morgan & Hunt, 1994). For example, Assael (1969, p. 578) defines brand loyalty as "a commitment to a certain brand" arising from certain positive attitudes. The author further suggests that manufacturers see brand loyalty as key to superior performances and make efforts to build it through providing superior benefits, promoting the firm's values, and establishing an image as a trustworthy manufacturer. Also, Day

(1969) sees commitment as an antecedent thought to customer loyalty, while Jacoby and Kyner (1973) hold that commitment could provide the essential basis for distinguishing and assessing the various degrees of brand loyalty. Despite this, the view that customer loyalty is similar to commitment is not universally held, as other researchers suggest that the two constructs are either not related (Oliva, Oliver, & MacMillan, 1992) or that they are synonymous and represent each other (Assael, 1987).

Dick and Basu (1994) offer a delineation between customer loyalty and commitment. These authors argue that commitment serves as a precursor to loyalty attitude and its appraisal (function) of repeat patronage. Restated, commitment is seen as the "emotional or psychological attachment to a brand" that developed before a customer would be able to determine that their repeat purchase behaviour was derived from a sense of loyalty (Beatty & Kahle, 1988, p. 4). Therefore, although commitment is central to the concept of loyalty, it is in itself, distinguished from loyalty, as commitment is an attitude towards a firm that should produce a variety of beneficial behaviours, including but not limited to loyalty behaviours (Bettencourt, 1997). Furthermore, many authors in the marketing field have defined loyalty as a composite blend of brand attitude and behaviour, with indexes that measure the degree to which one favours and buys a brand repeatedly (Day, 1969; Pritchard & Howard, 1997). These loyalty indexes normally describe what proportion of a patron's behaviour was based on or attributed to loyal attitude. On the other hand, commitment differs from this composite definition as it is usually considered in purely cognitive terms that measure consumer attitudes of attachment to a brand (Pritchard et al., 1999).

2.5.4   Relational Bonds

Relational bonds are the psychological, emotional, economic, or physical attachments in a relationship that are fostered by association and interaction and serve to bind parties together under relational exchange (McCall, 1970; Turner, 1970). Within the interaction approach and network approach to industrial marketing, six different types of bonds have been suggested, and they are social bonds, technological bonds, knowledge bonds, planning bonds, legal bonds, and economic bonds (Dwyer et al., 1987; Ford, 1980). Although these bonds can also be found in consumer markets, they are somewhat limited for this purpose (Storbacka et al., 1994).

Liljander and Strandvik (1995) propose that a consumer may have ten different bonds with a service provider. The first five bonds – legal, economic, technological, geographical, and time bonds can be seen as *contextual* factors that cannot be easily influenced by the customer but can be observed and managed by the organisation. Compared with the other five bonds, these bonds are more likely to be perceived negatively by customers. For example, a customer who has been with a particular insurance company for a moderate period of time will experience high switching costs. These bonds can prevent the customer from switching even when the service provided is of low quality. The other five bonds – knowledge, social, cultural, ideological, and psychological bonds, represent *perceptual* factors which are difficult to measure and manage by the organisation. In this instance, a cultural or ideological bond is directly related to a customer's personal values and preferences, and this can be a very effective exit barrier (Liljander & Strandvik, 1995). Hence, the customer may accept lower levels of service quality without breaking the relationship.

Researchers in the relationship marketing field have conceptualised several types of relational bonds, namely financial, social, functional, and structural bonds (Berry, 1995; Smith, 1998; Thibault & Kelly, 1959; Turner, 1970; Wilson, 1995). Social exchange theory (Homans, 1961) suggests that relational bonds are developed through a series of successive interactions. These interactions, successful or unsuccessful, are interdependent and provide a context or history that draws and keeps parties together and shapes their interaction (Smith, 1998). As such, financial, social, functional, and structural bonds provide the context or bases from which relational outcomes such as relationship quality and customer loyalty behaviours are evaluated.

2.5.4.1 Financial Bonds

Financial bonds are primarily pricing incentives that are used to secure customers' loyalty (Berry, 1995). For example, financial bonds such as frequent flyer or buyer programs deter customers from breaking off their relationship with the firm because of their level of investment in the program that are translated into the several thousand points already accumulated (Dwyer et al., 1987). Other forms of financial bonds include higher interest rates for longer duration bank accounts and a free haircut after seven paid haircuts. Although financial bonds serve to bind the customer to the firm, such bonds are relatively weak, as price is the most easily imitated element of the marketing mix. Indeed, within

three years of American Airlines establishing AAdvantage frequent flyer program, 23 other airlines followed suit by offering their own frequent flyer programs (Stephenson & Fox, 1987). Furthermore, customers interested in pricing incentives are particularly vulnerable to competitor promotions and these customers are likely to switch when a competitor offers similar services and benefits at more attractive pricing incentives.

2.5.4.2 Social Bonds

Social bonds are personal ties or linkages forged during interaction between two parties (Turner, 1970), and they are easier to break than structural bonds, as consumers cannot always justify making an inferior decision based on friendship (Turnbull & Wilson, 1989). Social bonds include the degree of personal friendship and liking shared by a buyer and seller (Wilson, 1995), as well as linking of personal selves or identities through self disclosure; closeness providing support or advice; being empathetic and responsive; feelings of affiliation, attachment, or connectedness; and shared experience (Turner, 1970). Social bonding involves personalisation and customisation of the relationship, for example, communication with customers regularly, referring to customers by name during transactions, providing continuity of service through the same service provider, and augmenting the core service with additional activities (Berry, 1995).

Wilson and Mummalaneni (1986) found that buyers and sellers who have a strong personal relationship are more committed to maintaining the relationship than less socially bonded partners. In other words, a patient who likes his/her physician is more satisfied and is also more likely to be associated with the doctor-patient relationship. Finally, a social relationship may prompt customers to be more tolerant of a core service failure or to give a company an opportunity to respond to competitor entreaties.

2.5.4.3 Functional Bonds

Functional bonds are the multiplicity of economic, performance, or instrumental ties or linkages that serve to promote continuity in a relationship (Smith, 1998). Functional bonds are created by the economic, strategic, technological (knowledge or information), and instrumental (product or service related) benefits derived by the exchange parties (Turner, 1970). These benefits are evaluated in comparison with alternative relationships,

either experienced or suspected (Smith, 1998). Therefore, functional bonds draw on the exchange theory concept of comparison-level given alternatives (Thibault & Kelly, 1959).

2.5.4.4 Structural Bonds

A structural bond is defined as a situation that pertains when two parties make investments that cannot be retrieved when the relationship ends, or when it is difficult to end the relationship due to the complexity and cost of changing sources (Turnbull & Wilson, 1989). Structural bonds are ties relating to the structure, governance, and institutionalisation of norms in a relationship (Smith, 1998). Structural bonds develop over time as the level of investments, adaptations, and shared technology grows until a point is reached when it may be very difficult to terminate a relationship (Wilson, 1995). Firms with high levels of structural bonding were found to have a higher level of commitment to the continuance of the relationship than firms with lower levels of structural bonding (Han & Wilson, 1993).

When marketers offer target customers value-adding benefits that are not readily available elsewhere, they create a strong foundation for maintaining and enhancing relationships. That is to say, the rules, policies, procedures, or agreements that provide formal structure to a relationship; the norms or routines that informally govern interaction; and the organisational systems and technologies that enable or facilitate interaction can provide psychological, legal, and physical ties that bind parties to a relationship and make it difficult for them to consider other exchange partners (Smith, 1998). Consequently, the structural bond that supports the relationship becomes a barrier to exit, as a customer may be trapped in a relationship against his or her will because the costs of extricating the relationship cannot be justified. In this instance, such a relationship is seen as inferior to one in which both parties are engaged as willing participants (Barnes, 1994).

2.5.5   Relational Contact

In most long-term relationships, the interaction or intensity of relational contact between the customer and the service provider/organisation occurs over a series of procurement periods (Lagace et al., 1991). Research conducted by Crosby et al. (1990) suggests that the intensity of relational contact should play a part in developing relationship strength,

and consequently, relationship quality. In this instance, the extent of the relational contact refers to the duration and frequency of interaction between the customer and the service provider/organisation (Lagace et al., 1991). The length of time in a relationship, or the duration of a relationship, provides the opportunity for a service provider or an organisation to display abilities and show concern for customer problems (Jackson, 1985b). In addition, MacNeil (1980) emphasised the importance of the time dimension (i.e., duration) in establishing customers' future expectations. Accordingly, Dwyer et al. (1987) state that "...relational exchange transpires over time; each transaction must be viewed in terms of its history and its anticipated future" (p.12). Furthermore, older relationships have passed through and survived phases of adjustment and accommodation (Anderson & Weitz, 1989). Hence, relational contact should be indicative of the strength and subsequently, quality of the relationship. If previous interactions have not been satisfactory to either party, the relationship may well be dissolved. This view is further reinforced by a study conducted in the airline industry (Bejou & Palmer, 1998), where relationship duration was found to be an important mediating influence on the outcome level of customers' trust and commitment.

In order to fully evaluate the intensity of a relational contact, the frequency of the contact should also be considered. Frazier and Summers (1984) suggest that the frequency of contact is a communication tool while Mohr and Nevin (1990) maintain that frequency enhances coordination. Therefore, more frequent interactions should facilitate the dissemination of information that is critical to the success of a relationship (Lagace et al., 1991). Consequently, relationship strength would be affected by the extent of contact between the customer and the service provider (Bove & Johnson, 2000). In general, the more frequent the interaction between people, the stronger their affection or liking for one another, provided the relationship was mutually rewarding (Evans, 1963). To further support this view, Barnes (1997) found that higher levels of personal contact contributed to a positive emotional tone in the relationship and subsequently to the development of stronger relationships. Based on the literature, the following hypotheses are proposed:

H8a: The intensity of relational contact is positively correlated with relationship strength

H8b: The frequency of relational contact is positively correlated with relationship strength

2.6 Consequences of Relationship Strength

2.6.1   Relationship Quality

Traditionally, quality has not been studied from a relationship perspective, therefore the concept of relationship quality has not reached a generally accepted definition (Holmlund, 2001). Relationship quality has been discussed as a bundle of intangible values which augments products or services and results in an expected interchange between buyers and sellers (Levitt, 1986). The more general concept of relationship quality describes the overall depth and climate of a relationship (Johnson, 1999). Additionally, relationship quality refers to a customer's perceptions of how well the *whole* relationship fulfils the expectations, predictions, goals, and desires the customer has concerning the *whole* relationship (Jarvelin & Lehtinen, 1996). Consequently, it forms the overall impression that a customer has concerning the whole relationship including different transactions. Hence, the following hypothesis is forwarded:

> H9: Relational strength is positively correlated with overall perceived relationship quality

Gummesson (1987b) identifies two dimensions of relationship quality in the service interface. He defines them as professional relations and social relations. The former relationship is grounded on the service provider's demonstration of competence, while the later is based on the efficacy of the service provider's social interaction with the customer. Subsequently, Holmlund (2001) suggests that there are three different types of content of quality perceptions in a business relationship, namely the technical, social, and economic aspects. The technical aspect related to the offering at the core in a relationship, while the social aspect related to the different types of social interactions on an individual and a company level. Finally, the economic aspect related to costs and benefits. Crosby et al. (1990) studied various aspects of relationship quality, and perceive it as a buyer's trust in a salesperson and satisfaction in the relationship. Therefore, high relationship quality means that the customer is able to rely on the service provider's integrity and has confidence in the service provider's future performance because the level of past performance has been consistently satisfactory. Besides, research conducted by Bejou, Wray, and Ingram (1996)

concludes that customer-salesperson relationship quality is an important prerequisite to a successful long-term relationship. Therefore, the following hypothesis is posited:

H10: Overall perceived relationship quality is positively correlated with customer loyalty

2.6.2   Customer Behavioural Intentions and Customer Loyalty

Customer behavioural intentions can be vie:..d as indicators that signal whether customers will remain with or defect from a company (Zeithaml, 1996), and behavioural intentions can be split broadly into favourable and unfavourable behavioural intentions. When customers praise the firm, express preference over another company, increase the volume of their purchases, say positive things about the firm, recommend the firm to their friends or relatives, they are indicating behaviourally that they are bonding with the company (Zeithaml, 1996). On the other hand, when customers complain to friends, relatives, internal, external agencies or switch to another company, they are indicating behaviourally that they are poised to leave the company or spend less with the company.

Researchers have shown that there are important conceptual differences between salesperson loyalty and store loyalty. Indeed, Beatty et al. (1996) found that a customer's primary loyalty was to the sales associate, which positively influence a customer's loyalty to the store. In yet another study conducted, it was found that positive feelings towards the contact employee often carry over to feelings towards the firm (Goff, Boles, Bellenger, & Stojack, 1997). Besides, a positive relationship between salesperson loyalty and store loyalty has been demonstrated, and that the former is an antecedent to the latter (Macintosh & Lockshin, 1997). Hence, following the research findings put forth by Macintosh and Lockshin (1997), when a customer is highly loyal to his/her salesperson, he/she will also be highly loyal to the company that employs that salesperson. This view is reinforced by a study which found out that positive feelings about the salesperson do translate into positive feelings about the company (Reynolds & Beatty, 1999), as a customer's loyalty to the company will be manifested through his/her loyalty to the contact employee.

While customer behavioural intentions represent the broader aspect of indicators, customer loyalty is just a single dimension within the whole range of customer behavioural intentions. For example, Zeithaml et al. (1996) propose that customer behavioural intentions consist of the five dimensions, namely loyalty to company, propensity to switch, willingness to pay more, external response to problem, and internal response to problem. While the other dimensions of behavioural intentions need further development, the loyalty dimension is expected to be the best predictor of behavioural intentions, as research findings conducted to examine the dimensionality of items have shown that the loyalty scale has the best consistency (Wong, Dean, & White, 1999; Zeithaml, 1996).

Consequently, recent research offers some evidence that perceived service quality has an impact on customer satisfaction, which in turns lead to later behaviours towards the service firm (Andreassen & Lindestad, 1998; Brady & Robertson, 2001). Therefore, service quality appears to be a causal antecedent of consumer satisfaction, which mediates the relationship between service quality judgements and behavioural intentions (Taylor & Baker, 1994). This view is further reinforced by a study which found that favourable perceptions of service quality increased the likelihood of customers engaging in behaviours beneficial to the strategic health of the firm (Boulding, Kalra, Staelin, & Zeithaml, 1993). In another study conducted in the hospitality industry (Wong et al., 1999), a positive relationship is found between dimensions of service quality and customer loyalty.

2.7 Conclusion for Chapter Two

This chapter presented the literature which outlined the nature and importance of relationship marketing in the service industry. In doing so, the antecedents and consequences of relationship strength were identified and addressed. Antecedents of relationship strength include perceived service quality, affective commitment, and relational contact, while consequences of relationship strength include relationship quality and customer loyalty. Additional variables mediating the relationships include trust and customer satisfaction.

The differences between transaction marketing and relationship marketing were highlighted, while constructs such as service quality, customer satisfaction, customer

loyalty, and the various dimensions of relationship marketing (i.e., trust, commitment, relational bonds, and relational contact) were discussed and hypotheses presented. In addition, the attitudinal (i.e., relationship quality) and behavioural (i.e., customer loyalty) outcomes of relationship strength were examined. Consequently, a summary of the hypotheses derived from the literature is presented as follows:

H1 Perceived service quality is positively correlated with relationship strength

H2 Perceived service quality is positively correlated with customer satisfaction

H3 Customer satisfaction is positively correlated with customer loyalty

H4 Relationship strength is positively correlated with customer loyalty

H5 Perceived service quality is positively correlated with trust between the exchange partners

H6 Trust between the exchange partners is positively correlated with commitment

H7 Commitment is positively correlated with relationship strength

H8a The intensity of relational contact is positively correlated with relationship strength

H8b The frequency of relational contact is positively correlated with relationship strength

H9 Relationship strength is positively correlated with overall perceived relationship quality

H10 Overall perceived relationship quality is positively correlated with customer loyalty

The next chapter presents a model of relationship strength that incorporates the above hypotheses in specifying the relationships in the model. The model is then operationalised by the methodology described in Chapter 4.

CHAPTER THREE

RESEARCH MODEL AND HYPOTHESES

3.1 Introduction

The previous chapter provided the basis for linking antecedent variables such as service quality, commitment, and relational contact to relationship strength. In addition, mediating variables such as trust and customer satisfaction, as well as the consequences of relationship strength, namely relationship quality and customer loyalty are described. Building upon previous literature, a model of relationship strength is presented in this chapter, along with corresponding hypotheses derived from the model.

3.2 Relationship Marketing Models

Previous models of relationship marketing have suggested several related constructs to relationship strength. Before presenting the research model proposed in this study, an examination of relevant relationship marketing models is undertaken. Subsequently, based on the existing literature, the Relationship Strength Model is derived and a discussion of the relationships between the constructs in the research model is provided.

3.2.1   The Management of Customer Relationships

Interest in the management of customer relationship economics as an overriding management objective is now widespread. The reason for the resurgent interest in understanding the links between service quality, customer satisfaction, and firm performance can be attributed to the higher profits a firm can reap with the provision of higher levels of service quality (Phillips, Chang, & Buzzell, 1983). In a meta-analysis of strategy variables, findings from 20 studies reported a positive relationship between service quality and economic returns (Capon, Farley, & Hoenig, 1990). In addition, Buzzell and Gale (1987) report a significant relationship between relative quality – as

perceived by the business unit - and return on investment (ROI) for firms represented in the PIMS database. By improving the quality of the provider's service, customers' satisfaction is increased (Jap, 2001). A satisfied customer creates a strong relationship with the service provider and this leads to customer retention/relationship longevity. Customer retention again generates steady revenues and by adding revenues over time, customer relationship profitability is improved (Storbacka et al., 1994).

A conceptual model which outlines the links between service quality, customer satisfaction, and customer relationship profitability is presented by Storbacka et al. (1994) (see Figure 3.1). The model incorporates the basic sequence: service quality leads to customer satisfaction, which leads to relationship strength, which leads to relationship longevity, which leads to customer relationship profitability. In addition, the concept of perceived value, perceived sacrifice, commitment, bonds, perceived alternatives, critical episodes, patronage concentration, episode configuration, relationship revenue, and relationship costs are included in the framework.
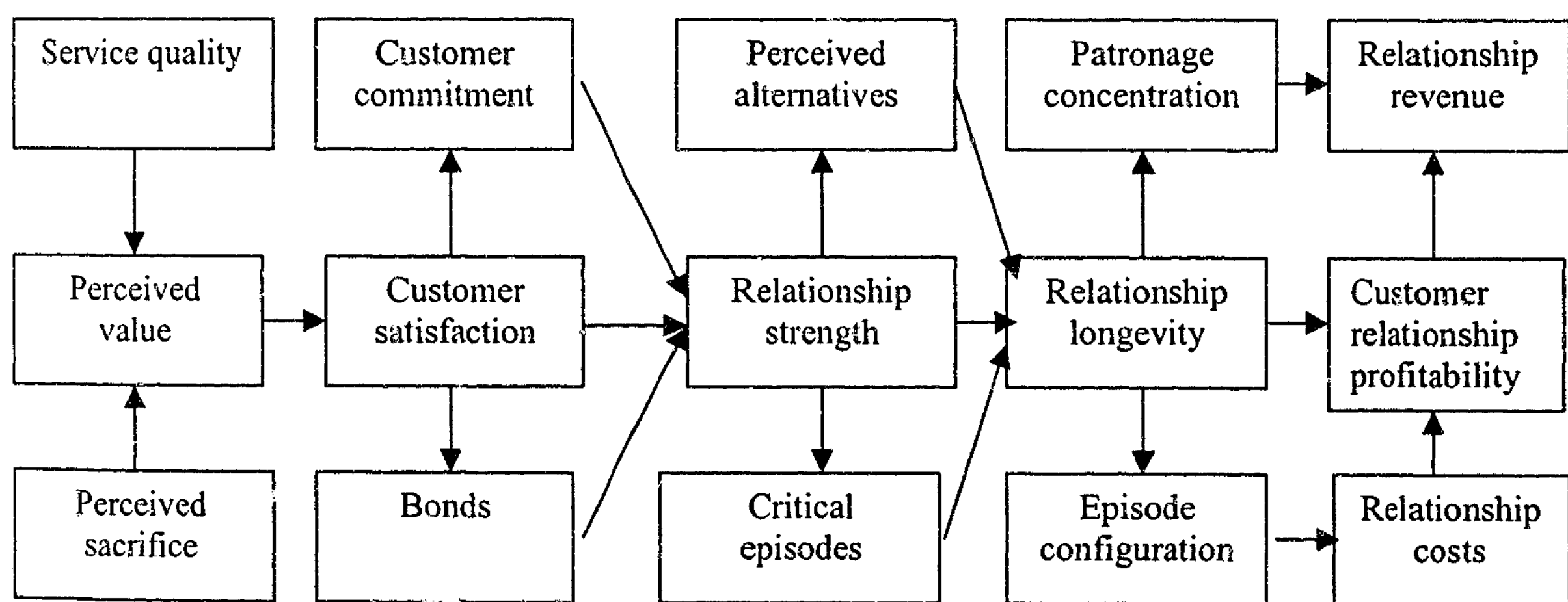
Note: The shaded boxes represent the established paradigm

Figure 3.1. A Relationship Profitability Model

Source: Storbacka, K., Strandvik, T., & Grönroos, C. (1994). Managing customer relationships for profit: The dynamics of relationship quality. *International Journal of Service Industry Management, 5*(5), p. 23.

In their paper, Storbacka et al. (1994) discuss the important links between the different constructs in the Relationship Profitability Model. The first link deals with the association between service quality and customer satisfaction, while the second link deals with the association between customer satisfaction and relationship strength. The third link deals with the association between relationship strength and relationship longevity, and the final link deals with how relationship longevity is connected to customer relationship profitability. Applying the model, a firm can utilise potential customer relationship economic opportunities in a favourable way.

3.2.2   The Dimensions of Relationship Marketing

Relationship marketing has emerged as a focal point by which a company can succeed in a competitive environment (Bejou et al., 1996). Understanding the success of the development of long-term relationships with customers, therefore, becomes critical in the process of gaining competitive advantage. As discussed in the preceding section, the extent of customer loyalty indicates the likelihood of a customer returning to an organisation and that customer's willingness to behave as partner to the organisation.

Morgan and Hunt (1994) developed a model of relationships between firms that proposed trust and commitment as central to the development of long-term relationships. The model, its hypothesised paths, and the respective signs of the relationships are presented in Figure 3.2. This model examined the role of commitment as a mediator by comparing proposed and rival models. Subsequently, the authors referred to the model as the KMV (key mediating variable) model. The KMV model was tested in the US car tyre retailer sector. The solution was found to have a satisfactory fit and the results provided for 12 of the 13 hypothesised paths, with the only path not supported being the one between relationship benefits and commitment. In addition, this study also looked at whether outcomes (such as loyalty) were best explained by a KMV model of direct and indirect effects or by a competing model of direct effects. Following examination of the KMV model against a competing model, Morgan and Hunt (1994) conclude that the findings imply that relationship commitment and trust are not only important variables in marketing relationships, but are also key mediating variables in these relationships.
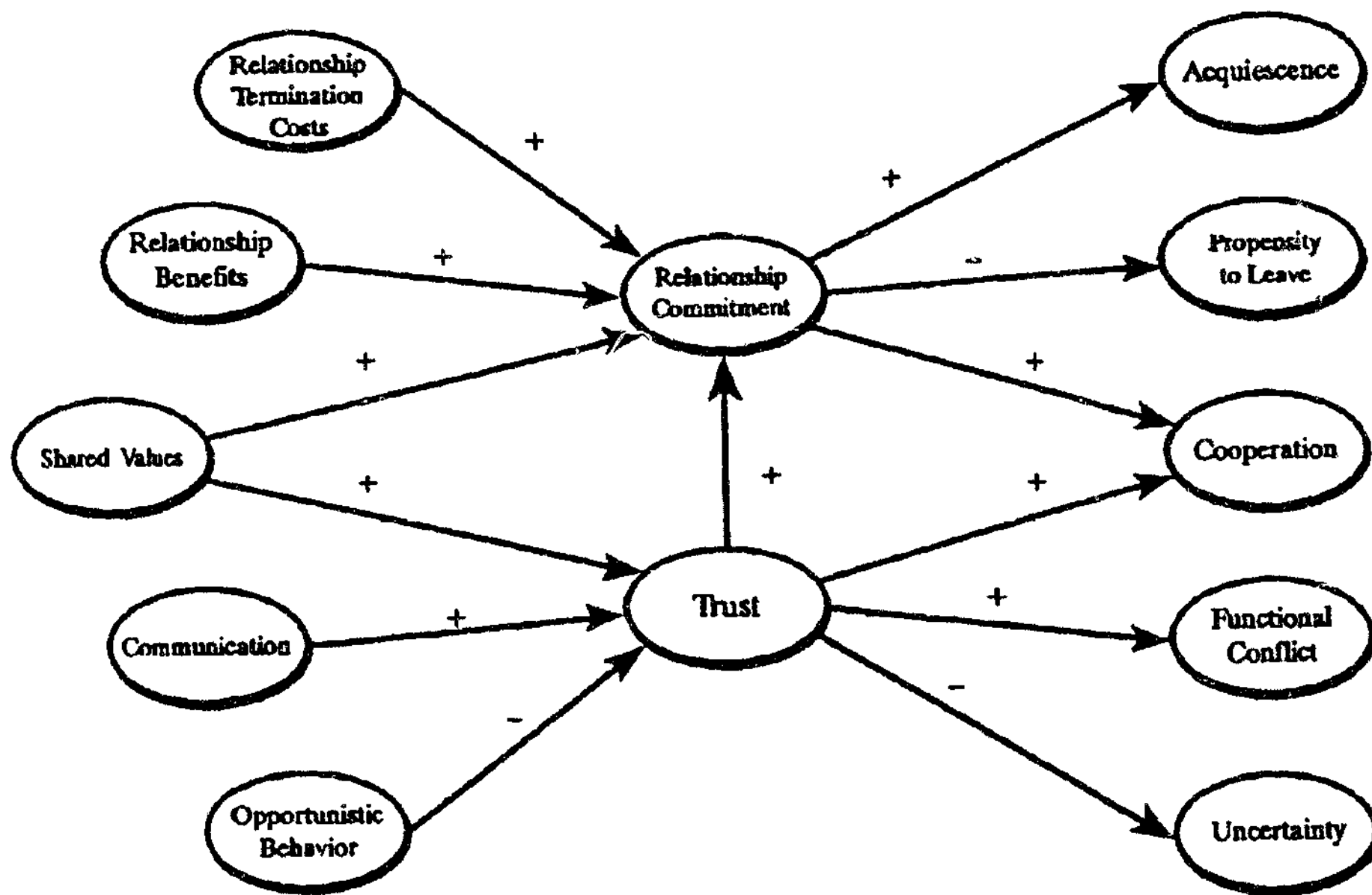
Figure 3.2. A Model of Relationships between Firms

Source: Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship
marketing. *Journal of Marketing, 58*(July), p. 22.

Focusing on services in which one partner is the end user, Bowen and Shoemaker (1998), extending on research undertaken by Morgan and Hunt (1994) and Gundlach et al. (1995), developed a model of service relationships that proposed trust and commitment at the heart of long-term relationships (see Figure 3.3). Other dimensions considered in the model of service relationships include benefits, fair costs, switching costs, product use, reactive opportunistic behaviour, voluntary partnership, understood values and goals, uncertainty, natural opportunistic behaviour, expectation, word-of-mouth, corporate identity, past experience, and communication.
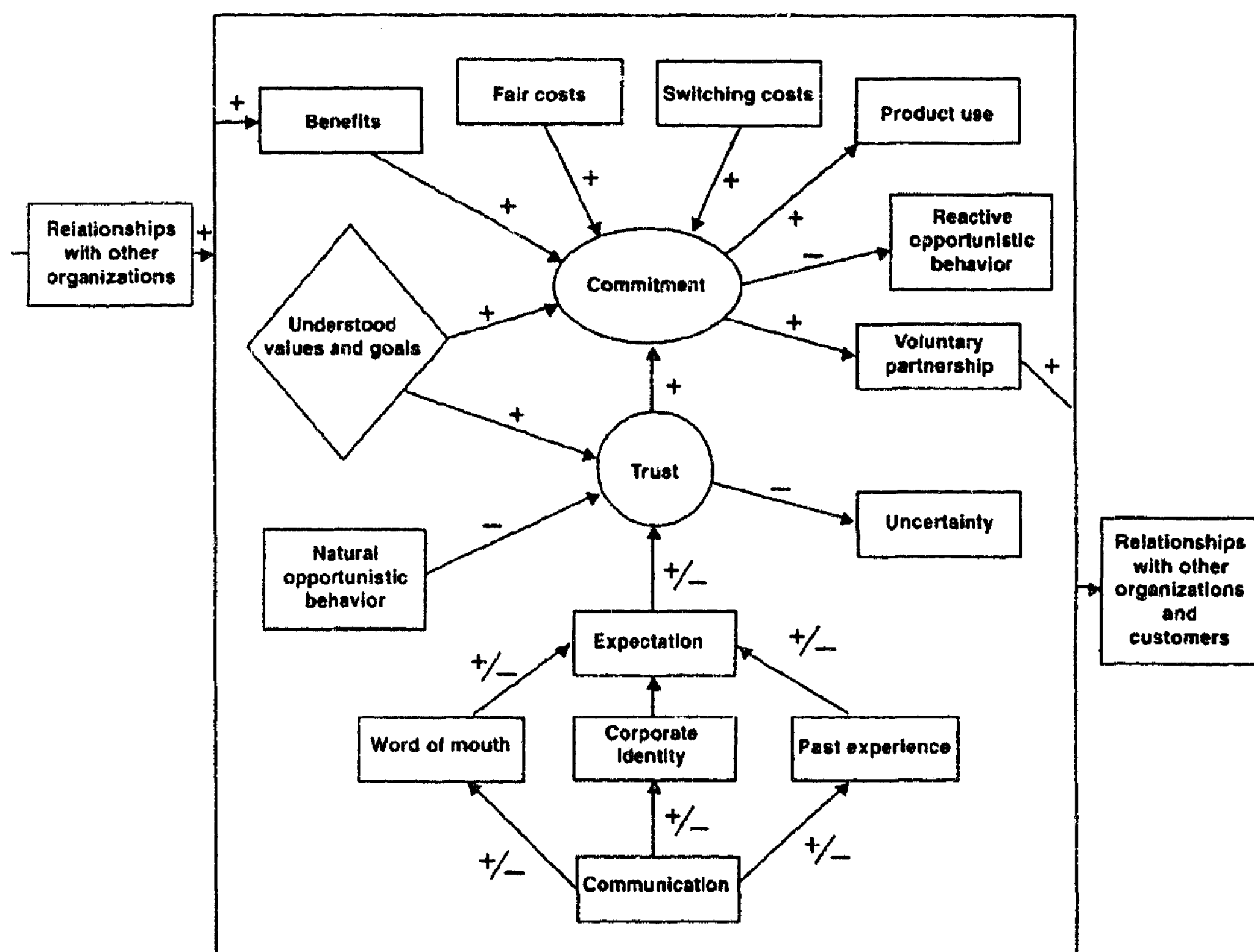
Figure 3.3. A Model of Service Relationships

Source: Bowen, J. T., & Shoemaker, S. (1998). Loyalty: A strategic commitment. *Cornell and Hotel Restaurant Administration Quarterly, 39*(1), p. 15.

Evident in the relationship models reviewed in the preceding sections, regardless of the type of industry (i.e., industrial or service), trust and commitment are two concepts that form the heart of long-term relationships. Cravens and Piercy (1994), for instance state that trust is important to the success of a partnership. With trust as a precursor, a customer becomes loyal to a firm and forms a commitment to that firm. Drawing on the service literature, support is provided for studying trust and commitment as key variables in relationship development and maintenance (Crutchfield, 2001). Accordingly, Morgan and Hunt (1994) found a significant connection between trust and relationship based on commitment. Finally, Bowen and Shoemaker (1998) reported that trust leads to relationship commitment, which they considered as the behavioural outcome of loyalty.

Although some of the relationship models reviewed earlier have been tested empirically, when applied to the service context, these models are subjected to certain limitations. Firstly, Morgan and Hunt's (1994) model is customised for the measurement of retailer-supplier relationships, hence, the application of this model cannot be generalised to the service industry context due to the differences in the nature of both industries. To cater to services, Bowen and Shoemaker (1998) developed the model of service relationships. However, although this model has been customised to the service context (hospitality industry), the service relationships model did not take into consideration measures of both attitudinal and behavioural nature. To date, the only model available that linked attitudinal and behavioural measures is the relationship profitability model (Storbacka et al., 1994). However, no empirical support for the model appears to have been published, and only three out of the 15 dimensions reviewed in the model represented the established paradigm tested in other related studies.

In order to provide an insight into the structural modelling of relationship dimensions, a summary of 30 relationship marketing models is outlined in the following table.

Table 3.1

A Summary of Relationship Marketing Models

Author / Year	Details of Study – Dimensions	Other comments
Anderson and Narus (1990)	Model of manufacturer and distributor working partnerships Relative dependence, influence over partner firm, influence by partner firm, communication, trust, cooperation, functionality of conflict, and satisfaction	Surveys (N=1,365) Cooperation was found to be an antecedent of trust
Athanassopoulos, Gounaris, and Stathakopoulos (2001)	A model of behavioural responses to customer satisfaction Customer satisfaction, behavioural responses, intention to switch, decision to switch, and word-of-mouth communications	Personal interviews, based on a questionnaire, were conducted with customers of commercial retail banks • N=793 Direct effects of satisfaction on intention to switch, decision to switch, and word-of-mouth communications
Beatty, Mayer, Coleman, Reynolds, and Lee (1996)	Relationship formation/enhancement model in retailing Facilitating conditions: top management, employee, and customers Relationship formation: augmented personal service Relationship enhancement: trust and friendship Outcomes: employee loyalty and customer loyalty	Observations and interviews with a successful group of retail sales associates (N=11) and a set of their call customers Customers: • Telephone interviews (N=23) • Short interviews (N=100)
Bendapudi and Berry (1997)	A model of relationship maintenance Antecedents: environment, partner, customer, and interaction Mediators: partner trust and dependence Outcomes: interest in alternatives and acquiescence, cooperation, enhancement, identity, and advocacy	Conceptual study only
Bowen and Shoemaker (1998)	A model of service relationships Trust, commitment, benefits, fair costs, switching costs, product use, reactive opportunistic behaviour, voluntary partnership, uncertainty, goals and values, natural opportunistic behaviour, expectation, word of mouth, corporate identity, past experience, and communication	Data collected in the hotel industry • In-depth interviews (N=22): luxury guests • Surveys (N=892) Findings show that benefits, trust, switching costs, and perceptions of value lead to relationship commitment, the behavioural outcome of loyalty
Crosby, Evans, and Cowles (1990)	Relationship quality model Similarity, sales effectiveness, service domain expertise, relationship quality (trust, satisfaction), relational selling behaviour, and anticipation of future interaction (commitment)	Data collected in the life insurance industry; a cross-sectional approach was adopted • Surveys (N=296) Relationship quality operationalised as trust and satisfaction
Crotts and Wilson (1995)	The relationship development process model Partner search and selection: reputation, trust, commitment, and performance satisfaction Defining purpose: social bonding and mutual goals Setting boundaries: cooperation Creating and expanding value in relationship: adaptation, non retrievable investments, and power dependence	Conceptual study only Framework proposed issues concerning the evolution and management of stable relationships between wholesale buyers and sellers of hospitality and travel services

Author / Year	Details of Study – Dimensions	Other comments
de Ruyter, Moorman, and Lemmink (2001)	A model of antecedents to trust and commitment Antecedents: Offer characteristics Relationship characteristics Market characteristics	Data collected from the market for very high volume (VHV) copiers • Surveys (N=504) Trust was found to lead to affective commitment
Delgado-Ballester and Munuera-Alemán (2001)	A model of brand trust and consumer loyalty Overall satisfaction, customer involvement, brand trust, customer commitment, and price tolerance	Data collected from a sample of women who have children with ages ranging from 0 to 4 years • Surveys (N=173) Trust was found to lead to commitment
Foster and Cadogan (2000)	A model of relationship selling and customer loyalty Trust in salesperson and supplier firm, satisfaction, service quality, attitudinal loyalty, and behavioural loyalty	Data collected from business customers of a large New Zealand office products firm • Surveys (N=101) Direct relationship between trust in the salesperson and trust in the firm was not supported
Garbarino and Johnson (1999)	Model of trust and commitment as mediators Component attributes: actor satisfaction, actor familiarity, play attitudes, and theatre attitudes Overall satisfaction Trust Commitment Future intentions	Data collected from customers of a professional non profit repertory company • Surveys (N=401) Trust and commitment were found to mediate between component attitudes and future intentions for high relational customers
Goodwin and Gremler (1996)	A model of social aspects of service encounter and its influence on consumer service loyalty Behaviours contributing to functional quality, friendship, communal behaviours, and customer perceived loyalty	Structural in-depth interviews with both customers (N=21) and providers (N=20) Findings suggest that functional qualities (i.e., appreciation and empathy) can be distinguished from behaviours that more closely resemble friendship or kinship
Hocutt (1998)	Relationship dissolution model Relative dependence, trust, commitment, quality of alternatives, social bonds, satisfaction, investment in relationship, closeness, duration, and dissolution	Conceptual study only Commitment summarises the net influence of: • Satisfaction with service provider • Quality of alternatives providers • Investments in relationship
Jackson (1994)	A model of antecedents and components of relationship selling Antecedents: customer prospect/analysis, service quality, trust, personalised service, and added value Components: attracting, building, maintaining, and enhancing Relationship selling	Conceptual study only Five key antecedents of relationship selling were developed, and several research questions were offered

Author / Year	Details of Study – Dimensions	Other comments
Kelly and Davis (1994)	**A model of antecedents to customer expectations** Perceived service quality, customer satisfaction, customer organisational commitment, and service recovery expectations	Data collected from members of an upscale, full-service health club • Surveys (*N*=296) Commitment portrayed as a key mediating variable
Kennedy, Ferrell, and LeClair (2001)	**A model of consumers' trust of salesperson and manufacturer** Organisational and individual characteristics, satisfaction, trust of salesperson and manufacturer, and repurchase intention	Data collected from selected car buyers • Surveys (*N*=786)
Lagace, Dahlstrom, and Gassenheimer (1991)	**A model of relationship quality** Ethical behaviour, expertise, frequency, duration, trust, and satisfaction	Data collected in the pharmaceutical industry • Surveys (*N*=90): doctors • Extension of the model of relationship quality by Crosby, Evans and Cowles (1990)
Macintosh and Lockshin (1997)	**A model of store loyalty** Salesperson trust, salesperson commitment, store satisfaction, store trust, store attitude, and purchase intentions	• Survey (*N*=308); wine consumers The results illustrate the existence of multi-level relationships between customers and stores
Moorman, Zaltman, and Deshpande (1992)	**A model of market research relationships** Trust, perceived quality of interactions, individual differences, organisational differences, commitment to relationship, and utilisation of market research information	• Surveys (*N*=779); users and providers of market research information Results indicate that trust and perceived quality of interaction indirectly affect research utilisation
Morgan and Hunt (1994)	**The KMV model of relationship marketing** Relationship termination costs, relationship benefits, shared values, communication, opportunistic behaviour, acquiescence, propensity to leave, cooperation, functional conflict, uncertainty, trust, and commitment	Data collected from a national sample of independent automobile tire retailers • Surveys (*N*=204) Trust was found to lead to commitment
Peltier, Schibrowsky, and Davis (1998)	**Database relationship model** Relationship benefits, relational segments, and relationship building strategies	Data collected from a national automobile insurance company • Surveys (*N*=740)
Pritchard and Howard (1999)	**A model of commitment and its link with loyalty** Antecedent processes of commitment: informational, identification, and volitional Principal effects of commitment: resistance to change Loyalty outcomes of commitment: loyalty	• Surveys (*N*=681): airline and hotel patrons Resistance to change was found to be a precursor to loyalty
Reynolds and Beatty (1999)	**Overall model of relationship benefits and consequences** Social benefits, functional benefits, satisfaction, loyalty, word of mouth, and share of purchase	Data collected from customers of all branches of a retail store chain • Surveys (*N*=737) Findings show that relationship benefits are positively associated with satisfaction, loyalty, word of mouth, and share of purchases

Author / Year	Details of Study – Dimensions	Other comments
Sharma, Tzokas, Saren, and Kyziridis (1999)	<u>A model of salespeople's relationship behaviours</u> Antecedents: Relationship enhancing salespeople's behaviours Relationship enhancing behaviours Relationship threats Consequences: Benefits of relationships	Exploratory study conducted in the retail industry in US and Greece • In-depth interviews (N=22) • Field interviews (N=8)
Shemwell, Yavas, and Bilgin (1998)	<u>A model of customer-service provider relationships</u> Service quality, satisfaction, complaint behaviour, affective commitment, and continuous commitment	Data for this study was collected in the care physician industry via a drop off and pick up procedure • Surveys (N=156) Service quality was found to have a strong direct effect on satisfaction
Singh and Sirdeshmukh (2000)	<u>A model of agency and trust mechanisms in consumer satisfaction and loyalty judgements</u> A framework of trust and agency mechanisms and their influence on satisfaction and loyalty	Conceptual study only
Smith (1998)	<u>Bonding model of relationship quality</u> Relationship type, relationship management, relational bonds, biological sex, and relationship quality	Preliminary interviews – purchasing professionals and supplier representatives • Surveys (N=185) Relationship type (sex differences) was found to have an effect on relationship quality
Storbacka, Strandvik, and Grönroos (1994)	<u>A relationship profitability model</u> Service quality, customer satisfaction, customer commitment, relationship strength, relationship longevity, relationship costs/revenue, and customer relationship profitability	Conceptual study only
Wilson and Mummalaneni (1986)	<u>A framework of relationship development</u> Buyer-seller interactions, outcomes, satisfaction, investments, and commitment	Conceptual study only
Zins (2001)	<u>Relative attitudes and commitment in customer loyalty models</u> Perceived quality, perceived value, airline image, satisfaction, and future customer loyalty	Data collected from members of a frequent flyer program • Surveys (N=1,033) A strong relationship between image and future loyalty was confirmed

3.2.3   Previous Models of Relationship Marketing

Relatively few models of relationship marketing have been suggested in the literature. As Table 3.1 indicates, some relationship marketing constructs have been highlighted repeatedly. In particular, constructs such as trust, commitment, customer satisfaction, and customer loyalty are frequently included in these models. Out of the 12 models which included the construct of customer loyalty, only two examined customer loyalty in terms of a multi-level perspective, namely loyalty to the contact employee and loyalty to the firm (Beatty et al., 1996; Reynolds & Beatty, 1999a). Similarly, out of the 18 models which examined the construct of trust, only three models explored trust on both the salesperson and firm level (Foster & Cadogan, 2000; Kennedy et al., 2001; Macintosh & Lockshin, 1997). Subsequently, only eight models explored the construct of service quality, while merely two examined relationship quality (Crosby et al., 1990; Smith, 1998). Likewise, only one conceptual model included the construct of relationship strength (Storbacka et al., 1994), while another conceptual model suggested relationship closeness (Hocutt, 1998). Therefore, it can be seen that none of the models reviewed in Table 3.1 included all the constructs of service quality, customer satisfaction, trust, commitment, relationship strength, relational contact, relationship quality, and customer loyalty in an overall model. Furthermore, the few relationship marketing models that have been empirically tested have focused on a limited context, as a multi-level customer perspective has not been considered.

Ever since the completion of data collection in mid November in 2000, a number of new relationship marketing models have emerged (Athanassopoulos et al., 2001; de Ruyter et al., 2001; Delgado-Ballester & Munuera-Alemán, 2001; Kennedy et al., 2001; Zins, 2001). However, to the best knowledge of the researcher, none of these models have incorporated all the constructs discussed in the preceding section.

3.3 The Relationship Strength Model

To further understanding of the dimensions of relationship marketing, there is a need to explore the antecedents and consequences of relationship strength from the customer's perspective. Figure 3.4 depicts the proposed antecedents and consequences of relationship

strength based on the literature review in Chapter 2. The antecedents are grouped into three sets of factors: perceived service quality, commitment, and the frequency and intensity of relational contact. The consequence of relationship strength is measured by the customer's overall perceived relationship quality (attitudinal outcome) and customer loyalty (behavioural outcome). Subsequently, trust is proposed to mediate the relationship between service quality and commitment, while customer satisfaction is proposed to mediate the relationship between service quality and customer loyalty.
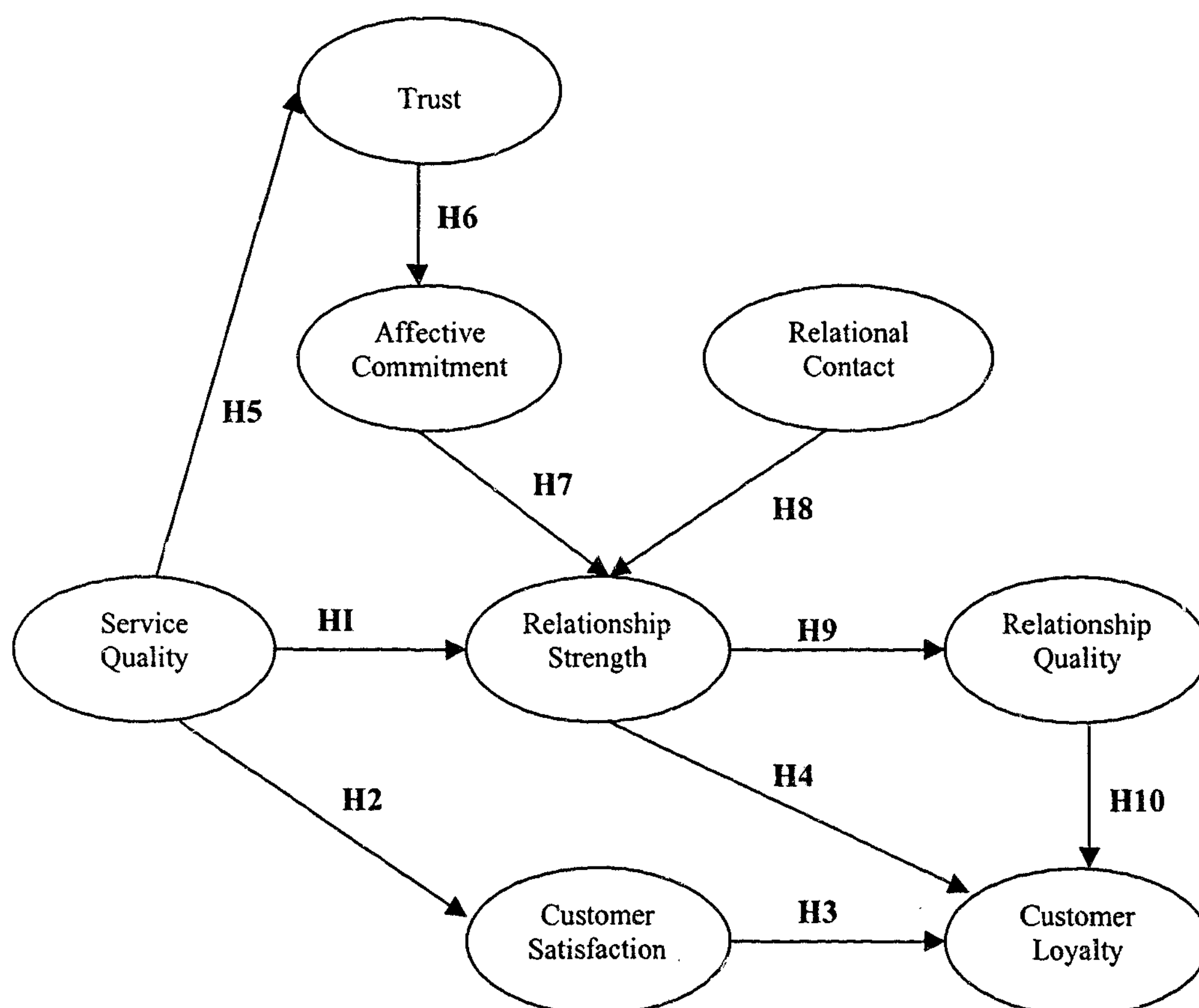
Figure 3.4. The Relationship Strength Model

3.4 Research Hypotheses

The literature review in Chapter 2 suggests the possibilities of relationships between service quality, trust, commitment, relational contact, relationship strength, relationship quality, customer satisfaction, and customer loyalty. Based on a review of the current theory and models of relationship marketing, the Relationship Strength Model presented in Figure 3.4 is derived. The corresponding hypotheses to be tested in this study are presented in Table 3.2.

Table 3.2

Research Hypotheses

No.	Measured Link
H1	Perceived service quality is positively correlated with relationship strength
H2	Perceived service quality is positively correlated with customer satisfaction
H3	Customer satisfaction is positively correlated with customer loyalty
H4	Relationship strength is positively correlated with customer loyalty
H5	Perceived service quality is positively correlated with trust between the exchange partners
H6	Trust between the exchange partners is positively correlated with commitment
H7	Commitment is positively correlated with relationship strength
H8a	The intensity of relational contact is positively correlated with relationship strength
H8b	The frequency of relational contact is positively correlated with relationship strength
H9	Relationship strength is positively correlated with overall perceived relationship quality
H10	Overall perceived relationship quality is positively correlated with customer loyalty

The first hypothesis suggests that perceived service quality is positively correlated with relationship strength (H1). The second and third hypotheses posit a positive relationship between service quality and customer satisfaction (H2), and customer satisfaction and loyalty (H3) respectively. The fourth hypothesis proposes a positive relationship between relationship strength and customer loyalty (H4). The fifth and sixth hypotheses propose a positive relationship between service quality and trust (H5), and trust and commitment (H6). The seventh and eighth hypotheses posit a positive relationship between

relationship strength and commitment (H7), intensity of relational contact (H8a), and frequency of relational contact (H8b). The final two hypotheses suggest a positive relationship between relationship strength and relationship quality (H9), and relationship quality and customer loyalty (H10).

3.5 Relationships in the Relationship Strength Model

Relationship strength is the key variable of interest in this study. Antecedents and consequences of relationship strength are discussed in this and the earlier chapters. The following discussion briefly reviews each of these constructs and the relationships between them.

3.5.1   Service Quality

Service quality, an elusive, abstract, and multi-dimensional construct that is difficult to define and measure (Crosby, 1979; Garvin, 1983; Parasuraman et al., 1988), has been frequently cited as an essential element within relationship marketing (Christopher et al., 1991; Shemwell et al., 1998; Storbacka et al., 1994). The provision of high levels of core service quality is a basic condition for firms to contend effectively in today's competitive environment (Kandampully, 2002; Patterson, 2001). Accordingly, it is not possible to ensure a high level of service quality without determining the salient aspects of quality.

As previously discussed in section 2.3.4, the distinction and association between service quality and customer satisfaction remains at the forefront of many academic and practitioner oriented research endeavours (Anderson & Fornell, 1994; Brown & Swartz, 1989; Spreng & Mackoy, 1996). There exist numerous empirical works to support the service quality and customer satisfaction causal order. For example, a study conducted by Cronin and Taylor (1992) tested, among other things, the causal relationship between service quality and customer satisfaction, and found that perceived service quality leads to satisfaction (as opposed to the reversed order). In another study also addressing the relationship between service quality and satisfaction, Spreng and Mackoy (1996) tested a model developed by Oliver (1993), and the results indicate that, as predicted, service quality leads to satisfaction. Therefore, following Parasuraman et al. (1985; 1988), service quality - as determined by its various dimensions - is positioned as a partial determinant of

satisfaction. Hence, this study establishes a basis for the present contention that service quality influences, among other things, levels of customer satisfaction (Oliver, 1993).

3.5.2 Trust

Trust has been suggested as an unavoidable dimension of social interaction (Gambetta, 1988). One possible reason that marketers have begun to emphasise the concept of trust is because of the increasing significance of the relationship marketing perspective. Within the relationship marketing literature, it is often argued that successful relationship marketing requires relationship trust (Moorman et al., 1992; Morgan & Hunt, 1994; Schurr & Ozanne, 1985; Wilson, 1995). A large stream of literature has emphasised the role of trust as being central to the success of customer relationship building, in all contexts of relational exchanges (Achrol, 1991; Becker, 1960; Dwyer et al., 1987; Morgan & Hunt, 1994). Thus, it is assumed that trust has an important role to fulfil in the evolution of enduring customer relationships.

A customer seeking to engage in a commercial relationship with a service provider or a business has an initial positive predisposition to trust the other party. This is usually determined by their perceptions of service quality provided by the service provider and the firm they represent. Consequently, the customer may have a positive attitude and be open to any promises made by the business aiming to augment his or her trusting intention towards any service or product offerings. Provided that the customer is interested in the promise made, he or she expresses a willingness to depend on the business, a trusting intention, and anticipates the promise to be enabled.

Firms who keep their promises deliver a positive impact on the customer's perceptions and future expectations regarding the quality of the service provided (Zeithaml, 1996). When all stages of promise fulfilment have been completed, customers evaluate the service encounter and compare the service they expected according to the promises that was initially made to them with the service they actually received upon the fulfilment of the promise (Parasuraman et al., 1985). From a customer's perspective, service performances which fall below their expectations are mediocre in nature, and these performances do not reflect what they was promised or what they paid for (Kandampully, 1997). Thus, the level of service quality delivered will reflect the customer's trusting beliefs in the service

provider and the firm (Papadopoulou, Andreou, Kanellis, & Martakos, 2001). Subsequently, future positive service encounters will further strengthen the trusting beliefs, and this will result in the development of strong customer relationships.

3.5.3   Affective Commitment

The literature on relationship marketing reports extensively on commitment (Anderson & Narus, 1990; Dwyer et al., 1987; Geyskens, Steenkamp, Scheer, & Kumar, 1996; Morgan & Hunt, 1994). Commitment is defined as a belief by an exchange partner that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes that the relationship is worth working on to ensure that it endures indefinitely (Morgan & Hunt, 1994). Kumar, Hibbard, and Stern (1994) distinguished between two different types of commitment, namely affective and calculative commitment. Affective commitment is non-instrumental, and is based on a general positive feeling towards the exchange partner (Konovsky & Cropanzano, 1991), while calculative commitment is instrumental, and is a negatively oriented type of motivation (Meyer & Allen, 1984). For example, a customer can be forced to remain in a relationship with his or her service provider due to the high switching costs or the cost-benefit ratio. In particular, affective commitment is the construct focused on in the present study when looking at the relationships between trust, commitment, and relationship strength.

Several authors have argued that trust leads to a high level of affective commitment as well as a strong desire to maintain a relationship (Crosby et al., 1990; Farrent, 1996; Granovetter, 1985). Anderson and Weitz (1989), Morgan and Hunt (1994), and Geyskens et al. (1996) provided further empirical support for this argument. Within a customer-supplier relationship, trust provides an incentive for customers to focus more on the positive motivation because of a sense of affiliation and identification with the supplier, and this may be a stimulus to concentrate less on calculative reasons for attachment to a supplier (de Ruyter et al., 2001). In addition, Geyskens et al. (1996) report a negative relationship between trust and calculative commitment. Consequently, when a firm's trust in a partner increases, there is less reason to continue the relationship because it feels it needs to on a cost-benefit analysis.

3.5.4   Relationship Strength

For many services, an integral component of the offering is the interpersonal interaction between employees and customers (Czepiel & Gilmore, 1987; Suprenant & Solomon, 1987). Scholars have suggested that customers who are members of a firm's "social network" (Reingen, 1987) or are in situations where "relationship closeness" (Colgate & Danaher, 1999) exists are more likely to engage in customer loyalty behaviours. Research in marketing has demonstrated that interpersonal relationships bond customers with their retailers (Beatty et al., 1996; Liljander & Strandvik, 1995; Price & Arnould, 1999). These results suggest that interactions between customers and service employees can lead to higher levels of relationship strength and quality that bind customers and service providers. In addition, empirical research has shown that the fostering of interpersonal relationships between employees and customers may help encourage positive customer loyalty behaviours such as positive word of mouth recommendations (Gremler, Gwinner, & Brown, 2001). Subsequently, the establishment and maintenance of strong relationships is especially important in services given the high degree of personal interaction, the intangible nature of the service, the heterogeneity of service outcomes, and the prominent role customers play in service production (Bowen, 1986; Czepiel, 1990).

3.5.5   Relational Contact

In many businesses today, it is desirable to maintain long-term customer relationships (Bendapudi & Berry, 1997). Jackson (1985b) explains that the duration of contact in a relationship provides the service provider the opportunity to display their abilities and show concern for customers' needs and problems. Furthermore, the more frequent the interaction between people, the stronger the affection or liking, provided positive feelings are generated during the relationship (Evans, 1963). To reinforce this notion, Barnes (1997) found that high levels of personal contact contributed to a positive emotional tone in the development of strong customer relationships. Therefore, relationship strength would be expected to be affected by the extent of contact between the customer and the service worker (Bove & Johnson, 2000).

3.5.6   Relationship Quality

Relationship quality is a concept that considers all the aspects of the relationship between two actors, and this concept is a broader concept than service quality. Specifically, relationship quality refers to a customer's perceptions of how well the whole relationship fulfils the expectations, predictions, goals, and desires the customer has concerning the whole relationship (Jarvelin & Lehtinen, 1996). A customer's level of perceived relationship quality forms the overall impression that an actor has concerning the whole relationship, including different transactions that make up the relationship. Hence, the past, present, and to a certain extent expected future episodes are simultaneously present in the customer's assessment of relationship quality. The perceptions of past episodes are gathered in the formation of relationship quality, and serve as a filter for new episodes of relationship quality perceptions.

Focusing on the service industry, Crosby et al. (1990) conducted an empirical study in the whole life insurance sector which examined relationship quality as a higher order construct. Consequently, relationship quality itself is seen as a central determinant of customer retention, a concept that has been confirmed empirically for some parts of the service sector (Hennig-Thurau, 2000).

3.5.7   Customer Loyalty

Loyalty occurs in all consumption situations, and the concept of loyalty has received much attention in the marketing literature. Loyalty can be viewed as: (1) biased; (2) behavioural response; (3) expressed over time; (4) by some decision making unit; (5) with respect to one or more alternative brands or services, and (6) is a function of psychological decision making and evaluative process (Jacoby & Kyner, 1973, p. 2). As previously discussed in section 2.4.1, the benefits of customer loyalty flowing to both the firm and the customer have been well articulated (Gremler & Brown, 1996; Hennig-Thurau et al., 2001; Morgan & Dev, 1994; Reichheld, 1996).

Within the service industry, relationships and interactions are integral in the formation of customer loyalty behaviour (Gummesson, 1987a). These interactions provide service providers with occasions to develop strong relationships with their customers which, in

turn, provides opportunities for loyalty to develop (Foster & Cadogan, 2000; Parasuraman et al., 1985; Suprenant & Solomon, 1987). In addition, when customers' overall perceived quality of the relationship is high, their anticipation of future loyalty behaviours with the service provider or the organisation will also be positive (Crosby et al., 1990). Consequently, service loyalty has been associated with customers' personal relationships with service personnel as these relationships reflect positively on the organisation (Goodwin & Gremler, 1996). For example, Beatty et al. (1996) found that the positive feelings customers have towards service employees usually carry over to similar feelings towards the service organisation.

3.5.8   Customer Satisfaction

One construct that is often closely associated with customer loyalty is customer satisfaction, which has become a central concept in current marketing thought and practice (Yi, 1990). Customer satisfaction refers to the customer's emotional product/service evaluation of the experiences obtained from usage, consumption, and ownership of the specific good or service (Westbrook, 1981). Accordingly, customer satisfaction has also been described as a summary evaluation of a customer's overall experience with a service provider, an organisation, or its products and services (Cronin & Taylor, 1992).

Bitner and Hubbert (1993) make a distinction between service encounter satisfaction and overall service satisfaction. The authors define service encounter satisfaction as the consumer's satisfaction or dissatisfaction with a discrete service (e.g., an interaction with a doctor, a discussion with an insurance agent, an experience at a retail checkout counter), whereas overall or cumulative service satisfaction is the consumer's satisfaction or dissatisfaction with the organisation based on *all* encounters and experiences with that particular organisation. Consequently, overall satisfaction with the organisation is the construct focused on in the present study when looking at the relationships between service quality, customer satisfaction, and customer loyalty.

Several studies have found empirical support for the notion that satisfaction is *a*, if not *the*, leading factor in determining customer loyalty behaviours (Bolton & Drew, 1994; Jackson, 1985b; Rust & Zahorik, 1993). Other studies have linked customer satisfaction to repurchase intentions (Anderson & Sullivan, 1993; Brady & Robertson, 2001; Cronin &

Taylor, 1992; Fornell, 1992; Oliver, 1980; Oliver & Swan, 1989). To the contrary, some studies have suggested that customer satisfaction is not a surrogate for customer retention or customer loyalty, and that satisfied customers may not be sufficient to create loyal customers (Biong, 1993; Reichheld, 1993; Ulrich, 1989). For example, Kelley, Hoffman, and Davis (1993) found that customers stayed with a service provider even when they are dissatisfied with the service they received, while Lee and Cunningham (1994) suggest that not all customers are loyal to their service provider solely because they are satisfied with the services; some are loyal simply because they do not want to go through the hassle of switching to another provider. In yet another study conducted, Keaveney (1995) found that several customers switched services even when they are satisfied with their former providers. Despite the divergent empirical findings, the present study adopts the view that customer satisfaction is an antecedent factor to customer loyalty.

3.6 Domain of the Model

Although the Relationship Strength Model is expected to be suitable in most service situations where relationship marketing is appropriate, and where the contact employee assumes the key implementation role, there are instances where it is deemed to be inappropriate. In particular, the model cannot be applied to situations where the customer is "locked in" or "trapped". Examples of such services where a customer may be in a situation where he/she has no other alternatives include service utilities such as electric, gas, or local telephone services. This is further reinforced by the view that locked-in customers may be in the relationship against their choice. Such a situation normally develops where a supplier has a monopoly and the customer has little or no choice but to deal with that firm (Barnes, 1994). Hence, the proposed Relationship Strength Model is expected to apply only in those circumstances where a customer has a *choice* of service providers and service organisations, and is not forced into using only one provider or organisation.

3.7 Conclusion for Chapter Three

This chapter presented previous research and models on relationship marketing. Following, a conceptual model of relationship strength was proposed. The Relationship

Strength Model provides a framework for firm-controlled antecedent conditions such as the level of service quality provided, and tests their impact on customer trust and commitment. This model then seeks to explore, from a customer's perspective, the influence of customer trust and commitment on attitudinal outcomes such as perceived relationship quality as well as behavioural outcomes such as customer loyalty. In addition, this chapter presented a discussion of the relationships among the constructs in the Relationship Strength Model, as well as an outline of the 10 research hypotheses. Finally, this chapter concluded with a discussion on the domain and applicability of the research model. The next chapter examines the operationalisation of the 10 research hypotheses as well as the methodology to explore this area.

CHAPTER FOUR

RESEARCH METHOD

4.1 Introduction

In this chapter, the major areas of the research method for the study are addressed. This includes an outline of the research design and research hypotheses, an elaboration on the use of triangulation research methodologies, as well as a discussion of the quantitative and qualitative fieldwork phases of the study. Specifically, this chapter comprises of five major parts: (1) quantitative research design (fieldwork phase 1 – mall intercept surveys); (2) survey instrument and operationalisation of research constructs; (3) statistical analysis; (4) qualitative research design (fieldwork phase II - customer focus group), and (5) qualitative research design (fieldwork phase III - managerial focus group). These major parts are discussed in the following sections.

4.1.1   Research Design

A review of the general services marketing and management literature was undertaken to identify key concepts and variables. This stage facilitated the identification of critical constructs and the development of the conceptual framework as well as the overall research question and relevant hypotheses for this study. As these hypotheses arose from the literature and were grounded in existent theory, the theory acted as a framework for the entire research study. Hence, it was appropriate to undertake the deductive approach to research to test specific hypotheses and examine specific relationships (Creswell, 1994). In addition, the characteristics of this research were typically conclusive. It was appropriate to undertake conclusive research as the research question and hypotheses were derived from existing literature. Moreover, the information needed was clearly defined, the research process was formal and structured, the sample was large and representative of the population, hypotheses were developed a priori, and the data was then subjected to quantitative analysis to determine whether the relationships identified in the hypotheses were supported (Malhotra, Hall, Shaw, & Crisp, 1996). Finally, this research is descriptive in nature. Descriptive research is based on a previous understanding of the

area of research and seeks to describe the characteristics of a population or phenomenon (Zikmund, 2000). Consequently, this study is descriptive as it describes the factors pertinent to the formation of customer relationships in the retail industry in Australia.

4.1.2   Research Hypotheses

The following hypotheses have been developed based on the literature:

H1   Perceived service quality is positively correlated with relationship strength

H2   Perceived service quality is positively correlated with customer satisfaction

H3   Customer satisfaction is positively correlated with customer loyalty

H4   Relationship strength is positively correlated with customer loyalty

H5   Perceived service quality is positively correlated with trust between the exchange partners

H6   Trust between the exchange partners is positively correlated with commitment

H7   Commitment is positively correlated with relationship strength

H8a   The intensity of relational contact is positively correlated with relationship strength

H8b   The frequency of relational contact is positively correlated with relationship strength

H9   Relationship strength is positively correlated with overall perceived relationship quality

H10   Overall perceived relationship quality is positively correlated with customer loyalty

These hypotheses are tested using statistical analysis techniques such as correlation analyses, factor analyses, regression analyses, and structural equation modelling. Further details of these statistical analyses are provided in section 4.4.3.

4.1.3   The Use of Triangulation

Denzin (1978, p. 291) broadly defines triangulation as the combination of methodologies in the study of the same phenomenon. In social sciences research, the use of triangulation can be traced back to Campbell and Fiske (1959) who developed the idea of "multi operationism". These authors argued that more than one method should be used in the validation process to ensure that the variance reflected that of the trait and not of the

method. Hence, the convergence or agreement between these two methods can enhance the belief that the results are valid and not a methodological artefact (Bouchard, 1976; Creswell, 1994).

The most popular use of triangulation is the "between (or across) methods" type, which is largely a vehicle for cross validation when two or more distinct methods are found to be congruent and yield comparable data (Denzin, 1978, p. 302). With reference to organisational researchers, this would involve the use of multiple methods to examine the same dimension of a research problem. For example, the effectiveness of a salesperson may be studied interviewing the salesperson, observing the salesperson's behaviour, and evaluating the salesperson's performance records. As can be seen, the focus always remains on the salesperson's effectiveness, but the mode of data collection varies. In this instance, when multiple and independent measures arrive at the same conclusion, a more certain phenomenon of the salesperson could be portrayed.

Another method of triangulation is the "within-method" type, which uses multiple techniques within a given method to collect and interpret data (Denzin, 1978). A quantitative "within-method" survey research can take the form of multiple scales focused on the same construct, while a qualitative "within-method" participant observation research can be reflected in "multiple comparison groups" to develop more confidence in the emergent theory (Glaser & Strauss, 1965). In brief, "within-method" triangulation essentially involves cross checking for internal consistency or reliability while "between-method" triangulation tests the degree of external validity (Jick, 1979).

In addition to the above, triangulation can be conducted via three types of designs, namely (1) the two-phase design; (2) the dominant-less dominant design, as well as (3) the mixed-methodology design (Creswell, 1994). The first design involves the researcher conducting a qualitative phase of the study and a separate quantitative phase, while in the second design, the study is presented within a single dominant paradigm with one small component from the alternative paradigm. Finally, in the mixed-methodology design, the two types of designs are mixed at all stages working back and forth between the two types. Within the two-phase design, studies may be conducted with simultaneous triangulation (i.e., a qualitative design with quantitative illustrations or vice versa) or sequential triangulation (i.e., qualitative data gathered to design a quantitative survey technique or vice versa) (Creswell, 1994).

As noted above, the use of complementary methods is generally thought to lead to more valid results, and perhaps the most common attempts to use triangulation have been reflected in efforts to integrate fieldwork and survey methods (Jick, 1979). To reinforce this view, several authors have advocated the viability and necessity of such linkages, as quantitative methods and fieldwork can make important contributions to each other (Creswell, 1994; Diesing, 1971; Reiss, 1968).

Therefore, in order to enhance the validity of research findings, this study used both quantitative and qualitative methods. A combination of both methods can be used for a number of reasons (Creswell, 1994). The two methods were combined in order to be *developmental*, whereby a qualitative approach was used to inform the development of the quantitative approach. In addition, the two methods were *complementary*, whereby the quantitative findings were illustrated with qualitative findings. For both the developmental and complementary components, the dominant paradigm was quantitative research. Alternatively, this combined design is also known as the *dominant-less dominant* design (Creswell, 1994).

In the *developmental* component of the methodology, a review of the literature and an analysis of the qualitative data on the validity of the quantitative instrument were undertaken. Applying the deductive method (Hinkin, 1995), the importance of research instruments being grounded in theory was emphasized in this study, whereby questionnaire items were generated from a theoretical basis. Subsequently, face validity of the quantitative instrument was confirmed through qualitative interviews with two retail store managers, which guided the modification of items in the questionnaire. Following, the *complementary* component of the methodology involved sequential triangulation in which the quantitative study was supplemented by further qualitative focus group interviews in order to elaborate, enhance, and illustrate the results from the quantitative surveys (Creswell, 1994).

Specifically, relationships identified in the quantitative study (Phase I) were explained and illustrated more fully through semi-structured focus group interviews (Phase II) with respondents from the quantitative sample. In this instance, results from the focus group contributed to survey analysis with respect to validation of results, interpretation of statistical relationships, as well as clarification of any puzzling findings (Sieber, 1973). Based on the combined findings of phases I and II, several implementation guidelines for

adopting the research model were presented to a focus group consisting of retail store managers (Phase III), and relevant feedback and comments from these managers were further incorporated into a final set of implementation guidelines.

Although the contribution of surveys to fieldwork is probably less well appreciated than the reverse order (i.e., the contribution of fieldwork to survey design), there are many ways in which fieldwork can take advantage of survey techniques (Sieber, 1973). Firstly, when selecting collectives or individuals for a focus group session, it is common to rely upon a statistical profile of the population containing the units to be observed. Various types of information that are not generally available could be collected in a preliminary survey. Therefore, a survey can improve the design of fieldwork by identifying both representative and unrepresentative cases, and the former can serve the goal of generalisability, while the latter can assist in theory refinement (Sieber, 1973). In addition, surveys can contribute to data collection in fieldwork as replies to survey questions provide leads for latter focus group interviews and observations and eliminate the need to ask routine background questions. Consequently, this enables greater realism, enhances rapport, and offers guidelines for probes. Another contribution that surveys make to the analysis of field materials is the verification of observations. Finally, survey results can cast a new light to field observations, by illuminating a field observation that was inexplicable or misinterpreted.

4.2 Part 1 - Quantitative Research Design (Fieldwork Phase I)

The quantitative research design section outlines the nature and sample design of the study. This includes a discussion of the unit of analysis and context of the study, the participants and measurement techniques chosen, as well as the survey procedures of the quantitative phase of the study. In addition, ethical considerations and data coding and editing techniques are examined.

4.2.1   Unit of Analysis

The unit of analysis refers to the level of investigation the study focuses on (Zikmund, 2000), and types of units of analysis include individual, dyads, and group. Before

commencement of this research, it is necessary to clarify the unit of analysis, as the variables included in the conceptual framework, the data collection method, and sample size are affected by this assessment (Zikmund, 2000). The primary unit of analysis investigated in this study were the retail stores. The sampling elements were the actual customers of the retail stores, and their attitudes and perceptions were aggregated to reflect their shopping experiences at the retail stores.

4.2.2   Context of the Study

The quantitative phase of this study employed a self-administered, cross-sectional survey design. Respondents were actual customers from retail stores. Initially, the surveys were to be mail administered. The sample was selected from an Australia-wide frequent buyer database, known as the Fly Buys database. Two screening criteria were used in creating the sample frame – respondents must reside in the state of Victoria and must have shopped at a particular retail store within the last three months. Using this sample frame, 5,000 respondents could be preselected, and via a stratified random sampling method, the population elements could be separated into non-overlapping suburb groups, and a random sample could be selected from within each group. Adopting this approach, 1,000 respondents would be selected.

However, after several lengthy discussions (approximately four months) with various managers from the retail store head office, it was revealed that the extraction of respondents from the Fly Buys database would be very costly and time consuming, as permission had to be sought from various external managers, and on approval, data collection had to be undertaken by an external research agency. All these difficulties posed as a problem to the adoption of the mail survey method, hence, an alternative data collection method - the mall intercept survey technique - was used. This data collection method is further elaborated in section 4.2.5.

In order to gather data to test the hypotheses presented in section 4.1.2, structured questions were developed to measure the dependent variable (relationship strength), the antecedents (service quality, trust, commitment, and relational contact), and the consequences (relationship quality and customer loyalty). The following section discusses

the participants of the research, the choice of measurement technique and design, as well as the sampling procedures used in the study.

4.2.3 Participants of the Research

Within the literature, it is accepted that when a measuring instrument is developed, the subjects utilised should be those for whom the instrument is intended (Churchill, 1995). Since this study focused on firstly, the development of instruments to measure the hypotheses proposed in the Relationship Strength Model from the customer's perspective, and secondly, the formation of customer relationships *as perceived by the customer*, ideal participants to be examined in this study are real customers who make the final purchase decision. In addition, as this study actually seeks the opinions and perceptions of real consumers who are involved in the buying process, it is most suitable to survey the consumers directly.

4.2.4 Measurement Technique

The measurement technique used in this study was the self-administered survey technique. The survey technique has several strengths that provide rationale for its use in this study. First, surveys are particularly effective when used for descriptive, explanatory, and exploratory purposes. Given that the intent of this phase of the study is to test a proposed model of relationship strength, a methodology that is well suited for exploratory purposes is particularly appropriate. Furthermore, survey research is probably the most frequently used method of data collection in the retail industry (Mason et al., 1993). Also, the use of survey is an effective vehicle for collecting information from a wide range of respondents.

In addition, surveys, especially self-administered ones, make large samples more feasible (Babbie, 1998). The ability to consider large number of data from a wide variety of respondents also enhances the potential generalisability of findings. Moreover, survey research allows for a direct and systematic measurement of large number of variables simultaneously. Furthermore, this study includes over 75 scaled questions, representing more than nine constructs of interest, hence the survey methodology is especially

appropriate for this study, both in terms of the number of variables and the number of respondents.

Consequently, surveys provide the ability to examine naturally occurring phenomena that are very hard to create or manipulate in a laboratory setting. In this instance, the formation of customer relationships can be a complex activity whereby people are involved daily in relationships with service providers across a variety of services and these people may display various degrees of relationships to many different service providers. Besides, surveys are relatively easy to use and inexpensive, and often the most plausible alternative for measuring unobservable constructs such as attitudes, values, perceptions, and intentions (Moorman & Podsakoff, 1992). Also, surveys provide greater flexibility in time and accessibility in distance, and they are very economical in terms of the amount and quality of information they yield. Finally, the use of surveys assures anonymity of data as well as reduces interviewer bias (Bailey, 1987). This is particularly helpful, as research has shown that the more anonymity given to a respondent, the less chance there is for a socially desirable answer (Sudman & Bradburn, 1974).

As with any methodology, a survey design has its limitations. The major limitation of survey designs is that causal relations among the variables cannot be inferred, thus the influence of extraneous variables cannot be accounted for. As a result, conclusions are limited to correlational relationships. Although surveys may be helpful in predicting relationships among variables, cause-and-effect relationships cannot be determined.

Another limitation of a survey design is that questions on the survey instrument must be standardised, and this may cause the researcher to miss what is most appropriate to the respondent (Babbie, 1998). However, given that the questions on the instruments used in this study represent established scales that are further validated by qualitative interviews with various retail store managers, it is expected that the questions are indeed most applicable for studying the formation of customer relationships in a service setting.

In summary, a survey design is deemed to be the most suitable methodology for this phase of the study. Survey research allows for: (1) the measurement of a large number of variables across a wide range of respondents; (2) the ability to examine naturally occurring, rather than artificial phenomenon, and (3) greater potential generalisability of

the findings. For these reasons, a survey design is most suitable for addressing the overall research question and hypotheses developed in this thesis.

4.2.5 Mall Intercept Surveys

Intercept surveys are face-to-face surveys done by intercepting visitors at some public places such as a shopping mall or a city street (Burns & Bush, 1998). The most popular location for intercept surveys is shopping malls, because they provide access to a general population that is appropriate for most consumer research. In fact, intercept surveys are so commonly done in shopping malls that they are often called "mall surveys".

4.2.5.1 General Procedures

Mall intercept surveys utilise a convenience sampling method to recruit respondents (Burns & Bush, 1998). In most mall intercept surveys, interviewers are sent into the mall to recruit anyone who qualifies for the survey. Respondents are approached and asked to participate on the spot. If they agree, respondents are given a self-administered questionnaire to fill up on the spot, and on completion, the respondent is thanked, and returns to other mall activities. If they refuse, the interviewer continues on to the next person. In order to control the convenience sampling selection error, a quota system or a random sampling system can be adopted.

4.2.5.2 Sample Quality of Intercept Surveys

Sample quality is a weak point of intercept surveys. This method is not used for surveys of business executives, except for occasional studies done at trade shows, because business executives are often not found on a street corner or in a shopping mall. Even with consumer studies, it can be difficult to find good intercept sites. Most marketing research intercepts are done in shopping malls, as the respondents usually represent a general population (Sudman & Blair, 1998). In some cases, intercept surveys are not used to capture a general population, but simply to profile visitors to the intercept site, for example, to profile shoppers at a specific department store.

4.2.5.3 Response Rates of Intercept Surveys

Mall intercept surveys yield higher response rates than mail surveys (Malhotra et al., 1996). A logical explanation of why this method appears to be so effective is that the face-to-face nature or personal contact between interviewer and respondent usually facilitates and enhances communication. Moreover, the fact is that the interviewer's mere presence motivates the respondent to cooperate (Mayer, 1974). Also, most mall researchers report cooperation rates of approximately 50 percent (Sudman & Blair, 1998). In order to further increase the response rates of intercept surveys, respondents could be given the choice of completing the questionnaire in their own leisure time and space. Usually, a reply paid envelope is attached with the questionnaire and respondents are advised to return the survey within a designated time frame.

4.2.5.4 Response Quality of Intercept Surveys

All available evidence suggest that people who respond to intercept surveys give answers that are comparable in quality to answers obtained from other survey methods (Sudman & Blair, 1998). The limited time available in mall surveys does not appear to hurt the quality of the answers from respondents. To reinforce this view, Bush and Hair (1985) tested a number of hypotheses relating to the quality of mall intercept versus telephone interviewing, and results suggest that, given comparable respondents, the quality of data from the mall intercept was as good, if not, better than the telephone method. In addition, another experiment conducted by Bush and Parasuraman (1984) lent additional support for the mall intercept method. Therefore, credence is given to the mall intercept study as a legitimate data collection technique.

4.2.5.5 Costs of Intercept Surveys

Intercept surveys are cheaper than mail or telephone surveys. The reason being that there are no mailing costs involved, as the respondents incur the costs themselves by travelling to the mall (Burns & Bush, 1998). Also, no time is spent on contacting people who are not available, and no time is spent on follow-ups of people who are not contacted on the first try. Given that, it is essential to note that some time can be spent on recruiting respondents at the mall, as not all respondents approached will agree to participate in the survey.

4.2.5.6 Previous Studies Utilising Mall Intercept Surveys

Previous mall intercept survey studies that have been conducted in the service industry are tabulated in the tables as follow. Table 4.1 consists of studies conducted in the retail industry, while Table 4.2 comprises studies conducted in other types of services.

Table 4.1 A Summary Of Studies Using Mall Intercept Surveys – Retail

Author/ Journal	Details of the Study	Response Rate
Batra and Sinha (2000) *Journal of Retailing*	Consumer-level factors that moderate the success of private label brands were investigated. Data were collected from a mall intercept study of consumers in US. The interviewer intercepted every third shopper at various malls of a major US city. Screener questions were asked in order to select potential respondents. Questionnaires were administered to selected respondents.	N=753 Response rate not reported.
Beatty and Ferrell (1998) *Journal of Retailing*	A model of impulse buying was presented and tested in a regional shopping mall setting. Data were collected over ten days, including two weekends.	N=878 out of 2391 (37 %)
Bloemer and de Ruyter (1998) *European Journal of Marketing*	The relationship between store image, store satisfaction, and store loyalty was investigated. Data were collected in a department store in a major Swiss city. 300 questionnaires were distributed among shoppers on weekdays as well as Saturdays at various times of the day. Every tenth customer was selected and asked to fill in the questionnaire at home.	N=153 out of 300 (51%)
Campo, Gijsbrechts, and Nisol (2000) *Journal of Retailing*	This study examined the understanding of consumer response to stock-outs in a large supermarket chain. Respondents were intercepted and interviewed as a starting point for questionnaire development. Questionnaires were administered separately for cereals and margarine.	N=993 Response rate not reported.
Dabholkar, Thorpe, and Rentz (1996) *Journal of the Academy of Marketing Science*	A measurement scale for service quality in retail stores was being developed and validated. A total of seven stores from two department chains in the US were involved in this study. College students as well as regular store employees administered questionnaires to shoppers. The data were collected during a 3-week period prior to the Christmas shopping season. Ever fifth adult customer entering the store was asked to complete a questionnaire.	N=227 Response rate not reported.
Finn and Kayandé (1999) *Journal of Retailing*	A psychometric assessment of mystery shopping was conducted in three randomly chosen carrying-out coffee outlets in a shopping mall. Customers were intercepted as they leave a coffee outlet, and asked to complete a self-administered questionnaire on their evaluations of service quality.	N=210 (71%) (70%) (69%)
Griffin, Babin, and Modianos (2000) *Journal of Retailing*	The comparative measures of shopping value in the US and Russia were examined. Shoppers were interviewed and asked to respond to a questionnaire as they were leaving a central shopping centre. Data on their perceptions of their shopping trip were collected.	N=128 (60%)
Macintosh and Lockshin (1997) *International Journal of Research in Marketing*	The interpersonal relationships between retail salesperson and customers were investigated. Data were collected from a large Australian metropolitan area. Questionnaires were distributed at the stores, along with a postage reply paid return envelope.	N=368 out of 800 (48%)

Author/ Journal	Details of the Study	Response Rate
Moreaua, Krishnab, and Harlamc (2001) *Journal of Retailing*	This study assessed consumers' industrial and motivational knowledge about industry practices and retailers' motivations for offering promotions. Data were collected at eleven grocery stores in various US cities. Consumers were approached during different times of the day, and they were given the option of completing the survey at the store location or completing it and mailing it back later in the day.	N=148 out of 500 (30%)
Siu and Cheung (2001) *Marketing Intelligence and Planning*	A validated Retail Service Quality Scale was used to study the service quality delivery of a department store chain and its impact on consumption behaviour. Surveys were administered at five different stores prior to the respondents' shopping experience so that their responses could reflect previous shopping experiences at the store.	N=200 Response rate not reported.
Spies, Hesse, and Loesch (1997) *International Journal of Research in Marketing*	The effects of store characteristics on customers' moods, satisfaction, and purchasing behaviour were examined. Data were collected over one week, during the usual hours of sale. Weekends were excluded as a large number of customers might render the survey more difficult, and the various types of customers might impair the homogeneity of the sample.	Two-thirds of the customers participated.
Sweeney, Soutar, and Johnson (1999) *Journal of Retailing*	The role of perceived risk in the quality-value relationship was investigated. Data were collected on busier weekdays in order to reach as many shoppers as possible within the allocated fieldwork budget. Questionnaires were distributed in-store to qualified shoppers, and shoppers were asked to return a complete questionnaire within ten days in a postage-paid envelope.	2 stages N= 609 out of 1016 (60%) N= 459 out of 732 (63%)
Terblanché and Boshoff (1999) *ANZMAC Conference*	This study examined the measurement of satisfaction with experiences in a retail store environment. Data were collected in four industries, namely fast food, clothing, supermarkets, and hardware stores. Personal interviews, using structured questionnaires were conducted over a period of a month.	N=2,063 Response rate not reported.
van Kenhove, van Waterschoot, and de Wulf (1999) *Journal of Retailing*	This study investigated the impact of task definition, a situational measure, on store-attribute saliences and store choice for do-it-yourself (DIY) products. Visitors of DIY stores in Belgium were surveyed. Respondents were recruited in the stores by asking the tenth visitor to cooperate. The interviews were proportionally spread across weekdays and hours.	N=610 Response rate not reported.
Wakefield and Baker (1998) *Journal of Retailing*	The determinants and effects on shopping response were investigated in this study. Shoppers were surveyed in an enclosed community mall. Data were collected from mall patrons during peak hours over the course of four days (Wednesday through Saturday) by survey administrators located near the three mall entrances. Every fifth adult who passed by a selected point in each main area was asked to complete the survey.	N=517 Response rate not reported.

4.2.5.7 Retail Studies Using Mall Intercept Surveys

Table 4.1 shows a list of recent mall intercept studies conducted in the retail industry. As can be seen from the table, the average reported response rate for seven out of the fifteen studies is 58 percent. This figure is higher, as compared to the reported response rate by other mall researchers (approximately 50 percent or less) (Sudman & Blair, 1998). In

addition to the convenience mall intercept approach, most of the studies adopted a random sampling system to select potential respondents. In certain studies, screening questions were also asked before the selection of respondents. Furthermore, the actual days of the week and times of the day were chosen with care in order to ensure representativeness of the target respondent population.

As seen from Table 4.1, the issue of particular interest is the order of survey administration. Some of the mall intercept studies conducted on evaluations of perceived service quality were administered when the customer enters the store (Dabholkar et al., 1996; Siu & Cheung, 2001), while others were administered when the customer leaves the store (Finn & Kayandé, 1999; Griffin et al., 2000). The former approach is favoured by various authors who suggest that questionnaires should be administered just prior to the shoppers' shopping experience so that the responses reflect evaluations of their previous shopping experiences at the store (Dabholkar et al., 1996). Consequently, administering the questionnaires just after a shopping experience may more closely reflect satisfaction rather than service quality (Rust & Oliver, 1994). However, authors who favour the latter approach suggest that by intercepting customers as they leave an outlet, and asking them to complete a self-administered questionnaire on their evaluations of perceived service quality will allow respondents to easily evaluate the outlet they have just patronised (Finn & Kayandé, 1999). Subsequently, shoppers may be more receptive to the idea of filling in questionnaires on completion of their shopping experience, as shoppers with limited time may not like to be intercepted before they even commence their shopping.

Table 4.2 <u>A Summary Of Studies Using Mall Intercept Surveys – Others</u>

Author/ Journal	Details of the Study	Response Rate
Cronin, Brady, and Hult (2000) *Journal of Retailing*	This study built on the efforts to conceptualise the effects of quality, satisfaction, and value on consumers' behavioural intentions. The study was conducted in six service industries, namely spectator sports, participation sports, entertainment, health care, long distance carriers, and fast food. Questionnaires were gathered in numerous locations in the area using a quota sampling to control for age, gender, and ethnic background.	$N=1,944$ Response rate not reported.
de Ruyter, Bloemer, and Peeters (1997) *Journal of Economic Psychology*	An empirical test of an integrative model of service quality and service satisfaction was conducted in this study. Five hundred questionnaires were handed out to a random sample of patients at a clinic. Patients were invited to participate in the research by filling in the questionnaire at home and return the questionnaires in a reply paid envelope.	$N=291$ (58.2%)
Kelley and Davis (1994) *Journal of the Academy of Marketing Science*	This study investigated the antecedents to customer expectations for service recovery. Data were collected from members of a health club. For 12 consecutive days (Monday through the following Friday), self-administered questionnaires were distributed to members entering or departing the health club.	$N=296$ Response rate not reported.
Kropp, Lavack, and Holden (1999) *Journal of Consumer Marketing*	This study examined the personal values of college-age smokers and beer drinkers, as well as their susceptibility to interpersonal influence. The results of this study were based on a questionnaire administered to convenience samples in the US, Canada, and Australia. Data were collected from university students during class time.	$N=257$ Response rate not reported.
Pritchard, Havitz, and Howard (1999) *Journal of the Academy of Marketing Science*	This study examined the link between commitment and loyalty in the airline industry. A convenience sample of 421 consumers were intercepted at a city airport and asked to complete a questionnaire. A second convenience sample (n=290) was also conducted.	$N=681$ Response rate not reported.
Rotheram-Borus, Mann, and Newman (2001) *Aids Education and Prevention*	Diverse sites were accessed in order to recruit participants at risk for HIV. Participants were recruited by interviewers in the entrance areas or outside of the selected sites and asked if they would be interested in participating in a short survey about HIV testing in their community. Surveys were administered in a face-to-face interview.	$N=385$ Response rate not reported.
Straughan and Roberts (1999) *Journal of Consumer Marketing*	This study examined the dynamic nature of ecologically conscious consumer behaviour. Data were collected through questionnaires administrated to a convenience sample of 235 students at a major university. A pre-screening of the subjects was undertaken to ensure that no respondents completed the questionnaire more than once.	$N=235$ Response rate not reported.

4.2.5.8 Other Studies Using Mall Intercept Surveys

Table 4.2 shows a list of mall intercept studies conducted in industries other than retailing. As can be seen from the table, the reported response rate for a study conducted in the health care industry is approximately 58 percent, which is again, comparable to studies conducted in the retail industry. In addition, one of the studies conducted in six service industries, namely spectator sports, participation sports, entertainment, health care, long

distance carriers, and fast food, adopted a quota sampling system to control for respondent age, gender, and ethnic background (Cronin et al., 2000). A quota sampling system is applicable to mall intercept studies as it establishes a specific quota for various types of individuals to be interviewed, hence defining the composition of the sample (Burns & Bush, 1998). With reference to the order of survey administration, surveys were administered when respondents enter or leave the designated location (Kelley & Davis, 1994; Rotheram-Borus et al., 2001), or when respondents were waiting at a designated point (de Ruyter et al., 1997; Pritchard et al., 1999).

4.2.6   Cross-Sectional Design

A cross-sectional or contemporaneous, rather than a longitudinal design, is selected in this study. Cross-sectional studies are designed to investigate a phenomenon by measuring variables contemporaneously, at a single point in time, while longitudinal studies permit observations over an extended period of time with a fixed sample of respondents (Babbie, 1998). Ideally, the formation of customer relationships would best be examined through the use of a longitudinal study, as the intensity of a relationship may change over time. Moreover, longitudinal studies can also allow for the testing of reverse effects and reciprocal relationships. However, financial and time constraints prohibit the use of a longitudinal study.

Subsequently, a cross-sectional design allows a researcher to study some phenomenon by taking a cross section of it at one time and analyse that cross section carefully (Babbie, 1998). There are several advantages of a cross-sectional design. First, data from a cross-sectional study can be gathered from a large number of people and these data are comparable since they are not affected by changes over time (Bailey, 1987). Second, although a cross-sectional design is intended to capture data at a single point in time, Parasuraman (1986) argues that a cross-sectional study is capable of yielding longitudinal data of sorts. That is, questions can be asked that refer to an interval of time (i.e., duration of the customer-contact employee relationship). Finally, cross-sectional surveys tend to be particularly useful for exploratory work (Babbie, 1998).

In addition to these advantages, scholars have also recommended the use of cross-sectional surveys in examining the economics of customer relationships in the services contexts.

For example, Crosby et al. (1990) maintain that cross-sectional surveys are necessary to investigate the dyads and different degrees of quality of a salesperson-customer relationship. Similarly, Rust and Zahorik (1993) assert that cross-sectional surveys are also a good way to explore the link between attitudinal (i.e., satisfaction) and behavioural variables (i.e., loyalty). Hence, since the primary purpose of the present study is to investigate attitudinal and behavioural factors that lead to the development and maintenance of long-term customer relationships, the use of a cross-sectional design appears to be an appropriate method.

4.2.7 The Australian Service Economy

The service industries sector, which accounted for approximately two-thirds of the gross value of chain volume measures for all industries, is the most significant component of the Australian economy in terms of number of businesses, employment, and gross value added (Australian Bureau of Statistics, 2002). In terms of the Australian and New Zealand Standard Industrial Classification (ANZSIC), the service industries cover wholesale and retail trade, accommodation, cafes and restaurants, transport and storage, communication services, finance and insurance, property and business services, government administration and defence, education, health and community services, cultural and recreational services, and personal and other services. Within the service industries sector, the major employing industry is the retail trade, which accounted for 20% of employment in the sector (Australian Bureau of Statistics, 2002).

4.2.8 The Retail Context

Retailing is a highly competitive (Mason et al., 1993) and mature industry (Wortzel, 1987), both within Australia and internationally. Overcapacity combined with a decrease in consumer spending made the intensely competitive retail scene even more so (McGoldrick, 1999). Retail stores, like many industries are becoming more commoditised. Not only are store types looking less and less different from one another, a growing range of store types is selling the same kinds of merchandise and providing the same types of service (Wortzel, 1987). As keen competition in the retail industry grows, differentiation becomes absolutely essential to the success of many types of retailers

(Levitt, 1980). In order to create a competitive advantage, retailers need to investigate into variables related to the effective management of long-term customer relationships (Reynolds & Beatty, 1999b). In addition, in a retail service setting, customers create disturbances in the service delivery system, which have to be actively managed (Chase & Tansik, 1983).

Therefore, by focussing on retail services, a more complex set of issues involving customer-contact employees/firm interaction can be studied (Mishra, 2000). Hence, parallel to the major intent of this study, the selection of a retail context is deemed suitable for the vigorous testing of the Relationship Strength Model. In addition, having a narrowed focus on a single industry can ensure a high level of internal validity. Despite that, it could be argued that the focus on a single industry may make the results less generalisable. However, within a retail store setting, there are many different departments, ranging from fashion apparel, gardening, and household to auto service. Furthermore, the breadth of the merchandise type spans across different industries. Consequently, the findings of this study have a wider appeal.

4.2.9   Survey Procedures

Data was collected from respondents using a structured questionnaire with questions in a prearranged order. The true purpose of the questionnaire was stated explicitly in the cover letter. The structured-direct survey is a popular data collection procedure used extensively in the customer relationship marketing/management and services marketing/management literature (Bloemer & de Ruyter, 1998; Dabholkar et al., 1996; Macintosh & Lockshin, 1997; Terblanché & Boshoff, 1999). Data obtained from a structured-direct survey approach is usually found to be reliable as the responses are limited to the alternatives stated (Malhotra et al., 1996). In addition, the sound reliability measures presented in Chapter Five support this expectation.

Subsequently, existing measures were identified for the key constructs where possible, and incorporated in the development of the questionnaire. In addition, existing scales were further modified where appropriate to capture the ideas proposed in the literature as well as to cater to the objectives and nature of the study. In order to determine the unidimensionality of the measurement scales used in this study, factor analysis needs to be

conducted. Under the assumptions of the factor analysis procedure (between five and ten subjects to items are required), it is necessary to achieve a sample size of approximately 300, as the largest scale in the questionnaire consists of 29 items (29x10). This figure is calculated in accordance to the advice on conducting factor analysis offered by Bryman and Cramer (1990) who suggested that there should be an absolute minimum of five subjects per variable and not less than 100 individuals per analysis.

Hence, the statistical procedures for analysing the data require a reasonably large sample size ($N = 300$). However, the relative length of the survey instrument (see Appendix 4.1 for copy of the survey), with over 75 items and taking about ten to fifteen minutes to complete, suggest that a fairly low response rate would likely be generated. Therefore, the sampling procedure is designed to facilitate an effective (high response rate) and efficient (from a cost perspective) administration of questionnaires. Each questionnaire included a cover letter by the researcher outlining the nature and objective of the study (see Appendix 4.1 for copy of the survey). Respondents were provided with an indication of the approximate length of time needed to complete the questionnaire. In addition, the cover letter also stressed the importance of the study and requested for a prompt completion of the questionnaire. By adopting the logo of the university and ensuring that the data would be treated with the utmost confidentiality, an attempt was made to reduce the chance of non-response bias to a minimum. To further emphasise confidentiality of the research, contact details of both the Monash University Standing Committee on Ethics in Research on Humans (SCERH) as well as the researcher were provided should the respondents have any queries or concerns regarding the study. A description of the sampling procedure is outlined in the following paragraphs.

4.2.9.1 Exploratory Fieldwork

The study began by exploratory fieldwork that includes soliciting the assistance of store managers. The rationale behind this approach is that store managers normally have a solid and broad understanding of the day-to-day encounters with customers, hence their opinions were used as a filter to unveil the important customer relationship management elements that their experience have shown to really matter for the customers.

These store managers were managers from a leading retail chain in the Australia departmental chain retail sector, a market dominated by a small number of major players.

The retail chain consists of 162 stores Australia and New Zealand wide, employing over 28,000 people (information elicited from retail chain's website). The retail stores within the chain carry an extensive range of products including everything from household and electrical goods, sporting goods, fashion apparel, shoes, children toys, sundries, gardening equipment, tyre and auto service, furniture and horticulture to supermarket foods from over 50 departments. Due to an anonymity agreement with the retail chain, more detailed information will not be provided here.

In-depth, on-site discussions of about 30 minutes' duration were conducted with two store managers from the retail chain. At the meetings, a draft questionnaire generated from the literature review was shown to the managers, encouraging them to identify unclear items, comment on the importance of research issues, and suggest any relevant changes. The items that were a congruency in the opinion of the managers were eventually included in the questionnaire. Additionally, the managers were also asked to comment on the length, format and readability of the questionnaire. Any relevant modifications in wording and content were incorporated into a modified questionnaire and pretested on a sample of fellow researchers and academic staff randomly selected from within the Faculty of Business and Economics at Monash University ($n = 10$).

4.2.9.2 Pretesting

The purpose of the pretest was to ensure that questions were relevant and understandable. The pretest served as a foundation for modifying the language and structure of specific questions where necessary. The pretest also highlighted the need for questions to be modified in order to cater to the retail industry. In addition to completing the pretest questionnaire, pretest respondents were asked to complete a one-page evaluation of the questionnaire. They were also encouraged to write comments onto the questionnaire throughout the pretest. Additional questions that pretest respondents were asked to addressed were as follows:

1. Were the questions easy to understand? If not, please indicate which questions were unclear and why.
2. Are there any questions that could be interpreted in more than one way? If yes, please indicate which question and what your final interpretation was.

3. Do you have any comments on the general structure, layout, and appearance of the questionnaire?

4. How long did it take you to complete the questionnaire (minutes)?

Overall, the pretest respondents indicated a favourable attitude towards the general structure and presentation of the questionnaire. Interestingly, a number of pretest respondents paid particular attention to the appropriateness of the wording of the questions. Consequently, a number of changes were made to the questionnaire to remove the ambiguity and complexity within the questions and statements. An effort was made to ensure that the questions were applicable to a retail context. Based on the feedback from the pretest respondents, the research questionnaire was further refined and the face validity of the scales confirmed.

4.2.9.3 Pilot Study

Following the pretesting, a pilot study ($n = 100$) was conducted in a retail store the week prior to the main data collection. The data collection process was conducted in a manner similar to the main study, with the researcher acting as data collector. Further details of the data collection process are presented in the following paragraphs. To assess the psychometric soundness of the scales, preliminary findings from the pilot study were subjected to different forms of reliability and validity checks as discussed in section 4.4.2. Based on the results of these analyses, no further modification to the survey was necessary.

4.2.9.4 Object of the Study

Shoppers who were leaving a large chain departmental store were intercepted for data collection purposes. These shoppers have previously shopped at the retail store. Consequently, they have developed a relationship with the store (de Ruyter & Wetzels, 1997). There are several reasons for choosing a chain department store as the object of the study. Firstly, a large chain departmental store was chosen because of the high degree of in-store browsing. Also, situational variables (e.g. geographic distance) played a less important role in determining customer attitude and patronage behaviour as opposed to supermarkets or convenience stores. In addition, customers from a variety of segments commonly visit department stores, in contrast to certain high priced specialty stores.

Finally, the choice of a department store guaranteed variation in terms of products, services, and brands.

4.2.9.5 Field Study Method

A field study method was chosen in order to gain information directly from individuals within the retail store setting. As such, shoppers' perceptions and feelings about their shopping experiences are likely to be clearer in their mind.

4.2.9.6 Area Sampling

Much research involves populations that can be identified with some geographical area. When this occurs, it is possible to use area sampling, the most important form of cluster sampling (Bailey, 1987). This method meets both the problems of high sampling cost and the unavailability of a practical sampling frame for individual elements. Area sampling methods have been applied to national populations, country populations, and even smaller areas where there are well-defined natural boundaries. Consequently, the area sampling method was adopted in this study.

4.2.9.7 Retail Store Environment

The questionnaires were self-administered at the store location, following the theory proposed by Dabholkar et al. (1996), whereby respondents will be more attentive to the task of completing a questionnaire and will provide more meaningful responses when they are contextualised in the environment that they are evaluating. Also, being in a natural setting (i.e., shopping setting) is preferable to a home setting amid distractions that take precedence over the task of completing the survey (Dabholkar et al., 1996). Furthermore, being in the relevant environment, shoppers can focus on dimensions important to their evaluations of store service quality, customer satisfaction, trust, commitment, relationship strength, relationship quality, and customer loyalty.

4.2.10 Data Collection Procedure

Adopting the area sampling method, the data were collected at eight different outlets of a large chain departmental store in Victoria, Australia. Out of the eight stores, four of the stores were located in the metropolitan area, two in outer metropolitan area, and the final two in country Victoria. A widespread sample was adopted with the intent to reduce any potential socioeconomical and/or geographical sampling biases. Additionally, a state wide, rather than a nation wide sample was selected, as the former allows for a more focused and controlled data collection environment. Moreover, follow-up focus groups can be easily conducted with the same respondents in Victoria, as the researcher is based in Victoria.

The questionnaires were administered during peak hours (from 10 am - 6 pm daily, with the exception of 10 am – 9 pm on Friday late night shopping), on a rotational basis, over a four-day period in each store (one week dedicated to each store), from Wednesday through Saturday during the months of mid September to mid November in 2000. The days of the week were selected in order to present an even disperse over two weekdays, one late night shopping, and one weekend. The locations of the questionnaire administration, the times of the day, and the days of the week were rotated in accord with the recommendations of Bush and Hair (1985) to make the final sample as representative of the target population who shops at this particular chain departmental store as possible.

Within the convenience mall intercept approach, a random sampling system, rather than a quota sampling was adopted, as the former approach allows for the derivation of unbiased estimates of the population's characteristics. Additionally, this sampling method guaranteed that every shopper in the retail store has a known and equal chance of being selected into the sample (Burns & Bush, 1998). Hence, the researcher approached every third adult shopper leaving the retail store, asked whether he or she will participate, and recorded all refusals. The questionnaires were administered to shoppers when they left the stores and this seemed to be the logical approach, as shoppers with limited time may not like to be intercepted before they accomplish their purpose for being at the store. Therefore, to overcome the limitations suggested by some authors (Dabholkar et al., 1996; Rust & Oliver, 1994), whereby administering the questionnaires just after a shopping experience may more closely reflect satisfaction rather than service quality, respondents

were informed by the researcher that they should complete the questionnaire with reference to their overall (previous and present visit) experiences with the store. Subsequently, the questionnaires were self-administered by interested participants who were afforded a chair in a quiet area near the store exit and a clipboard for their convenience while completing the questionnaires. These participants were also informed of further assistance available from the researcher for clarification of questions.

Consequently, shoppers were also given the choice to take away the questionnaire and complete it in their own leisure time and space. To facilitate the return of questionnaires, shoppers who chose the latter option were given a reply paid, university-addressed return envelope, so that the respondents incurred no additional costs. In addition, the respondents were advised to return the questionnaire within a ten-day period. Adopting this data collection procedure, a total of 1,261 useable questionnaires were collected. Specifically, a response rate of 45.5% was generated via in-store survey administration while a response rate of 37.2% was achieved via reply paid mail. A breakdown of the response rates is shown in Table 4.3.

Table 4.3 <u>Breakdown of Response Rates</u>

Mode of Collection	Participants		Questionnaires	Total Response Rate %	Useable Questionnaires	Useable Response Rate %
	Approached	**Refused**	**Collected**			
In-store	2,574	1,393	1,181	45.8	1,171	45.5
	Questionnaires Distributed	Non-response				
Reply-paid	242	146	96	39.6	90	37.2
Total	2,816	1,539	1,277	45.3	1,261	44.8

Finally, respondents were asked whether they are willing to participate in the next phase of the study in April 2001, which involved the conduct of focus group interviews at a location convenient to them. Interested participants left their contact details with the researcher, who contacted the participants directly by phone and mail in April 2001. Further details of the customer focus groups (Phase II) are provided in section 4.5.

4.2.11 Non-Response

The potential for non-response bias is an important issue in survey-based research. Non-response bias occurs when some elements of the sample in the population do not respond to the survey (Churchill, 1999; Malhotra et al., 1996). Generally, studies with low response rates are, typically, more prone to this form of bias than those with high response rates due to the large numbers of non-respondents. As mentioned previously, this study yielded a high response rate of 45.8% via in-store survey administration which fits in with the well accepted level of response rate as suggested by other mall researchers (approximately 50% or less) (Sudman & Blair, 1998; Sudman & Bradburn, 1974). Therefore, it is acknowledged that the high response rate attributed to a minimum non-response bias. In addition, a comparison of the demographics of the sample and the target population of the retail chain was conducted to examine the sample in terms of its representativeness of the population. No significant differences were found, hence, it is believed that the sample in this study was adequately representative of the target population.

Consequently, according to Armstrong and Overton (1977), the most commonly recommended protection against non-response bias has been the reduction of the number of non-respondents. Hence, various procedures to ensure an adequate response rate were incorporated in this study. Specifically, the questionnaires were carefully designed, with easy to understand format and language. Furthermore, the questionnaires can be easily completed within ten to fifteen minutes.

4.2.12 Statistical Power

Statistical power refers to the probability of finding statistical relationships among variables (Malhotra & Grover, 1998). Statistical power is directly proportional to the size of a sample, and a lack of statistical power leads to Type II errors, that is the decision to accept the null hypothesis when it is incorrect (Cohen, 1988). In order to ensure validity of the multivariate statistical techniques such as factor analysis and structural equation modelling applied in this study, the number of cases required to have enough statistical power is preferably around 300 cases (Tabachnick & Fidell, 1996), and/or between 5:1

and 10:1 cases to items in the questionnaire (Guadagnoli & Velicer, 1988). Therefore, the 1,261 cases collected in this study provide strong statistical power based on these criteria.

4.2.13 Ethical Considerations – Quantitative Fieldwork Phase I

Permission to carry out the quantitative research fieldwork was sought from the central human ethics committee at Monash University - the Standing Committee on Ethics in Research on Humans (SCERH) - before the research proceeded. The SCERH is constituted under the guidelines of the National Health and Medical Research Council (NHMRC) and considers proposals to ensure that they conform to the National Statement on Ethical Conduct in Research Involving Humans. The primary ethical concern of the study was the issue of anonymity and confidentiality. Consequently, the objectives of the study, cover letter, questionnaire, and an approval letter from the retail store head office were attached to the ethics application. As all questionnaires were coded for tracking purposes, the anonymity of respondents could not be guaranteed. As a means of alleviating any concerns respondents might have regarding this issue, the cover letter emphasised that the coding was included for data collection purposes only, and that neither the results of the study nor any future publications would identify the respondent. In addition, it was explicitly stated that all information in the questionnaire was strictly confidential and restricted to the researcher and her supervisor only. These guidelines were carried out to ensure that the research: (1) conforms to generally accepted moral and scientific principles; (2) maintains confidentiality of data; (3) preserves the anonymity of informants, and (4) uses data for its intended purposes.

4.2.14 Data Coding and Editing

Before subjecting the data to any statistical analysis, the data received was prepared for further analysis by assigning a number to each answer. Hence, numerical codes were assigned to each question during the construction of the questionnaire (Malhotra et al., 1996). Non-responses were considered as missing data and coded as "9". According to de Vaus (1995), there are four main reasons for non-response to questions: the respondent was not required to answer the question; the respondent missed the question; the respondent refused to answer, or the respondent did not know the answer or did not have

an opinion. It has generally been accepted that the most accurate method to handle missing data for the fewest respondents lost is to exclude cases pairwise (Roth, 1994; Roth, Campion, & Jones, 1996). For example, Roth (1994) conducted an analysis of different types of methods for dealing with missing data, and he suggested that pairwise deletion results in the fewest problems. However, once missing data is greater than 10%, huge problems arise in working out what is the best way to handle it. Tabachnick and Fidell (1996) recommend no more than 5% missing data. In addition, from an empirical analysis perspective, Roth (1994) recommends never to use listwise deletion because of loss of power and lower levels of accuracy, hence making listwise deletion the least accurate method. Therefore, frequency statistics were conducted prior to any further research and the data met the criterion for pairwise deletion, hence, this method of exclusion was adopted in this study.

To facilitate the validity of the scales used in this study, a number of questions were phrased in a negative manner. Left unchanged, these questions would produce data in which a greater importance is indicated by a lower number, and this could cause confusion in testing the hypotheses (Sudman & Blair, 1998). Without further recoding, constructs comprised of these questions would demonstrate poor internal consistency and produce low Cronbach alpha results (Malhotra et al., 1996). Consequently, these variables were recoded using SPSS version 10.0 (Coakes & Steed, 2001) before data analysis commenced.

4.3 Part 2 - Survey Instrument and Operationalisation of Research Constructs

After presenting the research design, hypotheses, and research context, the next step is to define the constructs and describe how they were operationalised into scale items. As the primary goal of this study is to test the ten hypotheses proposed at the start of this chapter, the following sub-sections describe how the survey instrument was designed to meet this objective. This includes a discussion on the type of scale used in the questionnaire, the questionnaire structure, as well as the measures used to evaluate the variables of interest.

4.3.1   Questionnaire Scaling

As discussed earlier, the questionnaire was extensively pretested to minimise the length necessary to measure all constructs adequately and to modify any items that might make the survey difficult for the respondents. The questionnaire was made up of customised and established scales further validated by qualitative interviews with two retail store managers. In order to improve the reliability of the questionnaire measures, most of the items in the questionnaires were in the form of statements on Likert-type scales (Churchill & Peter, 1984). Likert-type scales are relatively easy to construct and administer, and are readily understood by respondents, making them suitable for a mall-intercept questionnaire. However, in contrast, the main disadvantage of Likert-type scales is that they take longer to complete than other itemised rating scales, as respondents have to read each statement (Malhotra et al., 1996). This additional time might have discouraged respondents from completing the questionnaire, which can lead to a reduced response rate or high level of missing values. Despite this limitation, Likert-type scales are commonly used in empirical studies that capture customers' perceptions of their service experience within the retail context (Darian, Tucci, & Wiman, 2001; Ewing, 2000; Klemz & Boshoff, 2001; Reynolds & Beatty, 1999b).

A 7-point scale was used in an endeavour to improve the reliability of the scales (Churchill & Peter, 1984). The 7-point scale was also encouraged because it was hoped that it would discourage respondents from using the mid-point, by making it less obvious than a five-point scale. On the other hand, a midpoint is provided for respondents who were neutral on the scale, and this eliminated any anxiety that may have been caused by forcing respondents to select a predisposition. Consequently, 7 or 9-point numerical scales are recommended for structural equation modelling, as a sufficient range of score values introduces variance (Schumacker & Lomax, 1996). Hence, a consistent scoring procedure was maintained throughout the questionnaire, and negatively worded statements were scored post data collection by reversing the scale.

Although Likert-type scales were used predominantly throughout the questionnaire, nominal scales that generate categorical data were used in the final section of the questionnaire. The statistical tests chosen to analyse this data will be carefully selected to reflect its non-parametric form. Finally, nominal data can be used in structural equation

modelling, but it is not recommended that it be included with other types of scaled variables (Schumacker & Lomax, 1996).

The type of scale used has important implications for the selection of data analysis techniques. Hence, it must be determined whether Likert-type scales are interval or ordinal in nature. According to Malhotra et al. (1996), Likert-type scales are ordinal scales, which indicate the relative position of items and not the magnitude of differences between them. In an ordinal scale, the relative differences among values composing the scale are unequal in terms of what is being measured, permitting only a rank ordering of scores. However, many statistical analysis techniques are based on the assumption of multivariate normality and require interval level data in order to determine statistical significance (Brockett & Golden, 1992; Coakes & Steed, 2001). Despite the desirability of interval scales, many dependent variables posses an ordinal scale of measurement, which does not satisfy the assumption of normality needed in many statistical procedures and may produce biased statistical results that may threaten the validity of inferences.

Therefore, as Likert-scales are considered ordinal in nature, they would not be an appropriate method of measurement for these data analysis techniques. To the contrary, Lehmann (1989) asserts that the results of Likert scales, bipolar adjective scales, and semantic scales are, typically, identical to the results of interval scaled data. Consequently, it is argued that where bipolar descriptions are attached to the extreme points of the scale, in addition to placing the points equally apart, both physically and numerically, respondents will answer questions in a similar fashion to interval scaled data. In addition, in an interval scale, the relative differences among values composing the scale are assumed to be equal in terms of what is being measured, allowing arithmetic operations to be used unambiguously (Harwell & Gatti, 2001). Furthermore, much of the data used in management research uses Likert type scales, and these data are commonly analysed as if they are interval data (Bagozzi & Heatherton, 1994; Peatty et al., 1996; Hennig-Thurau et al., 2001; Tharenou, 2000). Therefore, the key constructs of the study, despite being measured with ordinal level scales, were regarded as interval level data for the purposes of statistical analysis.

4.3.2   Questionnaire Structure

The primary objective of the questionnaire was to collect information regarding the constructs in the Relationship Strength Model. The questionnaire consisted of seven pages, including an explanatory front cover, which detailed the purpose and procedure of the study, as well as assurance of voluntary participation and respondent anonymity. The questionnaire was divided into seven distinct sections, each separated from the previous using a prominent heading. Clear and precise instructions were provided prior to each part to reduce confusion. The sections were presented in a logical sequence to ensure respondents could easily comprehend and complete the questionnaire.

4.3.3   Questionnaire Section

The first section (service delivered by retail store) consisted of 29 questions relating to perceptions of service quality, measured on a 7-point Likert scale ranging from 1 (*completely failed to meet my expected service level*) to 7 (*far exceeded my expected service level*). This section was grouped accordingly into three categories, namely store operations, personnel service, and store appearance. The second section (overall service delivered by retail store) contained four items relating to overall service quality, measured on a 7-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). Next, the third section (service experience at retail store) comprised 11 questions relating to trust (eight on an employee level and three on a store level) and 9 questions relating to commitment (four on an employee level and five on a store level). The items in this section were measured on a 7-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). The fourth section (loyalty towards retail store) contained 12 questions relating to customer loyalty, with 2 items relating to the contact employee and 10 items relating to the retail store. Again, a 7-point Likert scale ranging from 1 (*not at all likely*) to 7 (*extremely likely*) was used. The fifth section (relationship with retail store) incorporated six general questions relating to relationships and overall assessment, measured on a 7-point scale. The sixth section (satisfaction with retail store) contained four questions with respect to satisfaction with shopping at the retail store. Finally, the last section (personal details) elicited demographics such as gender, age, income, country of origin, as well as other related purchase frequency questions. This section was included

last as personal information can often be considered threatening by respondents and this creates a perception of non-anonymity (Malhotra et al., 1996).

4.3.4 Operationalisation of Service Quality

For purposes of this research, service quality is defined as the degree of discrepancy between customers' normative expectations for the service and their perceptions of the service performance (Parasuraman, Zeithaml, & Berry, 1988). Service quality was measured using a modified version of the SERVQUAL scale (Parasuraman et al., 1988). This study focused on the measurement of perceived service quality rather than gap analysis as prior research has indicated the appropriateness of perceived service quality in explaining the variation in service quality. While reservations have been expressed about the suitability of the SERVQUAL scale (i.e., the use of gap scores, the generic nature of the scale) (Babakus & Boller, 1992; Cronin & Taylor, 1992; 1994; Teas, 1993; 1994), the SERVQUAL scale is retained in this study due to its high reliability in terms of coefficient alphas (exceeded .8), which can serve as a yardstick of internal consistency (Carman, 1990; Parasuraman et al., 1988; Saleh & Ryan, 1991). In addition, to date, the SERVQUAL scale is still the most widely used measure of service quality (Lam & Woo, 1997; Sivadas & Baker-Prewitt, 2000). Hence, in order to cater to the retail store context, scale wordings were further modified in this study.

The scale used in this study consists of 29 items and 5 dimensions similar to the SERVQUAL dimensions, namely reliability (5 items), responsiveness (4 items), assurance (5 items), empathy (5 items), and tangibles (10 items). Negatively worded items were not used as previous studies revealed that the negatively worded items showed standard deviations consistently higher than the positively worded (Babakus & Boller, 1992; Parasuraman, Zeithaml, & Berry, 1991b). The wider variation for the negatively worded items implies that respondents may be confused by those items (Lewis & Mtichell, 1990). Lewis and Mitchell (1990) suggest that such statements should be removed altogether. Consequently, the five dimensions were grouped accordingly into three categories, namely store operations, personnel service, and store appearance.

In addition to the original SERVQUAL scale, relevant items from the retail service quality scale (Dabholkar et al., 1996) were also incorporated. For example, tangibles items 6 and

7 were items from the physical aspects dimension (convenience sub dimension, reliability alpha = .89) of the retail service quality scale. These items were included in the service quality scale used in this study, as convenience in a retail store is an important aspect of service quality that is not captured by the generic SERVQUAL scale. Subsequently, tangibles items 8, 9, and 10 from the policy dimension of the retail service quality scale (reliability alpha = .92) were also incorporated in the current scale. In addition, empathy item 5 and assurance item 5, which detailed the contact employee's willingness to handle returns and exchanges and the contact employee's competence to handle customer complaints respectively, were items from the problem solving dimension of the retail service quality scale (reliability alpha = .87) (Dabholkar et al., 1996). The former was rearranged under the empathy dimension because the item was related to understanding as well as caring and individualised attention a firm provides its customers. The latter was grouped under the assurance dimension because the item was related to a contact employee's ability to demonstrate trust, confidence, and competence. An outline of relevant modifications to the service quality scale is displayed in Table 4.4.

Table 4.4 Operationalisation of Service Quality

No.	Basic Wording – Store Operations	Origin	Original Grouping
REL1	Keeps its promises	SERVQUAL	Reliability
REL2	Shows sincere interest in solving service problems	SERVQUAL	Reliability
REL3	Performs the service right the first time	SERVQUAL	Reliability
REL4	Provides services at the time it promises to do so	SERVQUAL	Reliability
REL5	Provides accurate information	SERVQUAL	Reliability
EMP1	Has customers' best interests at heart	SERVQUAL	Empathy
No.	**Basic Wording – Personnel Service**	**Origin**	**Original Grouping**
RES1	Tell customer exactly when the services will be performed	SERVQUAL	Responsiveness
RES2	Give prompt service	SERVQUAL	Responsiveness
RES3	Always willing to help	SERVQUAL	Responsiveness
RES4	Never too busy to respond to customers' requests	SERVQUAL	Responsiveness
ASS1	Instil confidence in customers	SERVQUAL	Assurance
ASS2	Consistently courteous employees	SERVQUAL	Assurance
ASS3	Have the knowledge to answer questions	SERVQUAL	Assurance
EMP2	Give individual attention	SERVQUAL	Empathy
EMP3	Give personal attention	SERVQUAL	Empathy
EMP4	Understand customers' specific needs	SERVQUAL	Empathy
TAN1	Employees are neat in their appearance	SERVQUAL	Tangibles
ASS4	Make customers feel safe in service transactions	SERVQUAL	Assurance
EMP5	Always willing to handle returns and exchanges	Retail SQS	Problem Solving
ASS5	Able to handle customer complaints immediately	Retail SQS	Problem Solving
No.	**Basic Wording – Store Appearance**	**Origin**	**Original Grouping**
TAN2	Equipment are up-to-date	SERVQUAL	Tangibles
TAN3	Equipment are user-friendly	Customised	N/A
TAN4	Physical facilities are visually appealing	SERVQUAL	Tangibles
TAN5	Materials are visually appealing	Customised	N/A
TAN6	Store layout makes it easy for customers to find what they need	Retail SQS	Physical Aspects (Convenience)
TAN7	Store layout makes it easy for customers to move around in the store	Retail SQS	Physical Aspects (Convenience)
TAN8	Accepts most credit cards	Retail SQS	Policy
TAN9	Provides plenty of convenient parking	Retail SQS	Policy
TAN10	Services are operated at a convenient time	SERVQUAL/ Retail SQS	Empathy/ Policy

4.3.5   Operationalisation of Overall Service Quality

Traditional service quality models (Grönroos, 1978; Parasuraman et al., 1988) have treated relevant dimensions related to service quality (i.e., reliability, responsiveness) as components of service quality. These studies viewed the dimensions as components that are summed up to obtain an estimate of service quality. For example, Parasuraman, et al. (1988) have used an average score across the five SERVQUAL dimensions to obtain an overall measure of service quality. However, this view of service quality fails to capture the effect of the relevant dimensions as antecedents of service quality, and also fails to capture customers' overall evaluations of service quality as a separate, multi-item construct (Dabholkar et al., 2000).

Interestingly, several researchers have measured overall service quality directly, or as a single-item measure (Babakus & Boller, 1992; Bolton & Drew, 1991; Cronin & Taylor, 1992; Zeithaml, 1996). The use of a single-item dependent variable posed a limitation, as it is impossible to ascertain the reliability of a single-item construct. Hence, following the work of Dabholkar et al. (2000), overall service quality was measured using four Likert scale items. The scale adapted for use in this study comprised of four 7-point items, with endpoints 1 (*strongly disagree*) and 7 (*strongly agree*). An outline of items in the overall service quality scale is provided in Table 4.5.

Table 4.5 Operationalisation of Overall Service Quality

No.	Basic Wording	Origin
OSQ1	Excellent overall service	Dabholkar et al. (2000)
OSQ2	Service of a very high quality	Dabholkar et al. (2000)
OSQ3	A high standard of service	Dabholkar et al. (2000)
OSQ4	Superior service in every way	Dabholkar et al. (2000)

4.3.6   Operationalisation of Trust

Trust is defined as a willingness to rely on an exchange partner in whom one has confidence (Moorman et al., 1992). Trust has been assessed by the use of a single-item scale in some studies (Selnes, 1998). However, the preference in marketing seems to be for the use of multi-item scales (Churchill, 1979; Nunnally, 1978). Furthermore, a more

comprehensive evaluation of the construct is possible as multi-item scales are more reliable and the exact reliability rate can be measured. In addition, multi-item measures combine items and allow for their specificity to be averaged out, thereby improving the reliability of the measure (Churchill, 1979). Thus, in order to overcome the shortcomings of a single-item measure as detailed by Churchill (1979) and Nunnally (1978), trust in the contact employee as well as in the retail store were measured using a combination of 11 items reflecting the facets of trust identified by Crosby et al. (1990), Morgan and Hunt (1994), and Swan, Trawick, Rink, and Roberts (1988): reliability/dependability, integrity/honesty, responsibility, and confidence. Trust items 1, 2, 3, 7, 8, and 11 were adapted from the trust in salesperson index (reliability alpha = .89) (Crosby et al., 1990), while trust items 5 and 6 were adapted from Morgan and Hunt's trust scale (reliability alpha = .95) (1994). Finally, trust items 9 and 10 were taken from Swan et al. (1988).

It should be noted that trust items 5, 9, and 11 measured a customer's trust in the retail store, while the rest of the items detailed a customer's trust in the contact employee. Another point to note is that some of the items from the trust dimension overlapped with items from three of the service quality dimensions, specifically reliability, empathy, and responsibility. For example, trust item 1, which detailed the keeping of promises by employees, overlapped slightly with reliability item 4, which detailed the keeping of promises by the retail store. Similarly, trust items 5 and 7 overlapped slightly with reliability item 3 and empathy item 1 respectively. Also, trust items 9 and 10 overlapped minimally with empathy item 4 and responsibility item 4 respectively. The overlapping in items can be attributed to the likeness between the various facets of trust (reliability/dependability and responsibility) and the functional aspects of service quality (reliability, empathy, and responsibility), which involves the manner in which customers receive the service (Parasuraman et al., 1985).

Furthermore, as discussed in Chapter Two, trust have also been defined in terms of making and keeping promises (Bitner, 1995), confidence (Gwinner et al., 1998), and reliability (Schurr & Ozanne, 1985). Consequently, the slight resemblance of these items might suggest the interconnectivity between the constructs of trust and perceived service quality, hence suggesting the possibility of a bidirectional relationship. An outline of the 10 items within the trust scale is shown in Table 4.6.

Table 4.6 <u>Operationalisation of Trust</u>

No.	Basic Wording	Origin
TRU1	Employees can be relied on to keep their promises	Crosby et al. (1990)
TRU2	There are times when the employees are a bit insincere*	Crosby et al. (1990)
TRU3	Caution is necessary in dealing with the employees*	Crosby et al. (1990)
TRU4	Employees can be trusted at all times	Morgan and Hunt (1994)
TRU5	Retail store can be counted on to do what is right	Morgan and Hunt (1994)
TRU6	Employees have high integrity	Morgan and Hunt (1994)
TRU7	Employees put the customer's interests before their own	Crosby et al. (1990)
TRU8	Employees are honest	Crosby et al. (1990)
TRU9	Retail store understands the customer	Swan et al. (1988)
TRU10	Employees are responsible	Swan et al. (1988)
TRU11	Retail store can be trusted at all times	Crosby et al. (1990)

* denotes reverse-scored items

4.3.7 Operationalisation of Affective Commitment

Viewing commitment as a single, general construct is somewhat problematic, given the several ingredients noted in the construct's definition and the fact that latter work found some evidence of a more complex factor structure (Mowday et al., 1982). Although other consumer studies have applied unidimensional measures to assess commitment (Beatty & Kahle, 1988), the epistemological depth and methodological sophistication of these instruments remain questionable (Pritchard et al., 1999). The primary disparagement of such measures is the contention that any theory of commitment should move beyond a universal expression of attachment (Beatty & Kahle, 1988) and incorporate an understanding of psychology inherent in binding a person to that disposition (Pritchard et al., 1999).

Commitment is defined as a belief by an exchange partner that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes that the relationship is worth working on to ensure that it endures indefinitely (Morgan & Hunt, 1994). In this study, customer commitment is referred to as an *affective* or *emotional* component, and in comparison to *calculative* commitment, it is a state where the individual has a desire to maintain the relationship or go on buying the same brand. Hence, commitment was measured using a combination of

nine items from a commitment scale developed by Morgan and Hunt (reliability alpha = .90) (1994), the Organisational Commitment Questionnaire (OCQ) developed by Mowday et al. (reliability alpha = .82 - .93) (1979) as well as the customer commitment scale developed by Bettencourt (1997). Items COM1 to COM4 measured a customer's commitment to the contact employee, while items COM5 to COM9 detailed a customer's commitment to the retail store. The wordings of items from the first two scales were appropriately customised to reflect customer commitment to the contact employee as well as to the retail store, as opposed to employee commitment to an organisation (OCQ items) and a firm's commitment to a supplier (Morgan and Hunt items). Subsequently, all the three items from the original customer commitment scale developed by Bettencourt (1997) were adopted. The original customer commitment scale was adopted for two reasons, firstly, the scale had been developed for use in the retail industry, and secondly, the scale had a reliability alpha of .79, which was considered moderately high and reliable. An outline of the items is shown in Table 4.7.

Table 4.7 Operationalisation of Commitment

No.	Basic Wording	Origin
COM1	Commitment in maintaining relationship with employees	Morgan and Hunt (1994)
COM2	Relationship with employees is important	Morgan and Hunt (1994)
COM3	Plan to maintain relationship with employees	Morgan and Hunt (1994)
COM4	Care about relationship with employees	Mowday et al. (1979)
COM5	Proud to tell others about shopping at the retail store	Mowday et al. (1979)
COM6	The retail store is the best of all possible place for shopping	Mowday et al. (1979)
COM7	Commitment to the retail store	Bettencourt (1997)
COM8	Intention to continue shopping at the retail store	Bettencourt (1997)
COM9	Expend effort on behalf of the retail store to help it succeed	Bettencourt (1997)

4.3.8   Operationalisation of Loyalty

Loyalty is defined as a combination of repeat purchase levels (repeat patronage behaviour) and relative attitude (level of attachment) (Dick & Basu, 1994). Customer loyalty was measured on two levels in this study. Firstly, customer loyalty to the contact employee was measured using the loyalty to sales associate scale developed by Reynolds and Beatty (1999a). The loyalty to sales associate scale had a composite reliability alpha of .91 and contained four items, namely loyalty to sales associate, intention to shop with sales

associate, commitment to sales associate, and finally, a reversed score of loyalty to sales associate. However, only the first two items were adapted for use in this study. The third item, which detailed a customer's commitment to his/her sales associate was deemed redundant as this item is similar to item one in the commitment scale used in this study. Furthermore, as discussed in the literature review, commitment is a precursor to loyalty attitude (Dick & Basu, 1994), which is developed before a customer would be able to determine that their repeat purchase behaviour was derived from a sense of loyalty (Beatty & Kahle, 1988). Hence, commitment is not synonymous with loyalty behaviours, as the former is an attitude towards a firm that should produce a variety of beneficial behaviours, including but not limited to loyalty behaviours (Bettencourt, 1997). Finally, the fourth item, which detailed a customer's loyalty to his/her sales associate, was deleted due to repetition, as it is a direct reverse of the first item.

Consequently, customer loyalty to the company was examined using a combination of six items from the reconfigured behavioural intentions battery (RBIB) developed by Parasuraman et al. (1994), one item from the loyalty scale developed by Bettencourt (1997) as well as three items from three different dimensions in the relationship dimensions scale developed by Barnes (1997). Loyalty items 3 to 6 were adapted from the loyalty dimension of the RBIB, with a composite reliability alpha of .94, while loyalty item 7 was adapted from the loyalty scale developed by Bettencourt (1997). Next, loyalty items 8 and 9 were adapted from the switching and external response to problem dimension of the RBIB respectively. These two items were included in the loyalty scale as they examine a customer's propensity to switch, which is inversely related to customer loyalty behaviour. Subsequently, the last three items in the customer loyalty scale were adapted from three different dimensions of the relationship dimension scale, namely disinclination to switch, choice, and feeling locked in. These items examined a customer's underlying spurious loyalty, which is a sub condition of customer loyalty. A summary of the items is outlined in Table 4.8.

Table 4.8 Operationalisation of Loyalty

No.	Basic Wording – Loyalty to Contact Employee	Origin
LOY1	Loyalty to a particular employee	Reynolds and Beatty (1999)
LOY2	No intention to shop with a particular employee in future*	Reynolds and Beatty (1999)
No.	Basic Wording – Loyalty to Company	Origin
LOY3	Say positive things about the retail store to other people	Parasuraman et al. (1994)
LOY4	Recommend the retail store to someone who seeks advice	Parasuraman et al. (1994)
LOY5	Encourage friends and relatives to shop at the retail store	Parasuraman et al. (1994)
LOY6	Consider the retail store as first choice in the next few years	Parasuraman et al. (1994)
LOY7	Make an effort to use the retail store for retail shopping needs	Bettencourt (1997)
LOY8	Take current business to a competitor that offers more attractive prices*	Parasuraman et al. (1994) (Switch)
LOY9	Switch to a competitor when there are problems with the retail store's service*	Parasuraman et al. (1994) (External Response)
LOY10	Moving current business to another retail store is just not worth the effort*	Barnes (1997) (Disinclination to Switch)
LOY11	Deal with the retail store because customer want to, not because he/she has to	Barnes (1997) (Choice)
LOY12	Sometimes customers get a feeling of being trapped in dealing with the retail store *	Barnes (1997) (Locked in)

* denotes reverse-scored items

In addition to the customer loyalty scale presented above, other variables that reflect customer loyalty were included in this study. For example, *relative attitude*, which detailed a customer's attitude towards the retail store as compared to potential alternatives, and *share of purchase*, which detailed the percentage of total purchases a customer has with the retail store, were incorporated in this study. Both the two constructs were measured in the last section of the survey. The former is reflected in items 8 and 9, while the latter is exhibited in item 11 (see Appendix 4.1 for copy of the survey).

4.3.9   Operationalisation of Relationship Strength

Relationship strength was assessed using four single-item scales in this study. Items 1 and 2 assessed relationship strength at the employee level, while items 3 and 4 assessed relationship strength at the company level. Explicitly, these items were separated into four single-item scales, with each individual item measuring the direct effect of relationship

strength, at various levels (employee and company) and various phases (existing relationships and preferred relationships).

Although the use of multi-item scales provides a better reliability rate, Scarpello and Campbell (1983) have presented conceptual arguments for why overall judgements may be more valid than multiple-item scales. In addition, it is argued that relationship strength is uni-dimensional and is directly assessable for the respondent. Hence, the use of multi-item scales is not appropriate here. Furthermore, multi-item scales of relationship strength, for example the one suggested by Storbacka et al. (1994), which propose that relationship strength should be measured as purchase behaviour as well as communication behaviour, seem to be measuring sources related to relationship strength, and by themselves, they are not part of the construct. This parallels a discussion raised by the measurement of power, where researchers have been criticised because they do not measure power, but rather sources related to power (Howell, 1987).

Therefore, respondents were asked to state their overall assessment of the strength of their relationship with the contact employee as well as with the company. Following the concept of a closeness gap as suggested by Barnes (1997), respondents were also asked to evaluate how close they would like the relationship to be. By rating the strength of their relationship and then indicating how close they would like the relationship to be, the gap score, or the difference between the two items could be measured. A summary of the items is outlined in Table 4.9.

Table 4.9 <u>Operationalisation of Relationship Strength</u>

No.	Basic Wording	Origin
RS1	Strength of existing relationship with employee (Gap 1)	Barnes (1997)
RS2	Preferred strength of relationship with employee (Gap 1)	Barnes (1997)
RS3	Strength of existing relationship with company (Gap2)	Barnes (1997)
RS4	Preferred strength of relationship with company (Gap2)	Barnes (1997)

4.3.10 Operationalisation of Relationship Quality

Relationship quality refers to a customer's perceptions of how well the whole relationship fulfils the expectations, predictions, goals, and desires the customer has concerning the

whole relationship (Jarvelin & Lehtinen, 1996). For purposes of this study, relationship quality was assessed using a single-item. Although several studies measured relationship quality using dimensions such as trust, commitment, product/service-related quality perceptions, and customer satisfaction (Crosby et al., 1990; Dwyer et al., 1987; Hennig-Thurau, 2000; Smith, 1998), these dimensions are measuring sources related to relationship quality. For example, it can be clearly seen from the literature review in Chapter Two that dimensions such as service quality, trust, and commitment are antecedents to relationship quality, and that they are not part of the construct. Hence, to operationalise relationship quality, respondents were asked to state their overall assessment of the quality of their relationship with the contact employee as well as with the company.

4.3.11 Operationalisation of Relational Contact

Relational contact is defined as the frequency and intensity of personal interactions between the customer and the service provider (Crosby et al., 1990; Lagace et al., 1991), and relational contact was measured in the last section of the questionnaire. Items relating to past shopping frequency and the percentage of retail purchases were captured in items 6 and 11 of the demographics section of the survey (see Appendix 4.1 for copy of the survey). In particular, the intensity of relational contact (H5a) was assessed using item 11, which detailed the percentage of purchases the customer spent at the retail store during the past 12 months, while the frequency of relational contact (H5b) was assessed using item 6, which detailed the frequency of *past* purchases the customer made at the retail store in the past 12 months. Subsequently, item 7, which detailed the frequency of *future* purchases the customer expects to make at the retail store was not included, as it was considered more appropriate to measure past behaviour as opposed to future intentions.

Although the literature suggested that the duration of a relationship should be indicative of relational contact (Lagace et al., 1991), item 10, which detailed the duration (in years) the customer has been shopping with the retail store was not included in the measurement of relational contact. This item was excluded because the length of a relationship does not indicate relational contact in absolute and specific terms. For example, a customer could have been shopping with the retail store for more than ten years, but might have only

patronised the store once or twice in two to three years. Consequently, the duration of relational contact was not included as a sub-hypothesis of relational contact in this study.

4.3.12 Operationalisation of Customer Satisfaction

Customer satisfaction is a customer's emotional product/service evaluation of the experiences obtained from usage, consumption, and ownership of the specific good or service (Westbrook, 1981), while cumulative satisfaction or overall satisfaction is an overall evaluation based on the total purchase and consumption experience with a good or service over time (Anderson et al., 1994, p. 54). Specifically, overall satisfaction with the organisation is the construct focused on in the present study. In order to measure customers' overall satisfaction with their shopping experience at the retail store, the retail satisfaction scale developed by Reynolds and Beatty (1999a) was adopted for use in this study due to its high composite reliability alpha of .97. Hence, customer satisfaction was measured using four Likert scale items, comprising 7-point items with endpoints as shown in Table 4.10.

Table 4.10 Operationalisation of Customer Satisfaction

No.	Basic Wording		Origin
CS1	Pleased*	Displeased	Reynolds and Beatty (1999)
CS2	Unhappy	Happy	Reynolds and Beatty (1999)
CS3	Disgusted	Contented	Reynolds and Beatty (1999)
CS4	Enjoyable*	Frustrating	Reynolds and Beatty (1999)

* denotes reverse-scored items

4.4 Part 3 - Statistical Analysis

The procedures used to analyse the data for the purposes of addressing and answering the research question and hypotheses of this study range from simple correlation analysis to more sophisticated structural equation modelling and path analysis. Preliminary univariate statistical analysis was conducted to screen the data, while initial statistical analyses were conducted using SPSS version 10.0 (Coakes & Steed, 2001) to examine the reliability and validity of the scales used in this study. In addition, further statistical analyses such as

correlation analysis, exploratory and confirmatory factor analyses, and multiple regression analysis were conducted to explore the relationships between the constructs in the Relationship Strength Model. Subsequently, structural equation modelling (SEM) using LISREL VIII (Jöreskog & Sörbom, 1996) was used to test the hypotheses proposed in the Relationship Strength Model. These statistical analyses are elaborated further in the following paragraphs.

4.4.1   Data Screening

Univariate statistical analysis was used to screen the data in this study. Screening of data ensures that all responses that have been entered make sense, detects the presence of outliers, and ensures distributions of responses do not violate the assumptions of normality required for multivariate analysis. Visual inspection of the frequency distribution, normality plots, and the range of each variable facilitated detection of outliers. Standardised z-scores were used to detect univariate outliers (Tabachnick & Fidell, 1996), while checks for normality of distribution was facilitated by visual inspection of the shape of the frequency of each variable. Furthermore, assessment of skewness and kurtosis statistics followed the procedures outlined by Hair et al. (Hair, Anderson, Tatham, & Black, 1998).

4.4.2   Refinement and Validation of Instruments

A thorough measurement analysis on instruments used in empirical research is essential for several reasons. Firstly, it provides confidence that the empirical findings accurately reflect the proposed constructs. Secondly, empirically validated scales can be used directly in other studies in the field for various populations. Subsequently, they also act as valid tools to practitioners for assessment, benchmarking, and longitudinal evaluation of their programs (Flynn, Schroeder, & Sakakibara, 1994).

A scale for a construct is useful for application by different researchers in different studies only if it is statistically reliable and valid. Several different forms of reliability and validity can serve as a criteria for assessing the psychometric soundness of a scale: Cronbach alpha and composite reliability, as well as content, construct, and criterion

validity (Malhotra et al., 1996), and these forms of reliability and validity were evaluated for the scales used in this study.

4.4.2.1 Reliability

Reliability is the "extent to which a measurement is free from variable errors" (Tull & Hawkins, 1987, p. 53). A measure is considered reliable "to the extent that independent but comparable measures of the same trait or construct of a given object agree" (Churchill, 1979, p. 65). Before examining the reliability of a scale, its unidimensionality must be checked, as lack of unidimensionality can lead to artificial correlations among constructs developed. Hence, unidimensionality checks and reliability analysis were performed for each of the scales used in this study.

4.4.2.1.1 Unidimensionality Analysis

Unidimensionality is a necessary condition for reliability analysis and construct validation (Anderson & Gerbing, 1991). In the absence of unidimensionality, a single number cannot be used to represent the value of the scale, as items in a unidimensional scale estimate a single construct. In order to reduce the problems associated with unidimensionality, the researcher selected the items for the scales in this study with great care.

4.4.2.1.2 Reliability Analysis

There are a number of methods available to test the reliability of empirical measurements. The various methods include the retest method, the alternative form method, and the internal consistency method (Nunnally, 1978). For purposes of this research, the internal consistency method was used, partly as a consequence of the limitations involved in using the former two approaches.

With reference to the retest method, it is difficult to arrange for two independent administrations of an instrument on the same group of people. Furthermore, the adoption of the test-retest approach usually gives rise to respondent memory related problems. The next method, which includes the generation of alternative forms of the measuring instrument is also problematic, particularly at the early stages of instrument development.

Therefore, the internal consistency method predominates, especially in this study, which required only one instrument and one administration. Hence, in determining reliability, the Cronbach alpha coefficient was used to separately assess the reliability of the instruments adopted in this study.

Cronbach's (1951) coefficient alpha is a formula which examines the internal consistency of a multi-item measure using split-halves method and incorporating all possible ways of splitting a sample in half. A low coefficient alpha indicates that the combination of items did not capture the construct well and were not sharing the common core of the construct. Nunnally (1967) suggests that an acceptable coefficient alpha is between .50 to .60, and this indicates that at least 50% of the variance is captured by the trait variance and is therefore greater than its error components. According to Litwin (1995), alpha coefficients of .70 or more are generally accepted as representing a good reliability.

4.4.2.2 Validity

Validity is a "unitary concept" used as a process of accumulating evidence to support inferences (American Psychological Association, 1985, p. 9). The validity of a measurement instrument is defined as "the extent to which difference in scores on the instrument reflect true differences among individuals on the characteristics that should be measured, rather than constant or random errors" (Sellitz, Wrightsman, & Cook, 1976, p. 245).

Many theories and models in the social science discipline are formulated in terms of theoretical constructs that are not directly observable or measurable (Jöreskog & Sörbom, 1996). Unobservable variables are indirectly measured in this study by assessing observable items that were deemed indicative of the construct. Because of the latent nature of the unobservable constructs in this study, it was important to assess the accuracy of the measurement scales (observable items) to determine the extent to which the intended constructs has been captured. The most appropriate situation is where there is perfect validity, as there is no measurement error and differences in the observed scores reflect the true differences among the objects being measured (Churchill, 1979; Malhotra et al., 1996).

Examining the reliability of a measure identifies the random error but does not provide insight into the systematic error associated with the measure (Malhotra et al., 1996). In order to examine the systematic error associated with a measure, it is necessary to assess three types of validity checks, namely content, construct, and criterion validity, as depicted in Figure 4.1 (Malhotra et al., 1996). Construct validity is classified into trait validity, covering both convergent and discriminant validity, and nomological validity (Litwin, 1995). On the other hand, criterion validity is classified into predictive and concurrent validity.
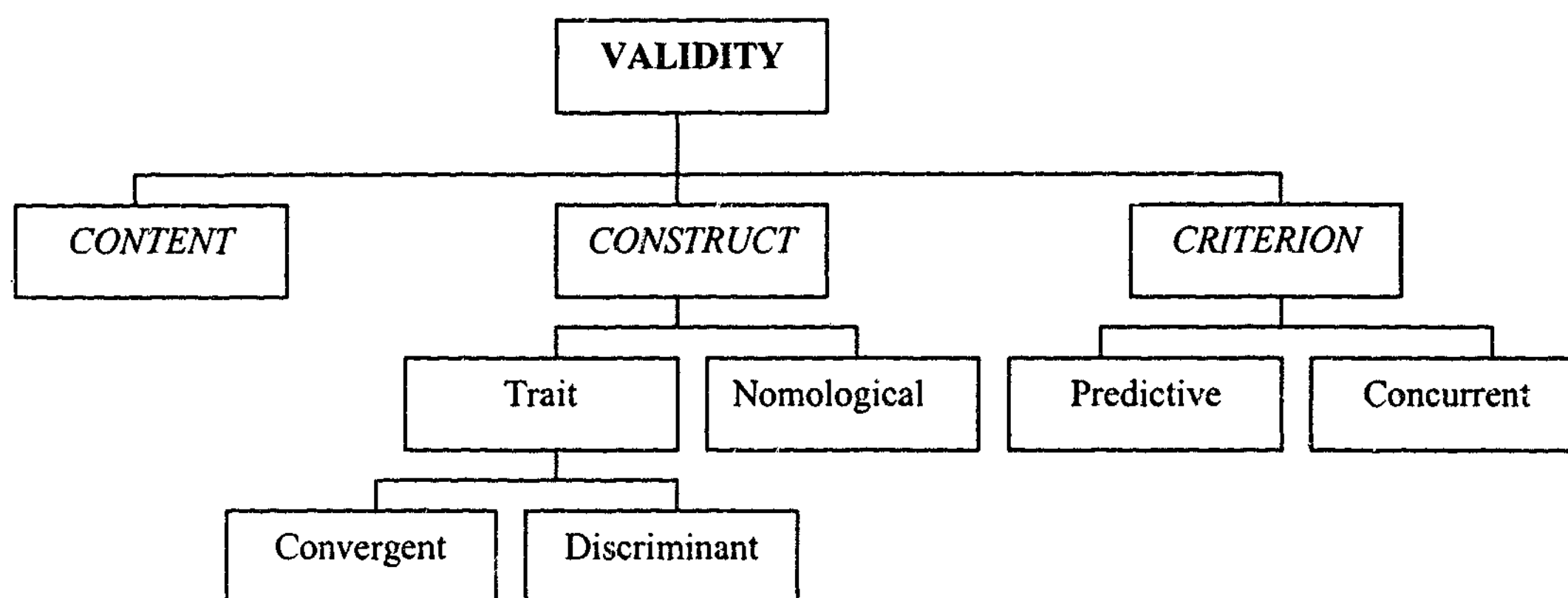
Figure 4.1 Typology of Checks for Validity

Source: Malhotra, N. K., Hall, J., Shaw, M., & Crisp, M. (1996). *Marketing Research: An Applied Orientation*. Sydney: Prentice Hall Australia Pty Ltd, p.262.

4.4.2.2.1 Content Validity

Content validity is a subjective criterion reflecting the extent to which scale items are meaningful and appear to represent the construct being measured (Zikmund, 1994). Churchill (1979) suggests that measures possess content validity where the scale development process incorporated specification of the domain of the construct, generation of a sample of items from this domain, and scale purification through initial data collection. If items corresponding to various constructs of an instrument are derived from comprehensive analysis of relevant literature, content validity can be ensured (Bohrnstedt, 1983). Consequently, the measurement scales in this study reflected the genesis of the constructs in relevant literature, combined with additional insights provided by senior retail store managers and the use of extensive pretesting. Hence, content validity can be assumed. Specifically, as the intent of the five dimensions in the SERVQUAL scale was maintained and the validity has been established in the original generic instrument and

subsequently confirmed a number of times (Babakus & Mangold, 1992; Bojanic, 1991; Carman, 1990; Fick & Ritchie, 1991), the content validity of the SERVQUAL instrument was assumed in this study. In addition, the content validity of the loyalty to sales associate scale, the reconfigured behavioural intentions battery, and the relationship dimensions scale were also assumed in this study, as the validity of the instruments have been established in previous studies conducted by Reynolds and Beatty (1999a), Zeithaml et al. (1996), and Barnes (1997) respectively. Finally, the content validity of the trust and commitment scales were also assumed as the validity of the instruments have also been recognised in past studies (Crosby et al., 1990; Morgan & Hunt, 1994; Mowday et al., 1979; Swan et al., 1988).

4.4.2.2.2 Convergent Validity

Convergent validity, a type of construct validity, is the extent to which scale items assumed to represent a construct do in fact converge on the same construct (Parasuraman et al., 1991b). To explore the convergent validity of the scales used in this study, the factor loadings of the observable items onto the latent construct (measurement model) were examined. This provided the relevant evidence to evaluate whether the items correlated positively with other measures of the same construct, and not with constructs from which they were supposed to differ. Hence, confirmatory factor analysis was adopted to assess the convergent validity of the constructs in this study (Churchill, 1979), as all of the measurement models in this study has a strong underlying theory and consisted of a priori hypothesised structures (Kelloway, 1998).

4.4.2.2.3 Discriminant Validity

Discriminant or divergent validity is another theoretically based way of thinking about the ability of a measure to estimate the underlying truth in a given area (Litwin, 1995). To establish divergent validity, the measures must be shown not to correlate too closely (correlate negatively) with similar but distinct concepts or traits. Alternatively, a chi-square difference test can be used to test for discriminant validity.

4.4.2.2.4 Nomological Validity

To illustrate nomological validity of the constructs, a correlation matrix was produced. The correlation matrix determines the extent to which the scales correlated in theoretically predicted ways with measures of different, but related constructs (e.g., the dimensions of service quality) (Malhotra et al., 1996). To establish nomological validity, the direction and weights of the correlation values should be comparable with the anticipated relationships, and the variables should be significantly correlated. However, it is also important to note that these variables should not be subjected to multicollinearity, which is discussed in the following paragraph.

4.4.2.2.5 Multicollinearity

Multicollinearity refers to the degree to which independent variables are correlated (Zikmund, 2000). The greater the multicollinearity, the more technical problems arise with regard to multiple regression analysis and correlation analysis. In addition, when two or more independent variables are perfectly or very closely correlated (> .80), they are considered to be measuring the same construct. Therefore, the partial regression coefficients are considered unstable and the standard errors and confidence intervals associated with these measures are larger, hence it is less likely that they are statistically significant (Malhotra et al., 1996).

4.4.2.2.6 Criterion Validity

Criterion validity evaluates how well one instrument stacks up against another instrument or predictor, and there are basically two types of criterion validity, namely concurrent and predictive validity (Litwin, 1995). Concurrent validity evaluates the criterion validity of the measures using data that is collected simultaneously for both the scale being evaluated and the criterion variable (Malhotra et al., 1996). On the other hand, predictive validity evaluates the measurement scale using data collected at one point in time against data collected at a future point in time for the criterion variable (Malhotra et al., 1996). In order to investigate the criterion validity of the measures in this study, concurrent validity was examined. To establish concurrent validity, the direction and magnitude of the correlation values between the components in this study should be consistent with the expected results.

4.4.3   Statistical Procedure

Various multivariate analyses were utilised to establish the relationships among the variables in this study. These statistical techniques include exploratory factor analysis, confirmatory factor analysis, multiple regression analysis, as well as structural equation modelling. These are discussed in detail in the following paragraphs.

4.4.3.1 Exploratory Factor Analysis

A major application of factor analysis is the use of factor scores as inputs to successive stages of analysis (Aaker, 1971). Consequently, if many variables were used as independent variables in a regression analysis, it would be difficult to separate the effects of any individual variable, hence giving rise to the multicollinearity problem. However, if the variables are first factor analysed, and the variables are replaced by a smaller set of factor scores, the multicollinearity problem is reduced. For this reason, factor analysis was conducted prior to further regression analysis and structural equation modelling.

The conventional approach to scale refinement consists of the following steps: (1) identifying items relevant to the particular domain from the literature; (2) designing a survey instrument to measure these items; (3) conducting a field survey; (4) performing an exploratory factor analysis on the item responses to identify major factors according to item-factor loadings, and finally (5) refining the scales using the Cronbach alpha coefficient (Tabachnick & Fidell, 1996).

However, this approach to scale refinement has major limitations. First, items are assigned to factors on which they load most significantly. Specifically, an item may load, to a comparable extent, on more than one factor, and this may affect the measurement of all the other factors simultaneously. In other words, the factors may not be distinct. Consequently, the item should not be deleted from further analysis because it may be part of a construct that spans across parts of domains of these factors (Mulaik, 1972). Second, a factor may consist of items that correlate with one another statistically, however, their correlation might not be theoretically justified. In such cases, the factor may not have a practically valid identity if the items are forced into one factor (Mulaik, 1972). In order to verify these limitations, principal components factor analysis with varimax rotation for items that loaded on more than one construct was performed (Ahire, Golhar, & Waller,

1996). Specifically, the principal component method was chosen as this method is the most frequently used method in marketing research, as the principal component method uses a criterion which maximises the sum of the squares of the loadings on an individual factor (Ekeblad & Stasch, 1971). On the other hand, the varimax rotation was chosen as this type of rotation is most widely known and used in marketing research, as the principal used is that of simplifying the factors rather than variables (Wells & Jagdish, 1971).

4.4.3.2 Confirmatory Factor Analysis

Consequently, to overcome the inherent limitations of exploratory factor analysis, in addition to exploratory factor analysis, an alternative approach - confirmatory factor analysis was also used. Confirmatory factor analysis methods generally attempt to determine which sets of observed variables that share the same common variance or covariance characteristics define the constructs (Schumacker & Lomax, 1996). Confirmatory factor analysis is similar to exploratory factor analysis except that the hypotheses that form constraints are embedded in the analysis. The constraints may take the form of hypothesising the number of factors, the nature of relationship among the factors, and the magnitude of the factor loading for each variable (Schumacker & Lomax, 1996).

In general, the first step in confirmatory factor analysis is the theoretical formulation of a measurement model. Then, data is collected and the interrelationships among the variables in the variance-covariance matrix are analysed to identify the hypothesised factors (Schumacker & Lomax, 1996). Recent research in the organisational behaviour and marketing disciplines has increasingly preferred this approach over the conventional exploratory factor analysis approach due to its conceptual strengths (Bollen, 1989; Kumar, Scheer, & Steenkamp, 1995; Posdakoff & Mackenzie, 1994; Venkatraman, 1989).

4.4.3.3 Multiple Regression Analysis

A fundamental purpose of multiple regression is to predict the dependent variable with a set of independent variables (Hair et al., 1998). In doing so, multiple regression fulfils one of two objectives. The first objective is to maximise the overall predictive power of the independent variables as represented in the variate. This linear combination of the independent variables is formed to be the optimal predictor of the dependent measure.

The second objective is to provide a means of objectively assessing the degree and character of the relationship between dependent and independent variables by forming the variate of independent variables. Prior to the regression analyses, several checks for violation of assumptions were identified and examined. These assumptions related to linearity and homogeneity of variance, outliers, independence of error, normality, and collinearity (Hair et al., 1998).

4.4.3.4 Structural Equation Modelling

Structural equation modelling (SEM) using LISREL VIII (Jöreskog & Sörbom, 1996) was used to test the hypotheses proposed in the Relationship Strength Model. LISREL stands for linear structural relationships and is a computer program for covariance structure analysis (Jöreskog & Sörbom, 1989b). LISREL is a multivariate technique which combines confirmatory factor analysis modelling (associated with psychometric theory) and structural equation modelling (associated with econometrics) (Jöreskog & Sörbom, 1989b). In its most general form, the LISREL model consists of two components: the measurement model and the structural equation model. The measurement model specifies how the latent or theoretical constructs are measured in terms of the observed variables, and it describes the measurement properties such as validities and reliabilities of the observed variables. On the other hand, the structural equation model specifies the causal relationships among the latent variables and describes the causal effects and the amount of unexplained variance.

Figure 4.2 is a diagrammatic representation of a second-order measurement model. Latent variables are represented by ellipses or circles, while observed variables are represented by squares or rectangles (Kelloway, 1998). The observed variables are connected to the latent variables by an arrow, and this represents the theoretical attribution of the measurement items to the latent variable. It is this theoretically derived structure of the measurement model that is empirically tested using LISREL.
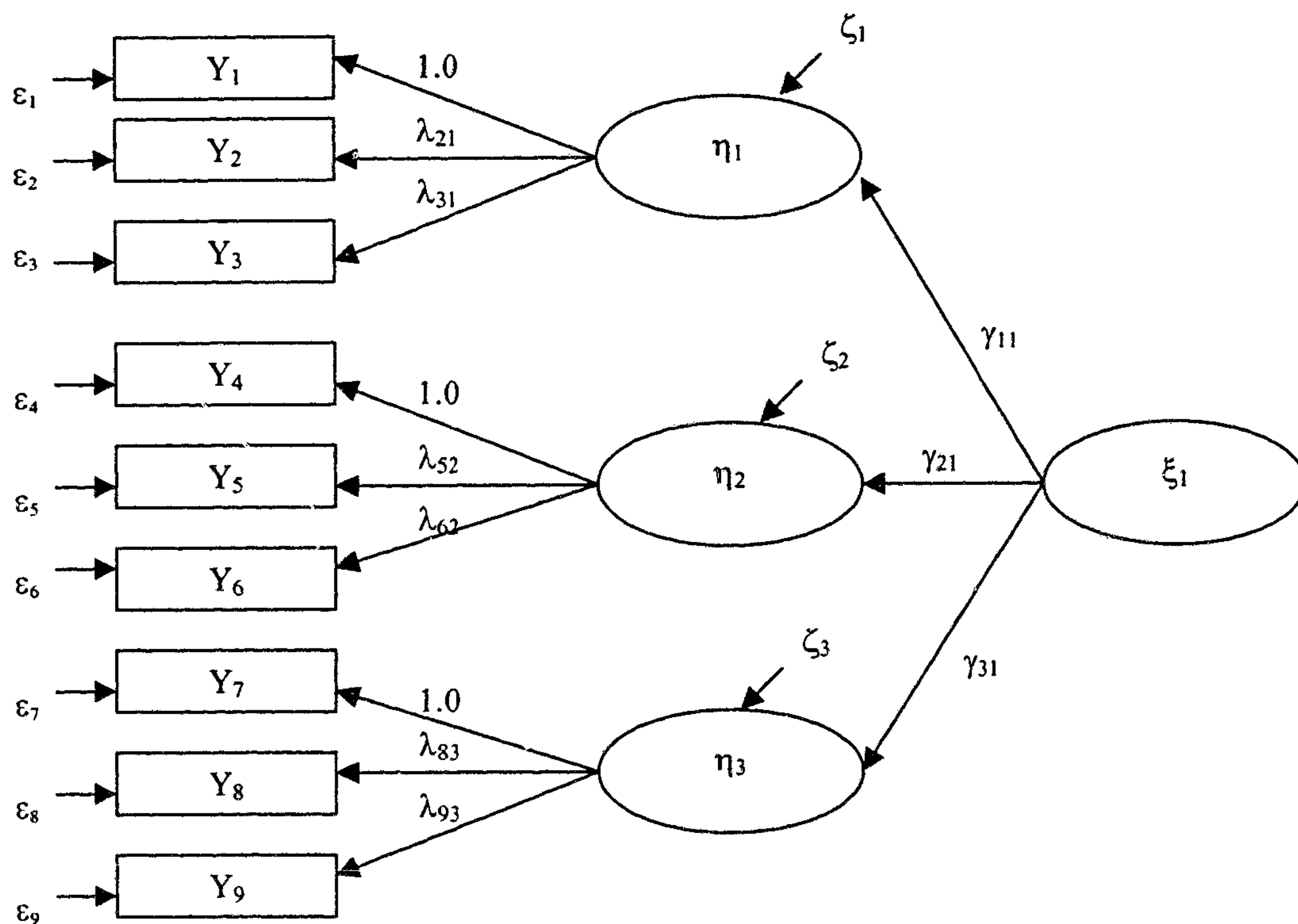
Figure 4.2 Diagrammatic Second-order Measurement Model with LISREL Notation

The primary aim of SEM is to explain the pattern of a series of inter-related dependence relationships simultaneously between a set of latent (unobserved) constructs, each measured by one or more manifest (observed) variables (Resinger & Turner, 1999). The measured (manifest) variables in SEM have a finite number of values, and these variables are gathered from respondents through data collection methods, or collected as secondary data from a published source. They are represented by numeric responses to a rating scale item on a questionnaire. On the other hand, latent (unobserved) variables are not directly observed, have an infinite number of values, and are usually continuous. In this instance, the latent constructs in the Relationship Strength Model are perceived service quality, customer satisfaction, trust, commitment, relationship quality, and customer loyalty. Latent variables are theoretical constructs which can only be determined to exist as a combination of other measurable variables. As such, they are similar to Principal Components and are sometimes theoretically justified from a previous factor analysis.

Although the primary purpose of SEM is the analysis of latent constructs and in particular the analysis of causal links between latent constructs, SEM is also capable of other forms of analysis. SEM can be used to estimate variance and covariance, test hypotheses, conventional linear regression, and factor analysis (Jöreskog & Sörbom, 1989b). Moreover, all aspects of SEM must be directed by theory, which is critical for model development and modification, and this is in line with the development process of the Relationship Strength Model. Hence, for these reasons, the adoption of SEM for the purposes of statistical analysis is definitely applicable to this research.

4.4.3.4.1 General Specifications of Structural Equation Modelling

There are three main categories of variables in structural models, and they are namely the endogenous (η_s), exogenous (ξ_s), and manifest variables (Hair et al., 1998). Endogenous variables are latent unobservable variables and are explained by the relationships contained in the model (i.e., dependent variables). Exogenous variables are latent unobservable variables and are not explained by the postulated model (i.e., independent variable). In this instance, latent variables are depicted by circles in a path diagram. Finally, manifest variables are observable variables that are used as indicators of endogenous and exogenous latent variables and are denoted by y and x respectively (Hair et al., 1998). These variables are represented by squares in a path diagram. Unidirectional arrows indicate the effect of any given variable on another, while curved bidirectional arrows indicate the correlations or covariances between variables.

4.4.3.4.2 Residual Term

The residual term for a latent endogenous variable is denoted by ζ (zeta) and reflects error in equation or random disturbances (Hair et al., 1998). On the other hand, the residual term for both indicators x and y reflects errors in measurement. The residual term for an indicator y of a latent endogenous variable is denoted by ε (epsilon), while the residual term for indicator x of a latent exogenous variable is denoted by δ (delta) (Hair et al., 1998).

4.4.3.4.3 Casual Linkages

The casual linkages between two variables are represented by a one-way straight arrow starting from the cause and pointing to the effect. Causal relationships of endogenous to endogenous constructs are denoted by β (beta), while relationships of exogenous to endogenous constructs are denoted by γ (gamma) (Hair et al., 1998). Next, correlation among exogenous constructs are denoted by ϕ (phi), while correlation of structural equations or endogenous constructs are denoted by ψ (psi) (Hair et al., 1998). Subsequently, the relationship between latent variables and their measures is represented by one-way straight arrows originating from the latent variable and denoted by λ (lambda), with λ^x representing correspondence (loadings) of exogenous indicators and λ^y represent correspondence (loadings) of endogenous indicators. A brief description and notation for the matrix and its elements is provided in Table 4.11.

Table 4.11 Summary of LISREL Notations

Matrix	Description	Notation Element
Structural Model		
• Beta	Relationships of endogenous to endogenous constructs	β
• Gamma	Relationships of exogenous to endogenous constructs	γ
• Phi	Correlation among exogenous constructs	ϕ
• Psi	Correlation of endogenous constructs	ψ
Measurement Model		
• Lambda-X	Loadings of exogenous indicators	λ^x
• Lambda-Y	Loadings of endogenous indicators	λ^y
Constructs		
• Exogenous	Exogenous construct	ξ
• Endogenous	Endogenous construct	η
Indicators		
• Exogenous	Exogenous indicator	X
• Endogenous	Endogenous indicator	Y

Source: Hair, J. F. J., Anderson, R. E. Tatham, R. L., & Black, W. C. (1998). *Multivariate Data Analysis.* (5th ed.) NJ: Prentice-Hall, Inc., p. 646.

4.4.4   Overall Goodness-of-Fit Measures

There is no single statistical test that best describes the "strength" of a structural model's predictions (Hair et al., 1998). Instead, a combination of measures can be used to assess the overall goodness-of-fit of a structural model, and the measures used in this study are namely the absolute fit measures, the incremental fit measures, and the parsimonious fit measures (Jöreskog & Sörbom, 1989b). A summary of the interpretation of the goodness-of-fit measures is displayed in Table 4.12.

Table 4.12 Interpretation of the Goodness-of-Fit Measures

Goodness-of-Fit Measures	Acceptable Level	Interpretation
Absolute Fit		
χ^2 value	Tabled χ^2 value	Compares obtained χ^2 with tabled value for given degrees of freedom
Goodness-of-Fit (GFI)	0 (no fit) to 1 (perfect fit)	Values close to .90 reflect a good model fit
Root Mean Square Residual	0 (perfect fit) to 1 (no fit)	Values less than .05 reflect a good model fit
Incremental Fit		
Adjusted GFI (AGFI)	0 (no fit) to 1 (perfect fit)	Values close to .90 reflect a good model fit
Normed Fit Index (NFI)	0 (no fit) to 1 (perfect fit)	Values close to .90 reflect a good model fit
Comparative Fit Index (CFI)	0 (no fit) to 1 (perfect fit)	Values close to .90 reflect a good model fit
Parsimonious Fit		
Parsimonious GFI (PGFI)	0 (no fit) to 1 (perfect fit)	Values close to .90 reflect a good model fit

Source: Hair, J. F. J., Anderson, R. E. Tatham, R. L., & Black, W. C. (1998). *Multivariate Data Analysis.* (5th ed.) NJ: Prentice-Hall, Inc., p. 660.

4.4.4.1 Absolute Fit Measures

Absolute fit measures determine the degree to which the overall model (structural and measurement models) predicts the observed covariance or correlation matrix (Hair et al., 1998). In this instance, no distinction is made as to whether the model fit better or worse in the structural or measurement models. Among the absolute fit measures commonly used to evaluate SEM are the likelihood-ratio chi-square statistic, the goodness-of-fit index, and the root mean square residual.

- Likelihood-Ratio Chi-square (χ^2) Statistic

This is the most fundamental measure of overall fit and the only statistically based measure of goodness-of-fit available in SEM (Hair et al., 1998). A large χ^2 value relative to the degrees of freedom signifies that the observed and estimated matrices differ considerably, and this corresponds to a bad fit (Jöreskog & Sörbom, 1989b). On the other hand, small χ^2 values indicate a good fit. Although the χ^2 test is quite simple, there are some problems with the test (Kelloway, 1998). Firstly, the approximation to the χ^2 distribution occurs only for large samples (i.e., $N \geq 200$). Secondly, just at the point where the χ^2 distribution becomes a tenable assumption, the test has a great deal of power. Therefore, the χ^2 measure is sensitive to sample size and very sensitive to departures from the multivariate normality of the observed variables.

- Goodness-of-Fit Index

The goodness-of-fit index (GFI) is a non-statistical measure of overall fit, and is based on a ratio of the sum of the squared discrepancies to the observed variances for generalised least squares (Kelloway, 1998). The measure range in value from 0 (poor fit) to 1.0 (perfect fit) (Jöreskog & Sörbom, 1989b). Higher values indicate better fit, but no absolute threshold levels for acceptability have been established (Hair et al., 1998).

- Root Mean Square Residual

The root mean square residual (RMR) is the square root of the mean of the squared residuals - an average of the residuals between observed and estimated input matrices (Hair et al., 1998). These measures range in value from 0 (perfect fit) to 1.0 (poor fit), and low measures are taken to indicate good fit. The index, however, is sensitive to the scale of measurement of the model variables. Hence, it is difficult to determine what a "low" value actually is. Therefore, LISREL also provides the standardised RMR, which has a lower bound of 0 and an upper bound of 1.

4.4.4.2 Incremental Fit Measures

This class of measures compares the proposed model to some baseline model, most often referred to as the null model, which is a realistic model that all other models should be expected to exceed (Hair et al., 1998). Among the incremental fit measures commonly

used are the adjusted goodness-of-fit index, the adjusted normed fit index, and the comparative fit index.

- Adjusted Goodness-of-Fit Index

  The adjusted goodness-of-fit index (AGFI) is an extension of the GFI, adjusted for degrees of freedom for the null model. The measure range in value from 0 (poor fit) to 1.0 (perfect fit).

- Normed Fit Index

  The normed fit index (NFI) indicates the percentage improvement in fit over the baseline independence model (Bentler & Bonett, 1980). Although the NFI is widely used, it may underestimate the fit of the model in small samples. Hence, the non normed fit index (NNFI) uses a similar logic but adjusts the normed fit index for the number of degrees of freedom in the model. The NNFI is given by:

$$(\chi^2 \text{ indep} - df \text{ indep} / df \text{ model } \chi^2 \text{ model}) / (\chi^2 \text{ indep} - df \text{ model})$$

- Comparative Fit Index

  The comparative fit index (CFI) represent comparisons between the estimated model and a null or independence model. The measure value lies in between 0 and 1.0, and larger values indicate higher levels of goodness-of-fit (Jöreskog & Sörbom, 1989b). The CFI is given by:

$$1 - [(\chi^2 \text{ model} - df \text{ model}) / (\chi^2 \text{ indep} - df \text{ indep})]$$

4.4.4.3 Parsimonious Fit Measures

Parsimonious fit measures relate the goodness-of-fit of the model to the number of estimated coefficients required to achieve this level of fit (Hair et al., 1998). The basic objective of this fit is to diagnose whether model fit has been achieved by "overfitting" the data with too many coefficients. However, as no statistical test is available for these measures, their use in an absolute sense is limited to comparisons between models. A type of parsimonious fit measure is the parsimonious goodness-of-fit index.

- Parsimonious Goodness-of-Fit Index

  The parsimonious goodness-of-fit index (PGFI) modifies the GFI differently from the AGFI, in that the AGFI's adjustment of the GFI is based on the degrees of freedom in the estimated and null models, while the PGFI is based on the parsimony of the estimated model. The measure value varies between 0 and 1.0, with higher values indicating greater model parsimony. The PGFI is calculated as:

$$1 - (P/N) \times GFI$$

  where P = the number of estimated parameters in the model and

  N = the number of data points.

4.5 Part 4 - Qualitative Research Design (Fieldwork Phase II)

The preceding section discussed the operationalisation of the quantitative phase of the study. Subsequently, the next step is to review the sequential qualitative phase of the study, which involves the conduct of focus groups interviews. The methodology for the second fieldwork phase of the study is elaborated in the following sections.

4.5.1   Focus Group Interviews

A focus group interview is an unstructured, free-flowing interview with a small group of people (Zikmund, 2000). A focus group is not a rigid question-and-answer session, but a flexible format that encourages discussion of a topic. More importantly, focus groups are distinguished from the broader category of group interviews by the explicit use of group interaction to generate data. Instead of asking questions of each person in turn, focus group participants are encouraged to talk to one another, ask questions, exchange anecdotes, and comment on each other's experiences and points of view (Kitzinger & Barbour, 1999). In this research, the purpose of the focus group was to clarify and extend previous survey findings from phase I of the study therefore, the focus group was conducted after the survey.

The focus group methodology can be used for relatively straightforward understanding of consumer issues right through to detailed insights and strategy (Cowley, 2000). Usually,

participants meet at a central location at a designated time (Zikmund, 2000). The group usually consists of an interviewer or moderator and six to ten participants who discuss a single topic. The participants may be patients discussing about health care, hotel guests discussing about hotel service quality, or academics talking about teaching and research workload. At the beginning of the interview, the moderator introduces the topic and encourages the members to discuss the subject among themselves. Focus groups allow people to discuss their true feelings, anxieties, and frustrations, and to express the depth of their convictions in their own words (Zikmund, 2000). Ideally, the discussion proceeds at the group's initiative.

4.5.1.1 Advantages of a Focus Group Interview

The prime advantages of focus group interviews are that they are relatively brief, easy to execute, quickly analysed, and inexpensive (Zikmund, 2000). Despite that, it must be highlighted that a small discussion group will rarely be representative of the sample, no matter how carefully it is recruited. Hence, focus group interviews cannot take the place of quantitative studies. As compared to the rigid format of a survey, the flexibility of a group interview is also an advantage, as numerous related topics can be discussed and many insights can be gained. Furthermore, responses that are unlikely to emerge in a survey often surface in a group interview (Zikmund, 2000).

The combined effort of the group normally produces a wider range of information, insights, and ideas than the cumulation of separately secured responses of a number of individuals (Zikmund, 2000). In addition, there is also the opportunity for the group to develop any idea to its full significance, as a comment by one member often triggers a chain of responses from the other members of the group. Within a well-structured group, an individual can usually feel more at ease as his or her feelings are similar to those of others in the group, therefore each member can expose an idea without being obliged to defend it or to follow through and elaborate on it. Since no individual is required to answer any given question in a group interview, the individual's responses can be more spontaneous and less conventional (Zikmund, 2000). In this respect, a spontaneous answer may provide a more accurate illustration of the person's perception on some issues.

Consequently, a focus group interview permits closer scrutiny as the session can be tape-recorded or videotaped. Hence, several people can review the tape and this affords some checks on the consistency of the interpretations (Zikmund, 2000). Later, detailed examinations of the recorded session can offer additional insights and help clear up disagreements about what happened. Finally, the group interview allows for more structure and control than the individual interview with regard to the topics covered and the depth in which they are being discussed. Usually, the interviewer or moderator is often one of the participants and therefore has the chance to reopen topics that received too thin a discussion when initially presented.

4.5.1.2 Disadvantages of a Focus Group Interview

A specific shortcoming of a focus group interview arises when there is no sensitive and effective moderator. In this instance, a single, self-appointed participant may dominate the session, and sessions that include a dominant member may be somewhat abnormal (Zikmund, 2000). Furthermore, participants may react negatively towards the dominant member, causing a "halo" effect on attitudes towards the topic of discussion, hence projecting a negative impression to the discussion topic.

Other disadvantages of focus groups are similar to those of most qualitative exploratory research techniques. Firstly, interpretations of qualitative findings are typically judgemental and subjected to interpreter bias (Zikmund, 2000). As a result of such problems in interpretation, exploratory findings should be considered preliminary. Secondly, focus groups utilise small sample sizes which may not be representative of the population as they have not been selected on a probability basis. Therefore, in order to increase the generalisability of the findings, focus groups can be combined with quantitative methods such as questionnaire surveys (Kitzinger & Barbour, 1999). At the outset of such research, focus groups can be used in the latter stage of quantitative projects as they can help tease out the reasons for surprising findings and to explain the occurrence of any "outliers" identified, but not explained by quantitative approaches.

In addition to complementing data collected via other methods, focus groups can also challenge how such data can be interpreted (Kitzinger, 1994). For example, focus groups can suggest different ways of interpreting survey findings through revealing the facts and value systems that inform respondents' answers to survey questions. Hence, a focus group

interview can be used to supplement the findings of a quantitative study with an adequate sample size, and vice versa (Zikmund, 2000). In this respect, it is not intentional to imply that a focus group interview lacks value; it simply means that such research cannot deliver what it does not promise. Thus, exploratory research is extremely useful, but it should be used with caution.

4.5.1.3 Group Composition

There are basically three types of focus groups, and they are namely the full groups, the minigroups, and the telephone groups (Greenbaum, 1998). A full group consists of a discussion of approximately 90 to 120 minutes, involving eight to ten persons who are recruited for the session based on their common demographics, attitudes, or buying patterns relevant to the topic. On the other hand, a minigroup, is essentially the same as a full group in terms of the duration of the session, except that it generally contains four to six persons. Finally, in a telephone group, individuals participate in a telephone conference call for 30 minutes to two hours. Members of a telephone group are recruited using the same parameters as full and minigroups.

Consequently, the ideal size of a focus group is six to ten individuals (Zikmund, 2000). If the group is too small, one or two members may intimidate the others. On the other hand, adequate participation by each group member may not be permitted in large groups as the amount of input from each individual can be limited and the flow of ideas restricted. However, some researchers prefer to use minigroups instead of full groups as more in-depth information can be elicited from a smaller group (Greenbaum, 1998). Furthermore, recruiting more than six persons for a particular group can sometimes be unfeasible as it is often difficult to assemble and moderate such large groups. Consequently, there is greater benefit in conducting two groups of six participants instead of one group of twelve (Krueger, 1998).

The most effective composition seems to be homogenous groups, as these groups have similar lifestyles, job classifications, experiences, and communication skills (Fern, 2001; Zikmund, 2000). Sessions with homogenous groups do not become confused with too many arguments and different viewpoints from diverse backgrounds or participants. Hence, in order to collect information from different types of people, several focus groups should be conducted. For example, one focus group consisting of only males while

another consisting of only females might be conducted. Therefore, a diverse sample may be obtained even though each group is homogenous.

4.5.2   Executional Details of the Customer Focus Groups

Having discussed the advantages, disadvantages, and group composition of focus groups, the next sequential step is to examine the operationalisation of the customer focus group sessions.   The procedure for the execution of the customer focus group sessions is elaborated in the following sections.

4.5.2.1 Interested Participants

The number of participants who expressed interest in taking part in the customer focus group interviews is displayed in Table 4.13.

Table 4.13 Interested Participants of the Customer Focus Group Interviews

Store Location	Type of Store	Interested Participants (n)
1. Southland	Metropolitan	35
2. Burwood	Metropolitan	25
3. Traralgon	Country Victoria	20
4. Moe	Country Victoria	14
5. Airport West	Metropolitan	11
6. Fountain Gate	Outer Metropolitan	11
7. Chirnside	Outer Metropolitan	14
8. Footscray	Metropolitan	4
Total Number of Participants		**134**

4.5.2.2 Size of the Focus Group

According to Greenbaum (1998), there is a growing trend towards minigroups (six participants) instead of full groups (ten participants). Minigroups are more acceptable as costs of focus groups are lower. In addition, there is an increasing difficulty recruiting a large number of focus group participants. Hence, in order to get a group of six to eight respondents, ten people were recruited. In this instance, over-recruitment was done on the assumption that some people will not show up.

4.5.2.3 Focus Group Incentives

Participation in focus group sessions requires considerable time and effort, hence it is necessary that relevant incentives be given to participants who usually reserve time out of a busy schedule and are likely to incur expenses such as child care, travel, and meals. Consequently, participants in this study were compensated with retail shopping vouchers of A$20 each as a token of appreciation. These vouchers were sponsored by the retail chain as a gesture of their support towards the research study. These incentives should not be viewed as a reward or salary, but rather as a stimulus to get potential participants to attend the scheduled session on time (Hair, Bush, & Ortinau, 2000). In addition, these incentives can help remind people that their commitment to participate in the session is worth the effort, and that they should try to keep the promised time slot from being pre-empted by other factors. Finally, the use of these incentives can communicate to the participants that the discussion session is important.

4.5.2.4 Difficulty in Recruitment of Participants

Most focus group studies consist of two to six groups, although some will involve a dozen or more focus groups (Hair et al., 2000; Kitzinger & Barbour, 1999; Krueger, 1998). Usually, the sessions should continue until no more new ideas, thoughts, or feelings are offered by different groups of participants (Hair et al., 2000). In order to complement the methodology in the quantitative phase of this study, it was the initial intention of the researcher to recruit four groups of participants, two in the metropolitan area, and one each in the outer metropolitan area and country Victoria. Adopting this approach, the locations of stores from both the quantitative (4 metropolitan stores: 2 outer metropolitan stores: 2 country stores) and the qualitative (2 metropolitan stores: 1 outer metropolitan store: 1 country store) study could be aligned to allow for better analysis and comparison of findings.

For the actual recruitment process, the researcher contacted potential participants by phone. Several difficulties were encountered throughout the recruitment process. Firstly, some of the potential participants could not be reached, as the phone number provided was incorrect, or the phone line was temporary disconnected or no longer in use. In the event that the line was connected, there were cases where the phone kept ringing and there was no one to pick up the phone, even when the researcher tried calling at different times of

the day or days of the week. In this instance, the researcher left a message on the answering machine when applicable. For potential participants who were successfully contacted on several attempts, some could not make it on the proposed date or time, reasons being that they were working, studying, overseas, or had other appointments at that time. Other reasons for not participating include the distance factor, health reasons, or general lack of interest.

Due to the above-mentioned reasons, it has been extremely difficult for the researcher to coordinate a time, date, and place whereby each and every interested participant could attend. Hence, the researcher was constrained to work within the limitations to organise an optimal time, date, and place that could accommodate as many interested participants as possible. Adopting this stance, the researcher was only able to recruit enough participants to make up three focus group sessions after exhausting a whole list of viable options available.

4.5.2.5 Locations of Groups

As suggested by Greenbaum (1998), focus groups do not normally have to be conducted in more than one or two markets, as differences rarely emerge as a result of geographical considerations. However, based on the results of a one-way ANOVA Bonferroni test that examined the differences between the stores in this study, significant differences ($p < .05$) were found between the city and country stores on aspects such as service quality, commitment, and customer loyalty. Hence, in order to further investigate these differences, three focus group interviews were conducted, two in the metropolitan area, and one in country Victoria. In addition, it is worthwhile to note that the operationalisation of these three groups were also based on the willingness and availability of the participants in attending the sessions.

4.5.2.6 Physical Plant of Groups

In selecting a suitable plant, it is important to consider issues such as the visibility of the room (i.e., whether the room is set up in a way where the moderator is able to see all the participants' faces), the space of the room (i.e., whether the room is large enough for the moderator to move around easily), the noise level of the room (i.e., whether the room is adequately soundproofed both from street noise and from noises from other rooms or the

outer areas of the facility), and the temperature of the room (i.e., whether the room is too hot or too cold as either of these can affect the participation of the group).

Following the recommendations of Greenbaum (1998), and since the focus of the interview was on customers' perceptions and attitudes about their local retail store, it seemed imperative to hold the group in the retail store itself. Furthermore, as outlined by Kitzinger and Barbour (1999), people are more likely to turn up for a group in a familiar venue (i.e., a retail store) rather than an unfamiliar place (i.e., university). However, due to the limited room space available at the stores, this option was not viable. Consequently, the three focus group sessions were held at two of the university's campuses (i.e., two sessions at the city campus and one session at the country campus). Furthermore, within the university environment, there is an abundant of rooms that easily met the criteria of a suitable focus group physical plant as discussed previously. An outline of the locations is shown in Table 4.14.

Table 4.14 <u>Selected Location for the Customer Focus Group Interviews</u>

Store Location	Type of Store	Interested Participants (n)	Number of Sessions
Burwood/Southland*	Metropolitan	60	2
Traralgon/Moe$^\lambda$	Country Victoria	36	1

*Store with direct competition $^\lambda$Stand-alone store

4.5.2.7 Moderator Guide

The researcher acted as the main moderator of the focus group session. The initial draft of the moderator guide, which amounted to approximately 90 minutes duration, was set up by the researcher based on the research objectives, question, hypotheses, and model, as well as the quantitative findings from an earlier phase of this study. It was intended to be as thorough as possible, covering all aspects of topics to be discussed during the interview session. Subsequently, the Customer Analysis and Research Manager of the retail store head office was invited to comment on the guide, and the final version of the guide was refined as a result of an interactive process between the manager and the researcher.

4.5.2.8 Recruitment

There is a need to guarantee that full groups of qualified people can be delivered, hence it is required to over recruit by 2 to 4 people to make up for the inevitable "no shows" (Greenbaum, 1998). Hence, in order to recruit participants for the session, the researcher contacted potential participants via the telephone to inform them of the time, date, and location of the forthcoming focus group sessions. An effort was made to ensure that the participants recruited for the groups were as homogeneous as possible in terms of age. Although Greenbaum (1998) suggested that groups should also be homogeneous in terms of sex, this approach could not be adopted due to the low number of interested male participants as depicted in Table 4.15.

Table 4.15 <u>Gender Breakdown of Interested Participants</u>

Store Location	Type of Store	Interested Participants (n)		
		Total Number	*Male*	*Female*
Burwood/Southland	Metropolitan	60	12	48
Traralgon/Moe	Country Victoria	36	5	31

An example of the script used by the researcher in the recruitment process is shown in Appendix 4.2. Subsequently, a confirmation letter and directions to the location were sent to all participants who agreed to attend the sessions (see Appendix 4.3 for confirmation letter). The main purpose of the confirmation letter was to reinforce participant's commitment to attend the focus group session. The final activity in the recruitment process was that of calling the participants the day before the actual focus group session to further reinforce his or her commitment to attend the session.

4.5.2.9 Screening Questionnaire

The original questionnaire that was administered at the stores during the months of mid September to mid November 2000 was used as screening questionnaires in the selection of participants. Participants were selected on the basis of their frequency and percentage of shopping at the retail store. In addition, prior to the commencement of the session, further personal details such as age and occupation were elicited from the participants. Moreover, participants had to state whether they have been involved in a focus group session in the

past six months. A copy of the customer focus group questionnaire is shown in Appendix 4.4.

4.5.2.10 Explanatory Letter

At the start of the focus group sessions, the participants were given an explanatory letter that detailed the purpose and importance of the research project. Subsequently, potential participants were informed of all features of the research that might influence their willingness to participate in the project (see Appendix 4.5 for explanatory letter).

4.5.2.11 Activities at the Focus Group Facility

In the focus group sessions, participants were provided with light refreshments before they enter the focus group room. In addition, each participant was provided a name card that was visible to the moderator. The participants were addressed by their first names during the sessions, and this helped facilitate a friendly discussion atmosphere. Finally, writing materials were also provided so that participants could write down their reactions to ideas in the group.

4.5.2.12 Late Arrivals

In most cases, it is necessary to begin a focus group session on time, even before the full complement of participants arrive at the facility, or valuable time will be lost (Greenbaum, 1998). As latecomers entering the room after the session commenced can be disruptive, extra care was taken whereby the researcher advised interested participants to arrive at least 15 minutes before the start of the session.

4.5.2.13 Moderator Briefing

Before the session commenced, the moderator briefed the observers and the note takers on what to expect during the focus group interview. This included an outline of the session as well as tips on observing the participants (i.e., look for "big idea" or non-verbal participation reactions rather than focusing on comments of one outspoken participant). Further details of the observers and note takers are provided in Table 7.1.

4.5.2.14 Post Group Discussion

Immediately after the focus group session, the moderator, the observers, and the note takers remained at the facility for 15 to 20 minutes for a short debriefing (Greenbaum, 1998). The post group discussion session is an important part of the focus group process as it enabled everyone involved to express their overall feelings about the sessions while the experience is still fresh in their minds. This session also enabled the moderator to note any disagreements that may arise. Finally, the post session discussion provided an opportunity for the sharing of overall observations about the content that was generated by the group or any changes that should be proposed for future groups.

4.5.3 The Qualitative Instrument (Customer Focus Group)

The qualitative instrument comprised a semi-structured interview schedule that was used in the customer focus group sessions. Consistent with the overall objective of the study, the questions broadly addressed the factors that influence the development and maintenance of customer relationships. The specific purpose of these questions was to gather descriptive data on the dimensions and importance of the research constructs in the Relationship Strength Model. The interviews involved the implementation of five major sections with 12 predetermined questions, but where the researcher was allowed the freedom to digress and probe into the answers of the specific questions (Berg, 1995). The questions of the interview schedule were open-ended and designed to guide the discussion as well as elicit specific details. These 12 questions formed the basis of the moderator guide, which is discussed section 4.5.5. The interview schedule comprised the following questions:

4.5.3.1 Section One - Reasons for Shopping at the Retail Store

1. When would customers go to the retail store as opposed to other stores?
2. What affects their buying behaviour at the retail store?
3. What do they normally purchase at the retail store?
4. Do they use services provided by the retail store (lay buy, photo processing, home delivery services)?

4.5.3.2 Section Two - Service Provided by the Retail Store

The questions in this section are based on the critical incident technique (CIT), which is discussed further in section 4.5.4.

5. What are customers' likes and dislikes about shopping at the retail store?
6. What service elements are important to customers?

4.5.3.3 Section Three - Formation of Customer Relationships

7. Do customers perceive a relationship with the employee and/or the retail store?
8. What are customers' perceptions regarding the following constructs of: trust, commitment, relational bonds, relational contact, relationship quality, and customer loyalty?

4.5.3.4 Section Four - Recommendations for Improving Service at the Retail Store

9. What type of improvements would customers like to see at the retail store?
10. Will these improvements increase their loyalty to the retail store (repurchase intentions, word-of-mouth behaviour)?

4.5.3.5 Section Five - Closing Comments

11. Could each individual sum up what they think the group resolved at the focus group session today?
12. Any questions, additional comments, or feedback?

4.5.4 The Critical Incident Technique

Critical incidents, defined as interaction incidents, which the customer perceives or remembers as unusually positive or negative when asked about them, have been used extensively in services management literature (Bitner, 1990; Edvardsson & Strandvik, 2000; Flanagan, 1954). The traditional critical incident technique (CIT) has its origins in the technique used by Flanagan (1954). Since then, the definition of a critical incident has

somewhat changed over the years. The CIT was first described as a set of procedures for collecting direct observations of human behaviour so as to facilitate their potential usefulness in solving practical problems, and subsequently, developing broad psychological principles.

> By an incident is meant any observable human activity that is sufficiently complete in itself to permit inferences and predictions to be made about the person performing the act. To be critical, an incident must occur in a situation where the purpose or intent of the act . seems fairly *clear to the observer and where its consequences are sufficiently definite to leave little doubt concerning its effect* (Flanagan, 1954, p. 327)

4.5.4.1 Critical Service Encounters

The current approach within services marketing/management is to focus on service encounters, and the CIT has been the most frequently used method employed to study moments of truth (Edvardsson & Roos, 2001). Adopting a relationship perspective, a much longer process behind a customer's reaction to perceive something to be critical may result in a decision on the part of the customer to exit the relationship with a service provider. Consequently, time and memory has an impact on the relationship between service providers and their customers. Specifically, the CIT was applied in the focus group sessions whereby customers were asked to list a variety of positive (likes) and negative (dislikes) experiences with regard to shopping at the retail store.

4.5.4.2 Data Collection Techniques

Critical incidents can be collected using various techniques: by personal interviews, focus group interviews, direct or participatory observation, or by the use of open-ended questionnaires (Edvardsson, 1992; Johnston, 1995). To collect data, Edvardsson (1992) used a simple model as an interview guide to investigate the critical incidents in a study of customer relationships in an airline. On the other hand, Bitner (1990) used hypothetical situations, which represented negative disconfirmation, to test the reactions of respondents, while Olsen (1996) asked for any unusual or unsatisfactory incident in banks, and recorded opinions of how the incident affected the respondents' relationship with the bank. Consequently, Johnston (1995) used a traditional questionnaire to collect data on critical incidents. An advantage of this method is that respondents can express themselves

in their own words, however, a disadvantage is that respondents may not be willing to take the time to write a complete or clear story to describe the critical incident. To overcome this limitation, interviews can be used, whereby the researcher can add follow-up questions and probe for a better description and understanding of the critical incidents. Therefore, the focus group interview technique is deemed appropriate for the collection of critical incidents from the customer's perspective.

4.5.5 Customer Focus Group Moderator Guide

Usually, the moderator of the focus group prepares a discussion guide to help ensure that the focus group will cover all topics of interest. The discussion guide consists of written prefatory remarks to inform the group about the nature of the focus group and an outline of topics and questions that will be addressed in the session (Zikmund, 2000). Consequently, the moderator guide for this study (see Appendix 4.6 for moderator guide) was written in line with the guidelines suggested by Greenbaum (1998). The sections in the moderator guide are elaborated below.

4.5.5.1 Introduction (5 minutes)

In this session, the moderator, which is the researcher, introduced herself to the participants and briefly explained the purpose of the session, which was to explore the retail service provided by the chain departmental store. The moderator also alerted the participants of the video camera that was recording the session, as well as the presence of other observers in the room. As there were no one-way mirrors in the focus group room, the observers were seated at the back corner of the room. The role of the observers was to take notes of comments made as well as any facial expression displayed by the participants. Subsequently, the moderator informed the participants on the issue of confidentiality, and how the session aimed to elicit their individual opinions and feelings, and not their judgements. Finally, the participants introduced themselves in a brief get-acquainted session.

4.5.5.2 Warm-up (10 minutes)

Here, the participants were asked to discuss very general issues related to the topic. In this instance, the warm-up session was used to learn basic information about the relationship formation process, such as why customers shop at the retail store, what affects their buying behaviour, what they normally purchase at the retail store, and what services they use at the retail store. Subsequently, all the topics to be covered in this warm-up discussion were identified in the discussion guide as seen in Appendix 4.6.

4.5.5.3 Details Section (20 minutes)

In this section, the discussion was intended to identify important information about the topic. Hence, the moderator asked participants to discuss their likes and dislikes about shopping at the retail store. At this point, specific issues are not identified, as it is useful to know whether an issue is important enough for the participant to raise it on their own. In addition, if specific questions are asked too early, the discussion scene might be set as too focused and narrow (Stewart & Shamdasani, 1990). Again, the discussion guide identified an outline of all the points the moderator covered in this section.

4.5.5.4 Key Content Section (30 minutes)

In this part of the session, inputs were gained from the participants about the research topic itself. Here, participants were exposed to several different attributes of the customer relationship formation process, namely the concepts of trust, commitment, relational bonds, relational contact, relationship quality, and customer loyalty. The discussion guide identified the areas that the moderator probed during this section to ensure that the discussion of the topic is thorough.

4.5.5.5 Summary (25 minutes)

In this last section, participants were asked to recommend any improvements they would like to see at the retail store, as well as whether these improvements will increase their loyalty towards the retail store. Consequently, this section gave the participants an opportunity to sum up what they thought the group resolved, as well as to share any information about the topic that they might have forgotten or otherwise omitted. At the

closing of the session, the moderator thanked the participants for attending the session and distributed the vouchers to each participant personally.

4.5.6   Ethical Considerations – Qualitative Fieldwork Phase II

With reference to ethical considerations for the qualitative fieldwork, an application for an extension to the research project was submitted to the SCERH. The SCERH is required by the NHMRC to monitor research projects until completion to ensure that the projects continue to conform with approved ethics standards. Consequently, a letter detailing the recruitment and conduct of the focus group interviews, an explanatory letter (see Appendix 4.5 for explanatory letter) informing potential participants of all features of the research that might influence their willingness to participate in the project, as well as an approval letter from the retail store head office were submitted to the SCERH.

4.6 Part 5 - Qualitative Research Design (Fieldwork Phase III)

On completion of the preceding two fieldwork phases, the findings from the mall intercept surveys and the customer focus groups were analysed. Further details of the survey results are presented in Chapters 5 and 6, while a discussion of the findings of the customer focus groups are elaborated in Chapter 7. Following an integrated discussion of the quantitative and qualitative findings in Chapter 8, several implementation guidelines for adopting the research model were suggested. Subsequently, these guidelines were presented to a focus group of retail store managers, and relevant feedback and comments from these managers were further incorporated into a final set of implementation guidelines documented in the final part of Chapter 8. The methodology for the third fieldwork phase of the study is discussed in the following sections.

4.6.1   Executional Details of the Managerial Focus Group

The previous section discussed the advantages, disadvantages, and group composition of focus groups. In addition, the operationalisation of the customer focus group sessions was examined. The procedure for the operationalisation of the third fieldwork phase of the study, the managerial focus group session, is elaborated in the following paragraphs.

4.6.1.1 Interested Participants

A total of eight managers expressed interest to participate in the managerial focus group session. These managers work mainly in the areas of customer satisfaction, customer service, budgeting, financial support, store operations, store training, marketing, and customer research.

4.6.1.2 Recruitment of Participants

The managers were recruited with the assistance of the Customer Analysis and Research Manager at the retail store head office. It was the intention of the researcher to recruit managers from the areas of customer service, customer research, budgeting and finance, store operations, sales and marketing, as well as training and development, as these areas directly encapsulate the research model as well as the proposed implementation guidelines. In addition, these managers had vast industry experience, hence they would be in a most ideal position to provide relevant feedback and comments on the applicability of the research to the retail industry.

4.6.1.3 Location of Group

For the convenience of the group of managers, the focus group session was conducted at the retail store head office. A conference room with projector facilities was booked two weeks prior to the session. The researcher was able to access the conference room half an hour before the commencement of the focus group session to prepare for the discussion.

4.6.1.4 Moderator Guide

The researcher acted as the main moderator of the focus group session. The initial draft of the moderator guide was set up by the researcher based on the extended research model and the implementation guidelines derived from the combined findings of the mall intercept surveys and the customer focus group sessions. Subsequently, the researcher invited the Customer Analysis and Research Manager to comment on the guide, and the final version of the guide was further revised based on relevant feedback and comments from the manager.

4.6.1.5 Activities at the Focus Group Facility

The managers were provided with light refreshments before they entered the focus group room. Similar to the customer focus group sessions, each manager was provided with a name card visible to the moderator. The managers were addressed by their first names during the session, and this facilitated a friendly discussion atmosphere. Subsequently, the managers were provided with writing materials so that they could write down any comments that might emerge out of the group discussion.

4.6.1.6 Post Group Discussion

After the focus group session, the moderator and the observer remained at the facility for 15 to 20 minutes for a short debriefing (Greenbaum, 1998). This post group discussion enabled the moderator to note any disagreements that may arise and provided an opportunity for the sharing of overall observations about the content that was generated by the group.

4.6.2 The Qualitative Instrument (Managerial Focus Group)

A semi-structured interview schedule was used in the managerial focus group session, which consist of a discussion of approximately 60 minutes. The questions broadly addressed the extended research model and the implementation guidelines derived from the findings in the earlier phases (I and II) of the study. Prior to the commencement of the focus group session, the moderator presented an outline of the research study, the research method, the demographics of the sample, and the research model in approximately 10 minutes. This provided the managers with a brief overview of the study. Following, several questions were posed to the group. These questions were categorised into two general sections, each amounted to approximately 15 and 25 minutes respectively. The first section comprised the following questions relating to the *research model*:

1. Do you have any comments on the model and its constructs?
2. Do you have any comments on the direction of the paths?
3. Is the model feasible?
4. Does it apply to the store? If yes, why? If no, why? (Consider various store locations)

5. Are the guidelines practical and useful?

6. What other extra concepts should be included in the model?

7. Do you think you will adopt part of this model for your daily operations?

Subsequently, having discussed the research model, the next section contained issues relating to the *proposed implementation guidelines*, which elicited managers' views with regard to the following:

1. Managing and exceeding customers' service expectations

2. Dimensions of service quality that bring about customer loyalty

3. The importance and implications of customer trust and commitment

4. Reducing customers' perceived risk

5. Increasing switching costs

6. Managing firm image

7. Increasing customer value

8. Role of management

9. Screening and hiring of employees

10. Employee retention

11. Employee training and development

12. Bringing about organisational change

Towards the last 10 minutes of the session, the managers were asked to recommend any additional guidelines or improvements that they think might be relevant and applicable to the research. Consequently, the managers were given the opportunity to sum up what they thought the research resolved, as well as to share any information about the topic that they might have forgotten or otherwise omitted. At the end of the session, the moderator thanked the managers for attending the session and the managers were invited to stay on after the session for further networking and research discussion.

4.6.3   Ethical Considerations – Qualitative Fieldwork Phase III

As per the customer focus groups, the ethical considerations for the managerial focus group conformed to the approved ethics standards. Specifically, prior to the commencement of the focus group, the managers were informed of all features of the

research that might influence their willingness to participate in the project. Subsequently, the managers' participation in the focus group were entirely voluntary, and the managers could choose to withdraw their participation at any time by leaving the session or by declining to participate in any part of the session.

4.7 Conclusion for Chapter Four

This chapter outlined the key issues regarding the research methodology used in this study.   The research design and research hypotheses were described in detail. Consequently, a discussion of the triangulation research method and the quantitative and qualitative fieldwork phases of the study were included. Specifically, the five major parts comprising of: (1) *quantitative research design (fieldwork phase I – mall intercept surveys)*; (2) *survey instrument and operationalisation of research constructs*; (3) *statistical analysis*; (4) *qualitative research design (fieldwork phase II – customer focus group)*, and (5) *qualitative research design (fieldwork phase III – managerial focus group)* were discussed.

The first section - quantitative research design (fieldwork phase I) – discussed the unit of analysis, context of the study, participants of the research, measurement technique adopted, data collection procedures, ethical considerations involved, and data coding and editing procedures.   The second section - survey instrument and operationalisation of research constructs – presented the questionnaire scaling and structure as well as the operationalisation of the questionnaire constructs. The third section - statistical analysis – documented data screening and scale refinement and validation procedures as well as statistical techniques such as exploratory and confirmatory factor analyses, multiple regression analysis, structural equation modelling, and overall goodness-of-fit measures. The fourth section – qualitative research design (fieldwork phase II) – presented details of the customer focus groups, operationalisation of the sessions, the focus group moderator guide, and ethical considerations involved. Finally, the last section – qualitative research design (fieldwork phase III) – examined details of the managerial focus group, operationalisation of the session, and ethical considerations involved.

The previous chapters have concentrated on providing an explanation for the conceptual background of the research, the theoretical foundations for the overall research question

and hypotheses, and the research methodology adopted. Having established this, the following chapters will examine the results of the study that address each of the research hypotheses.

CHAPTER FIVE

DESCRIPTION AND NATURE OF THE RESEARCH CONSTRUCTS

5.1 Introduction

The previous chapters outlined the conceptual framework, the literature used to derive the model, the various research conducted in the area, the hypotheses to be tested as well as the methods proposed to test them. This chapter presents the demographic and descriptive data provided by the respondents. The first section of this chapter describes the demographic data provided by the respondents. This includes descriptions of gender, age, household income, number of children in household, reasons for choosing the retail outlet, frequency of visits made at the retail outlet, perceptions of the retail store as well as percentage of retail purchases at the retail store. The second section presents the item means, standard deviations, and the normality plot of the research constructs. Following this, analyses undertaken to establish the reliability and validity of the measures are described in detail. Specifically, the reliability of the measures is assessed using Cronbach alpha, composite reliability, exploratory factor analysis, and confirmatory factor analysis. In addition, confirmatory factor analysis is also used to establish convergent validity. The chapter concludes with the application of correlation analysis as a means of establishing discriminant, nomological, and concurrent validity.

5.2 Characteristics of the Sample

The characteristics of the sample are described in terms of the demographic data provided by the respondents. This data is reported in the order as it appeared in section seven of the questionnaire (see Appendix 4.1 for copy of the survey), which covered questions relating to the respondents' personal details.

5.2.1   Gender

As might be expected, males represented 12.6% of the sample, while females represented 86.8% of the sample, with .6% not responding. This is not surprising as females in general, prefer shopping and perceive shopping as a leisure pastime, whereas most males would only shop when there is a real need to purchase something. Interestingly, when respondents were approached in this study as a couple, it was usually the female who completed the questionnaire, or in cases when a male respondent was approached, he would usually pass on the questionnaire to his female companion. On one occasion, a male respondent remarked, "My wife is the best person to fill this in, as shopping is her hobby. I know nothing about shopping, I am just here as a companion". As a result, it is essential to note that there might be a gender bias in this study, as the gender of the respondents in this study is highly skewed towards females. Despite that, on further clarification with the Customer Analysis and Research Manager of the retail organisation, it was found out that the target market of the retail organisation generally consists of females. Consequently, the percentage of females in this sample supports the target population of the retail organisation.

5.2.2   Age

As shown in Table 5.1, 27.6% of the respondents were between 41 and 50 years of age. The next highest age category is 31 to 40 years of age (23.5%), and together, these two categories account for just over one-half of the sample.

Table 5.1 <u>Age of Respondents</u>

Item and Response Category	Frequency (N=1,261)	Percent of Total (100%)
Age		
Under 20	92	7.3
20 – 30	257	20.4
31 – 40	296	23.5
41 – 50	348	27.6
51 – 60	192	15.2
61 and over	72	5.7
Not stated	4	.3
Total		100

In order to explore this further, a cross tabulation was conducted between age and gender balance. The results indicated that the age category of 61 and above has the highest percentage of males (34.6%), while the age category of under 20 has the lowest percentage of males (7.6%).

5.2.3 Household Income

Evident in Table 5.2, about half of the respondents in this study have a household income of less than A$60,000 per annum, while 10.6% of the respondents in this study have a household income of more than A$100,000 per annum. In addition, 15.4% of the respondents left this section blank. This is not surprising, as income is usually treated as a personal and sensitive issue.

Table 5.2 <u>Household Income of Respondents</u>

Item and Response Category	Frequency (N=1,261)	Percent of Total (100%)
Household Income (A$)		
Less than 20,000	134	10.6
20,001 – 40,000	237	18.8
40,001 – 60,000	265	21.0
60,001 – 80,000	171	13.6
80,001 – 100,000	126	10.0
100,001 – 120,000	54	4.3
More than 120,001	80	6.3
Not stated	194	15.4
Total	1261	100

5.2.4 Number of Children in Household

As shown in Table 5.3, nearly half (46.9%) of the respondents do not have any children living with them in the household. The second highest number of children in the household reported by respondents is two (22.6%). In order to explore this issue further, a cross tabulation was conducted between the age of respondents and the number of children living in the household. The results of the cross tabulation showed that the highest age category for respondents who do not have any children living with them in the household is 21 to 30 years of age (28.0%), while the second highest category is 51 to 60 years of age (24.0%).

Table 5.3 <u>Number of Children in Household</u>

Item and Response Category	Frequency (N=1,261)	Percent of Total (100%)
Children in Household		
0	592	46.9
1	149	11.8
2	285	22.6
3	154	12.3
4	57	4.5
5	14	1.1
6	4	0.3
7	2	0.2
Not stated	4	0.3
Total	1261	100

5.2.5 Reasons for Choosing Retail Outlet

As depicted in Table 5.4, the main reasons why respondents chose to shop at the retail outlet was due to the location of the retail outlet, as 916 (72.7%) shoppers chose this option as one of their reasons for shopping at the retail outlet. Another reason why respondents chose to shop at the retail outlet was due to the low price of merchandises offered by the retail outlet (68.2%). Finally, accessibility was also chosen as one of the main reasons for shopping at the retail outlet (65.0%), and in line with location, this reinforces the notion of convenience. Interestingly, out of the 115 respondents who chose "others" as an option, 53 respondents (46.1%) mentioned that being a shareholder is an important criterion for them choosing the retail store.

In order to explore the preceding issue further, cross tabulations were conducted between the reasons for shopping at the retail outlet and relationship strength and customer loyalty respectively. It was found out that 52.4% of the respondents who chose quality of service as a reason for shopping at the retail outlet rated relationship strength highly (5, 6, or 7 on a 7 point Likert-scale). Subsequently, other reasons for shopping at the retail outlet that were rated highly on relationship strength included quality of product (38.4%), location of retail outlet (30.2%), value (37.3%), image of retail outlet (70.0%), Fly Buy loyalty card (32.6%), range of products (34.3%), and staff (60.7%). On the other hand, 36.7% of the respondents who chose quality of service as a reason for shopping at the retail outlet rated customer loyalty highly (5, 6, or 7 on a 7 point Likert-scale). Subsequently, other reasons for shopping at the retail outlet that were rated highly on customer loyalty included quality of product (39.3%), location of retail outlet (52.1%), value (24.3%), image of retail outlet

(30.7%), Fly Buy loyalty card (19.3%), range of products (33.6%), and staff (46.4%). Further breakdown and analysis of the reasons why respondents chose to shop at the retail outlet are not provided here as the focus of this chapter is on the description and nature of the research constructs within the research model.

Table 5.4 Reasons for Choosing Retail Outlet

Item and Response Category	Frequency ($N=1,261$)	Percent of Respondents
Reasons for Choosing Retail Outlet		
Quality of service	420	33.3
Quality of product	464	36.8
Accessibility	819	65.0
Low price	859	68.2
Word-of-mouth	102	8.1
Location	916	72.7
In-store promotions	299	23.7
Value	466	37.0
Advertising	508	40.3
Image	58	4.6
Fly Buy member	523	41.5
Availability of parking	502	39.8
Product range	551	43.7
Staff	193	15.3
Brands	214	17.0
Meet special needs	130	10.3
Others	115	9.1

*Multiple responses were possible for this question

5.2.6 Shopping at Retail Outlet

As seen in Table 5.5, more than two-thirds of the respondents in this study have shopped at the retail outlet for more than 10 times in the past 12 months.

Table 5.5 <u>Shopping at Retail Outlet</u>

Item and Response Category	Frequency (N=1,261)	Percent of Total (100%)
Past 12 months		
1 – 2 times	40	3.2
3 – 5 times	118	9.4
6 – 10 times	214	17.0
More than 10 times	887	70.3
Not stated	2	0.2
Total	1261	100
Next 12 months		
1 – 2 times	29	2.3
3 – 5 times	107	8.5
6 – 10 times	240	19.0
More than 10 times	879	69.7
Not stated	6	0.5
Total	1261	100

Similarly, as evident in Table 5.5, more than two-thirds of the respondents in this study reported that they would continue to shop with the retail outlet for more than 10 times in the next 12 months (69.7%). Interestingly, the trend for the past 12 months is fairly similar to that of the trend for the next 12 months.

5.2.7   Advantage over other Retail Stores

As supported by the results shown in Table 5.6, nearly one-half of the respondents perceived a moderate advantage at the retail store over other retail stores. On the other hand, 26.7% of the respondents perceived a large advantage at the retail store over other retail stores.

Table 5.6 <u>Advantage over other Retail Stores</u>

Item and Response Category	Frequency (N=1,261)	Percent of Total (100%)
Advantage		
No advantage	133	10.5
Small advantage	158	12.5
Moderate advantage	576	45.9
Large advantage	337	26.7
A very large advantage	52	4.1
Not stated	5	0.4
Total	1261	100

5.2.8   Quality of Service at Retail Store

The details for the quality of service provided at the retail store compared to other retail stores can be seen in Table 5.7.

Table 5.7 Quality of Service at Retail Store

Item and Response Category	Frequency (N=1,261)	Percent of Total (100%)
Quality of Service		
Much worse	10	0.8
Somewhat worse	52	4.1
About the same	784	62.2
Somewhat better	339	26.9
Much better	71	5.6
Not stated	5	0.4
Total	1261	100

As reflected in Table 5.7, nearly two-thirds (62.2%) of the respondents perceived the quality of service at the retail store to be about the same as other retail stores. However, on closer examination, 32.6% of the respondents perceived the quality of service at the retail store to be somewhat better or much better, while only a mere five percent of the respondents perceived the quality of service to be much worse or somewhat worse. Hence, it can be deduced that most shoppers at the retail store perceived that the retail stores in this study deliver a moderate to high level of service. In order to explore this further, a cross tabulation was conducted between age group and quality of service provided at the retail store. The results suggested that the service quality levels across all six age groups demonstrated similar trends as the overall percentages.

5.2.9   Duration of Patronage

As seen in Table 5.8, nearly two-thirds (62.1%) of the respondents in this study have shopped at the retail outlet for more than 10 years. In order to examine this closer, a cross tabulation was conducted between location and duration of patronage, and out of the 783 respondents who shopped at the retail outlet for more than ten years, 73.4% of them chose location as a reason for shopping at the retail outlet. To reinforce this view, a cross tabulation was again conducted between accessibility and duration of patronage, and 68.3% of the 783 respondents chose accessibility as a reason for shopping at the retail

outlet. From these results, it can be inferred that convenience is a main factor for shoppers' duration of patronage at the retail store, and this reinforces the underlying spurious loyalty nature of respondents in this study.

Table 5.8 Duration of Patronage

Item and Response Category	Frequency (N=1,261)	Percent of Total (100%)
Duration of Patronage		
Less than 1 year	30	2.4
1 – 3 years	86	6.8
4 – 6 years	140	11.1
7 – 10 years	216	17.1
More than 10 years	783	62.1
Not stated	6	0.5
Total	1261	100

5.2.10 Percentage of Retail Purchases

As evident in Table 5.9, two-fifths of the respondents reported that they spent approximately 20% of their retail purchases in the past 12 months at the retail store. Interestingly, as seen in Figure 5.1, there is a decreasing trend in the percentage of retail purchases at the retail store, and as percentage of purchases increases, the frequency of respondents decreases. For example, at a 20% retail purchase level, the frequency of respondents was 40.4%, at a 40% retail purchase level, the frequency of respondents was 29.5%, and at a 60% retail purchase level, the frequency of respondents was 19.8%.

Table 5.9 Percentage of Retail Purchases

Item and Response Category	Frequency (N=1,261)	Percent of Total (100%)
Percentage of Purchases		
20%	510	40.4
40%	372	29.5
60%	250	19.8
80%	85	6.7
100%	14	1.1
Not stated	30	2.4
Total	1261	100
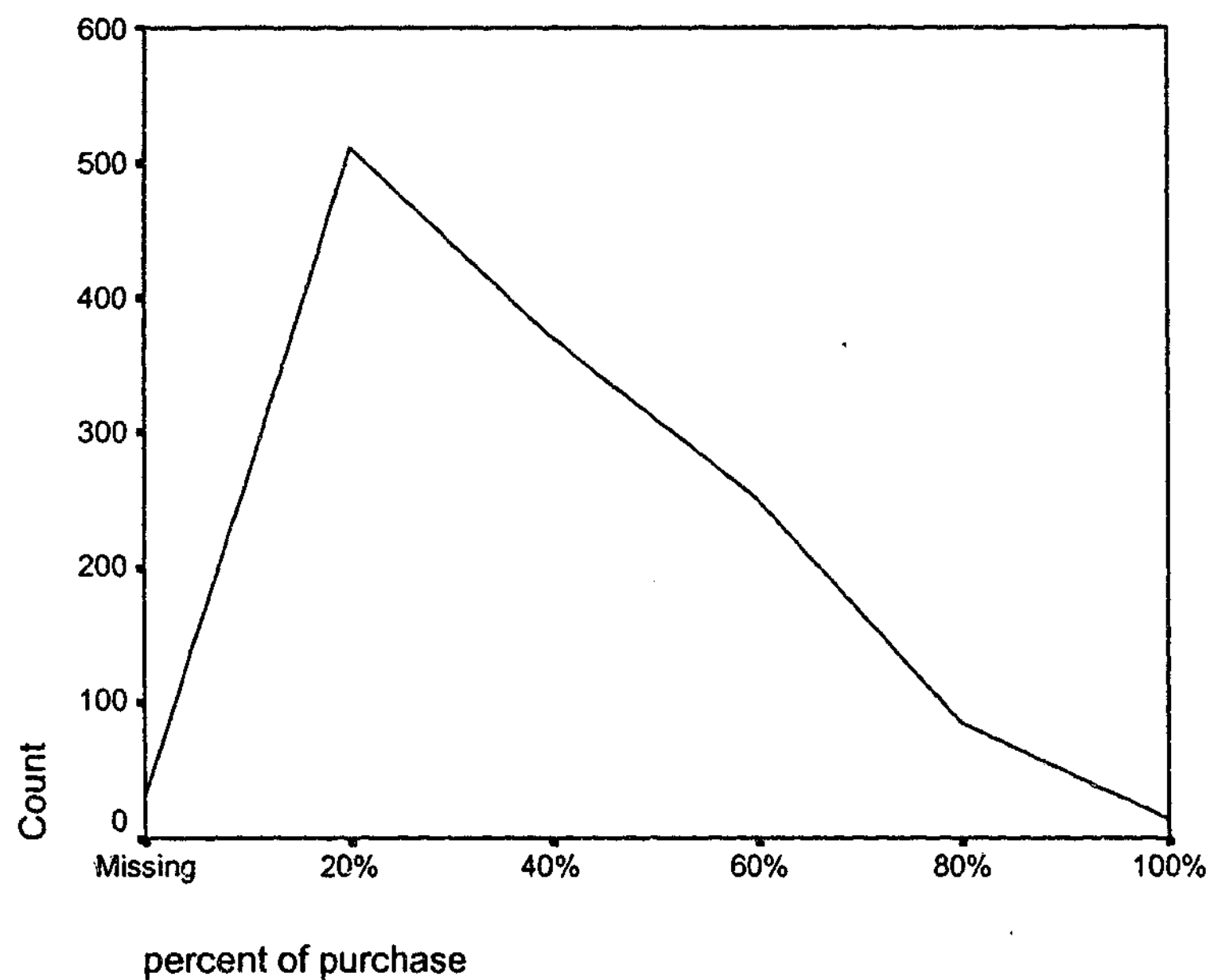
Figure 5.1. Percentage of retail purchases

5.3 Descriptives for Service Quality

The previous section presented the characteristics of the sample in this study. This section presents the results for service quality. The findings for the dimensions of service quality and overall service quality are described in terms of their descriptive statistics, normality of data as well as reliability of scale.

5.3.1   Service Quality Dimensions

A summary of the mean and standard deviation of the 29 items of service quality is presented in Table 5.10, while a summary of the respondent ratings for the five service quality dimensions is shown in Table 5.11. The highest scored dimension of service quality in a retail shopping experience is tangibles, with a mean score of 5.28. This implies that the retail stores in this study have up-to-date and user-friendly equipment, visually appealing facilities and materials, as well as convenient operating hours. Interestingly, the highest scored individual tangibles item (with a mean of 6.02, as seen in Table 5.10) is related to the operating hours of the store. Out of the eight stores, two stores operate 24 hours a day, seven days a week, while the other metropolitan and outer

metropolitan stores operate from 8.30am to 9.00pm on Mondays to Fridays, 8.30am to 6.00pm on Saturdays, and 10.00am to 5.00pm on Sundays.

With the exception of tangibles, the other four dimensions have mean values for service quality that are very similar. All these dimensions concern the intangibility of a service, where the service features cannot be felt or seen. These dimensions are related to the concept of *satisfiers* (Johnston, 1995), where unusual performance will elicit strong feelings of satisfaction leading to complimenting behaviour, but typical performance or the absence of performance will not necessarily cause negative feelings. Consequently, it is essential to note that from a management point of view, satisfiers represent an opportunity to create a sustainable competitive advantage and an opportunity to move ahead of the pack (Cadotte & Turgeon, 1988).

Table 5.10 <u>Item Means and Standard Deviations of the Service Quality Scale</u>

Rank Order	Item Number	Item	Mean	Standard Deviation	Skewness	Kurtosis
1	29	Services are operated at a convenient time	6.02	1.03	-.211	1.854
2	27	Accepts most credit cards	5.92	.99	-.986	1.360
3	19	Always willing to handle returns and exchanges	5.70	1.19	-.951	.882
4	28	Provides plenty of convenient parking	5.48	1.32	-.876	.473
5	17	Employees are neat in their appearance	5.46	1.21	-.827	.670
6	21	Equipment are up-to-date	5.38	1.08	-.567	.710
7	18	Make customers feel safe in service transactions	5.32	1.16	-.578	.430
8	24	Materials are visually appealing	5.11	1.26	-.490	.011
9	5	Provides accurate information	5.05	1.34	-.681	.293
10	20	Able to handle customer complaints immediately	5.02	1.34	-.655	.460
11	12	Consistently courteous employees	4.99	1.27	-.491	.061
12	22	Equipment are user-friendly	4.94	1.33	-.559	.101
13	9	Always willing to help	4.93	1.38	-.498	-.138
14	1	Keeps its promises	4.90	1.04	-.142	.497
15	26	Store layout makes it easy for customers to move around in the store	4.90	1.44	-.660	.068
16	23	Physical facilities are visually appealing	4.89	1.26	-.369	-.109
17	4	Provides services at the time it promises to do so	4.88	1.16	-.538	.740
18	3	Performs the service right the first time	4.75	1.20	-.381	.306
19	7	Tell customers exactly when the services will be performed	4.72	1.13	-.142	.161
20	25	Store layout makes it easy for customers to find what they need	4.71	1.47	-.488	-.279
21	2	Shows sincere interest in solving service problems	4.66	1.27	-.381	.189
22	8	Give prompt service	4.66	1.38	-.434	-.190
23	10	Never too busy to respond to customers' requests	4.58	1.44	-.317	-.322
24	14	Give individual attention	4.52	1.37	-.360	-.227
25	13	Have the knowledge to answer questions	4.51	1.32	-.287	-.173
26	15	Give personal attention	4.49	1.39	-.346	-.217
27	16	Understand customers' specific needs	4.43	1.30	-.274	-.010
28	6	Has customers' best interests at heart	4.39	1.38	-.406	.207
29	11	Instil confidence in customers	4.39	1.31	-.337	.096

*Based on a seven-point Likert scale

Table 5.11 Descriptive Statistics - Service Quality Dimensions

Service Quality Dimensions	Minimum	Maximum	Mean	Std. Deviation	Cronbach Alpha
Reliability (5)	1.80	7.00	4.85	.93	.83
Responsiveness (4)	1.00	7.00	4.72	1.16	.89
Assurance (5)	1.00	7.00	4.84	1.04	.87
Empathy (5)	1.40	7.00	4.71	1.08	.87
Tangibles (10)	2.20	7.00	5.28	.89	.89
Combined Scale					.96

Before progressing on to the conduct of any inferential statistical techniques, the assumption of normality is a prerequisite (Coakes & Steed, 2001). There are a number of different ways that this assumption can be explored graphically, and in this instance, the normal probability plot was used to assess the normality of data for the dimensions of service quality.

Normal Q-Q Plot of Service Quality Dimensions
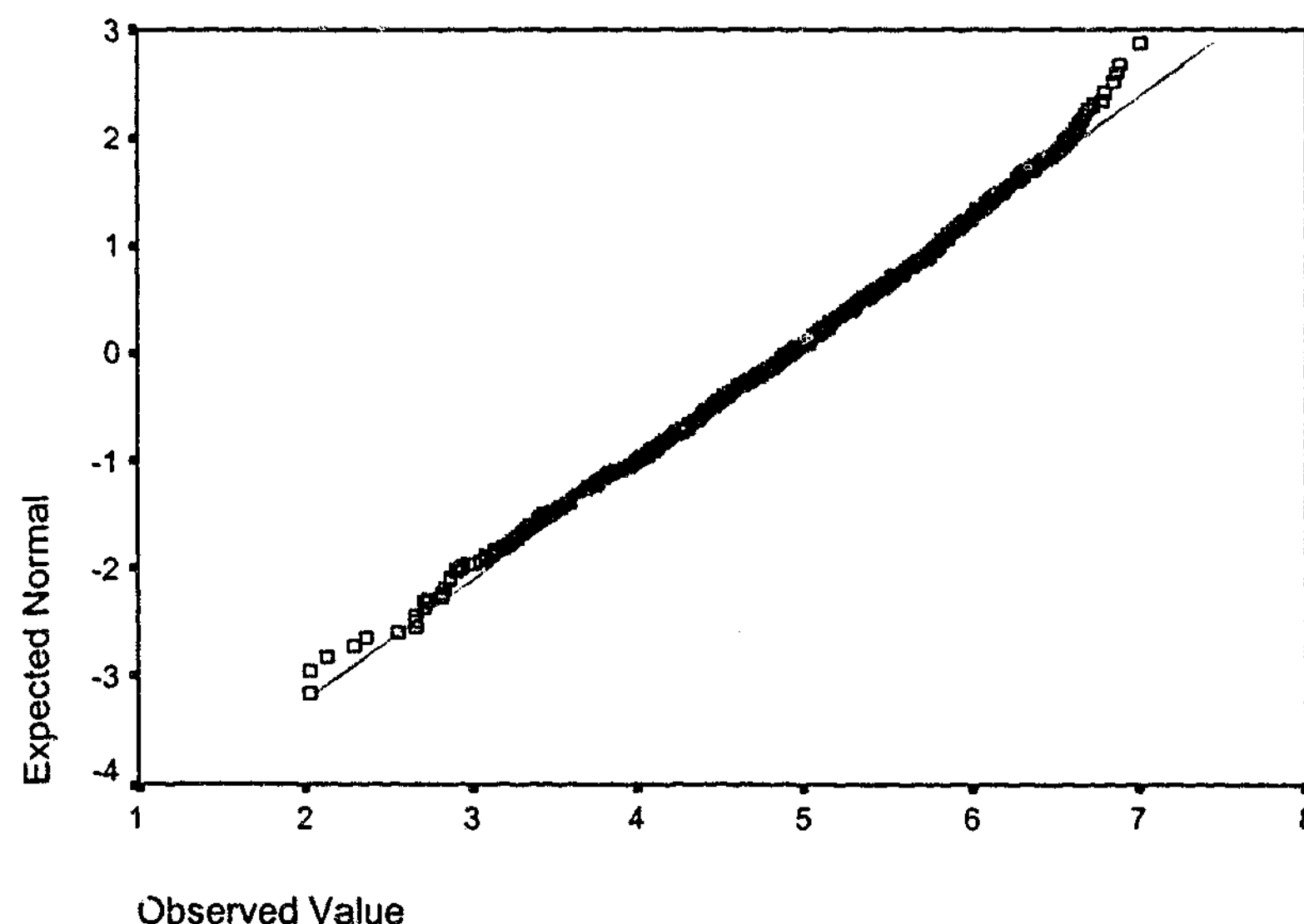
*Normality plot calculated based on the mean of the five service quality dimensions, with a total of 29 items

Figure 5.2 Normality of data - Service quality dimensions

As illustrated in Figure 5.2, the normality plot for the dimensions of service quality forms a normal distribution, as each observed value is paired with its expected value from the normal distribution, and the cases fall more or less in a straight line (Coakes & Steed,

2001). In addition, the skewness and kurtosis values, as shown in Table 5.10, are less than ± 2.58, and this indicates that the assumption about normality of the distribution can be accepted at the .01 probability level (Hair et al., 1998).

Finally, the alpha value for the total scale is .96, which is considered high (Nunnally, 1967), while the reliability coefficients for the five dimensions range from .83 to .89. The high alpha values indicate good internal consistency among the items within each dimension as described by Parasuraman et al. (1988). Moreover, the high alpha value of the combined scale indicates that the convergent validity of the scale is met (Parasuraman et al., 1991b). In view of the above figures, the reliability of the scale is established.

5.3.2   Overall Service Quality

A summary of the mean and standard deviation of the four overall service quality items is presented in Table 5.12, while a summary of the respondent ratings for overall service quality is displayed in Table 5.13. The four overall service quality items have a mean score of 5.00, and this suggests that shoppers have fairly high expectations and perceptions of service quality. This is supported by a frequency test, which found that 61.3% of the shoppers in this study reported scores of 5, 6, or 7 on the overall service quality scale. Given that all respondents have shopped at the store before and had returned, it is not surprising that the mean values of perceptions of overall service quality are towards the higher end of the scale (Dabholkar et al., 1996).

Table 5.12 Items Means and Standard Deviations of the Overall Service Quality Scale

Rank Order	Item Number	Item	Mean	Standard Deviation	Skewness	Kurtosis
1	1	Excellent overall service	5.13	1.08	-.520	.588
2	2	Service of a very high quality	5.07	1.10	-.477	.289
3	3	A high standard of service	5.06	1.12	-.475	.316
4	4	Superior service in every way	4.77	1.20	-.399	.230

*Based on a seven-point Likert scale

Table 5.13 <u>Descriptive Statistics - Overall Service Quality (OSQ)</u>

Overall Service Quality	Minimum	Maximum	Mean	Std. Deviation	Cronbach Alpha
OSQ (4)	1.00	7.00	5.00	1.06	.96

Again, the normal probability plot was used to assess the normality of data for overall service quality. As displayed in Figure 5.3, the normality plot for overall service quality forms a normal distribution. An examination of the skewness and kurtosis values as shown in Table 5.12 indicates that the assumption about normality of the distribution is not violated (Hair et al., 1998).
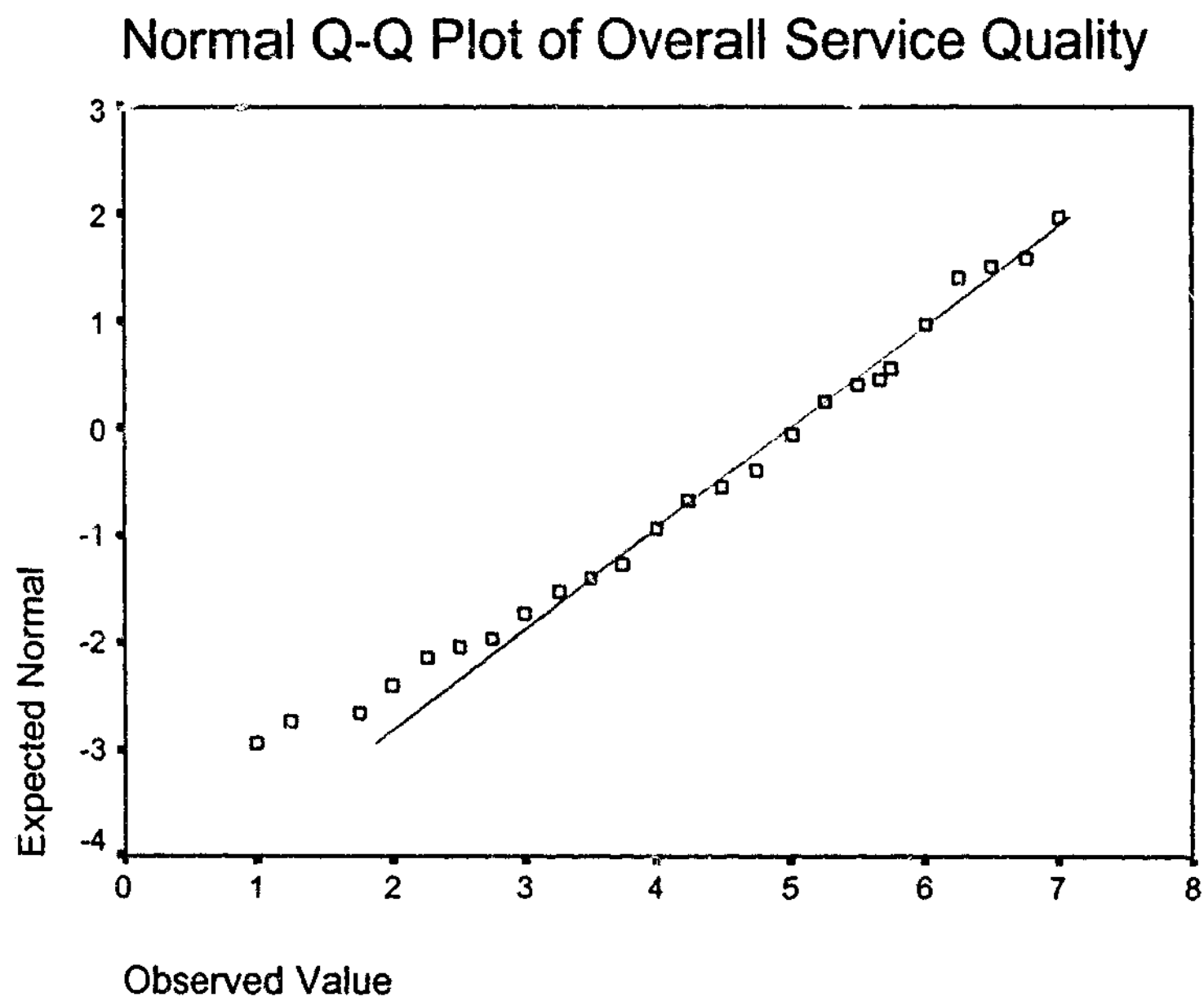
*Normality plot calculated based on the mean of the four overall service quality items

Figure 5.3 Normality of data – Overall service quality

Finally, as shown in Table 5.13, the alpha value for the total overall service quality scale is .96, and this is well within the acceptable range limit recommended by Nunnally (1967).

5.4 Descriptives for Trust

A summary of the mean and standard deviation of the 11 items of trust can be seen in Table 5.14, while a summary of the respondent ratings for trust is reflected in Table 5.15.

Trust in the employee has a mean score of 4.73, which is considered moderately high. This is supported by a frequency test, which found that 37.2% of the shoppers in this study reported scores of 5, 6, or 7 on the trust in employee scale. Interestingly, the alpha value for the store trust scale is higher than the employee trust scale, given that the scale has only three items representing store trust. In order to examine the difference between store trust and employee trust, a paired-sample two-tailed t-test was conducted, and the results showed that there was a significant difference between these two constructs at a 95% confidence level ($t = 5.727, p < 0.05$).

Table 5.14 Item Means and Standard Deviations of the Trust Scale

Rank Order	Item Number	Item	Mean	Standard Deviation	Skewness	Kurtosis
1	1	Employees can be relied on to keep their promises	4.89	1.08	-.240	.316
2	5	Retail store can be counted on to do what is right	4.89	1.16	-.390	.545
3	8	Employees are honest	4.88	1.10	-.170	.351
4	10	Employees are responsible	4.88	1.11	-.266	.370
5	4	Employees can be trusted at all times	4.84	1.15	-.146	-.050
6	3	Caution is necessary in dealing with the employees**	4.76	1.54	-.307	-.659
7	6	Employees have high integrity	4.76	1.08	-.244	.655
8	11	Retail store can be trusted at all times	4.63	1.25	-.412	.483
9	7	Employees put the customer's interests before their own	4.49	1.22	-.306	.453
10	2	There are times when the employees are a bit insincere**	4.47	1.63	-.162	-.824
11	9	Retail store understands the customer	4.36	1.32	-.381	.312

*Based on a seven-point Likert scale; **Denotes reverse-scored items

Table 5.15 Descriptive Statistics – Trust

Levels of Trust	Minimum	Maximum	Mean	Std. Deviation	Cronbach Alpha
Employee (8)	1.75	7.00	4.73	.86	.83
Store (3)	1.00	7.00	4.67	1.05	.85
					.90

In order to assess normality of data, the normal probability plot was used to assess the normality of data for trust. As reflected in Figure 5.4, the normality plot for trust forms a

normal distribution. An examination of the skewness and kurtosis values as shown in Table 5.14 indicates that the assumption about normality of the distribution is not violated (Hair et al., 1998). Subsequently, the alpha value for the total scale is .90, and this is well within the acceptable range limit recommended by Nunnally (1967).

Normal Q-Q Plot of Trust
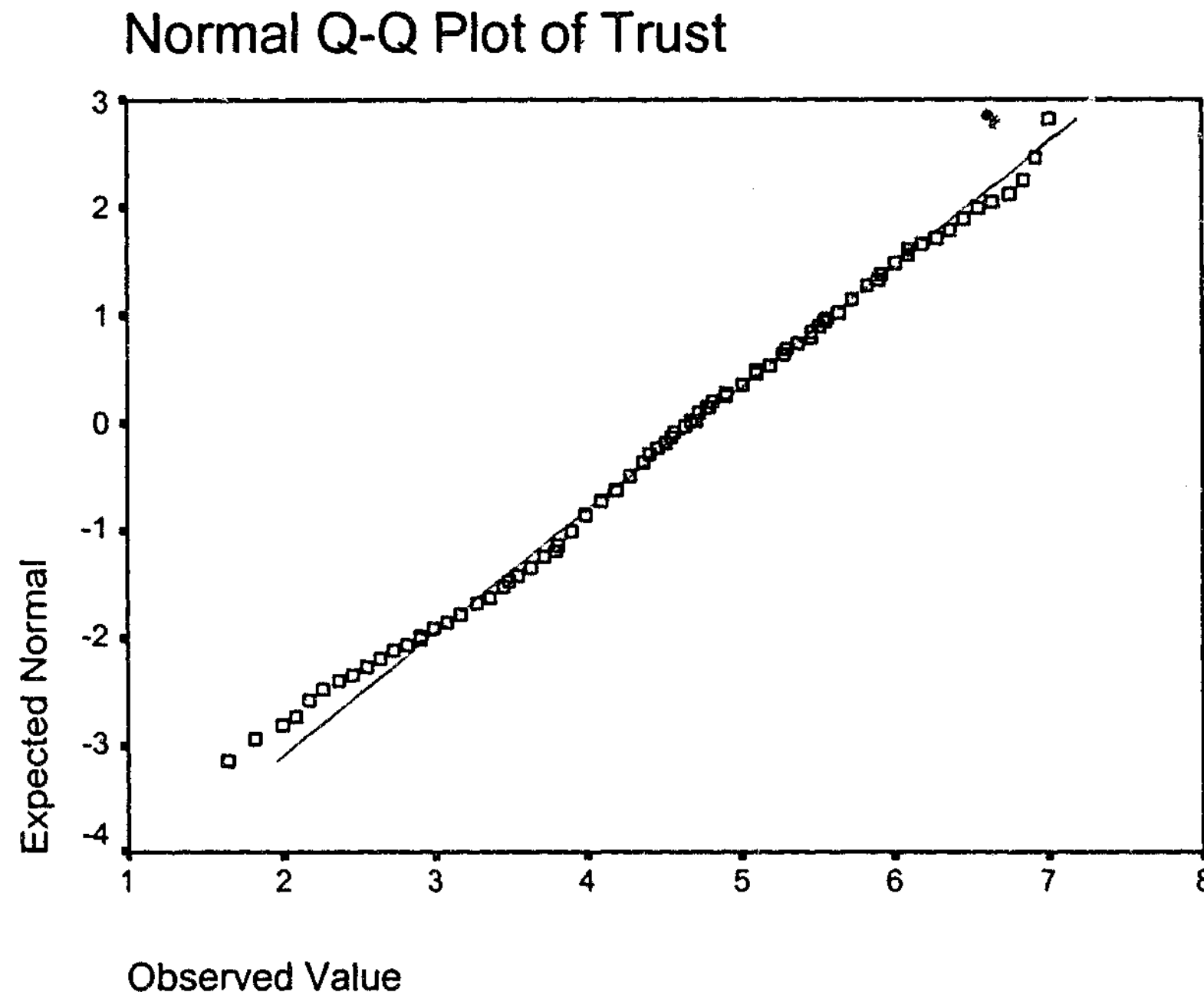
Figure 5.4 Normality of data – Trust

*Normality plot calculated based on the mean of the 11 trust items

5.5 Descriptives for Commitment

A summary of the mean and standard deviation for commitment is shown in Table 5.16, while a summary of the respondent ratings for commitment is displayed in Table 5.17. Customer commitment to the employee has a mean score of 4.03, which is slightly above the midpoint of 3.5. On the other hand, customer commitment to the store is higher than the former score, and this shows that shoppers reported a higher commitment level to the store than to the employee. This might be attributed to the fact that the stores in this study employed more casual, part time, and sessional staff as compared to full time staff (O'Neill, 2000; Sims, 2000). Consequently, a paired-sample two-tailed t-test was conducted between customer commitment to the employee and customer commitment to

the store, and the results showed that there was a significant difference between these two constructs at a 95% confidence level ($t = -9.277$, $p < 0.05$).

Table 5.16 Item Means and Standard Deviations of the Commitment Scale

Rank Order	Item Number	Item	Mean	Standard Deviation	Skewness	Kurtosis
1	19	Intention to continue shopping at the retail store	5.08	1.34	-.575	.195
2	16	Proud to tell others about shopping at the retail store	4.43	1.55	-.344	-.404
3	12	Commitment in maintaining relationship with employees	4.30	1.43	-.333	-.124
4	20	Expend effort on behalf of the retail store to help it succeed	4.18	1.59	-.287	-.465
5	14	Plan to maintain relationship with employees	4.07	1.50	-.259	-.361
6	17	The retail store is the best of all possible place for shopping	3.91	1.57	-.105	-.605
7	15	Care about relationship with employees	3.90	1.57	-.153	-.601
8	13	Relationship with employees is important	3.87	1.60	-.152	-.675
9	18	Commitment to the retail store	3.76	1.56	-.025	-.591

*Based on a seven-point Likert scale

Table 5.17 Descriptive Statistics – Commitment

Levels of Commitment	Minimum	Maximum	Mean	Std. Deviation	Cronbach Alpha
Employee (4)	1.00	7.00	4.03	1.40	.93
Store (5)	1.00	7.00	4.27	1.31	.91
Combined Scale					.94

In order to assess normality of data, the normal probability plot was used to assess the normality of data for commitment. As reflected in Figure 5.5, the normality plot for commitment forms a normal distribution. The skewness and kurtosis values as shown in Table 5.16 are less than ± 2.58, hence the assumption about normality of the distribution can be accepted at the .01 probability level (Hair et al., 1998).

Normal Q-Q Plot of Commitment
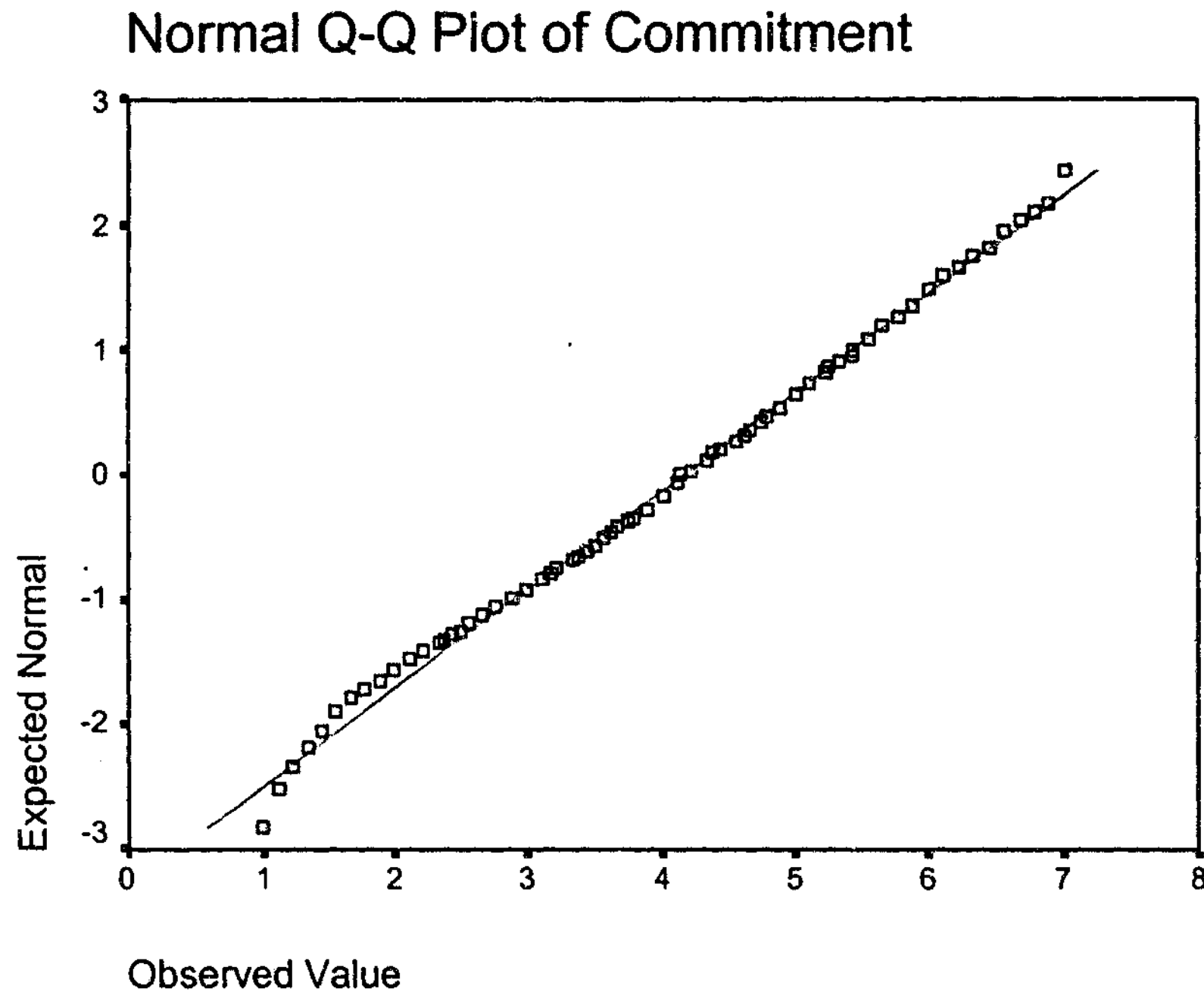
*Normality plot calculated based on the mean of the nine commitment items

Figure 5.5 Normality of data - Commitment

Finally, the alpha value for the combined scale is .94, and this is well within the acceptable range limit recommended by Nunnally (1967). This further implies that the convergent validity of the scale is met (Parasuraman et al., 1991b).

5.6 Descriptives for Customer Loyalty

A summary of the mean and standard deviation of the 12 items of customer loyalty is presented in Table 5.18, while a summary of the respondent ratings for customer loyalty is displayed in Table 5.19. Customer loyalty to the company has a mean score of 4.19, which is slightly above the midpoint of 3.5. On the other hand, customer loyalty to the employee is higher than the former score, and this shows that shoppers reported a higher loyalty level to the employee than to the company. This reinforces the importance of the concept of relationships between service providers and their customers (Barnes, 1997). In order to examine the difference between customer loyalty to the company and customer loyalty to the employee, a paired-sample two-tailed t-test was conducted, and the results

showed that there was a significant difference between these two constructs at a 95% confidence level ($t = 12.304$, $p < 0.05$).

Table 5.18 <u>Item Means and Standard Deviations of the Customer Loyalty Scale</u>

Rank Order	Item Number	Item	Mean	Standard Deviation	Skewness	Kurtosis
1	12	Sometimes customers get a feeling of being trapped in dealing with the retail store **	5.45	1.58	-.892	.112
2	11	Deal with the retail store because customer want to, not because he/she has to	5.31	1.44	-.735	.147
3	2	No intention to shop with a particular employee in future**	5.13	1.53	-.495	-.459
4	10	Moving current business to another retail store is just not worth the effort**	4.69	1.58	-.185	-.639
5	4	Recommend the retail store to someone who seeks advice	4.63	1.32	-.469	.344
6	3	Say positive things about the retail store to other people	4.54	1.30	-.338	.298
7	5	Encourage friends and relatives to shop at the retail store	4.45	1.42	-.317	-.109
8	6	Consider the retail store as first choice in the next few years	3.97	1.53	-.125	-.468
9	1	Loyalty to a particular employee	3.92	1.42	-.110	-.166
10	7	Make an effort to use the retail store for retail shopping needs	3.85	1.60	-.072	-.639
11	8	Take current business to a competitor that offers more attractive prices**	2.56	1.43	.899	.441
12	9	Switch to a competitor when there are problems with the retail store's service**	2.47	1.36	.974	.775

*Based on a seven-point Likert scale; ** Denotes reverse-scored items

Table 5.19 <u>Descriptive Statistics – Customer Loyalty</u>

Levels of Customer Loyalty	Minimum	Maximum	Mean	Std. Deviation	Cronbach Alpha
Employee (2)	1.00	7.00	4.53	1.10	.21
Company (10)	1.60	7.00	4.19	.79	.73
Combined Scale					.76

In order to assess normality of data, the normal probability plot was used to assess the normality of data for customer loyalty. As reflected in Figure 5.6, the normality plot for customer loyalty forms a normal distribution. In addition, the skewness and kurtosis values as shown in Table 5.18 are less than ± 2.58, and this indicates that the assumption about normality of the distribution can be accepted at the .01 probability level (Hair et al., 1998).

Normal Q-Q Plot of Customer Loyalty
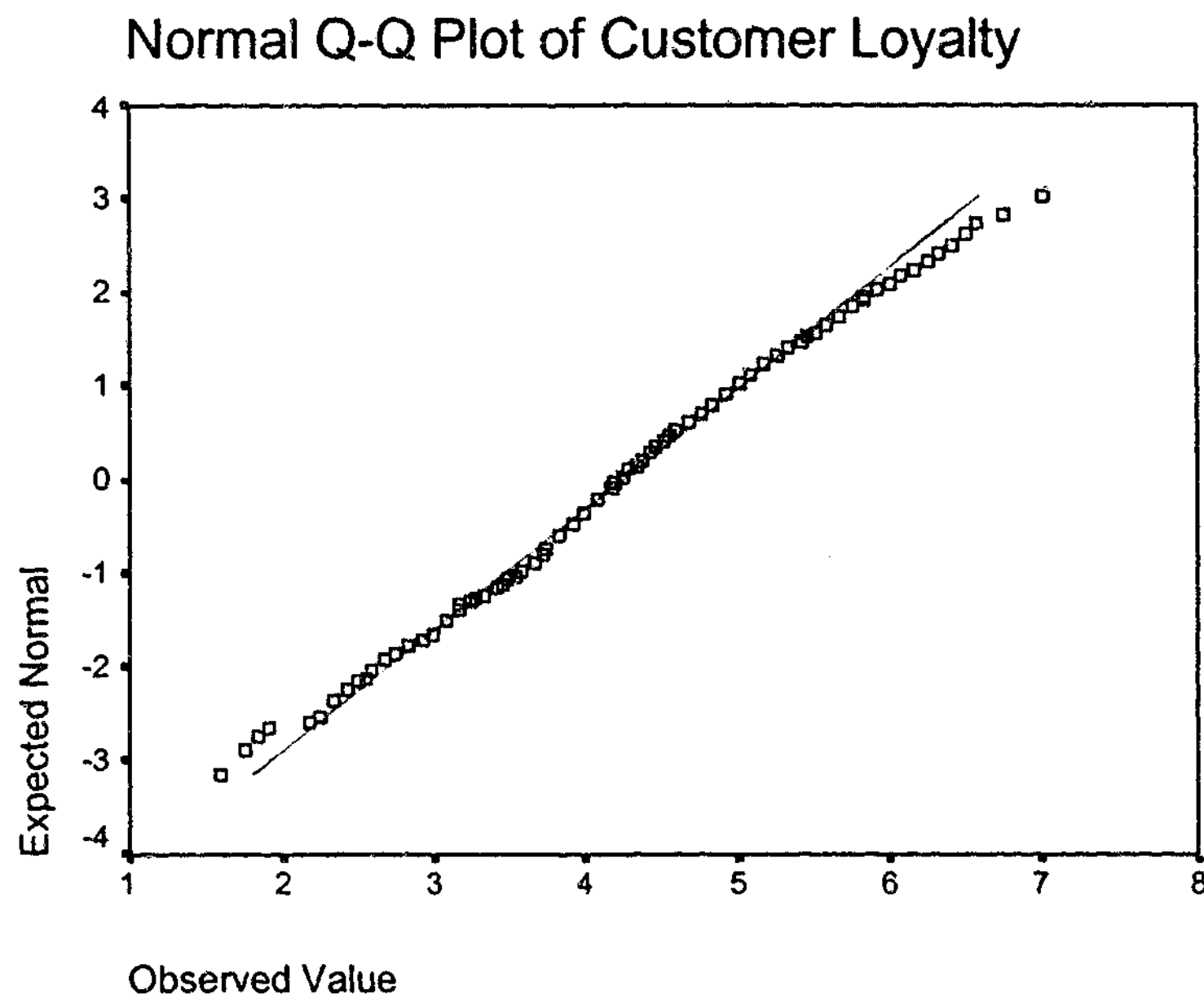
* Normality plot calculated based on the mean of the 12 customer loyalty items

Figure 5.6 Normality of data – Customer loyalty

Subsequently, the alpha value for the employee loyalty scale is at a low .21, and this may be attributed to the small number of items in the scale. Finally, the alpha value for the combined scale is .76, and this is still within the acceptable range limit recommended by Nunnally (1967). Although the reliability figures for the customer loyalty scale are not as optimistic as the previous scales, the reliability of this scale is still established.

5.7 Descriptives for Relationship Strength

A summary of the respondent ratings for relationship strength is displayed in Table 5.20. As reflected in Table 5.20, respondents in this study perceived the strength of their relationship with the employees of the retail store as having a mean score of 3.90. When

asked how strong they would like their relationship with the employees to be, a mean score of 4.37 was reported. This shows that although the strength of their relationship with the employees at the retail store is slightly above average, respondents would prefer a stronger interpersonal relationship with employees, as reported by the gap score of .47. On the company level, a higher mean score was reported for respondents' existing relationship strength (4.09) as well as their preferred relationship strength (4.49). This implies that respondents feel a stronger relationship towards the store than towards the employees, and a possible reason could be that the retail stores in this study employed more casual, part time, and sessional staff as compared to full time staff (O'Neill, 2000; Sims, 2000). Subsequently, a paired-sample two-tailed t-test was conducted between relationship strength at both the company and employee level, and the results showed that there was a significant difference between these two constructs at a 95% confidence level ($t = -7.262, p < 0.05$).

Table 5.20 <u>Descriptive Statistics – Relationship Strength (Gap Scores)</u>

Relationship Strength	Minimum	Maximum	Mean	Std. Deviation	Cronbach Alpha	Skewness	Kurtosis
Employee (existing)	1	7	3.90	1.38	-	-.301	-.078
Employee (preferred)	1	7	4.37	1.36	-	-.263	.279
Company (existing)	1	7	4.09	1.31	-	-.422	.255
Company (preferred)	1	7	4.49	1.37	-	-.295	.299
Combined Scale					.90		

In order to assess normality of data, the normal probability plot was used to assess the normality of data for relationship strength. As reflected in Figure 5.7, the normality plot for relationship strength forms a normal distribution. Moreover, the skewness and kurtosis values as shown in Table 5.20 are less than ± 2.58, hence the assumption about normality of the distribution can be accepted at the .01 probability level (Hair et al., 1998). Finally, the alpha value for the combined relationship strength scale is .90, and this is well within the acceptable range limit recommended by Nunnally (1967).

Normal Q-Q Plot of Relationship Strength
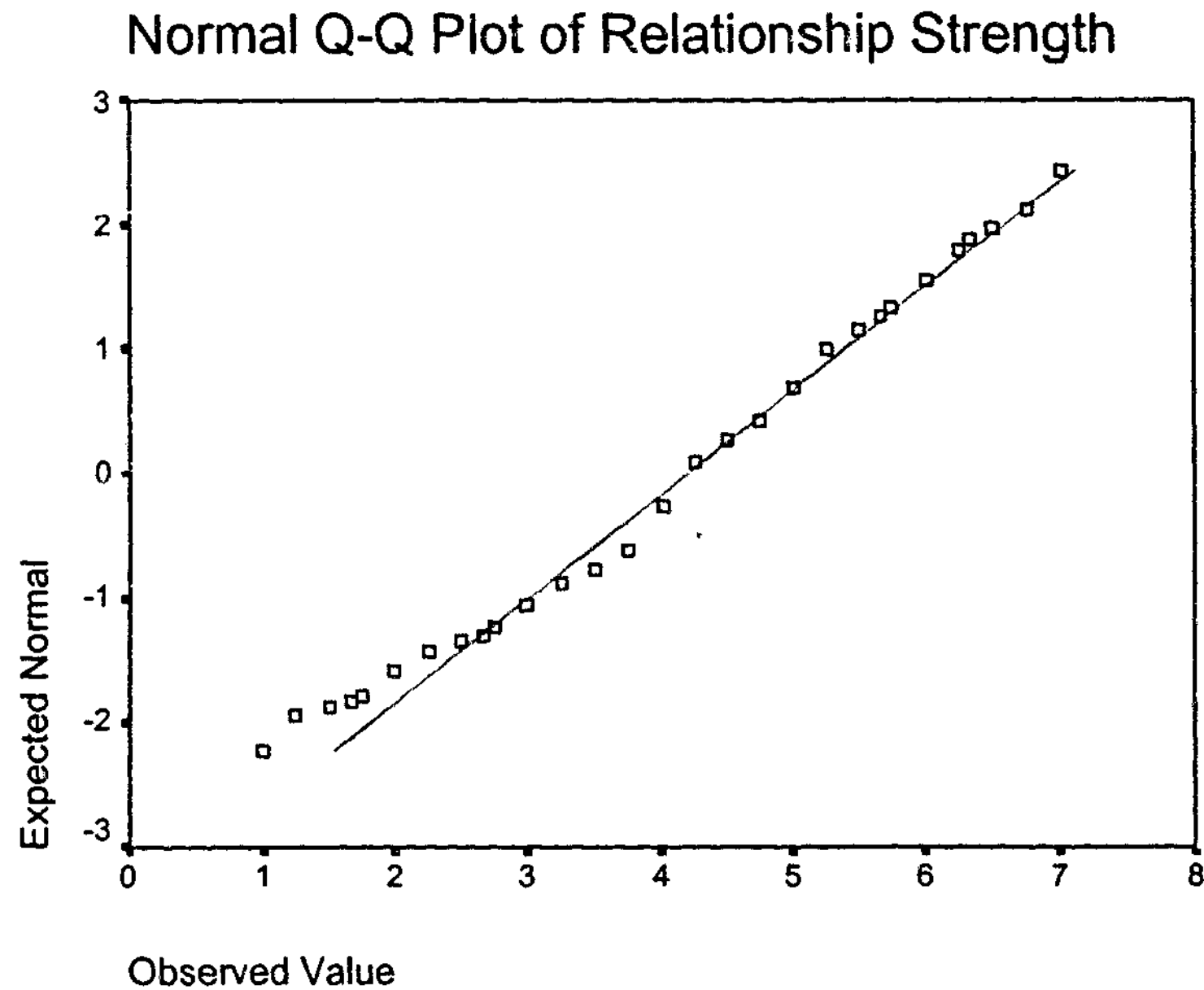
*Normality plot calculated based on the mean of the two relationship strength items

Figure 5.7 Normality of data – Relationship strength

5.8 Descriptives for Relationship Quality

A summary of the respondent ratings for relationship quality can be seen in Table 5.21. Customers' overall perceived quality of the relationship with the employees in this study have a mean score of 4.26, and this implies that the shoppers in this study have positive perceptions of how well the whole relationship fulfils their expectations, predictions, goals, and desires concerning the whole relationship on a person-to-person (interpersonal) level. On the other hand, on a person-to-firm (company) level, the mean score is slightly higher (4.37). In order to examine the difference between relationship quality at a company and interpersonal level, a paired-sample two-tailed t-test was conducted, and the results showed that there was a significant difference between these two constructs at a 95% confidence level ($t = -5.177$, $p < 0.05$).

Table 5.21 Descriptive Statistics – Relationship Quality

Relationship Quality	Minimum	Maximum	Mean	Std. Deviation	Cronbach Alpha	Skewness	Kurtosis
Employee (1)	1.00	7.00	4.26	1.31	-	-.318	.354
Store (1)	1.00	7.00	4.37	1.27	-	-.364	.523
Combined Scale					.90		

In order to assess normality of data, the normal probability plot was used to assess the normality of data for relationship quality. As reflected in Figure 5.8, the normality plot for relationship quality forms a normal distribution. The skewness and kurtosis values as shown in Table 5.21 are less than ± 2.58, hence the assumption about normality of the distribution can be accepted at the .01 probability level (Hair et al., 1998).

Normal Q-Q Plot of Relationship Quality
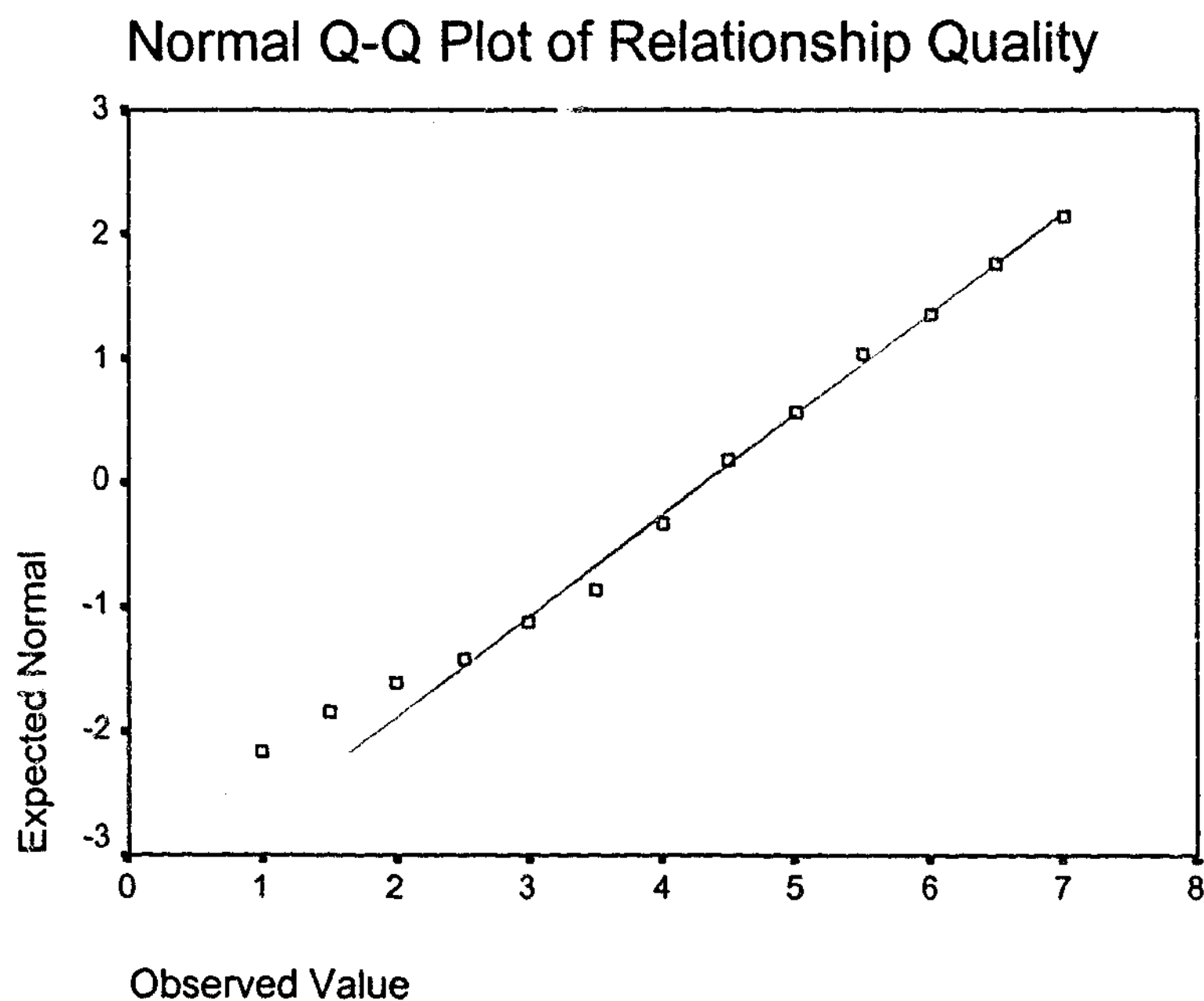
*Normality plot calculated based on the mean of the two relationship quality items

Figure 5.8 Normality of data – Relationship quality

Finally, the alpha value for the combined relationship quality scale is .90, and this is well within the acceptable range limit recommended by Nunnally (1967).

5.9 Descriptives for Customer Satisfaction

A summary of the mean and standard deviation of the four items of customer satisfaction can be seen in Table 5.22, while a summary of the respondent ratings for customer satisfaction is reflected in Table 5.23. The four customer satisfaction items have a mean score of 5.13, and this shows that shoppers are satisfied with their shopping experience at the retail outlet. This is supported by a frequency test, which found that 57.2% of the shoppers in this study reported scores of 5, 6, or 7 on the customer satisfaction scale.

Table 5.22 Item Means and Standard Deviations of the Customer Satisfaction Scale

Rank Order	Item Number	Item	Mean	Standard Deviation	Skewness	Kurtosis
1	2	Happy	5.25	1.27	-.664	.676
2	3	Contented	5.20	1.17	-.431	.479
3	1	Pleased	5.18	1.38	-.411	-.434
4	4	Enjoyable	4.87	1.36	-.220	-.434

*Based on a seven-point Likert scale

Table 5.23 Descriptive Statistics – Customer Satisfaction

Customer Satisfaction	Minimum	Maximum	Mean	Std. Deviation	Cronbach Alpha
Customer Satisfaction (4)	1.00	7.00	5.13	1.12	.86

In order to assess normality of data, the normal probability plot was used to assess the normality of data for customer satisfaction. As reflected in Figure 5.9, the normality plot for customer satisfaction forms a normal distribution. In addition, the skewness and kurtosis values as shown in Table 5.22 are less than ± 2.58, and this indicates that the assumption about normality of the distribution can be accepted at the .01 probability level (Hair et al., 1998). Finally, the alpha value for the combined customer satisfaction scale is .86, and this is well within the acceptable range limit recommended by Nunnally (1967).

Normal Q-Q Plot of Customer Satisfacton
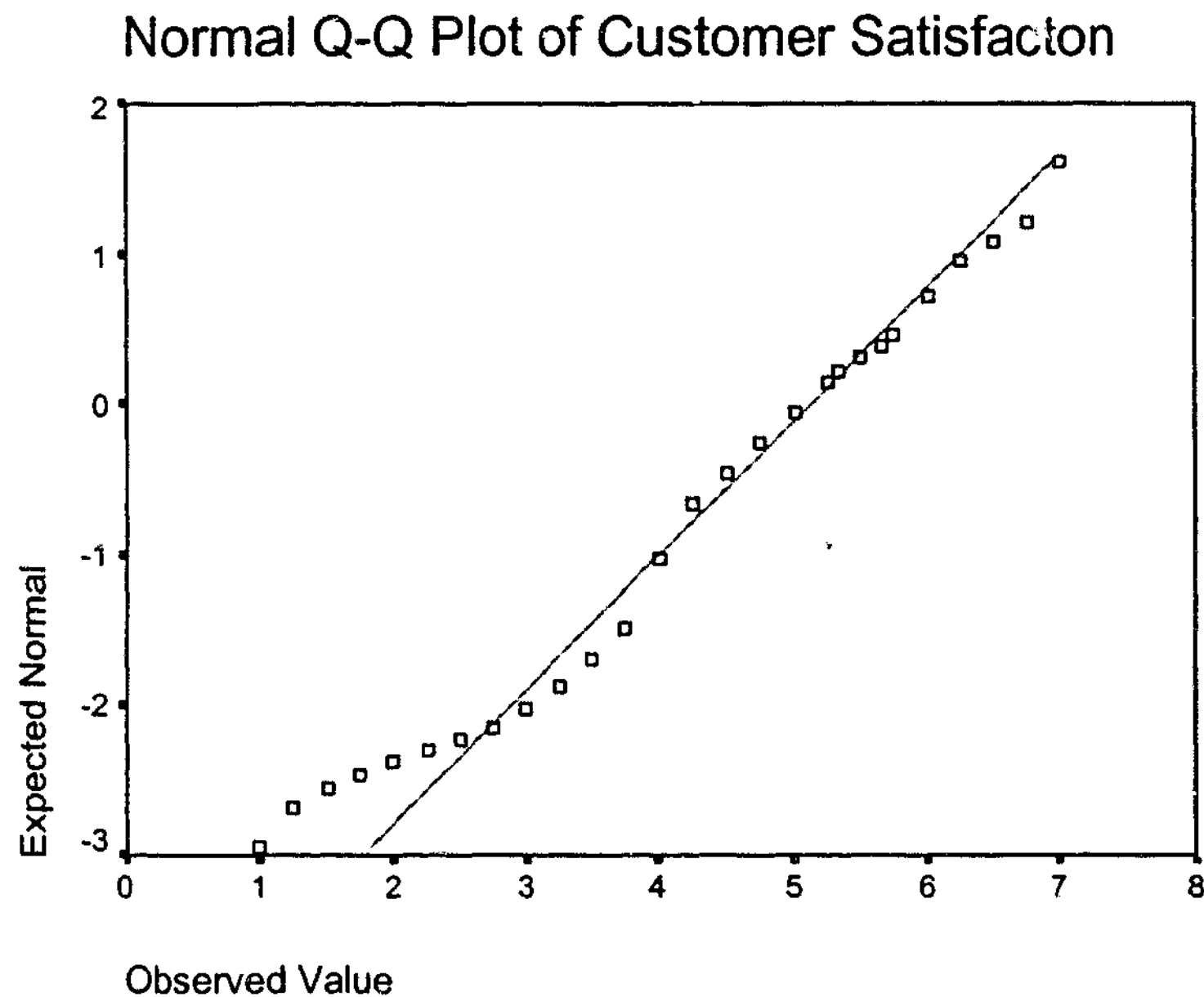
*Normality plot calculated based on the mean of the four customer satisfaction items

Figure 5.9 Normality of data – Customer satisfaction

5.10 Scale Development and Validation

Prior to the empirical testing of the proposed relationships within the relationship strength model, it is imperative that the measurement properties of the research constructs used in this study be assessed (Anderson & Gerbing, 1988). Consequently, the reduction from observed variables to higher order factors were validated through exploratory factor analysis (Hinkin, 1995). Specifically, exploratory factor analysis (i.e., principal components) was used in the initial stage of scale development and validation, and confirmatory factor analysis was conducted to assess the fit of the constructs based on the results of the loadings of the exploratory factor analyses. In this respect, the scales based on varying numbers of factors were generated using exploratory factor analysis and then confirmed using confirmatory factor analysis. The scales were then refined based on the diagnostic and parameter information to improve the fit indices.

Anderson and Gerbing (1988), Hayduk (1987), and Jöreskog (1971) have suggested that large data sets should be split into two equal random groups. This allows the first data subset, the *calibration* sample, to be retained for exploratory analyses and refinement of

the models, while the second subset, the *cross-validation* sample, is then used to confirm the alternate models and select the best model. This reduces the likelihood of Type I errors and is especially desirable in exploratory studies where there is considerable reformulation of the model. However, the present study did not involve extensive reformulation of the model. Moreover, the reduction in sample size for model calibration increases the likelihood of overfitting in model derivation, thereby contributing to the likelihood of Type II errors. Furthermore, by conducting the analysis on the largest possible sample size, the precision of the parameter estimates can be increased. Given these reasons, the analysis for the present study was conducted on the full sample.

In order to examine the research constructs, and the validities and internal consistency reliabilities of their respective measures, the recommendations suggested by Hinkin (1995) were adopted. As unidimensionality is a precondition for reliability analysis and construct validation (Anderson & Gerbing, 1991), both exploratory factor analysis and confirmatory factor analysis were used to check for unidimensionality of the constructs used in this study. In cases where items with poor loadings were detected, Cronbach alpha reliability was used for data reduction and refining of constructs (Ford, MacCallum, & Tait, 1986). Subsequently, rationale for the retention or deletion of items were clearly linked both theoretically and empirically.

5.10.1 Missing Data

As discussed previously in section 4.2.14, it has generally been accepted that it is most appropriate to exclude cases pairwise if the number of cases with missing values is less than 5% (Tabachnick & Fidell, 1996). Specifically, there were very few missing responses to items in the questionnaire, and the missing data appeared randomly distributed across the sample. None of the quantitative variables had missing values greater than 5% of cases. Out of the 75 quantitative (Likert) variables, only six variables had missing values that range from 1% to 5%, while the remaining 69 quantitative variables had missing values of less than 1%. Across the 27 categorical (demographic) variables, 25 of them had missing values of less than 1%, while income and percentage of shopping had a missing value of 15% and 2% respectively. As the data met the criterion suggested by Roth (1994) and Tabachnick and Fidell (1996), the pairwise method of exclusion was adopted in this study.

5.10.2 Assumptions of Factor Analysis

The assumptions of the data for the use of factor analysis are normality, homoscedasticity, and linearity (Coakes & Steed, 2001). In exploratory factor analysis, departures from normality, homoscedasticity, and linearity apply only to the extent that they diminish the observed correlations (Hair et al., 1998). As a result, these assumptions were not addressed in the applications of exploratory factor analyses. Despite that, outlying cases have an influence on the exploratory factor solution (Tabachnick & Fidell, 1996), hence univariate and multivariate outliers were removed in exploratory factor analysis. To the contrary, in confirmatory factor analysis, the assumptions of normality, homoscedasticity, linearity, and collinearity must be adhered to (Tabachnick & Fidell, 1996), as violations of these assumptions can have a detrimental effect on the factor solutions produced. Consequently, these assumptions were addressed in the application of confirmatory factor analysis.

5.10.3 Exploratory Factor Analysis

There are two types of factor analysis techniques (Schumacker & Lomax, 1996), exploratory and confirmatory. Within the literature, considerable debate exists as to the appropriate use of both techniques. Specifically, it has been suggested that only one technique should be used in relation to any given data set and research questions (Hurley et al., 1997). In addition, Nunnally (1994) argues that the use of exploratory factor analysis in the absence of strong theoretical constructs is "shotgun empiricism". This argument is further reinforced by Schriesheim's assertion in Hurley et al. (1997, p. 672) that confirmatory factor analysis requires a priori theory, while exploratory factor analysis is theoretically less demanding.

Consequently, it is evident that the constructs in the relationship strength model, which are discussed in Chapters 2 and 3, and the items defining each construct were developed on the basis of sound theoretical rationale. Therefore, exploratory factor analysis is not used to explore the hidden dimensions of the constructs, but rather to examine the unidimensionality of the constructs. In addition, confirmatory factor analysis was also conducted to provide further support for the reliability and validity of the constructs.

The exploratory factor analysis technique was conducted using the varimax orthogonal rotation method. This method simplifies the factor matrix and facilitates interpretation (Churchill, 1999). Furthermore, the varimax orthogonal rotation method is the most widely used technique because the analytical techniques of oblique rotations are not as well developed (Hair et al., 1998; Wells & Jagdish, 1971). With regard to violations of assumptions, two tests were conducted to determine the factorability of the correlation matrix as a whole. Firstly, the Bartlett's test of sphericity was used to determine whether the correlation matrix is an identity matrix where all diagonal terms are equal to one and off-diagonal terms are equal to zero. Secondly, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was used to compare the size of the observed correlation coefficients to the size of the partial correlation coefficients. Factorability is assumed if the Bartlett's test of sphericity is large and significant and the KMO measure is greater than .6 (Coakes & Steed, 2001).

As a starting point, exploratory factor analysis was conducted and the individual items for each of the constructs were factor analysed separately to examine the unidimensionality of the constructs in the research model. It is not possible to conduct exploratory factor analysis on relational contact (frequency and intensity), and relationship quality, as the former construct was measured by one item each, while relationship quality was measured by two items only. As seen in Table 5.24, the figures for the Bartlett's test for sphericity were large and significant for all of the factor analyses, with analyses ranging from 2303.436 (Reliability) to 9984.253 (Commitment). Similarly, the KMO measure was also more than .6, with majority of analyses ranging from .8 to .9. Therefore, factorability could be assumed as the assumptions were not violated.

The results depicted in Table 5.24 indicate that the constructs, with the exception of tangibles and trust, which identified two dimensions, and customer loyalty, which identified three dimensions, were consistent with the theory. Hence, it is argued that the items are reliable measures of the constructs. Subsequently, the three constructs which loaded on more than one dimension were subjected to further analysis using confirmatory factor analysis to test for competing models (i.e., one-factor, two-factor, and three-factor models).

Table 5.24 Factor Analysis Results for Research Constructs

Construct	Items	Factors		Tests
Reliability Variance = 60.302	Rel1	**.758**		KMO = .834 Bartlett = 2303.436***
	Rel2	**.791**		
	Rel3	**.830**		
	Rel4	**.825**		
	Rel5	**.667**		
Responsiveness Variance = 74.562	Res1	**.800**		KMO = .809 Bartlett = 2911.974***
	Res2	**.874**		
	Res3	**.899**		
	Res4	**.879**		
Assurance Variance = 65.756	Ass1	**.837**		KMO = .871 Bartlett = 2828.516***
	Ass2	**.826**		
	Ass3	**.828**		
	Ass4	**.788**		
	Ass5	**.774**		
Empathy Variance = 66.878	Emp1	**.726**		KMO = .805 Bartlett = 4288.566***
	Emp2	**.909**		
	Emp3	**.917**		
	Emp4	**.875**		
	Emp5	**.618**		
Tangibles Variance = 64.530 (Based on two factors)$^\lambda$	Tan1	.353	**.504**	KMO = .886 Bartlett = 6638.575***
	Tan2	.465	**.608**	
	Tan3	**.772**	.287	
	Tan4	**.823**	.278	
	Tan5	**.708**	.367	
	Tan6	**.857**	.143	
	Tan7	**.839**	.183	
	Tan8	.257	**.783**	
	Tan9	.195	**.719**	
	Tan10	.087	**.829**	
Overall Service Quality Variance = 88.635	Osq1	**.935**		KMO = .871 Bartlett = 5693.926***
	Osq2	**.958**		
	Osq3	**.954**		
	Osq4	**.919**		
Trust Variance = 68.752 (Based on two factors)$^\lambda$	Tru1	**.724**	.201	KMO = .935 Bartlett = 8771.724***
	Tru2	.140	**.827**	
	Tru3	.056	**.858**	
	Tru4	**.784**	.163	
	Tru5	**.829**	.062	
	Tru6	**.860**	.151	
	Tru7	**.831**	.077	
	Tru8	**.831**	.093	
	Tru9	**.804**	-.010	
	Tru10	**.848**	.137	
	Tru11	**.824**	.053	
Commitment Variance = 69.360	Com1	**.846**		KMO = .933 Bartlett = 9984.253***
	Com2	**.867**		
	Com3	**.863**		
	Com4	**.853**		
	Com5	**.841**		
	Com6	**.833**		
	Com7	**.875**		
	Com8	**.656**		
	Com9	**.840**		

Construct	Items	Factors			Tests
Customer Loyalty	Loy1	**.766**	.187	-.062	KMO = .859
Variance = 67.569	Loy2	.092	.154	**.699**	Bartlett = 8220.301***
(Based on three factors) [λ]	Loy3	**.842**	.066	.107	
	Loy4	**.891**	.033	.106	
	Loy5	**.909**	.052	.064	
	Loy6	**.878**	.150	-.098	
	Loy7	**.845**	.184	-.132	
	Loy8	.138	**.873**	.090	
	Loy9	.041	**.886**	-.056	
	Loy10	-.287	-.327	**.473**	
	Loy11	**.486**	-.163	.419	
	Loy12	-.078	-.039	**.788**	
Relationship Strength	Rs1	**.854**			KMO = .667
Variance = 76.623	Rs2	**.874**			Bartlett = 3526.808***
	Rs3	**.885**			
	Rs4	**.888**			
Customer Satisfaction	Cs1	**.833**			KMO = .796
Variance = 71.332	Cs2	**.873**			Bartlett = 2311.679***
	Cs3	**.863**			
	Cs4	**.808**			

[λ] Factor loadings based on rotated principal component matrix
* $p<0.05$, ** $p<0.01$, *** $p<0.001$

5.10.4 Confirmatory Factor Analysis

A confirmatory factor analysis model, or confirmatory measurement model, specifies the posited relationships of the observed variables to the underlying constructs, with the constructs allowed to intercorrelate freely (Anderson & Gerbing, 1988). Using LISREL program notation, this model can be given directly from Jöreskog and Sörbom (1984, p. I.9) as:

$$X = \Lambda\xi + \delta$$

where x is a vector of q observed measures, ξ is a vector of n underlying factors such that $n < q$, Λ is a $q \times n$ matrix of pattern coefficients or factor loadings relating the observed measures to the underlying construct factors, and δ is a vector of q variables that represents random measurement error and measure specificity. It is assumed for this model that $E(\xi\delta^1) = 0$. The variance covariance matrix for x, defined as Σ, is:

$$\Sigma = \Lambda\Phi\,\Lambda^1 + \theta_\delta$$

where Φ is the $n \times n$ covariance matrix of ξ and θ_δ is the diagonal $q \times q$ covariance matrix of δ.

Confirmatory factor analysis was used to establish convergent validity, unidimensionality, and reliability of the constructs in this study. The assumptions of multivariate normality were adhered to. Skewness and kurtosis tests performed in section 5.3 to 5.9 reinforced the normality assumption. Inspection of bivariate scatterplots indicated no violation of the linearity assumption. In addition, no univariate or multivariate outliers were found outside three standard deviations. Collinearity diagnostics suggested that there were no multicollinearity among the variables.

Consequently, measurement models were defined for both independent and dependent latent variables. How well the observed variables measure each latent variable was assessed by the sum of the factor loadings squared divided by the number of variables (Schumacker & Lomax, 1996). In addition, the fit indices were also used to determine the model fit. The fit indices used in determining the fit of the measurement model include the χ^2 value, Goodness-of-Fit (GFI), Adjusted Goodness-of-Fit (AGFI), Root Mean Square Residual (RMR), Normed Fit Index (NFI), Comparative Fit Index (CFI), and the Parsimonious Goodness-of-Fit (PGFI). These fit indices examined the reliability and convergent validity of the scales used in this study. Figure 5.10 to Figure 5.20 represent the standardised solutions for the measurement models of the uni-dimensional constructs in this study. To reiterate, it is not possible to conduct confirmatory factor analysis on relational contact (frequency and intensity) and relationship quality, as the two constructs were measured using two items only.
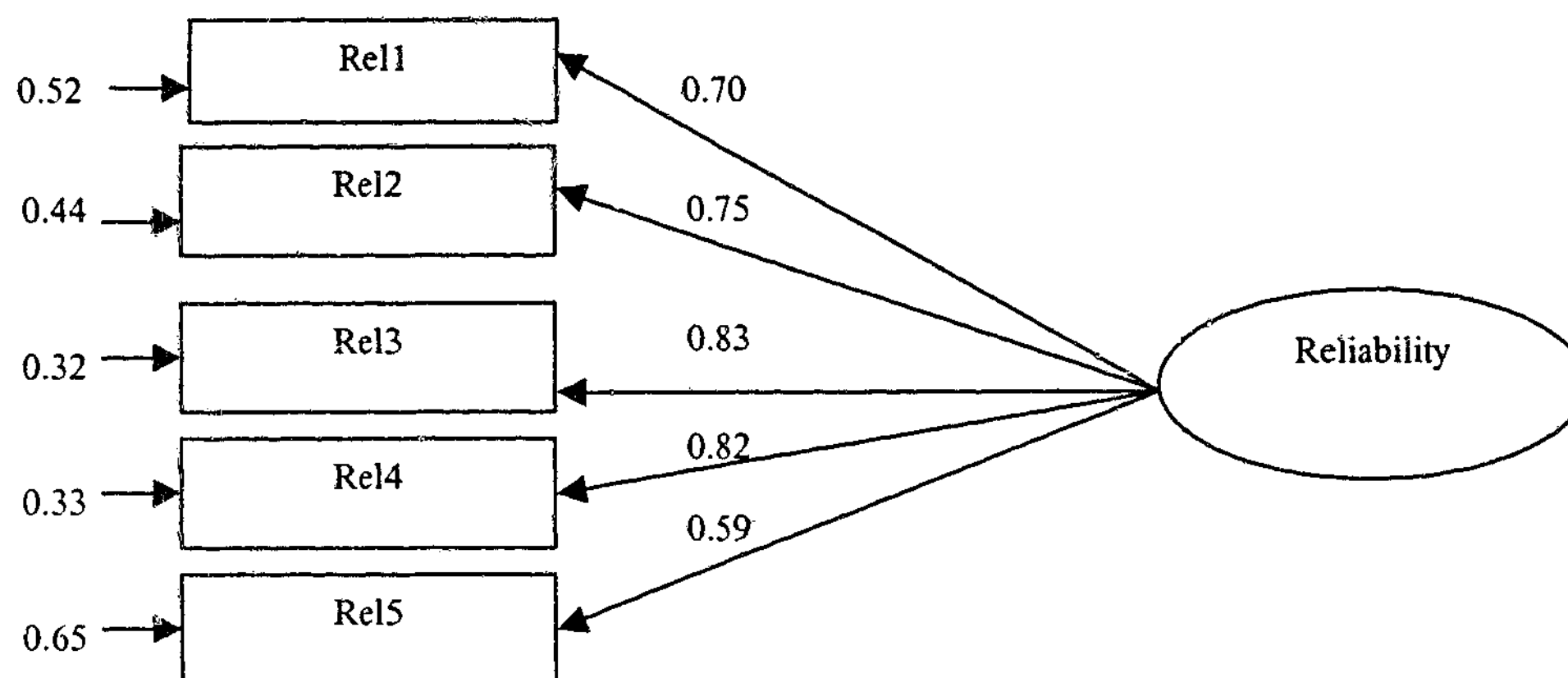
χ^2 value	85.40	Adjusted Goodness of Fit Index (AGFI)	0.921
Degrees of freedom	5	Standardised Root Mean Square Residual (RMR)	0.0297
P value	0.000	Normed Fit Index (NFI)	0.969
RMSEA	0.113	Comparative Fit Index (CFI)	0.971
Goodness of Fit Index (GFI)	0.974	Parsimony Goodness of Fit Index (PGFI)	0.325

Figure 5.10 Measurement Model for the Reliability Construct
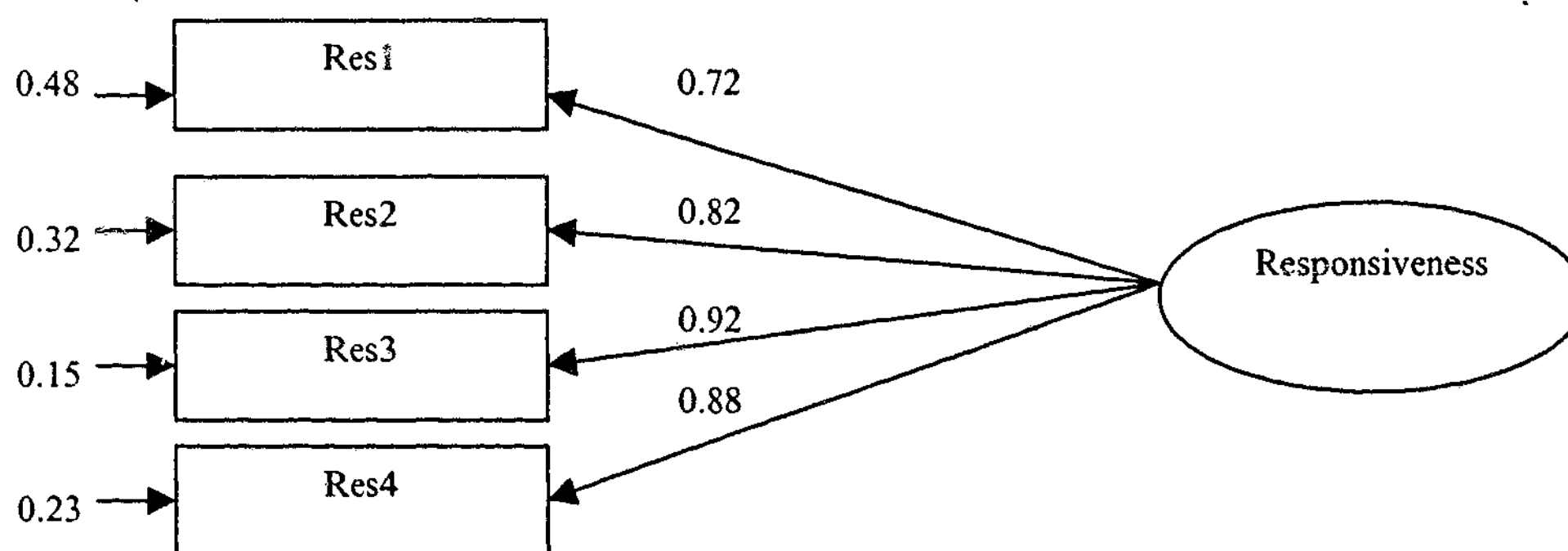
χ^2 value	113.51	Adjusted Goodness of Fit Index (AGFI)	0.784
Degrees of freedom	2	Standardised Root Mean Square Residual (RMR)	0.0338
P value	0.000	Normed Fit Index (NFI)	0.968
RMSEA	0.210	Comparative Fit Index (CFI)	0.969
Goodness of Fit Index (GFI)	0.957	Parsimony Goodness of Fit Index (PGFI)	0.191

Figure 5.11 Measurement Model for the Responsiveness Construct
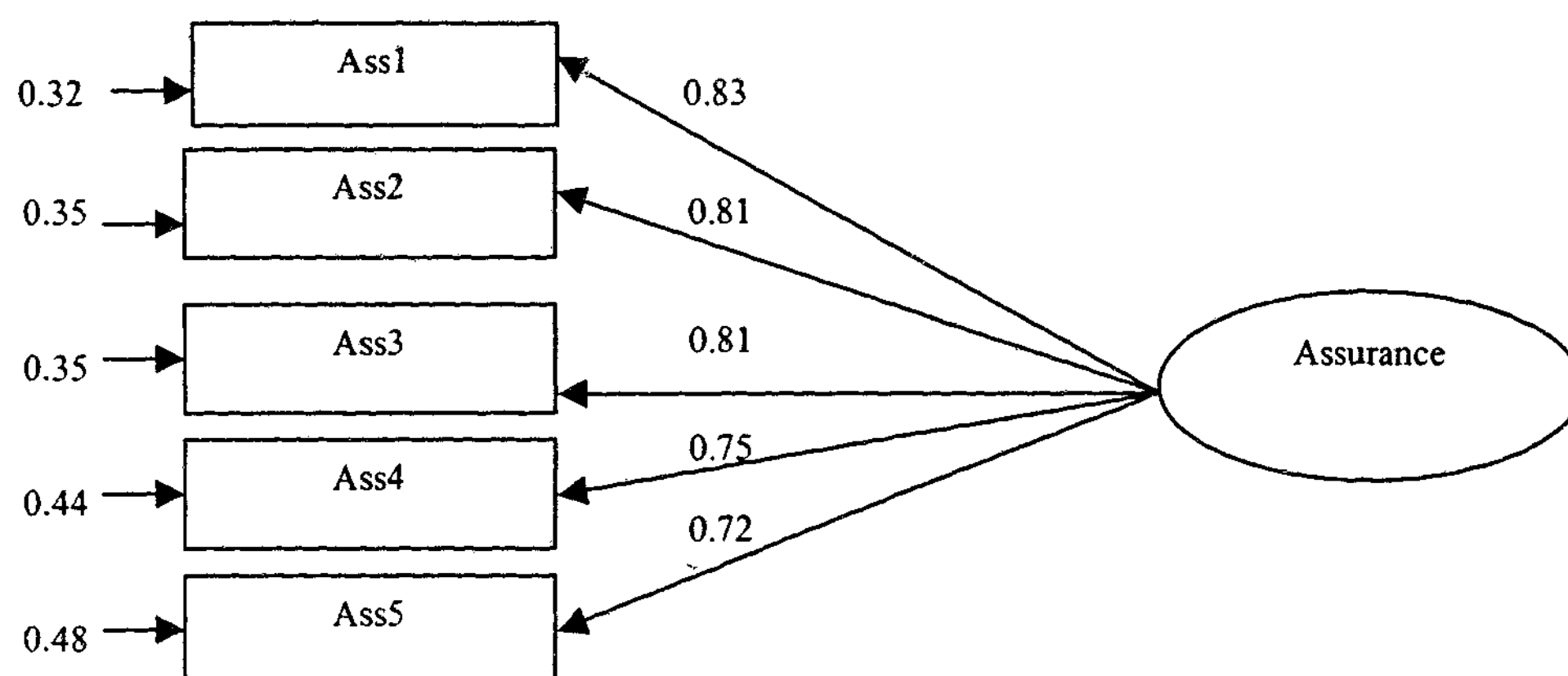
χ^2 value	49.64	Adjusted Goodness of Fit Index (AGFI)	0.953
Degrees of freedom	5	Standardised Root Mean Square Residual (RMR)	0.0219
P value	0.000	Normed Fit Index (NFI)	0.986
RMSEA	0.084	Comparative Fit Index (CFI)	0.987
Goodness of Fit Index (GFI)	0.984	Parsimony Goodness of Fit Index (PGFI)	0.328

Figure 5.12 Measurement Model for the Assurance Construct
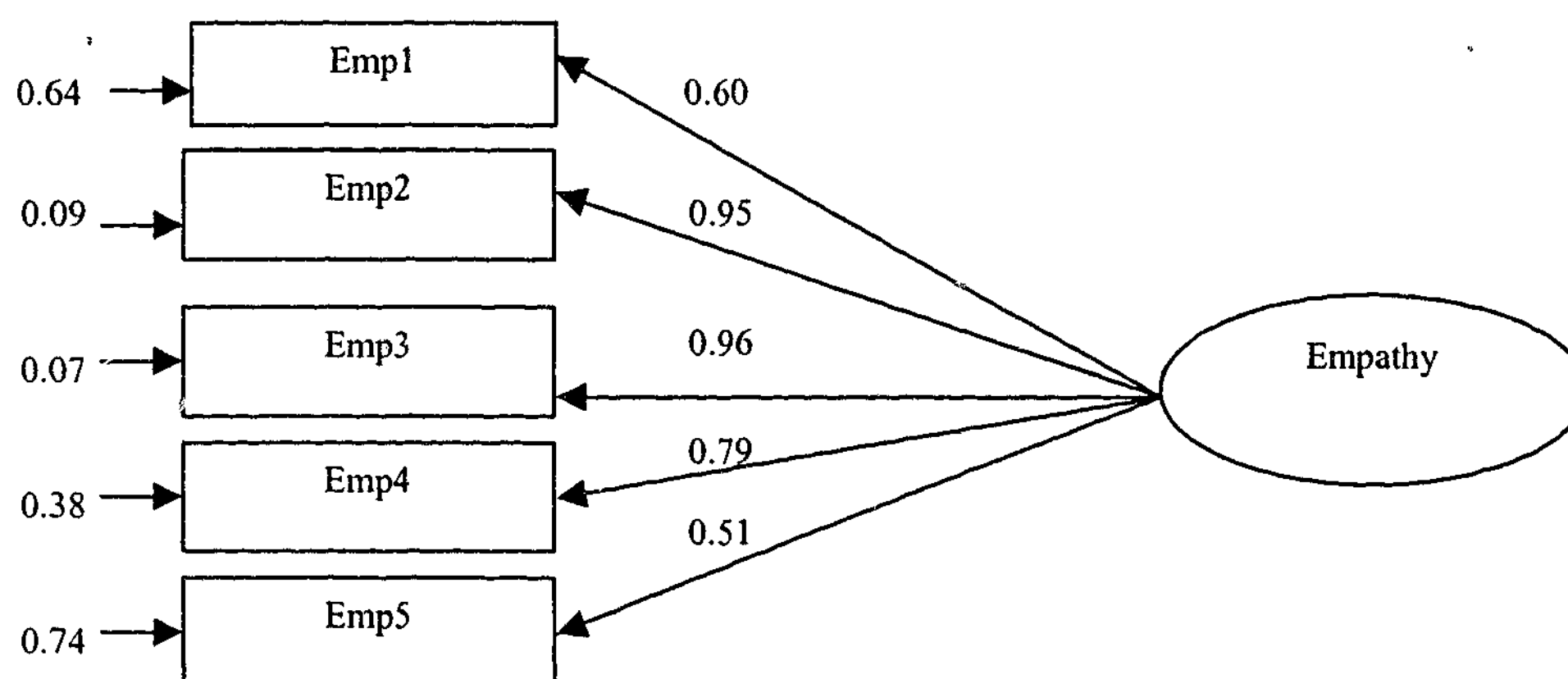
χ^2 value	198.33	Adjusted Goodness of Fit Index (AGFI)	0.822
Degrees of freedom	5	Standardised Root Mean Square Residual (RMR)	0.0539
P value	0.000	Normed Fit Index (NFI)	0.960
RMSEA	0.175	Comparative Fit Index (CFI)	0.961
Goodness of Fit Index (GFI)	0.941	Parsimony Goodness of Fit Index (PGFI)	0.314

Figure 5.13 Measurement Model for the Empathy Construct
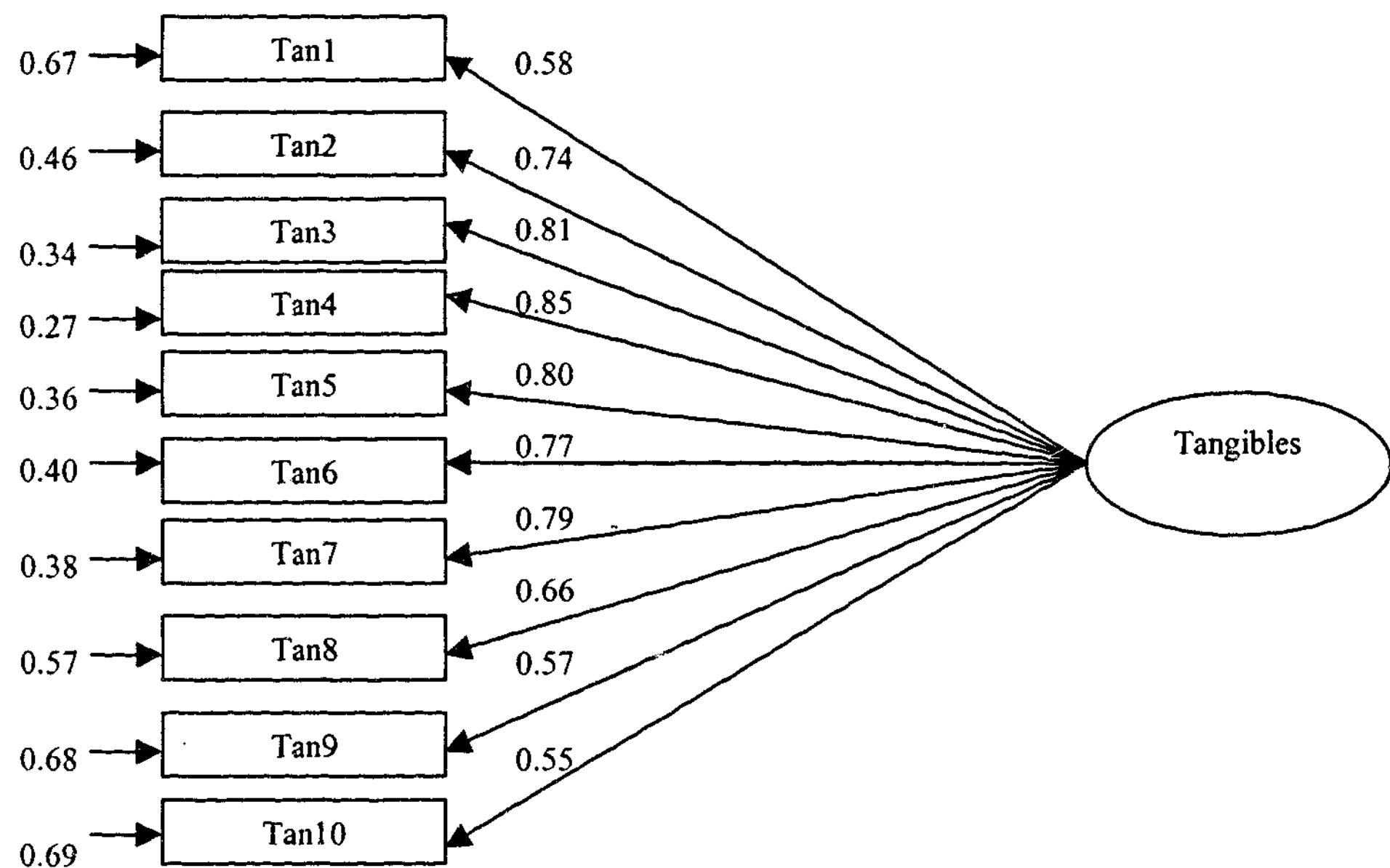
χ^2 value	1915.74	Adjusted Goodness of Fit Index (AGFI)	0.634
Degrees of freedom	35	Standardised Root Mean Square Residual (RMR)	0.0876
P value	0.000	Normed Fit Index (NFI)	0.805
RMSEA	0.207	Comparative Fit Index (CFI)	0.808
Goodness of Fit Index (GFI)	0.767	Parsimony Goodness of Fit Index (PGFI)	0.488

Figure 5.14 Measurement Model for the Tangibles Construct
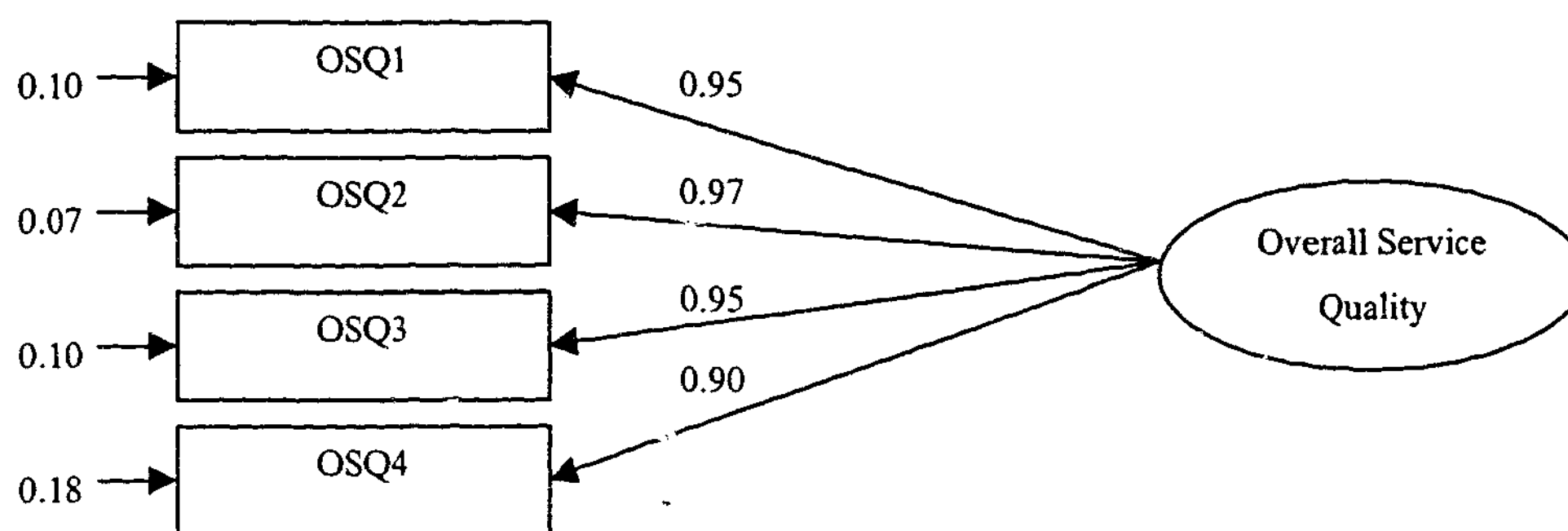
χ^2 value	8.52	**Adjusted Goodness of Fit Index (AGFI)**	0.983
Degrees of freedom	2	**Standardised Root Mean Square Residual (RMR)**	0.00326
P value	0.01411	**Normed Fit Index (NFI)**	0.999
RMSEA	0.051	**Comparative Fit Index (CFI)**	0.999
Goodness of Fit Index (GFI)	0.997	**Parsimony Goodness of Fit Index (PGFI)**	0.199

<u>Figure 5.15</u> Measurement Model for the Overall Service Quality Construct

χ^2 value	914.32	**Adjusted Goodness of Fit Index (AGFI)**	0.825
Degrees of freedom	44	**Standardised Root Mean Square Residual (RMR)**	0.0627
P value	0.000	**Normed Fit Index (NFI)**	0.914
RMSEA	0.125	**Comparative Fit Index (CFI)**	0.918
Goodness of Fit Index (GFI)	0.883	**Parsimony Goodness of Fit Index (PGFI)**	0.589

<u>Figure 5.16</u> Measurement Model for the Trust Construct
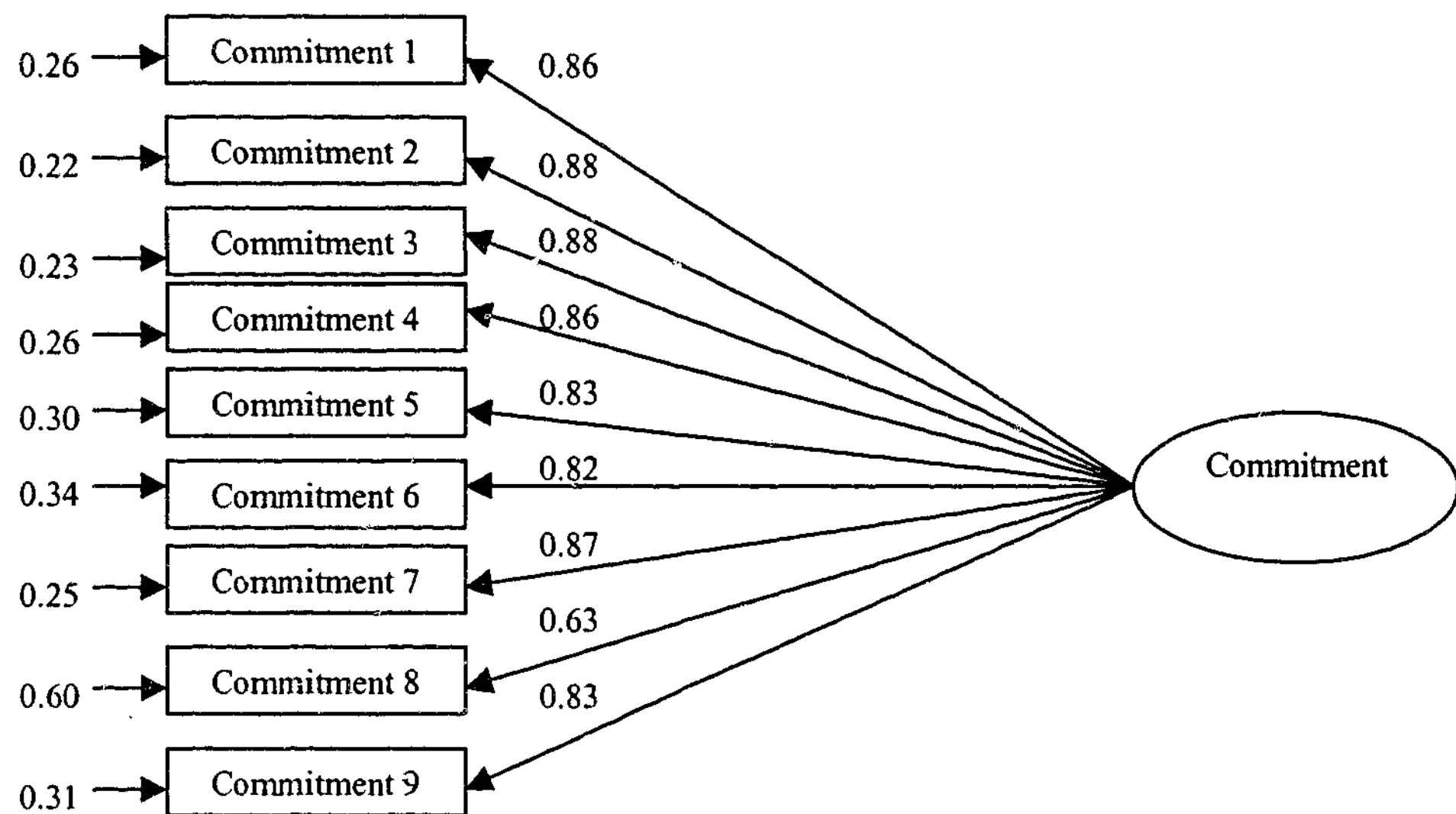
χ² value	1966.27	Adjusted Goodness of Fit Index (AGFI)	0.571
Degrees of freedom	27	Standardised Root Mean Square Residual (RMR)	0.0574
P value	0.000	Normed Fit Index (NFI)	0.875
RMSEA	0.239	Comparative Fit Index (CFI)	0.877
Goodness of Fit Index (GFI)	0.743	Parsimony Goodness of Fit Index (PGFI)	0.446

Figure 5.17 Measurement Model for the Commitment Construct
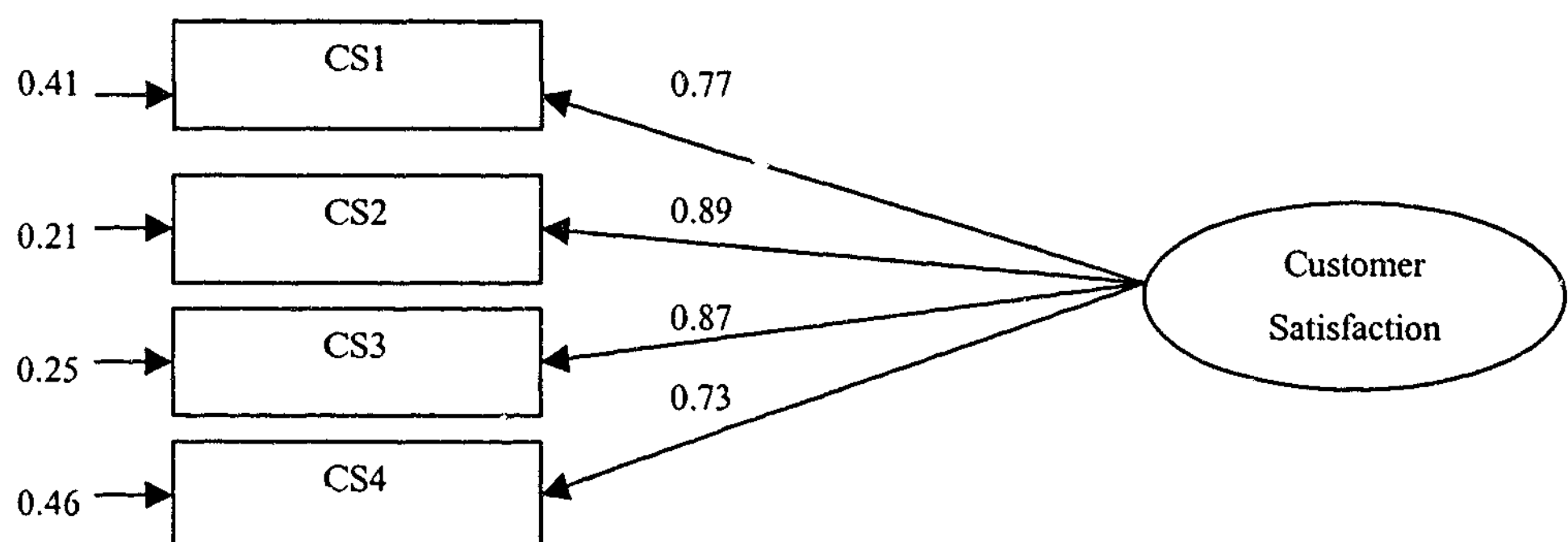
χ² value	82.42	Adjusted Goodness of Fit Index (AGFI)	0.842
Degrees of freedom	2	Standardised Root Mean Square Residual (RMR)	0.0312
P value	0.000	Normed Fit Index (NFI)	0.973
RMSEA	0.179	Comparative Fit Index (CFI)	0.973
Goodness of Fit Index (GFI)	0.968	Parsimony Goodness of Fit Index (PGFI)	0.194

Figure 5.18 Measurement Model for the Customer Satisfaction Construct

χ^2 value	2891.83	Adjusted Goodness of Fit Index (AGFI)	0.600
Degrees of freedom	54	Standardised Root Mean Square Residual (RMR)	0.122
P value	0.000	Normed Fit Index (NFI)	0.749
RMSEA	0.204	Comparative Fit Index (CFI)	0.753
Goodness of Fit Index (GFI)	0.723	Parsimony Goodness of Fit Index (PGFI)	0.501

Figure 5.19 Measurement Model for the Loyalty Construct

χ^2 value	444.15	Adjusted Goodness of Fit Index (AGFI)	0.251
Degrees of freedom	2	Standardised Root Mean Square Residual (RMR)	0.0525
P value	0.000	Normed Fit Index (NFI)	0.854
RMSEA	0.419	Comparative Fit Index (CFI)	0.854
Goodness of Fit Index (GFI)	0.850	Parsimony Goodness of Fit Index (PGFI)	0.170
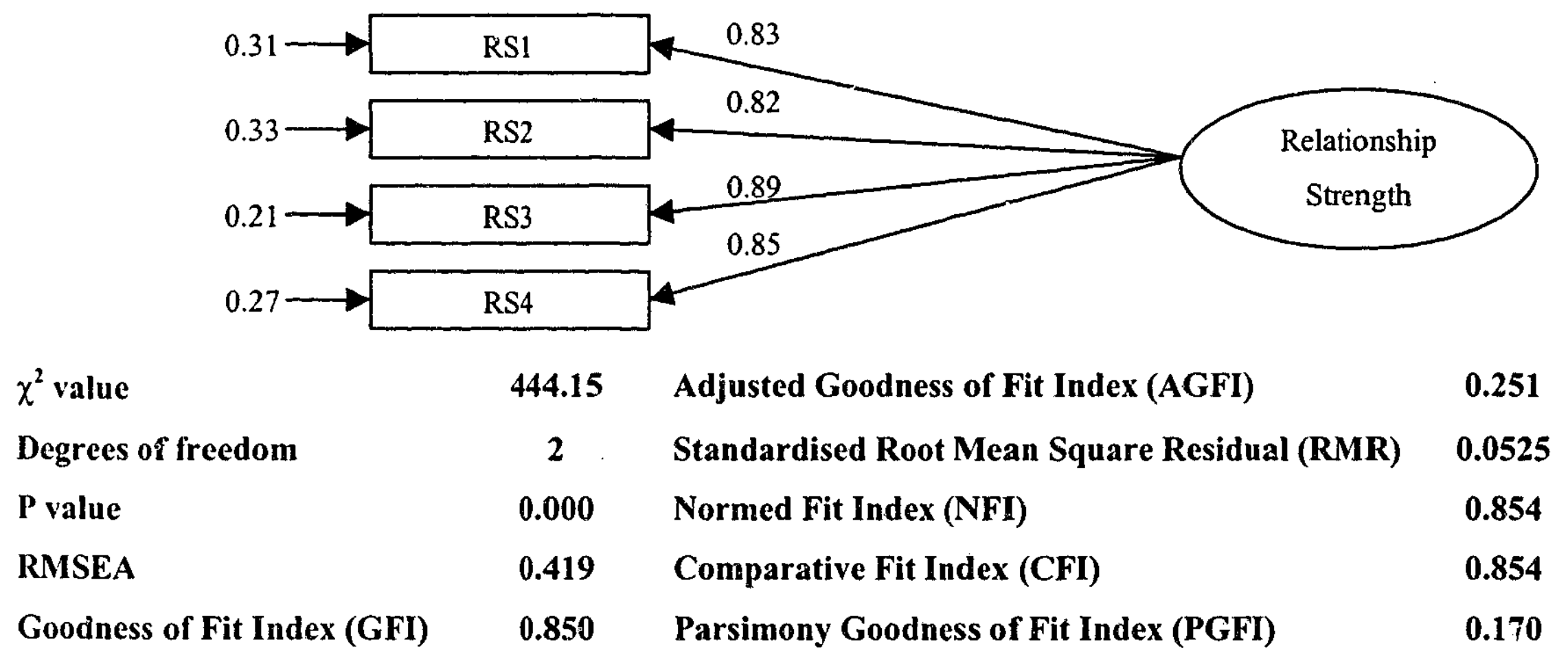
Figure 5.20 Measurement Model for the Relationship Strength Construct

The results represented in Figure 5.10 to Figure 5.20 indicate that the goodness-of-fit indices for the reliability, responsiveness, assurance, empathy, overall service quality, and customer satisfaction constructs reflect a good model fit (exceeded .9). On the other hand, the goodness-of-fit indices for the tangibles, trust, commitment, loyalty, and relationship strength constructs were acceptable (between .7 and .9), but were not as robust as the other constructs. Overall, this suggests that the measurement models exhibited fairly satisfactory goodness-of-fit requirements and therefore displayed good convergent validity, as most of the items produced factor loadings higher than the accepted critical value of .50 level recommended by Bagozzi (1991). Although a small number of measurement models produced factor loadings less than .50, they still demonstrated good convergent validity because the Cronbach alpha and overall fit of the models were acceptable. In addition, evidence for unidimensionality of the scales was reinforced by high measures of fit of the one-dimensional models, and high and significant factor loadings between the construct and its indicator (Hair et al., 1998).

5.10.5 Data Refinement and Reduction

Specifically, the goodness-of-fit indices for the tangibles, trust, commitment, loyalty, and relationship strength constructs did not produce an excellent fit to the data (between .7 and .9), hence these constructs were subjected to further investigation using data refinement and reduction techniques. Consequently, statistical techniques such as Cronbach alpha reliability, exploratory factor analysis, and confirmatory factor analysis (competing models and modification indices) were examined in greater detail for these constructs. The data refinement and reduction processes for the constructs are outlined in the following paragraphs.

5.10.5.1 Tangibles

In the first instance, results of the reliability analysis for tangibles were evaluated. Typically, a scale is said to be reliable if the alpha value is more than .70 (Nunnally & Bernstein, 1994). Even though the tangibles scale did not violate this requirement, its items were examined, and the results showed that even when items with low item-total correlations were removed, the alpha did not improve. Consequently, none of the alphas appeared to be higher than the overall alpha value of .89. In addition, as seen in Figure

5.14, all the tangibles items produced factor loadings higher than the accepted critical value of .50 level recommended by Bagozzi (1991). Hence, none of the items in the tangibles scale were eliminated.

The next step in scale refinement and reduction is to examine the results of the exploratory factor analysis for the tangibles construct. As seen in Table 5.24, a two-factor solution best represented the data for the tangibles construct. The two-factor solution exhibited clearly interpretable factors, with tangibles items 1, 2, 8, 9, and 10 representing tangibles factor one (alpha = .79), and tangibles items 3 to 7 representing tangibles factor two (alpha = .90). The first factor describes the *appearance* of the employees and equipment, as well as the *convenience* of the service, while the second factor describes the *user-friendliness* and *appeal* of the store and its equipment, facilities and materials (see Table 4.3 for information on the items and their basic wordings). As the items within the two factors could be clearly linked both theoretically and empirically, a two-factor confirmatory model of tangibles, as seen in Figure 5.21, was tested as a competing model to the original one-factor model presented in Figure 5.14.

As displayed in Figure 5.21, the goodness-of-fit indices of the two-factor model of tangibles indicate a better fit to the data than the original one-factor model. Specifically, the goodness-of-fit increased from 0.767 to 0.876, while the adjusted goodness-of-fit increased from 0.634 to 0.800. As a result, the two-factor model was adopted for further statistical analysis in this study.
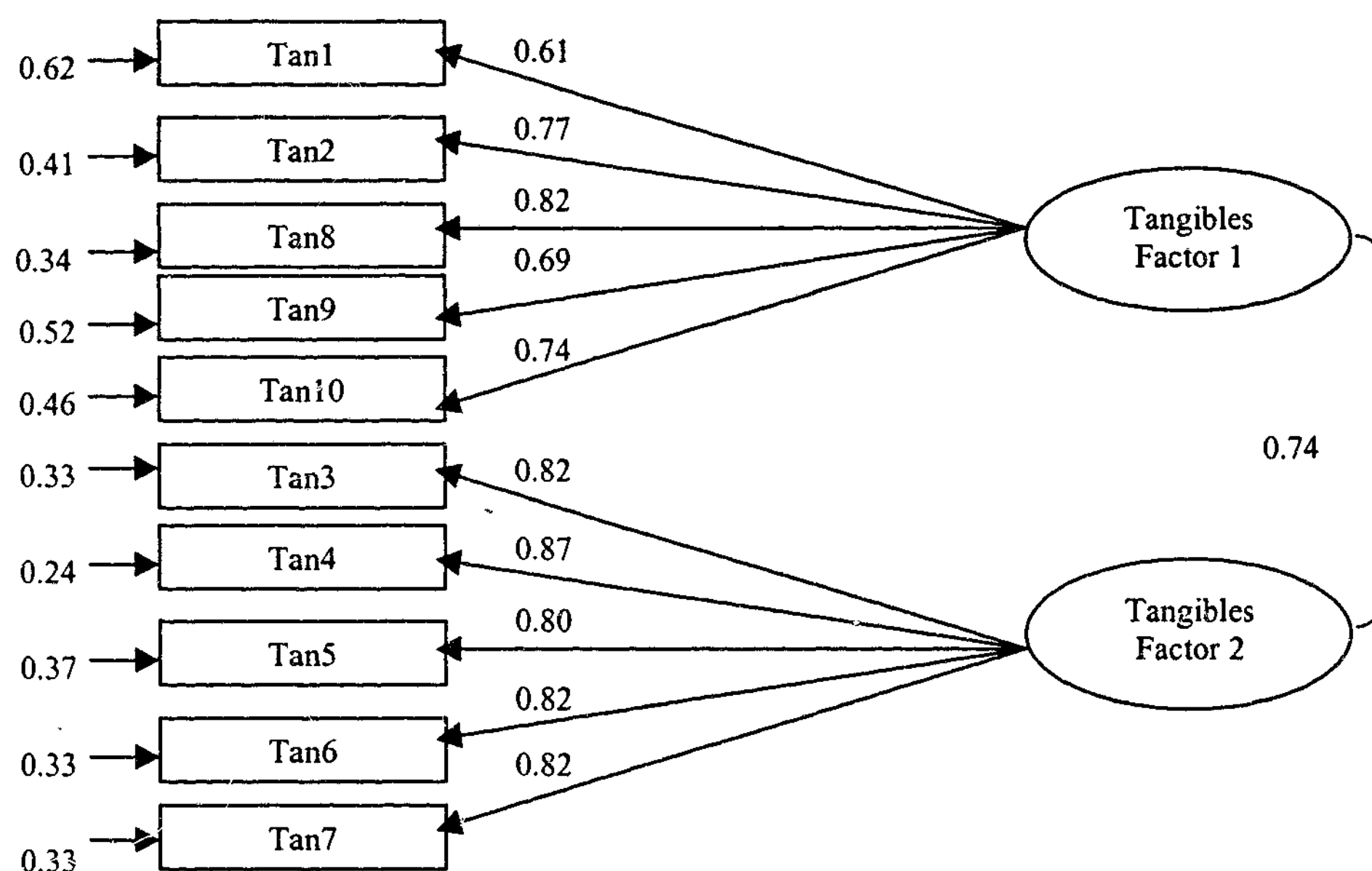
χ^2 value	895.44	Adjusted Goodness of Fit Index (AGFI)	0.800
Degrees of freedom	34	Standardised Root Mean Square Residual (RMR)	0.0595
P value	0.000	Normed Fit Index (NFI)	0.895
RMSEA	0.142	Comparative Fit Index (CFI)	0.900
Goodness of Fit Index (GFI)	0.876	Parsimony Goodness of Fit Index (PGFI)	0.541

Figure 5.21 Measurement Model for the Tangibles Construct

(Two-Factor Competing Model)

5.10.5.2 Trust

The results of the reliability analysis for trust were evaluated, and the results showed that when two items with low item-total correlations were removed, the overall alpha improved. Specifically, when trust items 2 and 3 with item-total correlations of .3078 and .2439 respectively were deleted, the overall alpha value increased from .90 to .94. A possible reason for the low item-total correlations for these two items could be due to their negative wording, as these two items were the only ones that needed reverse scoring in the trust scale. In addition, as seen in Figure 5.16, trust items 2 and 3 produced factor loadings of .27 and .21 respectively, and these loadings were much lower than the accepted critical value of .50 level recommended by Bagozzi (1991). Consequently, trust items 2 and 3 were eliminated from further analysis.

The next step in scale refinement and reduction is to conduct a confirmatory factor analysis for the new trust construct. As displayed in Figure 5.22, the goodness-of-fit indices of the revised trust model, which consists of 9 variables, indicate a better fit to the data than the original model, which consists of 11 variables. Specifically, the goodness-of-fit increased from 0.883 to 0.914, while the adjusted goodness-of-fit increased from 0.825 to 0.857. As a result, the revised model was adopted for further statistical analysis in this study.
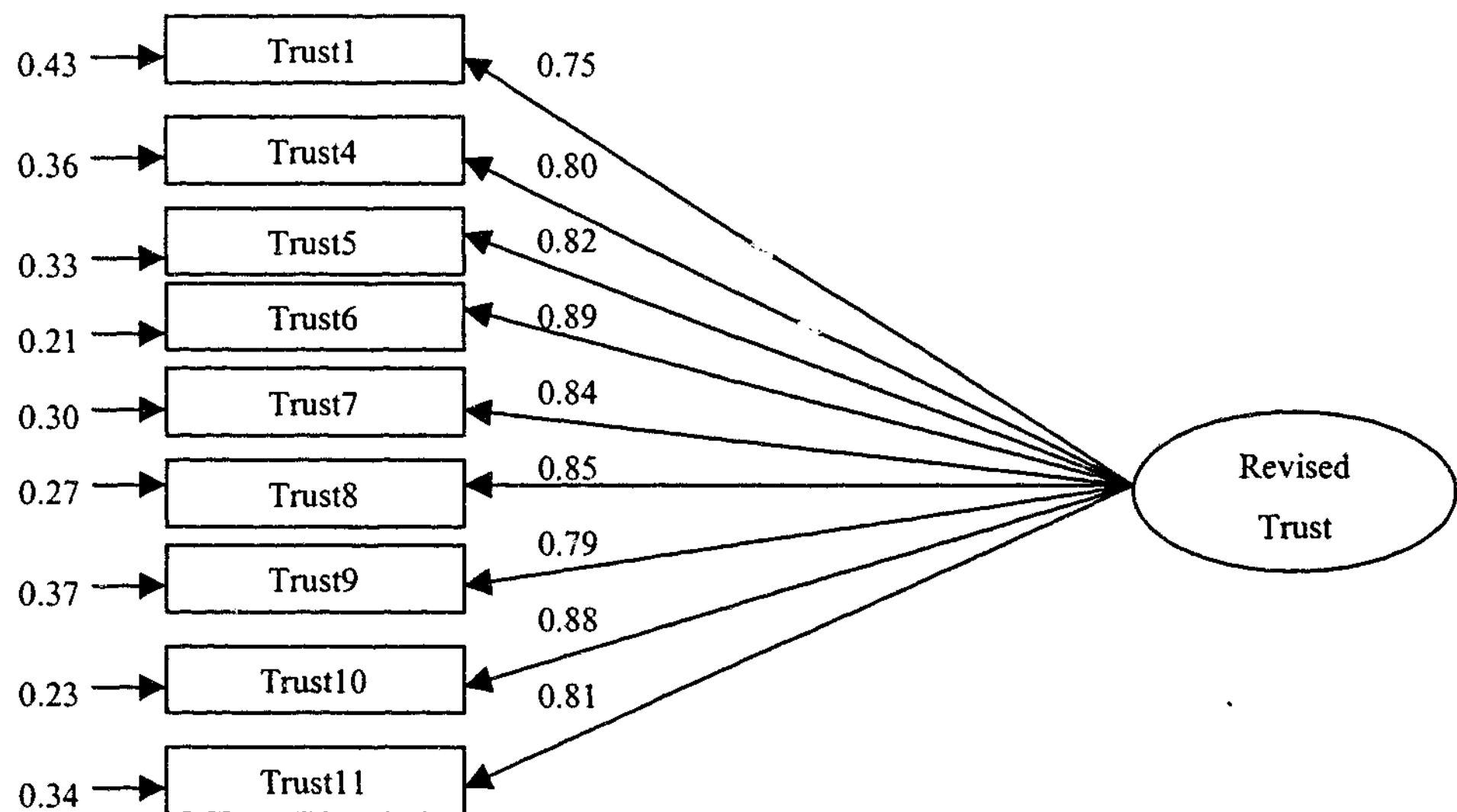
χ^2 value	533.26	Adjusted Goodness of Fit Index (AGFI)	0.857
Degrees of freedom	27	Standardised Root Mean Square Residual (RMR)	0.0302
P value	0.000	Normed Fit Index (NFI)	0.949
RMSEA	0.122	Comparative Fit Index (CFI)	0.952
Goodness of Fit Index (GFI)	0.914	Parsimony Goodness of Fit Index (PGFI)	0.548

Figure 5.22 Measurement Model for the Revised Trust Construct

5.10.5.3 Commitment

Similarly, the results of the reliability analysis for the commitment items were evaluated. The lowest item-total correlation was found for commitment item 8, with a correlation of .5926. When this item was deleted, the overall alpha value increased very slightly, from .9449 to .9478. As seen in Figure 5.17, all the commitment items produced factor loadings higher than the accepted critical value of .50 level recommended by Bagozzi (1991), and given the high Cronbach alpha value and the evidence of strong unidimensionality of the construct as reinforced by the previous findings of the exploratory factor analysis, none of the items in the commitment scale were eliminated.

In order to improve the goodness-of-fit indices of the model, the next logical step is to examine the modification indices of the confirmatory factor analysis results for the commitment construct. Further inspection of the modification indices suggests that additional error covariance paths be added between commitment items 1 and 3, and commitment items 2 and 3. In this instance, commitment items 1 and 3 capture a customer's commitment or intention to maintain a relationship with the employees, while commitment items 2 and 3 describe the importance of the customer-employee relationship and the customer's intention to maintain that relationship (see Table 4.6 for information on the items and their basic wordings). As these two pairs of items could be clearly linked both theoretically and empirically, relevant error covariance paths were added between these items following the modification indices. The revised commitment model as seen in Figure 5.23 was tested as a competing model to the original one-factor model presented in Figure 5.17.

As displayed in Figure 5.23, the goodness-of-fit indices of the revised model of commitment indicate a better fit to the data than the original model. Particularly, the goodness-of-fit increased from 0.743 to 0.841, while the adjusted goodness-of-fit increased from 0.571 to 0.714. As a result, the revised model was adopted for further statistical analysis in this study.
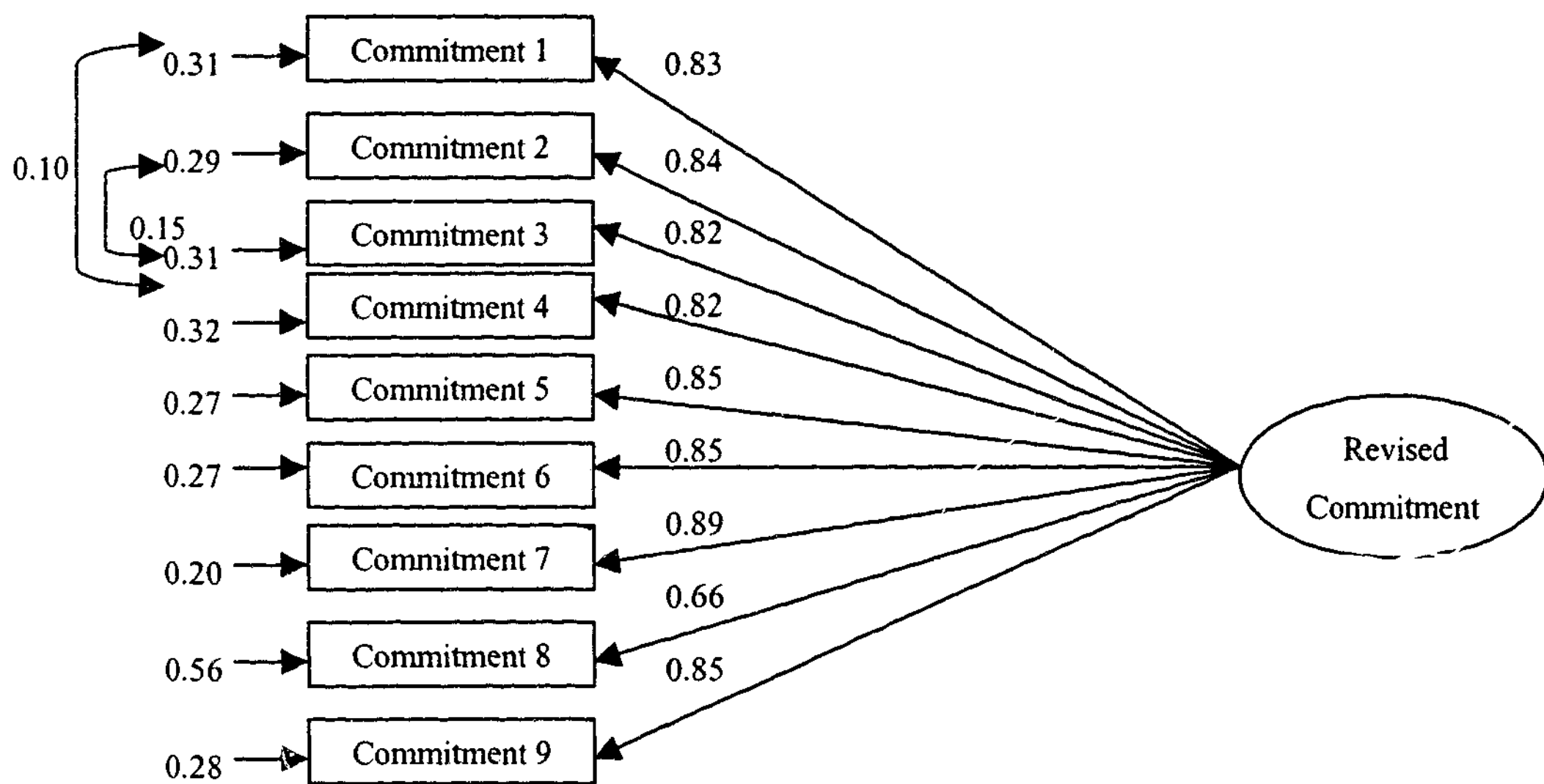
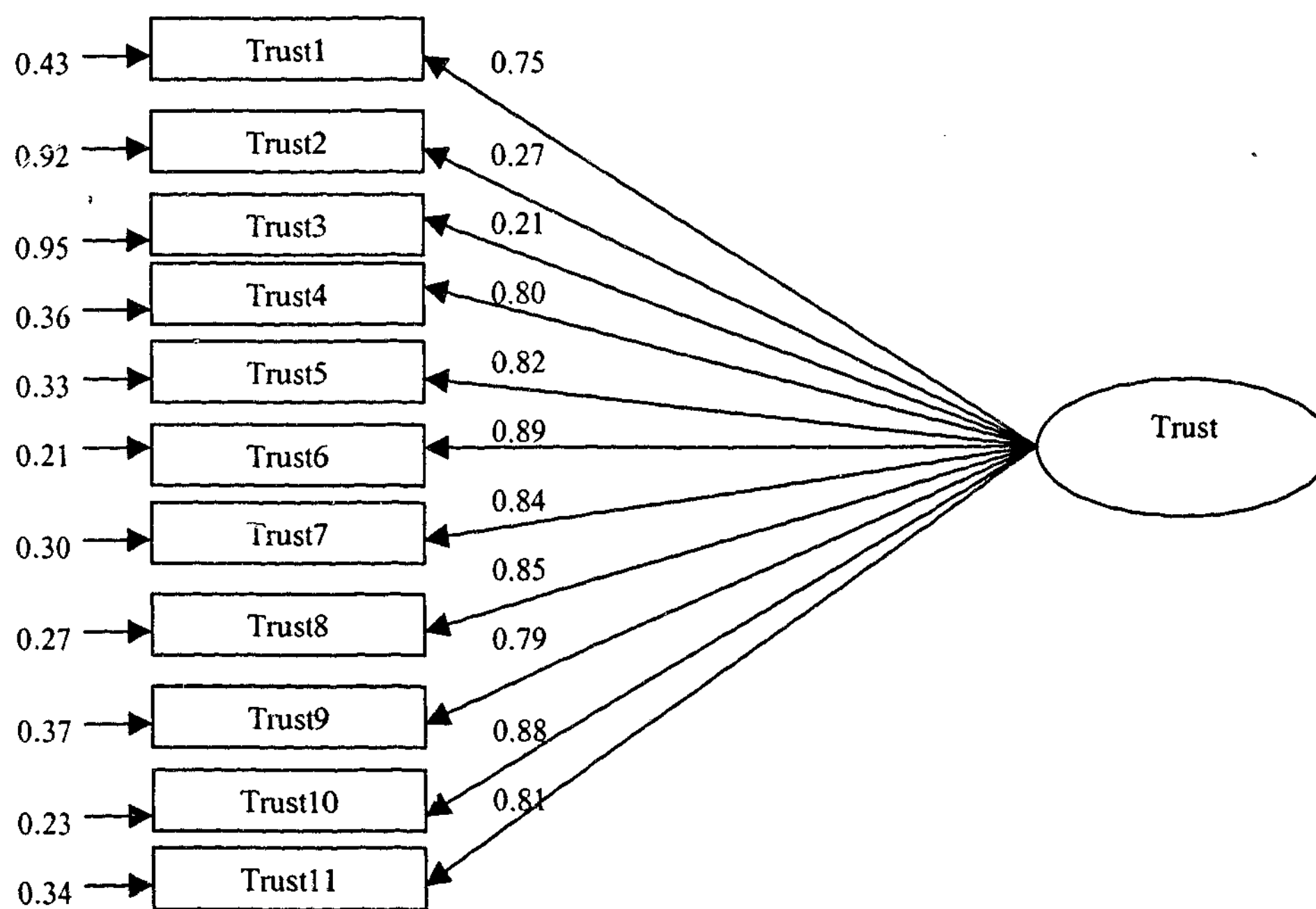| χ^2 value | 1069.15 | Adjusted Goodness of Fit Index (AGFI) | 0.714 |
Degrees of freedom	25	Standardised Root Mean Square Residual (RMR)	0.0505
P value	0.000	Normed Fit Index (NFI)	0.919
RMSEA	0.182	Comparative Fit Index (CFI)	0.921
Goodness of Fit Index (GFI)	0.841	Parsimony Goodness of Fit Index (PGFI)	0.467

Figure 5.23 Measurement Model for the Revised Commitment Construct

5.10.5.4 Customer Loyalty

The results of the reliability analysis for customer loyalty were evaluated, and the results showed that when three items with low item-total correlations were removed, the overall alpha improved. In particular, when loyalty items 2, 10, and 12 with item-total correlations of .2100, -.2333, and .0983 respectively were deleted, the overall alpha value increased from .76 to .87. A possible reason for the low item-total correlations for these three items could be due to their negative wording, as these three items were among the five items that needed reverse scoring in the loyalty scale. Further, loyalty items 10 and 12 were adapted from two different dimensions of the relationship dimension scale, namely disinclination to switch and feeling locked in (Barnes, 1997). Hence, it could be argued that the intent of these two items was related to behavioural intentions in general, rather than customer loyalty specifically (see Table 4.7 for information on the items and their basic wordings). In addition, as seen in Figure 5.19, loyalty items 2, 10, and 12

produced factor loadings of .14, -.28, and .01 respectively, and these loadings were much lower than the accepted critical value of .50 level recommended by Bagozzi (1991).

Although loyalty items 8 and 9 produced low factor loadings of .25 and .15 respectively, these two items were retained as results of prior exploratory factor analysis indicate that these two items formed one distinct factor, and a prior theory supported this subdimension which had been described as the switching behaviour of customers (Parasuraman et al., 1994). Additionally, if this factor had to be deleted due to its poor factor loadings, the initial twelve-item loyalty scale would be refined to a final seven-item scale. In this process, the ability of the scale to span the entire domain of the loyalty construct may suffer, therefore, although the final refined scale is reliable, it may lack content validity. Given the preceding discussion, only loyalty items 2, 10, and 12 were eliminated from further analysis to maintain the content validity of the scale.

The next step in scale refinement and reduction is to examine the results of the exploratory factor analysis for the loyalty construct. As seen in Table 5.24, a three-factor solution best represented the data for the loyalty construct. However, as all the three items in the third loyalty factor were deleted due to low item-total correlations and factor loadings, a two-factor solution was produced for the loyalty construct. The two–factor solution exhibited clearly interpretable factors, with loyalty items 1, 3, 4, 5, 6, 7, and 11 representing loyalty factor one, and loyalty items 8 and 9 representing loyalty factor two. The first factor describes *customer purchase intentions*, while the second factor captures *customer switching behaviour*. As the items within the two factors could be clearly linked both theoretically and empirically, a two-factor confirmatory model of customer loyalty, as seen in Figure 5.24, was tested as a competing model to the original one-factor model presented in Figure 5.19.

As displayed in Figure 5.24, the goodness-of-fit indices of the two-factor loyalty model, which consists of nine variables, indicate a better fit to the data than the original one-factor model, which consists of twelve variables. Specifically, the goodness-of-fit increased from 0.723 to 0.843, while the adjusted goodness-of-fit increased from 0.600 to 0.728. As a result, the two-factor model was adopted for further statistical analysis in this study.
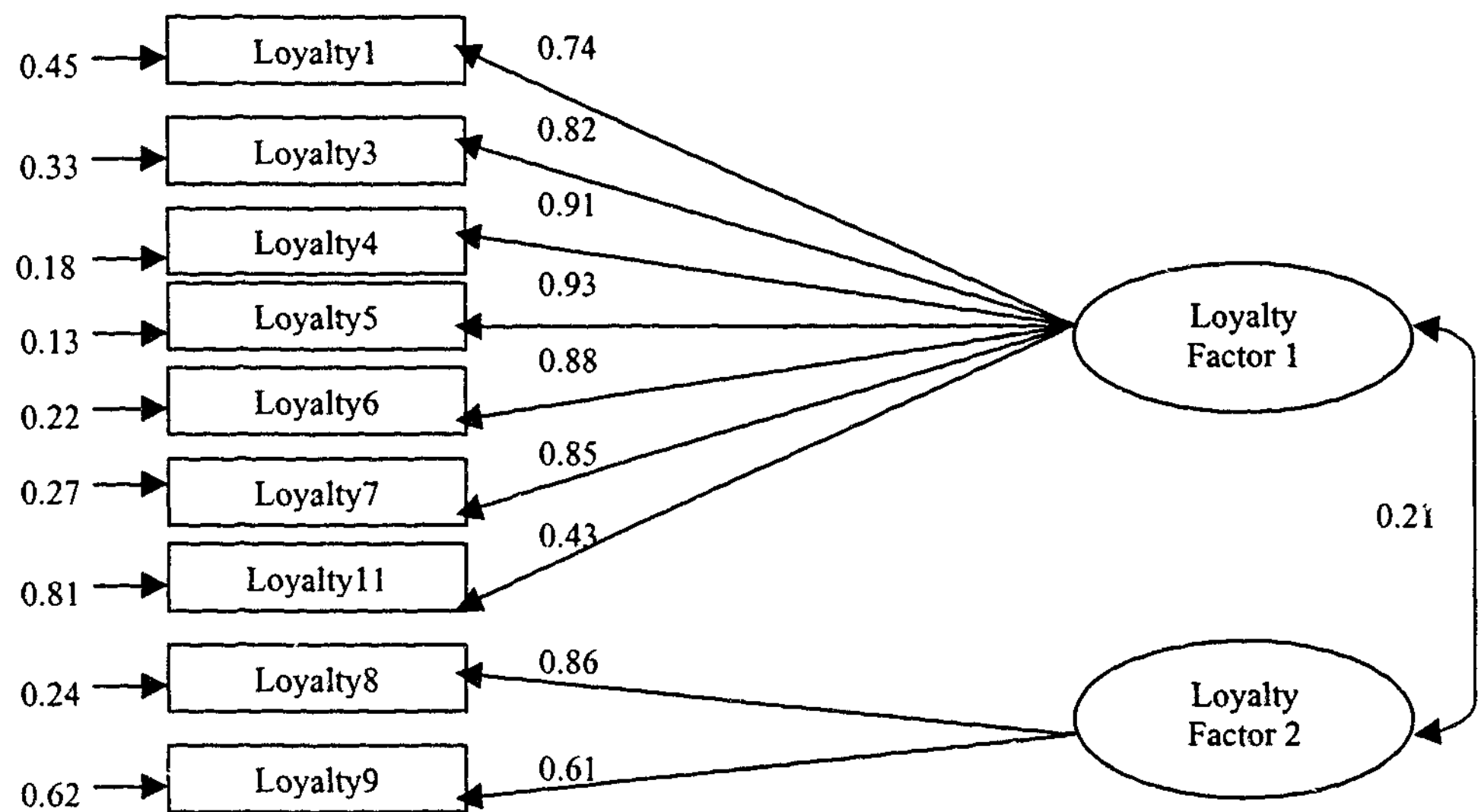
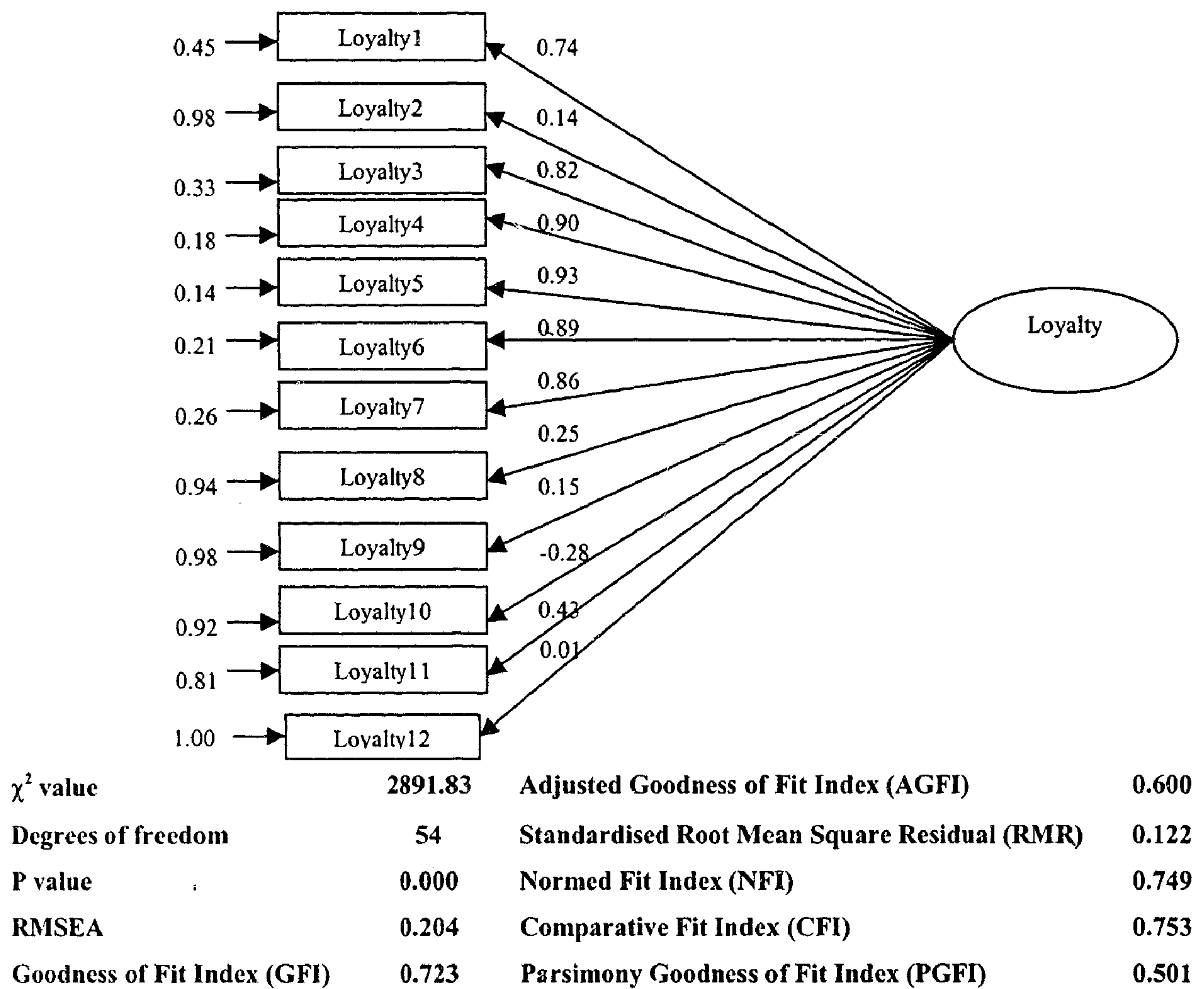|		
χ^2 value	1056.12	Adjusted Goodness of Fit Index (AGFI)	0.728
Degrees of freedom	26	Standardised Root Mean Square Residual (RMR)	0.0577
P value	0.000	Normed Fit Index (NFI)	0.894
RMSEA	0.177	Comparative Fit Index (CFI)	0.897
Goodness of Fit Index (GFI)	0.843	Parsimony Goodness of Fit Index (PGFI)	0.487

Figure 5.24 Measurement Model for the Loyalty Construct

(Two-Factor Competing Model)

5.10.5.5 Relationship Strength

The results of the reliability analysis for relationship strength were evaluated. Generally, all four items have alpha values exceeding .86, hence the reliability of the scale was established. Further examination of the item-total correlations show that even when items with low item-total correlations were removed, the overall alpha did not improve if these items were deleted. Consequently, none of the alphas appeared to be higher than the overall alpha value of .90. In addition, as seen in Figure 5.20, all the relationship strength items produced factor loadings ranging from .82 to .89, all of which were higher than the accepted critical value of .50 level recommended by Bagozzi (1991). Given the preceding discussion, all the items in the relationship strength scale were retained.

The next step in scale refinement and reduction is to examine the results of the exploratory factor analysis for the relationship strength construct. As seen in Table 5.24, a clear one-

factor solution best represented the data for the relationship strength construct. As the relationship strength construct exhibited strong content validity and unidimensionality, the one-factor construct is retained. In order to improve the goodness-of-fit indices of the model, the modification indices of the confirmatory factor analysis results for the relationship strength construct were examined. Further inspection of the modification indices suggests that additional error covariance paths be added between relationship strength items 1 and 3. Specifically, these items capture the *existing* level of relationship strength the customer felt towards the employee and the company (see Table 4.10 for information on the items and their basic wordings). As these two items could be clearly linked both theoretically and empirically, relevant error covariance paths were added between these items following the modification indices. The revised relationship strength model as seen in Figure 5.25 was tested as a competing model to the original one-factor model presented in Figure 5.20.

χ^2 value	50.22	Adjusted Goodness of Fit Index (AGFI)	0.805
Degrees of freedom	1	Standardised Root Mean Square Residual (RMR)	0.0232
P value	0.000	Normed Fit Index (NFI)	0.987
RMSEA	0.198	Comparative Fit Index (CFI)	0.987
Goodness of Fit Index (GFI)	0.980	Parsimony Goodness of Fit Index (PGFI)	0.0980
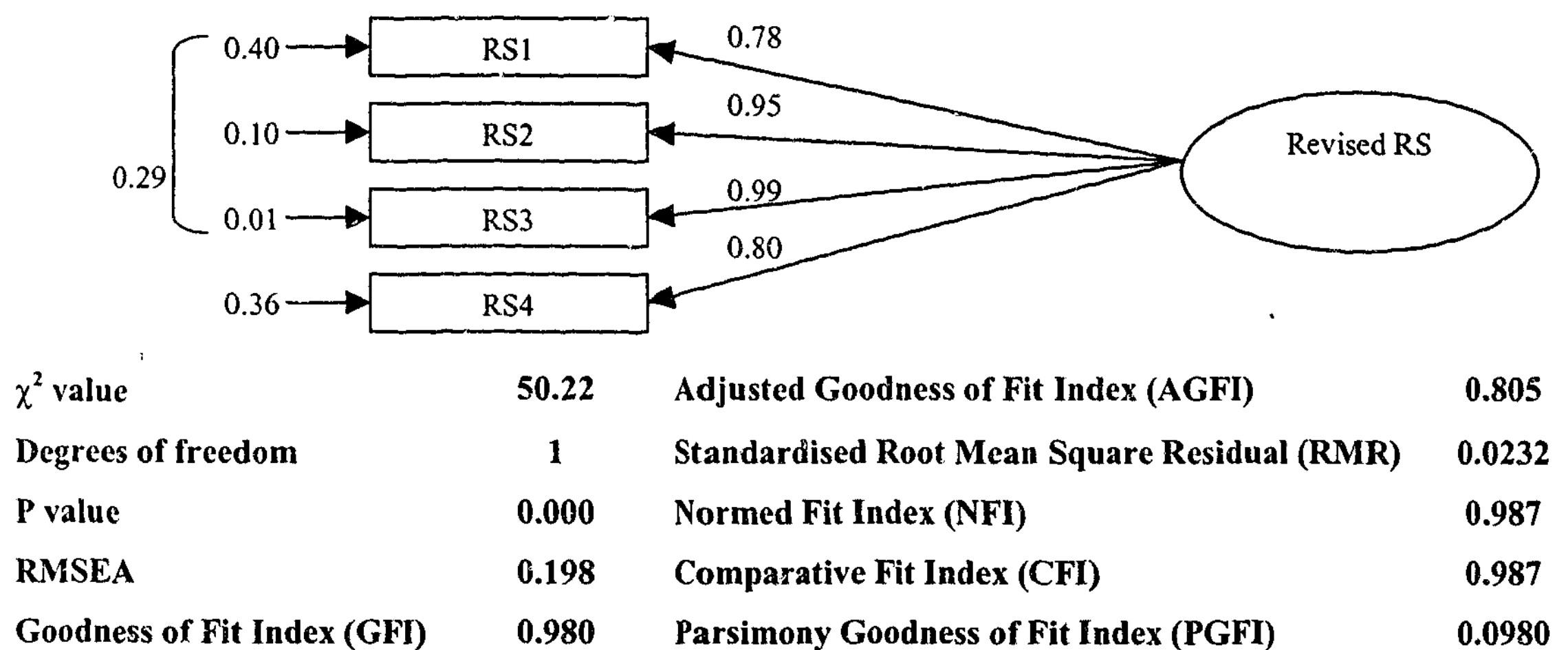
Figure 5.25 Measurement Model for the Revised Relationship Strength Construct

As displayed in Figure 5.25, the goodness-of-fit indices of the revised relationship strength model indicate a better fit to the data than the original one-factor model. Specifically, the goodness-of-fit increased from 0.850 to 0.980, while the adjusted goodness-of-fit increased from 0.251 to 0.805. As a result, the revised model was adopted for further statistical analysis in this study.

5.10.6 Discriminant Validity

Discriminant validity is the degree to which a measured concept differs from other measured concepts (Campbell & Fiske, 1959). In this study, discriminant validity was assessed in two ways. Firstly, the correlations among the constructs were examined to ensure that they were significantly below the cut-off point of .90 required to imply distinctiveness in construct content (Bagozzi, Yi, & Phillips, 1991). The correlation matrices for the constructs in this study are presented in Table 5.26. With the exception of the service quality construct and its five related dimensions, all the inter-correlations of the constructs appeared sufficiently low to suggest the presence of discriminant validity. Indeed, as the five dimensions of service quality are sub-factors of the service quality construct, the correlation range of .744 to .932 is acceptable.

Bagozzi et al. (1991) mentioned that a scale exhibits discriminant validity if its constituent items estimate only one construct. Tautologies between scales increase the chances of a lack of discriminant validity. To some extent, it is possible that an item in one scale could be reflecting the value of a construct in another scale (Ahire et al., 1996). This usually results in an overestimation of the correlation among the constructs. Therefore, a chi-square difference test should be used to further test for discriminant validity. For pairs of scales with correlation values of more than .70, the following procedure was adopted for conducting discriminant validity check.

Confirmatory factor analysis was run on the selected pair of scales, allowing for correlation between the two constructs. The chi-square value for this first model was noted (chi-a). Subsequently, confirmatory factor analysis was rerun for the same pair of scales by setting the correlation among the two to 1. The chi-square value for the second model was noted (chi-b) at $p<.01$. A statistically significant value of (chi-a minus chi-b) demonstrates that the two constructs under consideration are distinct. As presented in Table 5.25, all the five pairs of scales with correlation values of above .70 are statistically significant at $p<.01$. Consequently, there was evidence for discriminant validity of the constructs used in this study.

Table 5.25 Discriminant Validity Analysis

Pair of Scales	χ^2 Difference
Service Quality-Trust	2463.68
Trust-Commitment	6229.57
Commitment-Relationship Strength	287.90
Relationship Strength-Relationship Quality	10.35
Commitment-Customer Loyalty	1582.55

5.10.7 Nomological Validity

Nomological validity seeks to determine the relationship between theoretical constructs (Malhotra et al., 1996). A correlation matrix was employed to examine the theoretically predicted correlations between the research constructs in the relationship strength model. The correlation matrices presented in Table 5.26 provide support for the nomological validity of the research constructs. The majority of the constructs were significantly correlated at $p<.01$. Subsequently, these factors were also examined for multicollinearity. As none of the constructs in Table 5.26 had correlation values greater than .80, the assumption of multicollinearity was not violated.

5.10.8 Criterion Validity

Criterion validity examines the degree to which a scale performs as expected in relation to other variables (Malhotra et al., 1996). This type of validity can be assessed in two ways: concurrent and predictive. Specifically, predictive validity cannot be assessed in this study as the data for the measurement scale and criterion variable were collected at the same point in time. Consequently, concurrent validity was examined and the results in Table 5.26 generally provide support for the concurrent validity of the research constructs, as the direction and magnitude of the correlations between the constructs were consistent with expectations. Furthermore, the majority of the correlations were significant ($p<.01$) and consistent with the predicted results.

Table 5.26

Correlation Values between the Constructs within the Relationship Strength Model

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Service Quality	1.000														
2.Reliability	.844**	1.000													
3.Responsiveness	.903**	.720**	1.000												
4.Assurance	.932**	.713**	.829**	1.000											
5.Empathy	.920**	.716**	.794**	.865**	1.000										
6.Tangibles	.744**	.541**	.536**	.625**	.602**	1.000									
7. Trust	.771**	.624**	.662**	.731**	.725**	.613**	1.000								
8. Commitment	.615**	.491**	.518**	.572**	.595**	.501**	.729**	1.000							
9. Relationship Strength	.533**	.436**	.448**	.491**	.530**	.413**	.579**	.717**	1.000						
10. Relationship Quality	.553**	.449**	.485**	.520**	.527**	.422**	.591**	.686**	.802**	1.000					
11. Customer Satisfaction	.526**	.472**	.451**	.493**	.471**	.404**	.524**	.477**	.439**	.473**	1.000				
12. Customer Loyalty	.592**	.481**	.501**	.547**	.559**	.493**	.645**	.815**	.671**	.659**	.511**	1.000			
13. Relational Bond	.084**	.065*	.075**	.072*	.068*	.087**	.096**	.137**	.116**	.087**	.084**	.132**	1.000		
14. Frequency of Contact	.118**	.114**	.102**	.086**	.108**	.108**	.140**	.228**	.258**	.226**	.184**	.251**	.171**	1.000	
15. Intensity of Contact	.291**	.222**	.246**	.255**	.261**	.288**	.310**	.478**	.411**	.365**	.261**	.501**	.076**	.305**	1.000

* Correlation is significant at the .05 level (2-tailed)
** Correlation is significant at the .01 level (2-tailed)

5.11   Summary of Component Measures

Given the preceding discussion, it can be deduced that the convergent validity and unidimensionality of each measurement scale were generally supported by the data. Further, as the measurement scales used in this study were based on the theoretical arguments presented in the services marketing/management literature, as well as insights provided by both academics and senior retail store managers and the use of extensive pretesting, content validity can be assumed. In addition, the Customer Analysis and Research Manager of the retail organisation further confirmed the face validity of the scales at preliminary meetings. During these meetings, both the manager and the researcher went through the questionnaire thoroughly and examined the validity of each individual item within the scales in the questionnaire. Moreover, final feedback from the manager confirmed that the scales had face validity.

Consequently, the composite reliability coefficients of the constructs were calculated and reported in Table 5.27, as the use of the Cronbach coefficient alpha (Cronbach, 1951) does not ensure unidimensionality but instead assumes it exists. Coefficient alpha reliability is generally an inferior measure of reliability since in most practical cases it is only a lower bound on reliability (Baumgartner & Homburg, 1996). Specifically, if coefficient alpha is entered into the analysis as an external estimate of measurement, it will usually exaggerate unreliability of measurement. Thus, coefficient alpha is insufficient for this purpose since a scale may not be unidimensional even if it has high reliability (Anderson & Gerbing, 1988). To overcome this limitation, unidimensionality tests were performed on all multiple indicator constructs in section 5.10.4 before assessing their composite reliability.

Hence, in addition to examining the loadings for each indicator, a principal measure used in assessing the measurement model is the composite reliability of each construct, given the disadvantage of Cronbach's alpha (Hair et al., 1998). The composite reliability of a construct is calculated as:

$$\text{Construct reliability} = \frac{(\Sigma \text{ standardised loading})^2}{(\Sigma \text{ standardised loading})^2 + \Sigma \, \varepsilon_j}$$

where the standardised loadings are obtained directly from the program output, and ε_j is the measurement error for each indicator (Fornell & Larker, 1981). In this instance, ε_j is 1 minus the reliability of the indicator, which is the square of the indicator's standardised loading. Subsequently, a summary of the varimax orthogonal rotated principal component and composite reliability coefficient for the components of the research model is provided in Table 5.27. As seen in the table, the composite reliability coefficients for all the components were higher than their respective Cronbach alpha coefficients.

Table 5.27 <u>Summary of Component Measures</u>

Component	Number of Items	Factor Analysis				Composite reliability coefficient
		Eigenvalue (Factor 1)	% of variance	Eigenvalue (Factor 2)	% of variance	
Service Quality	29	-	-	-	-	.96
• Reliability	5	3.015	60.302	.665	13.303	.86
• Responsiveness	4	2.982	74.562	.490	12.244	.90
• Assurance	5	3.288	65.756	.541	10.817	.89
• Empathy	5	3.344	66.878	.712	14.238	.88
• Tangibles	10	5.139	51.389	1.314	13.143	.91
Overall Service Quality	4	3.545	88.635	.211	5.273	.97
Trust	9	6.085	67.607	.545	6.053	.95
Commitment	9	6.242	69.360	.871	9.681	.94
Customer Loyalty	9	4.789	53.212	1.613	17.922	.94
Relationship Strength	4	3.065	76.623	.502	12.543	.93
Customer Satisfaction	4	2.853	71.332	.505	12.630	.89

* Summary not calculated for relational contact (frequency and intensity) and relationship quality as the former construct consists of one item each, while relationship quality consists of two items only.

As seen in Table 5.27 under factor analysis, each of the multi-item scales for the component measures forms a distinct construct which explains approximately 50% to 90% of the total variance. Consequently, the reliability of each of the multi-item component measures was further supported by the composite reliability coefficients of above .86.

5.12 Conclusion for Chapter Five

This chapter presented the description and nature of the research constructs. Firstly, the demographic and descriptive data provided by the respondents were presented. Following, the reliability and validity of the constructs used in this study were examined using Cronbach alpha, composite reliability, exploratory factor analysis, confirmatory factor analysis, and correlation analysis. The majority of the constructs demonstrated acceptable reliability and validity in terms of face, content, convergent, discriminant, nomological, and concurrent validity. The next chapter will provide further results and address each of the research hypotheses.

CHAPTER SIX

THE RELATIONSHIPS BETWEEN THE RESEARCH CONSTRUCTS IN THE RELATIONSHIP STRENGTH MODEL

6.1 Introduction

This chapter investigates the relationships between the constructs in the Relationship Strength Model as depicted in Chapter 3. The first section of this chapter presents an analysis of the various statistical techniques used to explore the proposed relationships. Specifically, the Pearson correlation coefficient analysis and the simple and multiple regression analyses are used to separately assess the individual hypotheses proposed in the research model. These relationships will subsequently be integrated in the form of a structural equation model, which will allow the nature of the relationships to be explored further.

6.2 Data Analysis Procedures

Initial investigation of the postulated links in the Relationship Strength Model was through the use of Pearson correlation coefficient. Following, regression analysis was used to examine the relationships between the constructs.

6.2.1 Pearson Correlation Coefficient

A Pearson product-moment correlation (PM), which is used to assess the strength of the relationship between any two variables, was conducted to examine the proposed relationships within the Relationship Strength Model (Coakes & Steed, 1997). According to Tabachnick and Fidell (1996), correlation, commonly symbolised as r, is the measure of the size and direction of a relationship between two variables, and correlation may be performed between dichotomous or categorical variables (phi coefficient) or between a continuous and a categorical variable (point-biserial correlation).

The correlation coefficient, or the rth moment about any constant (c) is defined as (Nunnally & Bernstein, 1994):

$$\frac{1}{N} \; \Sigma(X - c)^r$$

The advantages of r are that it: (1) permits the variance of each of the two measures to be partitioned into meaningful components; (2) may also be used to predict one variable from another variable (linear regression); (3) is the foundation for predicting one variable from several other variables (multiple regression), and (4) serves as a foundation for many complex methods of correlational analysis, such as multiple correlation, partial correlation, and factor analysis (Nunnally & Bernstein, 1994). Table 6.1 presents the correlation results with respect to each of the links proposed in the Relationship Strength Model. All the proposed hypotheses are found to be significant at the .01 level (2-tailed).

Table 6.1

Results of Hypotheses Testing

Hypothesis	Measured link	Finding [a]	Statistical significance
H1: Perceived service quality is positively correlated with relationship strength	Service quality and relationship strength	Positive correlation; medium	$r = .53**$
H2: Perceived service quality is positively correlated with customer satisfaction	Service quality and customer satisfaction	Positive correlation; medium	$r = .53**$
H3: Customer satisfaction is positively correlated with customer loyalty	Customer satisfaction and customer loyalty	Positive correlation; medium	$r = .51**$
H4: Relationship strength is positively correlated with customer loyalty	Relationship strength and customer loyalty	Positive correlation; medium	$r = .67**$
H5: Perceived service quality is positively correlated with trust between the exchange partners	Service quality and trust	Positive correlation; high	$r = .77**$
H6: Trust between the exchange partners is positively correlated with commitment	Trust and commitment	Positive correlation; high	$r = .73**$
H7: Commitment is positively correlated with relationship strength	Commitment and relationship strength	Positive correlation; high	$r = .72**$
H8a: The intensity of relational contact is positively correlated with relationship strength	Intensity of relational contact and relationship strength	Positive correlation; medium	$r = .41**$
H8b: The frequency of relational contact is positively correlated with relationship strength	Frequency of contact and relationship strength	Positive correlation; low	$r = .26**$
H9: Relationship strength is positively correlated with overall perceived relationship quality	Relationship strength and relationship quality	Positive correlation; high	$r = .80**$
H10: Overall perceived relationship quality is positively correlated with customer loyalty	Relationship quality and customer loyalty	Positive correlation; medium	$r = .66**$

**Correlation is significant at the .01 level (2-tailed).

[a] $r = .90$ to $.99$ (very high); $r = .70$ to $.89$ (high); $r = .40$ to $.69$ (medium), and $r = .00$ to $.39$ (low)

Having established the individual correlations between the constructs within the Relationship Strength Model, the next logical step is to further investigate the relationships within the Relationship Strength Model using regression analysis. However,

regression analysis only captures the direct effects of the antecedents on the dependent variables. Hence, structural equation modelling was subsequently undertaken in section 6.5 to examine the relationships between the constructs *simultaneously*, and this provided a more comprehensive analysis by capturing the direct, indirect, and total effects of the independent variables on the dependent variables.

6.2.2   Regression Analysis

The objective of regression analysis is to predict a single dependent variable from the knowledge of one or more independent variables (Hair et al., 1998). When the problem involves a single independent variable, the statistical technique is called simple regression. When the problem involves two or more independent variables, the term multiple regression is used. As the purpose of the regression analyses was to examine the association between the sets of independent and dependent variables within the Relationship Strength Model, a standard or simultaneous regression model was used rather than a hierarchical or stepwise model. In this instance, hierarchical and stepwise models enter the predictors on the basis of importance, either by theoretical knowledge or statistical criteria (Coakes & Steed, 2001). In addition, the stepwise procedure is not applicable and should therefore not be used because if variables do not enter the equation due to the program's default criteria for inclusion and exclusion, no regression coefficients can be computed for them. Hence, as there was no a priori reason to suggest that some variables were of greater importance, all variables were entered into standard (enter) regression analyses.

Subsequently, the regression analyses in this section were conducted using composite scores for the variables. In order to complete all of the paths in the Relationship Strength Model as depicted in Figure 6.1, all the path coefficients were computed using regression analysis.
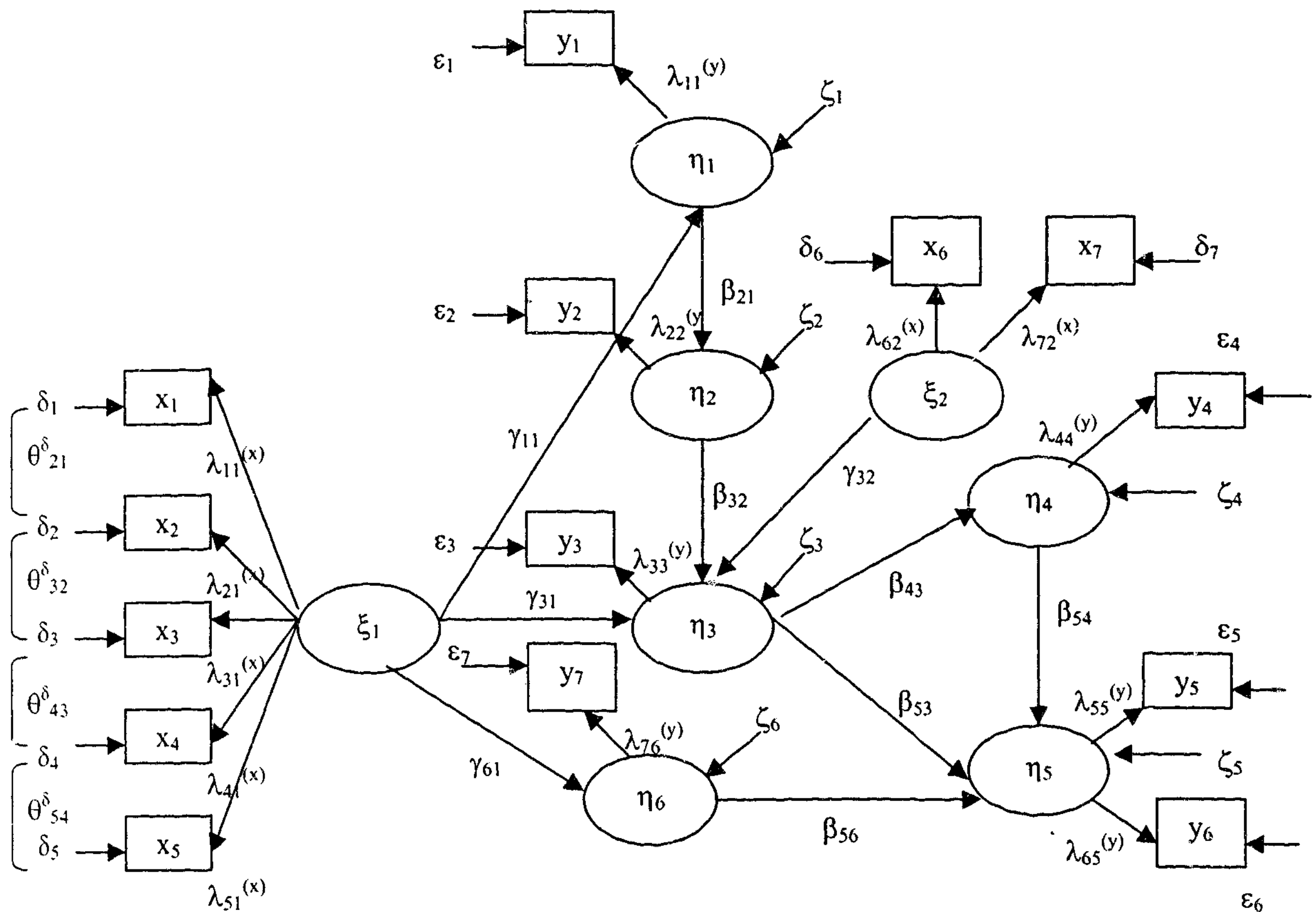
Figure 6.1. Path effects of the Relationship Strength Model

The six regression equations, each representing one of the structural equations, are as follow:

$$\eta 1 = \gamma 11 \ (\xi 1) + \zeta 1 \qquad\qquad (1)$$

$$\eta 2 = \beta 21 \ (\eta 1) + \zeta 2 \qquad\qquad (2)$$

$$\eta 3 = \gamma 31 \ (\xi 1) + \beta 32 \ (\eta 2) + \gamma 32 \ (\xi 2) + \zeta 3 \qquad\qquad (3)$$

$$\eta 4 = \beta 43 \ (\eta 3) + \zeta 4 \qquad\qquad (4)$$

$$\eta 5 = \beta 53 \ (\eta 3) + \beta 54 \ (\eta 4) + \beta 56 \ (\eta 6) + \zeta 5 \qquad\qquad (5)$$

$$\eta 6 = \gamma 61 \ (\xi 1) + \zeta 6 \qquad\qquad (6)$$

Where; ξ_1 = Service Quality, η_1 = Trust, η_2 = Affective Commitment, η_3 = Relationship Strength, η_4 = Relationship Quality, η_5 = Customer Loyalty, ξ_2 = Relational Contact, η_6 = Cumulative Customer Satisfaction, and ζ = Residual or error in measured variable.

6.2.3   Checks for Violations of Assumptions

There are a number of assumptions underlying the use of regression analysis, and the assumptions to check for violations include linearity and homogeneity of variance, outliers, independence of error, normality, and collinearity (Norusis, 1993). Although Norusis (1993) acknowledges that these assumptions are seldom violated in statistical procedures, they should still be examined.

6.2.3.1 Linearity and Homogeneity of Variance

Linearity and homogeneity of variance was assessed using a residual scatterplot of the standardised residuals and standardised predicted values. Coakes and Steed (2001) assert that a systematic pattern would suggest a possible violation of the assumptions. However, the scatterplots for the regression equations were randomly distributed in a band around a line that was drawn through the 0-axis point, hence, it is concluded that the assumptions were not violated.

6.2.3.2 Outliers

Extreme cases have considerable impact on the regression solution and should be detected or modified to reduce their influence. Outlying cases were identified using the Mahalanobis statistical method for all of the regression equations. No outliers were identified hence the assumption of outliers was not violated.

6.2.3.3 Independence of Error

The Durbin-Watson statistic was identified as a test for independence of error. This statistic tests the correlation of adjacent error terms, and ranges in value from 0 to 4 with a statistic close to 2 considered acceptable (Norusis, 1993). The Durbin-Watson statistics for the regression equations tested in this section ranged from 1.850 to 2.057, with

majority above 1.900. These values were considered acceptable as they were all close to 2, hence the assumption of independence of error was not violated.

6.2.3.4 Normality

To test for normality, the expected and observed cumulative distributions were plotted against each other for a series of points. A visual check of the distribution indicated that all of the plots were very close to the diagonal on the middle of the graph, and this represented a normal axis (Hair et al., 1998). Therefore, the assumption of normality was accepted.

6.2.3.5 Collinearity

Collinearity among independent variables can create problems when conducting regression analysis, as high correlations can make it difficult to separate the effects of the independent variables on the dependent variables (Malhotra et al., 1996). To determine the issue of collinearity, the correlation matrix in Table 5.26 was examined. Although majority of the correlations were less than .80, the lack of high correlation values does not ensure a lack of collinearity, as collinearity may be due to the combined effect of two or more other independent variables. Hence, in order to assess both pairwise and multiple variable collinearity, the tolerance value and its inverse – the variance inflation factor (VIF) were examined (Hair et al., 1998). These measures examine the degree to which each independent variable is explained by the other independent variables. A small tolerance level indicates collinearity between variables. All of the regression equations demonstrated tolerance levels that ranged from .52 to 1, which were much higher than the cut-off threshold level of .10 (Hair et al., 1998). Consequently, this provided support for the assumption that collinearity among the independent variables was not a concern. In addition, the VIF was examined and it was found that all the variables ranged from .99 to 1.9, which were well below the accepted cut-off point of 10 (Hair et al., 1998). Therefore, the correlation matrix, the tolerance test, and the VIF indicate that the magnitude of collinearity is well within an acceptable range.

6.2.4 Simple Regression Analysis – Service Quality and Trust

The composite index for service quality was entered into a simple regression analysis as a means of evaluating its predictive ability in terms of trust. In doing so, the following regression equation was examined:

$$\eta 1 = \gamma 11\ (\xi 1) + \zeta 1 \qquad\qquad (1)$$

As evident in Table 6.2, service quality explained 57.4% of the variance in trust. This is significant as indicated by the F value ($f(1,1259) = 1699.87, p < .000$). In this case, the F value is required to exceed 6.63 for significance at 99% confidence level (Hair, Bush, & Ortinau, 2000).

Table 6.2

Regression Analysis – Service Quality (IV) against Trust (DV)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.758	.574	.574	.5687 .

Model	Unstandardised Coefficients	Std. Error	Standardised Coefficients beta	t	Significance
(Constant)	1.090	.089		12.205	.000
Service Quality	.742	.018	.758	41.229	.000

Independent variable – Service Quality
Dependent variable – Trust

An examination of the t-value in Table 6.2 indicates that service quality adds to the predictive power of trust in the equation. Hence, the following equation was produced:

Trust = 1.090 + .742 (Service Quality) + .5687................................. *(1)*

6.2.5   Simple Regression Analysis – Trust and Commitment

Similarly, the composite index for trust was entered into a simple regression analysis as a means of evaluating its predictive ability in terms of commitment.   In doing so, the following regression equation was examined:

$$\eta 2 = \beta 21\,(\eta 1) + \zeta 2 \qquad\qquad\qquad (2)$$

As reflected in Table 6.3, trust explained 47.3% of the variance in commitment.   This is significant as indicated by the F value ($f(1,1259) = 1131.91, p < .000$).   In this case, the F value is required to exceed 6.63 for significance at 99% confidence level (Hair et al., 2000).

Table 6.3

Regression Analysis – Trust (IV) against Commitment (DV)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.688	.473	.473	.9201

Model	Unstandardised Coefficients	Std. Error	Standardised Coefficients beta	t	Significance
(Constant)	-.551	.143		-3.867	.000
Commitment	1.001	.030	.688	33.644	.000

Independent variable – Trust
Dependent variable – Commitment

An examination of the *t*-value in Table 6.3 indicates that trust adds to the predictive power of commitment in the equation.   Hence, the following equation was produced:

$$Commitment = -.551 + 1.001\ (Trust) + .9201 \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \quad (2)$$

6.2.6   Multiple Regression Analysis – Service Quality, Commitment, Relational Contact, and Relationship Strength

The composite index for service quality, commitment as well as the single item constructs of relational contact (frequency and intensity) were entered simultaneously into a multiple regression analysis as a means of evaluating their predictive abilities in terms of relationship strength. In doing so, the following regression equation was examined:

$$\eta 3 = \gamma 31\ (\xi 1) + \beta 32\ (\eta 2) + \gamma 32\ (\xi 2) + \zeta 3 \qquad\qquad (3)$$

With reference to Table 6.4, the four factors explained 53.7% of the variance in commitment. This is significant as indicated by the F value ($f(4,1223) = 357.003$, $p < .000$). In this case, the F value is required to exceed 3.32 for significance at 99% confidence level (Hair et al., 2000).

Table 6.4

Regression Analysis – Service Quality, Commitment, Relational Contact (IV) against Relationship Strength (DV)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.734	.539	.537	.8553

Model	Unstandardised Coefficients	Std. Error	Standardised Coefficients beta	t	Significance
(Constant)	-.110	.169		-.653	.514
Service Quality	.237	.035	.167	6.796	.000
Commitment	.557	.027	.559	20.755	.000
Contact (Frequency)	.129	.033	.079	3.870	.000
Contact (Intensity)	.088	.029	.070	3.098	.002

Independent variables – Service Quality, Commitment, Frequency of Contact, Intensity of Contact
Dependent variable – Relationship Strength (RS)

An examination of the *t*-values in Table 6.4 indicates that all the four factors add to the predictive power of relationship strength in the equation. Hence, the following equation was produced:

$$RS = -.110 + .237 \ (Service \ Quality) + .557 \ (Commitment) + .129$$

$$(Frequency) + .088 \ (Intensity) + .8553\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (3)$$

6.2.7 Simple Regression Analysis – Relationship Strength and Relationship Quality

Similarly, the composite index for relationship strength was entered into a simple regression analysis as a means of evaluating its predictive ability in terms of relationship quality. In doing so, the following regression equation was examined:

$$\eta 4 = \beta 43 \ (\eta 3) + \zeta 4 \quad\quad\quad\quad (4)$$

As seen in Table 6.5, relationship strength explained 64.4% of the variance in relationship quality. This is significant as indicated by the F value ($f(1,1250) = 2260.810$, $p < .000$). In this case, the F value is required to exceed 6.63 for significance at 99% confidence level (Hair et al., 2000).

Table 6.5

Regression Analysis – Relationship Strength (IV) against Relationship Quality (DV)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.802	.644	.644	.7326

Model	Unstandardised Coefficients	Std. Error	Standardised Coefficients beta	t	Significance
(Constant)	1.182	.069		17.106	.000
RS	.784	.016	.802	47.548	.000

Independent variable – Relationship Strength (RS)
Dependent variable – Relationship Quality

An examination of the t-value in Table 6.5 indicates that relationship strength adds to the predictive power of relationship quality in the equation. Hence, the following equation was produced:

$$RS = 1.182 + .784 \ (Relationship \ Quality) + .7326\ldots\ldots\ldots\ldots\ldots\ldots \quad (4)$$

6.2.8 Multiple Regression Analysis – Relationship Strength, Relationship Quality, Customer Satisfaction, and Customer Loyalty

The composite index for relationship strength, relationship quality, and customer satisfaction were entered simultaneously into a multiple regression analysis as a means of evaluating their predictive abilities in terms of customer loyalty. In doing so, the following regression equation was examined:

$$\eta 5 = \beta 53\,(\eta 3) + \beta 54\,(\eta 4) + \beta 56\,(\eta 6) + \zeta 5 \qquad (5)$$

With reference to Table 6.6, the four factors explained 50.1% of the variance in commitment. This is significant as indicated by the F value ($f(3,1244) = 418.657$, $p < .000$). In this case, the F value is required to exceed 3.78 for significance at 99% confidence level (Hair et al., 2000).

Table 6.6

Regression Analysis – Relationship Strength, Relationship Quality, Customer Satisfaction (IV) against Customer Loyalty (DV)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709	.502	.501	.5467

Model	Unstandardised Coefficients	Std. Error	Standardised Coefficients beta	t	Significance
(Constant)	1.772	.077		23.128	.000
Relationship Strength	.164	.021	.266	7.867	.000
Relationship Quality	.172	.022	.272	7.930	.000
Customer Satisfaction	.211	.016	.304	13.279	.000

Independent variables – Relationship Strength, Relationship Quality, Customer Satisfaction
Dependent variable – Customer Loyalty

An examination of the t-values in Table 6.6 indicates that all the three factors add to the predictive power of customer loyalty in the equation. Hence, the following equation was produced:

Customer Loyalty = 1.772 + .164 (RS) + .172 (RQ) + .211 (CS) + .5467...... (5)

6.2.9   Simple Regression Analysis – Service Quality and Customer Satisfaction

The composite index for service quality was entered into a simple regression analysis as a means of evaluating its predictive ability in terms of customer satisfaction. In doing so, the following regression equation was examined:

$$\eta 6 = \gamma 61\ (\xi 1) + \zeta 6 \qquad\qquad\qquad (6)$$

As evident in Table 6.7, service quality explained 27.6% of the variance in trust. This is significant as indicated by the F value $(f(1,1255) = 480.292, p < .000)$. In this case, the F value is required to exceed 6.63 for significance at 99% confidence level (Hair et al., 2000).

Table 6.7

Regression Analysis – Service Quality (IV) against Customer Satisfaction (DV)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.526	.277	.276	.9497

Model	Unstandardised Coefficients	Std. Error	Standardised Coefficients beta	t	Significance
(Constant)	1.904	.150		12.704	.000
Service Quality	.662	.030	.526	21.916	.000

Independent variable – Service Quality
Dependent variable – Customer Satisfaction

An examination of the t-value in Table 6.7 indicates that service quality adds to the predictive power of customer satisfaction in the equation. Hence, the following equation was produced:

Customer Satisfaction = 1.090 + .742 (Service Quality) + .5687............   (6)

6.3 Structural Equation Modelling

The analytical procedure that was discussed previously was used to examine simple direct relationships between independent and dependent variables. However, due to the nature of the inter-relationships within the Relationship Strength Model, a more comprehensive analysis is required. Therefore, structural equation modelling with Lisrel VIII (Jöreskog & Sörbom, 1996) was used to further investigate the proposed relationships within the research model simultaneously.

The structural equation modelling approach involves developing measurement models to define latent variables and then establishing relationships or structural equations among the latent variables (Bollen & Long, 1993; Byrne, 1998; Schumacker & Lomax, 1996). There are five steps that characterise most modelling applications, and these steps are as follows:

Model specification

Identification

Estimation

Testing goodness-of-fit

Respecification

6.3.1   Model Specification

The first step, *model specification*, refers to the initial theoretical model that is formulated based on hypotheses that emerged from the research literature or on the basis of a theory (Byrne, 1998). In the absence of a theoretical basis for a model, many different relationships can be postulated and different coefficients computed among the variables. In this instance, path analysis does not provide a means of specifying a model, rather, the model should be specified from theoretical considerations (Schumacker & Lomax, 1996). Subsequently, the models specified in this study were recursive and did not contain causation or feedback loops. As the data was cross-sectional, it was impossible to establish cause and effect, however, causation was implied on theoretical reasoning.

6.3.2   Identification

In the second step, the issue of *identification* focuses on whether or not there is a unique set of parameters consistent with the data. To calculate this, each potential parameter in a model was specified as fixed, free, or constrained. A free parameter was unknown and therefore calculated in the analysis. On the other hand, a fixed parameter was set to a specified value, typically 0 or 1. Finally, a constrained parameter was unknown but fixed to equal another unknown parameter. Structural models may be just-identified, over-identified, or under-identified (Byrne, 1998).

A just-identified model is one in which there is a one-to-one correspondence between the data and the structural parameters, hence the number of data variances and covariances equals the number of parameters to be estimated (Byrne, 1998). Despite the capability of the model to yield a unique solution for all parameters, the just-identified model is not scientifically interesting, as there are no degrees of freedom and therefore can never be rejected. On the other hand, an over-identified model is one in which the number of parameters to be estimated is less than the numbers of data variances. This situation results in positive degrees of freedom that allows for the rejection of the model, thereby rendering it of scientific use. Finally, an under-identified model is one in which the number of parameters to be estimated exceeds the number of variances and covariances. In this instance, the model contains insufficient information for the purpose of attaining a determinate solution or parameter estimation, as such, an infinite number of solutions are possible for an under-identified model.

6.3.3   Estimation

The third step, *estimation*, requires knowledge of the various estimation techniques that are used depending on the variable scale and the distributional property of the variables used in the model. The estimate procedures stem from the relation between the covariance matrix of the observed variables and the structural parameters. The estimation procedures available to obtain parameter estimates and test statistics include instrumental variables, two stage least squares, unweighted least squares, generalised least squares, maximum likelihood, generally weighted least squares, and diagonally weighted least squares (Byrne, 1998). The most appropriate technique is conditional on the variable scale.

However, most of the models are estimated using maximum likelihood (ML) techniques (Anderson & Gerbing, 1988; Baumgartner & Homburg, 1996). Under the assumption of multivariate normality, this estimator has been found to have the desirable asymptotic, or large-sample, properties of being unbiased, consistent, and efficient (Kmenta, 1971), thus this estimator was used in this analysis. In matrix notation, ML is defined as:

$$ML = \ln|C| - \ln|\hat{S}| + tr\, SC^{-1} - m$$

where tr = trace (sum of the diagonal elements),

       S = covariance matrix implied by the model,

       C = actual covariance matrix,

       ln = natural logarithm, and

       | | = the determinant (index of generalised variance) of a matrix.

6.3.4   Testing Goodness-of-Fit

The fourth step, *testing goodness-of-fit*, involves interpreting model fit or comparing fit indices for alternative or nested models. In this step, the researcher needs to choose among numerous fit indices that subjectively indicate whether the data fit the theoretical model. This study tested the path coefficients for significance by examining the *t*-value. A significant *t*-value indicates that the relationship between the two variables is not equal to zero (Malhotra et al., 1996).

From the parameters estimated in the structural model, an ultimate matrix of covariances was generated, and this allowed the parameters of the model to be estimated and the overall fit of the data to the hypothesised model to be tested. The closeness of the values in the covariance matrix (as implied by the model) and the sample covariance matrix (as implied by the data) gave an indication of the fit of the model. Hence, the relationship between the original and reproduced correlational matrices could be tested for significance. Due to the sensitivity of the χ^2 value to the sample size, relying solely on the χ^2 statistic is not an adequate enough measure of the goodness-of-fit of the measurement model (Bollen & Long, 1993; Jöreskog & Sörbom, 1989a). Hence, other fit indices that were used to indicate whether the data fit the theoretical model include the goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI), root mean square residual (RMR),

normed fit index (NFI), comparative fit index (CFI), and parsimonious goodness-of-fit index (PGFI), which were discussed in section 4.4.4. A summary of the interpretation of the goodness-of-fit measures is provided in Table 4.10.

6.3.5 Respecification

Finally, the fifth step, *respecification*, usually occurs when the model fit indices suggest a poor fit. Hence, decisions can be made regarding whether to delete, add, or modify paths in the model, based on model modification indices and tests of paths from the initial model, and the modified model is rerun (Kelloway, 1998). Modification indices in conjunction with a theoretical basis provide a guide for deciding which relationships to modify. To respecify the models, the "specification search" procedure suggested by Schumacker and Lomax (1996) is recommended. In this instance, it is not necessary to respecify models that produce a satisfactory fit with the data, particularly when there is no established theoretical reasoning to support respecification. To this end, it is better to retain a parameter in the model when there is a priori theoretical reasoning, because the sample size may be too small to detect its real significance (Jöreskog & Sörbom, 1996).

6.4 Two Step Approach

James, Mulaik, and Brett (1982) proposed a two-step modelling approach that emphasised the analysis of two conceptually distinct latent variable models: measurement and structural. Anderson and Gerbing (1988) further described their approach by stating that the measurement model provided an assessment of convergent and discriminant validity and the structural model provided an assessment of the predictive validity. Mulaik, James, Alstine, Bennett, Lind, and Stilwell (1989) also expanded the idea of assessing the fit of the structural equation model among latent variables (the structural model) independently of assessing the fit of the observed variables to the latent variables (the measurement model). Their rationale was that even with a few latent variables, most parameter estimates define the relationships of the observed variables to the latent variables in the measurement model, rather than the structural equation relationships of the latent variables themselves. Finally, Jöreskog and Sörbom (1993a, p. 113) provided a summary of the preceding perspective when they stated:

The testing of the structural model, i.e., the testing of the initially specified theory, may be meaningless unless it is first established that the measurement model holds. If the chosen indicators for a construct do not measure that construct, the specified theory must be modified before it can be tested. Therefore, the measurement model should be tested before the structural relationships are tested. It may be useful to do this for each construct separately, then for all the constructs simultaneously. In doing so, one should let the constructs themselves be freely correlated, i.e., the covariance matrix of the constructs should be unconstrained.

Hence, with respect to the preceding discussion, the proper measures of latent constructs are a prerequisite for the analysis of structural relationships. Therefore, a two-step process was adopted in this study. In adopting the process, firstly, the measurement properties were assessed to verify that the scales were unidimensional and reliable. This step was undertaken in section 5.10.4, where confirmatory factor analysis was used to establish convergent validity, unidimensionality, and reliability of the constructs in this study. In the second step, the relationships between the latent constructs were assessed to test the hypotheses proposed in this study. This step is further elaborated in the following section.

6.5 Structural Model

A confirmatory structural model that specifies the posited causal relations of the estimated constructs to one another can be given directly from Jöreskog and Sörbom (1984, p. I.5). This model can be expressed as:

$$\eta = B\,\eta + \Gamma\xi + \zeta$$

where η is a vector of m endogenous constructs, ξ is a vector of n exogenous constructs, B is an $m \times m$ matrix of coefficients representing the effects of the endogenous constructs on one another, Γ is an $m \times n$ matrix of coefficients representing the effects of the exogenous constructs on the endogenous constructs, and ζ is a vector of m residuals (errors in equations and random disturbance terms).

In this instance, the definitional distinction between endogenous and exogenous constructs is simply that endogenous constructs have their causal antecedents specified within the

model under consideration, whereas the causes of exogenous constructs are outside the model and not of present interest (Anderson & Gerbing, 1988).

6.5.1   Model Generation Approach

For this study, the modelling of higher order factors was guided by the underlying theoretical framework developed in Chapter 3. The structural equation modelling approach adopted is the *model generation* approach (MG), as opposed to *strictly confirmatory* (SC) or *alternative model* (AM) approaches (Jöreskog & Sörbom, 1993b). In practice, the MG situation is by far the most common. The SC situation is fairly rare as few researchers are content with just rejecting a given model without suggesting an alternative model. Similarly, the AM situation is also rare because researchers seldom specify the alternative model a priori. Hence, following MacCallum (1995, p.32), the model generation approach is when:

> A researcher begins with a specified model and fits that model to appropriate data. The obtained solution is then evaluated for the purpose of modifying the model to improve its parsimony and/or its fit to the observed data. It might be possible to simplify the model by deleting selected parameters without significantly altering its fit to the data. More commonly, researchers might seek to improve goodness of fit to the data by introducing additional parameters to the model.

Consequently, in this study, the goal is to arrive at a model which not only fits the data well from a statistical viewpoint, but has the property that every parameter of the model can be given a substantively meaningful interpretation (Jöreskog & Sörbom, 1993a). Subsequently, the addition and/or deletion of model parameters were guided by relevant modification indices and theoretical concerns, as recommended by Hair et al. (1998). Although a revised Relationship Strength Model is tested in each round, the whole approach is *model generating* rather than model testing.

6.5.2   Levels of Abstraction in Modelling

Following the work of Bagozzi and Heatherton (1994), Baumgartner and Homburg (1996) suggested an approach to the modelling of measurement structures by distinguishing

between different levels of abstraction in modelling constructs. The authors differentiate between three levels of abstraction. The first level is the *total aggregation model*, whereby a single composite is formed by combining all the measures of a given construct. This approach results in a model that is similar to one in which only a single indicator is available. However, a composite single indicator should be more reliable than a true single-item measure. In the present study, the constructs of trust, commitment, relationship strength, relationship quality, and customer satisfaction were made up of composite single indicators. To compute a measure of reliability for these composite indicators, the estimated reliability was incorporated into the analysis by fixing the error variance of the indicator to (1-reliability) times the variance of the indicator. An advantage of this method is that the specification of the model is quite simple, and when compared to the true single-indicator case, unreliability of measurement can be taken into account in a limited way. Despite that, a disadvantage of this method is that the quality of construct measurement cannot be investigated explicitly, as assessment of unidimensionality is not provided. However, this limitation did not pose as a major problem in this study as unidimensionality of the measurement scales was confirmed previously in section 5.10.4.

In the second level of abstraction, the *partial aggregation and partial disaggregation models*, subsets of items are combined into several composites and these composites are treated as multiple indicators of a given factor (Baumgartner & Homburg, 1996). This method considers unreliability more explicitly and allows some assessment of unidimensionality while minimising the complexity of the model. In this study, the constructs of service quality and customer loyalty were made up of five and two composite indicators respectively. These composite indicators were combined based on existing theory in the literature, in conjunction with the results of both the exploratory and confirmatory factor analyses.

Finally, the *total disaggregation model*, as reflected in the construct of relational contact, uses true single-item measures as multiple measures of an underlying latent variable. This method allows the most explicit tests of the quality of construct measurement, but the analysis becomes rather cumbersome if more than five indicators are used for each factor (Baumgartner & Homburg, 1996). This disadvantage is further magnified if the full model contains even a moderately large number of constructs. Therefore, sometimes, it is practically unavoidable to combine items into composites if the number of indicators is

moderately large. In view of this, the *total aggregation model* is applied and single composites are formed by combining measures with large number of indicators. Prior to forming the single composites, confirmatory factor analyses were conducted on the items to be aggregated and evidence of unidimensionality of the constructs was found. The items were then aggregated into a single composite and the measure of unreliability was taken into account by fixing the error variance appropriately, as discussed previously.

6.5.3   The Relationship Strength Model

Path analysis entails the use of multiple regression in relation to explicitly formulated causal models (Bryman & Cramer, 1999). More importantly, path analysis cannot establish causality. However, path analysis can examine the pattern or relationships between three or more variables. The objective of path analysis is to provide quantitative estimates of the causal connections between sets of variables (Bryman & Cramer, 1999). As the connections within the Relationship Strength Model proceed in one direction, they are viewed as making up distinct paths. The proposed links within the Relationship Strength Model is explained with reference to the central feature of a path analysis – the path diagram. Path diagrams are the basis for path analysis, and the procedure for empirical estimation of the strength of each path is depicted in the path diagram (Hair et al., 1998). As shown in Figure 6.1, the path diagram of the Relationship Strength Model makes explicit the likely causal connections between variables.

The path coefficients and residuals needed to test whether the model fits the data were derived by solving a set of six structural equations. Utilising the LISREL software, these equations were solved by developing a correlation matrix structure as input. As the primary focus of the study is to delineate the patterns of relationships among the constructs in the Relationship Strength Model, the use of a correlation matrix structure as input is deemed appropriate (Hair et al., 1998). The results are presented in standardised forms in Table 6.8.

Table 6.8

LISREL Structural Equation Estimates for Constructs in the Relationship Strength Model (Standardised Solutions)

Parameters		Variables			
Service Quality	(ξ_1)				
• Reliability	x_1	.78	$\lambda_{11}{}^{(x)}$	.39	δ_1
• Responsiveness	x_2	.87	$\lambda_{21}{}^{(x)}$	.24	δ_2
• Assurance	x_3	.93	$\lambda_{31}{}^{(x)}$	.13	δ_3
• Empathy	x_4	.92	$\lambda_{41}{}^{(x)}$	.16	δ_4
• Tangibles	x_5	.67	$\lambda_{51}{}^{(x)}$	.55	δ_5
Relational Contact	(ξ_2)				
• Frequency	x_6	.58	$\lambda_{11}{}^{(x)}$	.66	δ_6
• Intensity	x_7	.79	$\lambda_{11}{}^{(x)}$	.38	δ_7
Service Quality	(ξ_1)				
• Trust	η_1	.81	γ_{11}		
• Relationship Strength	η_3	.06	γ_{31}		
• Customer Satisfaction	η_6	.62	γ_{61}		
Trust	(η_1)				
• Commitment	η_2	.80	β_{21}		
Commitment	(η_2)				
• Relationship Strength	η_3	.78	β_{22}		
Relational Contact	(ξ_2)				
• Relationship Strength	η_3	.26	γ_{32}		
Relationship Strength	(η_3)				
• Relationship Quality	η_4	.85	β_{43}		
• Customer Loyalty	η_5	.06	β_{53}		
Relationship Quality	(η_4)				
• Customer Loyalty	η_5	.12	β_{54}		
Customer Satisfaction	(η_6)				
• Customer Loyalty	η_5	.13	β_{56}		

As illustrated in Figure 6.1, the constructs of service quality and relational contact are treated as exogenous variables (ξ), while the constructs of trust, commitment, relationship strength, relationship quality, customer satisfaction, and customer loyalty are defined as endogenous variables (η). In addition, the constructs of reliability, responsiveness,

assurance, empathy, tangibles, frequency of relational contact and intensity of relational contact are treated as independent (x) observed variables, while the respective constructs of trust, commitment, relationship strength, relationship quality, customer satisfaction, and customer loyalty are defined as dependent (y) observed variables. The LISREL notations used are further summarised below:

- X_1 to X_7 are the indicators or manifest (observed) variables of the exogenous latent variables;

- ξ_1 and ξ_2 are the exogenous (independent) latent variable, also defined as service quality and relational construct in the model;

- Y_1 to Y_7 are the indicators or manifest (observed) variables of the endogenous latent variables;

- η_1 to η_6 are the endogenous (dependent) latent variables shown as trust, commitment, relationship strength, relationship quality, customer satisfaction, and customer loyalty in the model;

- λ is the relationship between the exogenous (independent) latent variable and its indicator X and between the endogenous (dependent) latent variable and its indicator Y;

- γ is the relationship between the exogenous (independent) latent variable and the endogenous (dependent) latent variable;

- δ is the residual (error term) for manifest variable X; and

- ε is the residual (error term) for the latent endogenous variable Y.

6.5.4   Inferences from the Relationship Strength Model

The Relationship Strength Model provided support for all the ten constituent hypotheses. Given that the model exhibits a good fit to the data, it is appropriate to make inferences from this model regarding its constituent hypotheses. Table 6.9 illustrates all of these relationships in detail, and the structure of the Relationship Strength Model and its standardised parameter estimates and corresponding t-values are depicted in Figure 6.2. Consequently, a discussion of the ten hypotheses is presented in the following sub-sections.

Table 6.9

Parameter Estimates for the Relationship Strength Model

Parameter	Description	Standardised Estimates	t-values
H1	Perceived service quality → Relationship strength	.06	2.20
H2	Service quality → Customer satisfaction	.62	20.57
H3	Customer satisfaction → Customer loyalty	.13	5.58
H4	Relationship strength → Customer loyalty	.06	1.99
H5	Perceived service quality → Trust	.81	31.38
H6	Trust → Commitment	.80	36.03
H7	Commitment → Relationship strength	.78	24.35
H8	Relational contact → Relationship strength	.26	11.19
H9	Relationship strength → Overall relationship quality	.85	33.48
H10	Overall relationship quality → Customer loyalty	.12	4.73
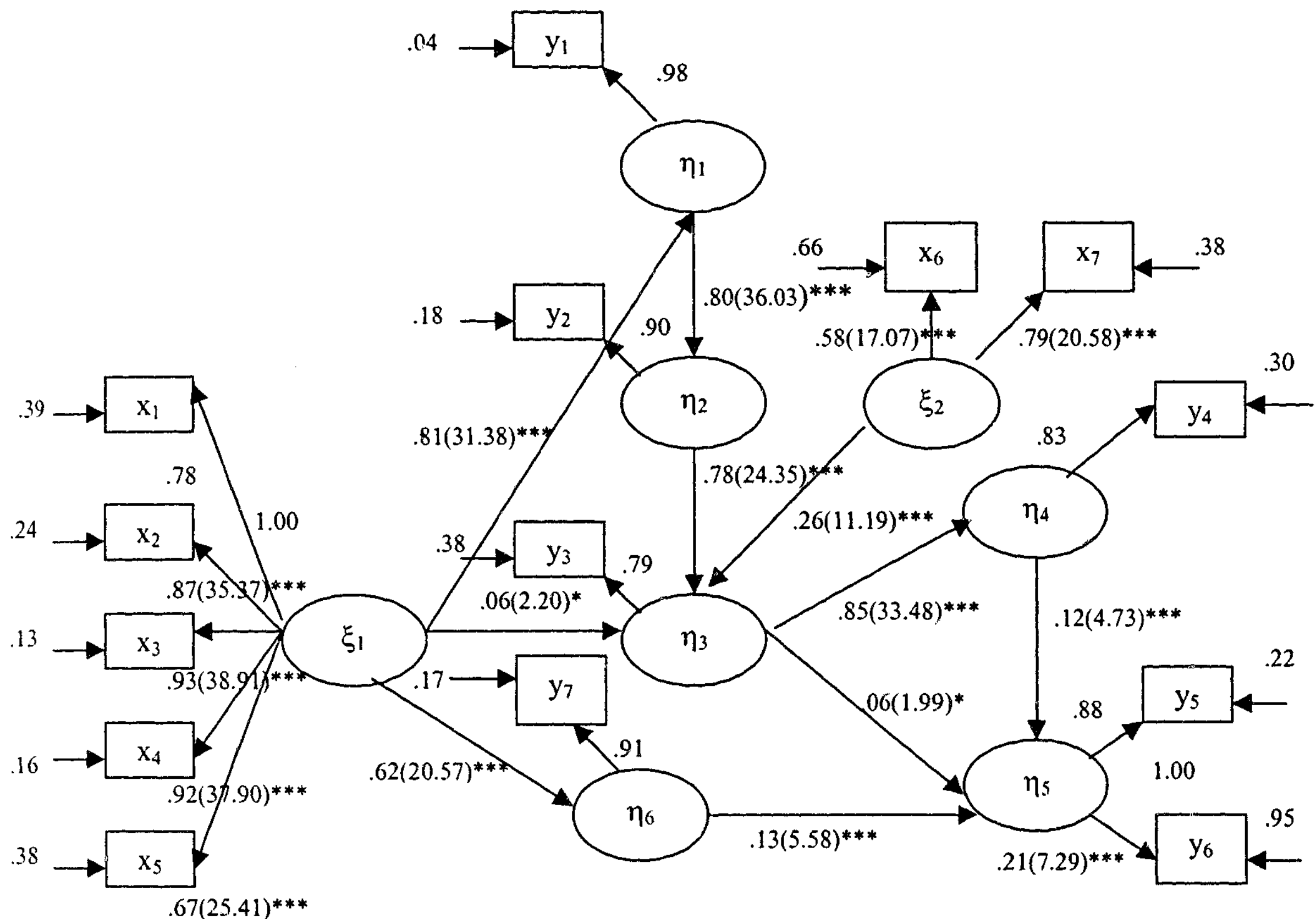
Figure 6.2. Path coefficients of the Relationship Strength Model $^\phi$

$^\phi$Results based on standardised solutions
Note: Numbers in parentheses represent t-values associated with each coefficient and their respective significance is denoted as * $p < .05$, ** $p < .01$, and *** $p < .001$

Where; ξ_1 = Service Quality, η_1 = Trust, η_2 = Affective Commitment, η_3 = Relationship Strength, η_4 = Relationship Quality, η_5 = Customer Loyalty, ξ_2 = Relational Contact, η_6 = Cumulative Customer Satisfaction, and ζ = Residual or error in measured variable.

6.5.4.1 Hypothesis 1

Perceived service quality is positively correlated with relationship strength

There was a significant and positive regression coefficient between perceived service quality and relationship strength (standardised $\gamma = .06$, $t = 2.20$, $p < .05$). Although this coefficient was only marginally significant, it still provided support for Hypothesis 1. This finding is consistent with the views of Berry et al. (1988) and Zeithaml (1996), who propose that the provision of superior service quality is essential to the formation of strong customer relationships. To further examine this relationship, a multiple regression analysis was conducted between the dimensions of service quality (IV) and relationship strength (DV). The results suggest that empathy (standardised $\beta = .419$, $t = 7.08$, $p < .001$) is the best predictor of relationship strength, followed by tangibles (standardised $\beta = .178$, $t = 4.04$, $p < .001$). Interestingly, responsiveness and assurance did not emerge as significant predictors, and this might have attributed to the low regression coefficient between perceived service quality and relationship strength.

6.5.4.2 Hypothesis 2

Perceived service quality is positively correlated with customer satisfaction

There was a significant and positive regression coefficient between perceived service quality and customer satisfaction (standardised $\gamma = .62$, $t = 20.57$, $p < .001$). This finding reinforces the works of several authors, who characterised service quality as an antecedent to customer satisfaction (Anderson & Sullivan, 1993; Bolton & Drew, 1991; Oliver, 1993). Similarly, this finding is supported by empirical work conducted by Spreng and Mackoy (1996), which found a positive relationship between overall service quality and overall satisfaction (standardised $\beta = .49$, $t = 9.40$, $p < .001$). In addition, in a study conducted in the physician services context, Shemwell et al. (1998) found a positive relationship between perceived service quality and customer satisfaction (standardised $\beta = .75$, $p < .001$). These results suggest that service quality interventions can be initiated as a way to improve customer satisfaction.

To further examine this relationship, a multiple regression analysis was conducted between the dimensions of service quality (IV) and customer satisfaction (DV). The results suggest that reliability (standardised $\beta = .202$, $t = 5.41$, $p < .001$) is the best predictor of customer satisfaction, followed by tangibles (standardised $\beta = .119$, $t = 3.78$, p

$< .001$). Interestingly, responsiveness and empathy did not emerge as significant predictors of customer satisfaction.

6.5.4.3 Hypothesis 3

Customer satisfaction is positively correlated with customer loyalty

There was a significant and positive regression coefficient between customer satisfaction and customer loyalty (standardised $\beta = .13$, $t = 5.58$, $p < .001$). This finding is consistent with the established positive relationship between satisfaction and loyalty from previous empirical studies (LaBarbera & Mazursky, 1983; Mazursky & Geva, 1989; Mittal, Kumar, & Tsiros, 1999). Specifically, in a study conducted by Patterson and Spreng (1997), satisfaction is found to be the sole direct antecedent of repurchase intentions for professional business services (standardised $\beta = .88$, $t = 15.49$, $p < .001$). In addition, Jones and Suh (2000) reported significant relationships between transaction-specific satisfaction and repurchase intentions (standardised $\beta = .68$, $p < .001$), as well as overall satisfaction and repurchase intentions (standardised $\beta = .70$, $p < .001$).

6.5.4.4 Hypothesis 4

Relationship strength is positively correlated with customer loyalty

There was a significant and positive regression coefficient between relationship strength and customer loyalty (standardised $\beta = .06$, $t = 1.99$, $p < .05$). Although this coefficient was only marginally significant, it still provided support for Hypothesis 4. This finding supports the view of Sheaves and Barnes (1996), who propose that building a strong relationship with a customer is a good way to retain that customer in the long-term, hence bringing about customer loyalty. To further reinforce this view, a study conducted by Barnes (1997) found that it unlikely that customers may be retained, often for very long periods, without a genuine relationship being present.

6.5.4.5 Hypothesis 5

Perceived service quality is positively correlated with trust between the exchange partners

The significant and positive regression coefficient between perceived service quality and trust (standardised $\gamma = .81$, $t = 31.38$, $p < .001$) provided support for Hypothesis 5. This finding supports the study conducted in the retail industry on customer-sales associate

relationships, which found several service quality related factors contributing to the development of (Beatty et al., 1996). In particular, when a multiple regression analysis was conducted between the dimensions of service quality (IV) and trust (DV), with the exception of responsiveness, all four dimensions emerged as significant predictors of trust, with assurance (standardised β = .254, t = 7.18, p < .001) emerging as the best predictor, followed by empathy (standardised β = .221, t = 7.06, p < .001).

6.5.4.6 Hypothesis 6

Trust between the exchange partners is positively correlated with commitment

The significant and positive regression coefficient between trust and commitment (standardised β = .80, t = 36.03, p < .001) provided support for Hypothesis 6. The finding is consistent with the established positive relationship between trust and commitment from previous empirical studies. For example, Moorman et al. (1992) found that trust by marketing research users in their research providers significantly affected user commitment to the research relationship (standardised β = .16, p < .05). Similarly, Morgan and Hunt (1994) collected data from a national sample of independent automobile tyre retailers, and results further suggest that trust leads to relationship commitment.

6.5.4.7 Hypothesis 7

Commitment is positively correlated with relationship strength

There was a significant and positive regression coefficient between commitment and relationship strength (standardised β = .78, t = 24.35, p < .001). This finding reinforces the view of Kumar et al. (1994) who suggest that the strength of a relationship as well as the intention to stay in the relationship is an important desirable consequence of relationship commitment, and subsequently, this has a direct impact on supplier-customer relationships.

6.5.4.8 Hypothesis 8

Intensity of relational contact is positively correlated with relationship strength
Frequency of relational contact is positively correlated with relationship strength

The significant and positive regression coefficient between relational contact and relationship strength (standardised γ = .26, t = 11.19, p < .001) provided support for

Hypothesis 8. This finding is consistent with the view of Anderson and Weitz (1989), who advocate that older relationships often passed through and survived phases of adjustment and accommodation, therefore the duration of a relationship should be indicative of the strength of the relationship. Consequently, if previous interactions have not been satisfactory to either party, the relationship may well be dissolved. To further examine the two hypotheses, a multiple regression analysis was conducted between the intensity and frequency of relational contact (IV) and relationship strength (DV). The results suggest that intensity of relational contact (standardised β = .366, t = 13.56, $p <$ .001) is a better predictor of relationship strength than frequency of relational contact (standardised β = .147, t = 5.43, $p < .001$). In other words, percentage of purchases is a better indicator of relationship strength than frequency of purchases.

6.5.4.9 Hypothesis 9

Relationship strength is positively correlated with overall relationship quality

There was a significant and positive regression coefficient between relationship strength and overall relationship quality (standardised β = .85, t = 33.48, $p < .001$). This finding supports the view of Jarvelin (1996) who suggest that relationship quality is made up of a customer's perceptions of how well the whole relationship fulfils his or her expectations, predictions, goals and desires. Consequently, how a customer perceives the quality of a relationship is dependent on the strength of the relationship.

6.5.4.10 Hypothesis 10

Overall relationship quality is positively correlated with customer loyalty

The significant and positive regression coefficient between overall relationship quality and customer loyalty (standardised β = .12, t = 4.73, $p < .001$) provided support for Hypothesis 10. This finding is consistent with research conducted by Bejou et al. (1996), which concluded that relationship quality is an important prerequisite to a successful long-term and loyal customer relationship.

Consequently, as displayed in Table 6.10, the relevant fit indices indicate that the relationship strength model is a moderately good fit to the observed data, especially for a model with such a large number of constructs. Similarly, the standardised solutions in Table 6.8 are high while the residual errors are low.

Table 6.10

Fit Indices of the Relationship Strength Model

Statistic	Value
Probability value for the χ^2 statistic ($\chi^2 = 1007.02$, $df = 71$)	0.000
RMSEA	0.102
Goodness of Fit Index (GFI)	0.894
Adjusted Goodness of Fit Index (AGFI)	0.843
Standardised Root Mean Square Residual (RMR)	0.0763
Normed Fit Index (NFI)	0.914
Comparative Fit Index (CFI)	0.919
Parsimony Goodness of Fit Index (PGFI)	0.604

6.5.5   Modification Indices

An examination of the modification indices suggests that the addition of a path from relational contact to commitment would marginally improve the relationship strength model (modification index = 235.640). Similarly, the modification of allowing the error variances of overall relationship quality and relationship strength to covary would marginally improve the model (modification index = 217.745). However, allowing the error variances to covary will nearly always improve goodness of fit (Hair et al., 1998). Consequently, all modifications must have a substantive theoretical justification, and even then the researcher should be skeptical about the changes if validation on new data is not employed (MacCallum, 1995). After a review of the theory in line with the modification indices, it is deduced that the addition of a path from relational contact to commitment could be substantively justified for the Relationship Strength Model.

6.5.6   The Revised Relationship Strength Model

A path from relational contact to commitment is added in the Revised Relationship Strength Model, and this view is supported by a study conducted in the airline industry (Bejou & Palmer, 1998), where relationship duration was found to be an important influence on the outcome level of customers' commitment.   In addition, Lagace et al. (1991) argue that within the pharmaceutical industry, the duration of a physician-salesperson relationship is indicative of the strength of the relationship, and if interactions have not been satisfactory to either party, the "partnership" may well have dissolved. Furthermore, through interactions, the physician's expectations towards the salesperson's obligations, duties, and responsibilities should be conveyed and the relationship strengthened through adaptation (Lagace et al., 1991).   These numerous interactions offer greater opportunity for the salesperson to provide information critical to the success of the relationship.   Consequently, over time, the partners in the relationship should maintain their commitment towards the relationship until something catastrophic changes the relationship into one of suspicion.   Therefore, the following new path is proposed, guided by the theory and the modification indices:

H11: Relational contact is positively correlated with commitment

Table 6.11 illustrates all of these relationships in detail, and the structure of the Revised Relationship Strength Model and its standardised parameter estimates and corresponding *t*-values are depicted in Figure 6.3.

Table 6.11

Parameter Estimates for the Revised Relationship Strength Model

Parameter	Description	Standardised Estimates	t-values
H1	Perceived service quality → Relationship strength	.07	2.61
H2	Service quality → Customer satisfaction	.62	20.57
H3	Customer satisfaction → Customer loyalty	.12	5.59
H4	Relationship strength → Customer loyalty	.06	1.99
H5	Perceived service quality → Trust	.81	31.26
H6	Trust → Commitment	.64	37.94
H7	Commitment → Relationship strength	.80	19.83
H8	Relational contact → Relationship strength	.12	4.08
H9	Relationship strength → Overall relationship quality	.86	34.67
H10	Overall relationship quality → Customer loyalty	.12	4.71
H11 (New Path)	Relational contact → Commitment	.45	15.98

As seen in Table 6.11, there was a significant and positive regression coefficient between relational contact and commitment (standardised β = .45, t = 15.98, p < .001). To further examine this hypothesis, a multiple regression analysis was conducted between the intensity and frequency of relational contact (IV) and commitment (DV). The results suggest that intensity of relational contact (standardised β = .451, t = 17.205, p < .001) is a better predictor of commitment than frequency of relational contact (standardised β = .90, t = 3.45, p < .001).

Consequently, the relevant fit indices in Table 6.12 indicate that the Revised Relationship Strength Model is a better fit to the observed data than the previous model, given the large number of constructs within the model.

Table 6.12

Fit Indices of the Revised Relationship Strength Model

Statistic	Value
Probability value for the χ^2 statistic ($\chi^2 = 764.76$, $df = 70$)	0.000
RMSEA	0.089
Goodness of Fit Index (GFI)	0.917
Adjusted Goodness of Fit Index (AGFI)	0.875
Standardised Root Mean Square Residual (RMR)	0.0509
Normed Fit Index (NFI)	0.935
Comparative Fit Index (CFI)	0.940
Parsimony Goodness of Fit Index (PGFI)	0.611
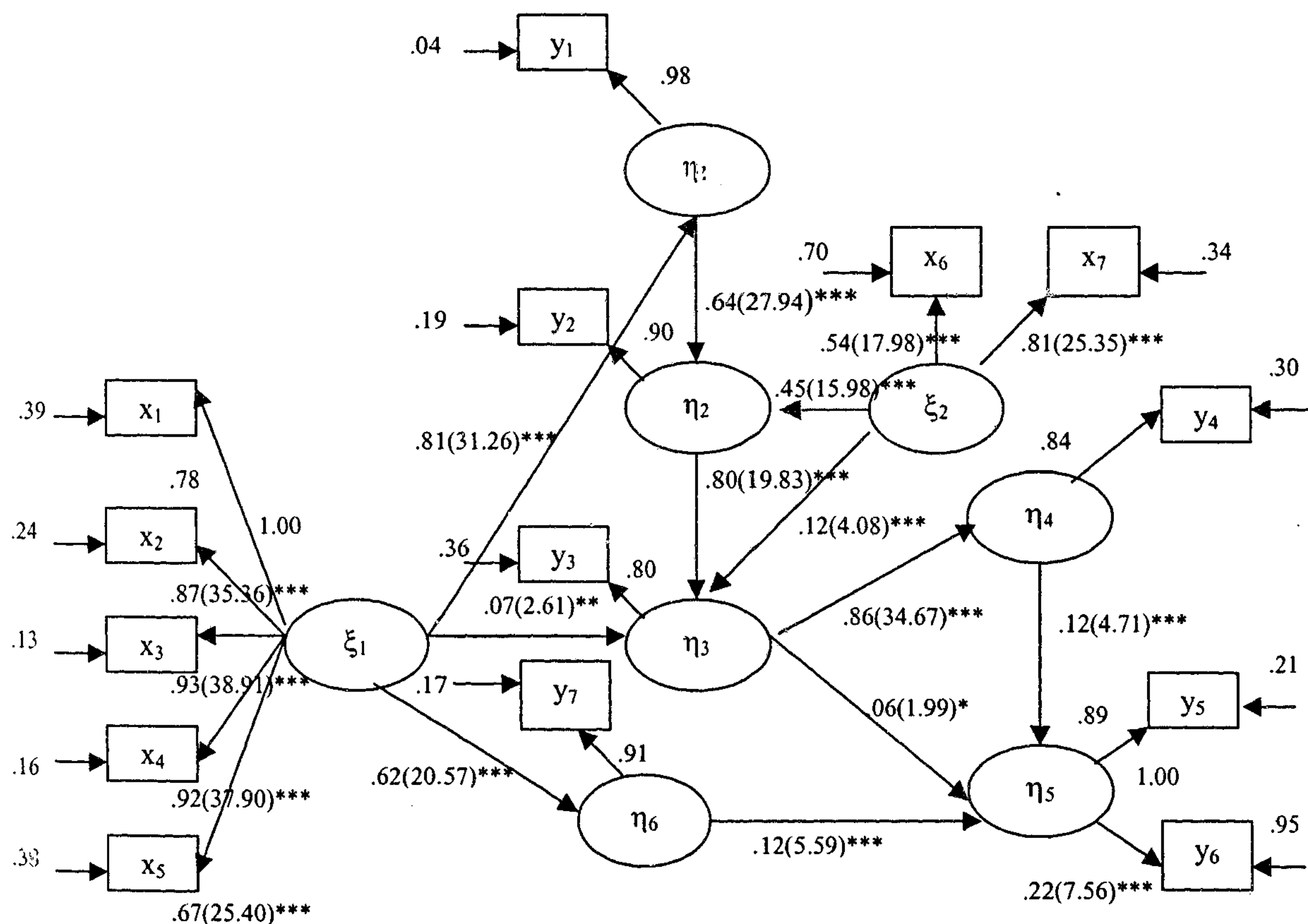
Figure 6.3. Path coefficients of the Revised Relationship Strength Model $^{\phi}$

$^{\phi}$Results based on standardised solutions

Note: Numbers in parentheses represent t-values associated with each coefficient and their respective significance is denoted as * $p < .05$, ** $p < .01$, and *** $p < .001$

6.6 Conclusion for Chapter Six

This chapter used correlation analysis, regression analysis, and structural equation modelling to examine the relationships proposed between the research constructs in the Relationship Strength Model. Subsequently, the five steps that characterise most structural equation modelling application were outlined and the results obtained from path analysis were presented. The chapter specifically addressed the research hypotheses proposed in Chapter 4 through the evaluation of the Relationship Strength Model. Following, a Revised Relationship Strength Model was presented and tested. This model suggested an additional path between relational contact and commitment. There was good support for the fit of the Revised Relationship Strength Model to the data. Consequently, the model provided for the support of the following hypotheses:

H1   Perceived service quality is positively correlated with relationship strength

H2   Perceived service quality is positively correlated with customer satisfaction

H3   Customer satisfaction is positively correlated with customer loyalty

H4   Relationship strength is positively correlated with customer loyalty

H5   Perceived service quality is positively correlated with trust between the exchange partners

H6   Trust between the exchange partners is positively correlated with commitment

H7   Commitment is positively correlated with relationship strength

H8a   The intensity of relational contact is positively correlated with relationship strength

H8b   The frequency of relational contact is positively correlated with relationship strength

H9   Relationship strength is positively correlated with overall perceived relationship quality

H10   Overall perceived relationship quality is positively correlated with customer loyalty

H11a   The intensity of relational contact is positively correlated with commitment

H11b   The frequency of relational contact is positively correlated with commitment

The implications of the findings of the Revised Relationship Strength Model for theory and practice are addressed in detail in Chapter 9. Following, the next chapter presents the results of the qualitative phase of the study – the customer focus group interviews.

CHAPTER SEVEN

QUALITATIVE RESEARCH FINDINGS

7.1 Introduction

Chapter 5 presented the demographic data provided by the participants in the quantitative phase of the study as well as the results of the mall intercept surveys, while Chapter 6 provided an analysis of the various structural equation modelling techniques used to test the hypotheses proposed in Chapter 3. This chapter presents the results of the qualitative phase of the study – the customer focus group interviews. Consequently, the process of analysing the data is described. Accordingly, the background of the participants in the sample is provided. This is followed by a discussion of common themes that emerged from the interviews, in relation to the proposed research framework presented in Chapter 3.

7.2 The Focus Group Analysis Process

To reiterate, the purpose of the customer focus group was to clarify and extend previous survey findings as well as to explore the retail service provided by the chain departmental store surveyed in the earlier phase of this study.

As with any scientific approach, the analysis and interpretation of focus group data require extensive judgement and consideration (Stewart & Shamdasani, 1990). A great deal of scepticism about the usefulness of focus groups probably arises from the perception that focus group data are subjective and difficult to interpret. Despite that, the analysis and interpretation of focus group data can be as rigorous as that generated by any other method. The following paragraphs outline the method of data analysis used to analyse the focus group data collected in the qualitative phase of the study.

7.2.1   Transcribing the Interview

The first step in almost all approaches to the analysis of focus group data is to have the entire interview transcribed (Stewart & Shamdasani, 1990). Transcriptions not only facilitates further analysis, it establishes a permanent written record of the interview and can be shared with other interested parties. However, transcriptions are not always complete, and the moderator may want to fill in gaps and missing words, as well as correct any typographical errors. Transcription can also pick up incomplete sentences, half-finished thoughts, pieces of words, odd phrases, and other characteristics of the spoken word in a group discussion. Although some editing may increase readability, it is important that the character of the respondents' comments be maintained, even at times when poor grammar is used. As the main purpose of the focus group interviewing is to learn how respondents thinks and talk about a particular issue, an excessive amount of editing and cleaning of the transcript is undesirable (Stewart & Shamdasani, 1990). For purposes of this research, the transcription was undertaken by the researcher and no further changes were made to the sentences in the discussion.

On completion of the transcript, further analysis can be done. Nevertheless, it should be noted that the transcript does not reflect the entire nature of the discussion. Nonverbal communication, gestures, and behavioural responses are not reflected in a transcript. In this instance, the transcript was supplemented with some additional observational data that were obtained during the interview, as well as the content analysis of the videotape of the discussion.

7.2.2   Write up and Coding

Following the transcription process, the data gathered was then written up and coded in terms of the themes and sub-themes. The purpose of coding is to have a systematic way of finding material from the transcription which leads towards the development of trends, new themes, and patterns of meaning (Creswell, 1994). As the coding was developed and refined over time, new themes and sub themes were added, and then applied retrospectively to the earlier data.

7.2.3   Validity of Focus Group Findings

It is argued that the methodology used will prove valid and that a valid outcome will result. Schein (1987) suggests that validity can be substantiated if the subjects recognise the issues and validity of the interpretation. Hence, the findings of the focus group sessions were made available to the participants, who judged the interpretation as valid and representative of their attitudes and perceptions.

7.2.4   Inter-rater Reliability

The reliability of communications content refers to the degree of the internal consistency of the data as indicated by an appropriate statistic (Spiegelman, Terwilliger, & Fearing, 1953). The analysis of communications content may involve two kinds of consistency: (1) consistency among analyst – that is, different judges should produce the same results when they apply the same set of categories and criteria to the same content, and (2) consistency through time – that is, the same judge or group of judges should produce the same results when they apply the same set of categories and criteria to the same content at different times. Due to the cross-sectional nature of this research, the factor of time could not be taken into consideration, hence the former approach to reliability was examined in this study.

There are rules that are critical to establishing the reliability of the data recording process, and these rules for assigning units to categories include aspects related to the nature of the raw data from which the recording is to be done, the characteristics of the coders, the training that coders will need in order to do recording, and the specific rules for placing units into categories (Krippendorf, 1980). Indeed, Lorr and McNair (1966) highlight the practice of reporting high inter-rater reliability coefficients when they are based solely on agreement of individuals who have worked closely together to develop coding systems. Rather, these authors suggest that the minimum requirement for establishing the reliability of a coding system is the demonstration that judges exhibit agreement on the coding rules.

Under ideal circumstances, the data recording process should involve more than one judge, so that any reliability and sources of disagreement can be identified and corrected (Stewart & Shamdasani, 1990). The assessment of the reliability of a coding system may be carried out in a variety of ways. According to Krippendorf (1980), a useful way to

determine inter-rater reliability is to include procedures for the use of more than two judges. Therefore, following the suggestion of Krippendorf (1980), the researcher and an independent coder acted as judges in both the data recording and data analysis stages. Both these judges have basic knowledge in the management discipline.

The general procedure in determining inter-rater reliability is to compute the number of possible agreements with N judges and N decisions and then report a percentage of agreement (Spiegelman et al., 1953). Adopting this approach, a direct inter-rater reliability of .98 was computed. Specifically, this figure was calculated based on a composite reliability of the three focus group sessions conducted. In view of this extremely high figure, reliability of the focus group findings was established (Kaplan & Goldsen, 1949).

7.2.5   Content Analysis

Content analysis is defined as "a research technique for making replicable and valid inferences from data to their context" (Krippendorf, 1980, p. 21). Content analysis has a long history in the social sciences (see Krippendorf, 1980 for a concise history of the method), and has been applied widely to a variety of phenomenon such as propaganda, literature and newspapers, transcripts of psychotherapy sessions, and television programming (Stewart & Shamdasani, 1990). Content analysis consists of a selection of specific methods and techniques that emphasise the reliability and replicability of observations and subsequent interpretations.

On frequent occasions, the use of the rigorous approach of content analysis is appropriate for the analysis of data generated by focus groups (Stewart & Shamdasani, 1990). Hence, the content of the focus group discussion for this research was examined and the meaning and its particular implications were discovered. In most cases, it is seldom practical to try to unitise all of the discussion that arises in a focus group session. Where multiple focus groups are conducted on the same topic, complete unitisation becomes even more complicated. Therefore, most content analyses of focus groups involve some sampling of the total group discussion for purposes of analysis (Stewart & Shamdasani, 1990). Consequently, the analyst may seek to identify integral themes and sample statements within themes, or examine statements made in response to particular types of questions.

Like other types of sampling, the intent of sampling in content analysis is to provide a representative subset of the larger population.

There are generally three major types of content analysis as shown in Figure 7.1, and they are distinguished as: (1) pragmatical content analysis; (2) semantical content analysis, and (3) sign-vehicle content analysis (Janis, 1949). The pragmatical content analysis approach includes procedures for classifying signs according to their probable causes and effects, while the semantical content analysis approach consists of procedures for classifying signs according to their meanings or the number of times an implied word is referred to, irrespective of the particular words that may be used to make the reference. Finally, sign-vehicle analysis classifies content according to the psychophysical properties of the signs or the number of times a word appears.

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                    ┌─────────────────────────┐
                    │    CONTENT ANALYSIS     │
                    └─────────────────────────┘                Types of Analysis

   ┌──────────────┐        ┌──────────────┐        ┌──────────────┐
   │  Pragmatical │        │  Semantical  │        │ Sign-vehicle │
   └──────────────┘        └──────────────┘        └──────────────┘
- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -
         ┌──────────────┐   ┌──────────────┐   ┌──────────────┐
         │  Designation │   │  Attribution │   │  Assertions  │
         └──────────────┘   └──────────────┘   └──────────────┘        Forms of Analysis
```
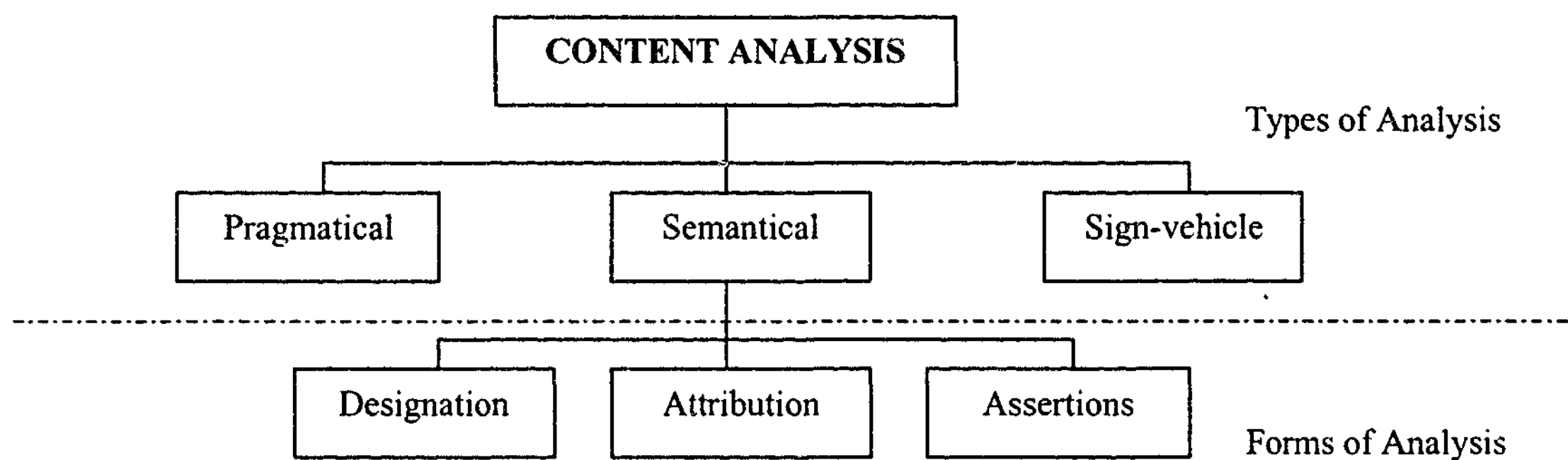
Figure 7.1 Types and Forms of Content Analysis

Source: Janis, I. L. (1949). The problem of validating content analysis. In H. D. Lasswell, N. Leites, & Associates (Eds.), *Language of Politics* (pp. 55-82). Cambridge: MIT Press, p. 57.

With reference to the type of content analysis, the semantical content analysis approach was adopted in this study. This type of analysis may take three forms as shown in Figure 7.1, and they include: (1) designation analysis; (2) attribution analysis, and (3) assertions analysis (Janis, 1949). Designation analysis determines the frequency with which certain objects (or persons, institutions, concepts) are mentioned, while attribution analysis examines the frequency with which certain characterisations or descriptors (adjectives, adverbs, descriptive phrases, qualifiers) are used. Finally, assertions analysis provides the frequency with which certain objects are characterised in a particular way. In this sense, assertions analysis involves combining the previous two forms of analysis - designation and attribution analysis.

Consequently, for purposes of this research, semantical content analysis in the form of assertions analysis was employed to understand the attributions of three groups of shoppers concerning their shopping experiences at a retail chain departmental store.

7.2.6   Unit of Analysis

Before the content of a focus group can be analysed, it must be converted into specific units of information that can be examined by the researcher. The definition of the appropriate unit of analysis and its exact organising structure must be driven by both the purpose of the research and the ability of the researcher to achieve reliability in the coding system. In this sense, the reliability of these coding systems must be determined empirically, and in many cases, this involves the use of measures of inter-rater agreement (Stewart & Shamdasani, 1990). In determining a unit or level of analysis, it would be possible to consider each word spoken, a sentence, a sequence of sentences, or a complete dialogue about a particular topic. Subsequently, this research considered a sequence of sentences about a particular topic as the main unit of analysis, as the focus group interviews consist of specific questions asked in relation to a sequence of related topics.

7.3 Findings of the Individual Customer Focus Group Sessions

For purposes of this research, three customer focus group sessions were conducted. Further details of the three sessions are provided in Table 7.1. The first session was held in the afternoon at a city campus of the university; the second session was held two weeks later, in the afternoon at a country campus; while the third session was held about a month later, in the evening at the same city campus as the first session. The purpose of the third evening group was to incorporate interested working participants who were unable to make it to the afternoon sessions. Specifically, the researcher tried to coordinate for an outer-metropolitan focus group session, however, the researcher was unable to recruit enough participants for one session, after several phone call attempts over a period of one month to contact participants from the outer-metropolitan stores. Consequently, it is integral that the difficulties in recruiting participants for a focus group session be highlighted (see section 4.5.2.4 for further documentation of the difficulties encountered in this study).

Between the first and the second focus group session, the researcher was able to transcribe the interview and present the transcript, the focus group video, as well as the findings to the Customer Analysis and Research Manager at the retail store head office. The intent of the meeting was to ensure that the focus group session was comprehensively covered and relevant to the retail organisation. In addition, practical implications of the findings were discussed, hence ensuring content validity. No further changes were made to the moderator guide (see Appendix 4.6 for moderator guide) nor to the facilitation process, as no problems with the conduct of the focus group session were detected. Consequently, the same procedure was adopted for the second and third focus group sessions. The findings of these three sessions are discussed in subsequent paragraphs in this section.

Table 7.1 Details of the Focus Group Sessions

Date	Number of Participants	Location	Duration	Observer	Note taker
02.05.2001	6	City campus	90 mins (afternoon)	1	2
23.05.2001	8	Country campus	90 mins (afternoon)	1	2
03.07.2001	4	City campus	90 mins (evening)	1	1

7.3.1   Brief Introduction

On commencement of the focus group sessions at each location, the participants were briefed on the purpose of the focus group session, which was to provide an opportunity to explore issues relating to the retail service provided by the retail store studied in this research. Next, some housekeeping rules were explained, including the role of the moderator, the presence of the recording equipment as well as any observers or note takers in the room. Following, participants were briefed on the confidentiality of comments and individual opinions, and finally, a brief get-acquainted session took place as a warm-up session. In order to ensure anonymity and confidentiality of findings, the names of the participants were not identified in this research.

7.3.2   Background of the Participants

Out of the nine participants recruited, six turned up for the first city focus group session, one male and five females. Subsequently, this group of participants will be referred to as

Group 1. Four of them were frequent shoppers at the East Burwood store, and one each from the Chadstone and Southland stores. A demographic breakdown of the participants is provided in Table 7.2.

Table 7.2 <u>Demographics of Participants (City – Group 1)</u>

Gender	Age	Occupation	Frequency of Shopping	Percentage of Total Retail Purchases	Shareholder (Y/N)	Fly Buy (Y/N)	Walking Distance to Store (Y/N)
Male	57	Network Controller	>10 times in past 12 months	60 % in past 12 months	N	Y	Y
Female	33	Tutor	>10 times in past 12 months	20 % in past 12 months	Y	Y	N
Female	59	Teacher	>10 times in past 12 months	40% in past 12 months	N	Y	N
Female	46	Medical Secretary	3 - 5 times in past 12 months	20% in past 12 months	N	N	Y
Female	66	Retired	>10 times in past 12 months	60% in past 12 months	Y	N	N
Female	64	Retired	>10 times in past 12 months	80% in past 12 months	N	N	Y

On the other hand, all of the eight participants recruited turned up for the country focus group session, one male and seven females. Subsequently, this group of participants will be referred to as Group 2. Four of them were shoppers from the Traralgon store, while the other four were from the Moe store. A demographic breakdown of the participants is provided in Table 7.3.

Table 7.3 <u>Demographics of Participants (Country – Group 2)</u>

Gender	Age	Occupation	Frequency of Shopping	Percentage of Total Retail Purchases	Shareholder (Y/N)	Fly Buy (Y/N)	Walking Distance to Store (Y/N)
Male	48	Boilermaker Welder	>10 times in past 12 months	20 % in past 12 months	N	N	N
Female	29	Library Assistant	>10 times in past 12 months	60 % in past 12 months	N	Y	N
Female	34	Payroll Officer	6 - 10 times in past 12 months	20% in past 12 months	N	N	N
Female	28	Handy Person	3 - 5 times in past 12 months	20% in past 12 months	N	N	N
Female	41	Secretary	>10 times in past 12 months	20% in past 12 months	Y	N	N
Female	62	Retired	>10 times in past 12 months	20% in past 12 months	Y	Y	N
Female	48	Senior Nurse	>10 times in past 12 months	20% in past 12 months	N	N	N
Female	41	Personnel Consultant	>10 times in past 12 months	40% in past 12 months	N	N	N

Finally, out of the seven participants recruited, four turned up for the evening session, one male and three females. Subsequently, this group of participants will be referred to as Group 3. Two of them were shoppers from the East Burwood store, while the other two were from the Southland store. A demographic breakdown of the participants is provided in Table 7.4.

Table 7.4 <u>Demographics of Participants (City – Group 3)</u>

Gender	Age	Occupation	Frequency of Shopping	Percentage of Total Retail Purchases	Shareholder (Y/N)	Fly Buy (Y/N)	Walking Distance to Store (Y/N)
Male	28	Furniture designer	6 – 10 times in past 12 months	20 % in past 12 months	N	N	N
Female	54	Demonstrator	>10 times in past 12 months	20 % in past 12 months	N	Y	Y
Female	56	Customer Service Trainer	>10 times in past 12 months	40% in past 12 months	N	Y	N
Female	26	Retail Manager	>10 times in past 12 months	40% in past 12 months	N	N	Y

7.3.3   Reasons for Shopping at the Retail Store

The corresponding summary of responses with respect to each question posed during the focus group session is presented below, in their respective sequence, with responses from the city store (Group 1) presented first, followed by responses from the country store (Group 2), and finally, responses from the city store (Group 3). In order to ensure anonymity and confidentiality of findings, the retail store that participated in this research study is subsequently referred to as retail store XYZ.

- When would participants go to retail store XYZ as opposed to other stores?

Participants shop at the city store (Group 1) for a variety of products, such as automotive products, children's clothes, underwear, toys, basics, household and kitchen utensils, hands free phone, fax machine, cosmetics, and stationary. One participant mentioned that having a shareholder card helps and that she feels that the store is looking after her nicely with its value-for-money prices. Two participants identified convenience as a factor, as they lived within walking distance to the East Burwood store. Another participant mentioned that she would only patronise the store when she knows exactly what she wants from the store. Finally, one participant (female, 64 years old, retired) mentioned that, "Anything that I want to buy I would try retail store XYZ first, purely because it is very handy. If you can't get it at retail store XYZ, you can't get it anywhere else…that's how I feel."

On the other hand, participants shop at the country store (Group 2) for a variety of products, such as shoes, kitchen goods, chinaware, garden needs, stationeries, clothing, underwear, children's clothes, and toys. Another participant mentioned that she goes to the store when she needs specific merchandise from the store. In particular, one participant mentioned that the retail store is always second on his shopping preference list, and he only goes to the store when he cannot find the things he needs anywhere else, as reinforced by his comment (48 years old, boilermaker welder), "I always prefer to support the local businesses in the area, and I would only go to retail store XYZ when I cannot find what I need at the local stores."

Consequently, participants from the city store (Group 3) shop at retail store XYZ for a variety of products, such as garden/nursery plants and equipment, music, automotive products, underwear, toys, basics, linen, household and kitchen utensils, cosmetics, hair care products, and stationary. Two participants identified convenience as a factor, as one of them lived within walking distance to the East Burwood store. In addition, one of the participants (female, 26 years old, retail manager) remarked, "It is very convenient, you get everything all under one roof, rather than going to many different shops." Finally, another two respondents mentioned that they only go to retail store XYZ for plain browsing.

- What affects participants' buying behaviour at retail store XYZ?

For the city store (Group 1), most of the participants agreed that price is a major factor in predicting their buying behaviour at the retail store. One participant remarked that service is also very important to her, as she disliked the long queues in the audio section at the Southland store, and it has been fairly impossible to find someone to help her with her queries there. Furthermore, the participant (46 years old, medical secretary) mentioned that "...something like games – Game Boy, things like that at the audio department, you can't have it at the counter, you have to stand in the queue...and with one person serving at the counter...your queries can hardly be answered, hence I ended up in specialised place for audio goods as you cannot find help in any other departmental stores." Finally, another participant mentioned proximity to the retail store as a major factor, as reinforced by her comment (59 years old, teacher), "...the proximity to retail store XYZ ...and I hold a shareholder card, and this makes a bit of difference."

Similarly, for the country store (Group 2), most of the participants agreed that price is a major factor in predicting their buying behaviour at the retail store. In addition, the quality of the merchandise is also an important factor. Another participant mentioned the long queues at retail store XYZ is a major factor, and she will often check the queues before going into the store, as suggested by the participant (41 years old, personnel consultant), "Before even entering the store, I would look at the queues, and if the queues are long, I would rather drive five kilometres down the road to another retail store which I know will have a more efficient queuing system." Finally, most of the participants agreed that certain merchandise sold at retail store XYZ are cheaper and more value for money, as compared to merchandise sold at other local stores.

Again, for the city store (Group 3), most of the participants agreed that price is a major factor in predicting their buying behaviour at retail store XYZ. In particular, two participants usually go to the store with a set idea or a list of what they would like to buy, as supported by one of the comments made, "You see, I go to retail store XYZ when I have a specific thing in mind...and I could walk in with a list of what I want and I rarely do browse. I go in, get what I want, and come back out" (female, 26 years old, retail manager). In addition, they felt that retail store XYZ provides value-for-money products and services.

- Do participants use services at retail store XYZ (i.e., photo processing, lay buy, home delivery)?

Some of the participants at the city store (Group 1) used the photo processing service, and they think that they were good, as suggested by one participant (male, 57 years old, network controller), "I use the photo processing service because they're close ...this store where I am at [East Burwood], that's a specialised photo shop next door, but I haven't tried them, I just go to retail store XYZ, and we've got no trouble and they're good." Occasionally, one or two of them will use the lay buy service, especially during special occasions such as Christmas and Birthdays, which they find really helpful. However, the problem with the long queues at the photo processing counter was highlighted, as reinforced by a comment made by one participant (female, 59 years old, teacher), "The only trouble is that at the East Burwood store they have everything there, cameras, and photo processing, and often, there is a very long queue and that is frustrating." On the

other hand, most participants were not aware of the home delivery service provided by retail store XYZ.

Similarly, some of the participants at the country store (Group 2) used the photo processing service as well. One participant mentioned that she liked the service feature at the photo processing counter, whereby she could view her photos enlarged on a computer screen. With regard to the lay buy service, some of the participants used the service fairly frequently. In particular, the efficiency of service at the lay buy counter was highlighted. A few participants mentioned that they prefer to pay for their products at the lay buy counter instead of going through the checkout cashiers where possible, as one of the participants (female, 28 years old, handy person) commented "The staff at the lay buy counter are more knowledgeable, even if you take your [lay buy] stuff to the checkout counter, they will direct you back to the lay buy counter, so now, I go directly to the lay buy counter, and they are usually more efficient."

For the city store (Group 3), two of the participants used the photo processing service at retail store XYZ, and they agreed that they were good. One of the participants mentioned that she liked the shadow box facility at the photo processing counter whereby staff can check negatives to ensure that customers have the right negatives. As reinforced by her comment (54 years old, demonstrator), "They are excellent, they checked my negatives although I've got them written down properly, they were very thorough, makes you feel you're being looked after." However, another participant complained about the one hour processing service, and that on two occasions, she was unable to have her negatives developed within an hour, as displayed on the one hour sign. The participant (56 years old, customer service trainer) remarked, "...but they did not mean an hour at all, they meant an hour if there was nobody [customers] around there at that time, and I couldn't buzz in and out like I was going to...so I haven't used that since then." On the other hand, participants agreed that the photo processing service was relatively cheaper than the normal processing they get outside. Finally, most participants did not use the lay buy service and they were also not aware of the home delivery service provided by retail store XYZ.

7.3.4 Service Provided by Retail Store XYZ

• What are participants' likes and dislikes about shopping at the retail store?

The critical incident technique discussed in section 4.5.4 was used in this section of the focus group interview. In particular, customers were asked to recall specific incidents that they perceive or remember as unusually positive or negative. A summary of participants' likes (i.e., positive experiences) and dislikes (i.e., negative experiences) about shopping at the retail store is presented in the following tables. Tables 7.5 and 7.6 relate to the city store (Group 1), Tables 7.7 and 7.8 relate to the country store (Group 2), while Tables 7.9 and 7.10 relate to the city store (Group 3).

Table 7.5 <u>City store (Group 1) - Likes</u>

• Good pricing	• Checkout service
• Free and safe parking	• Polite and friendly checkout staff
• Operation hours (24 hrs)	• Caters to the mid – low range market
• Consistency in service across stores	• Exchange policy
• Service counter at the front	• Reasonable range of products
• Bar code self-check stations	

With reference to customer service provided by retail store XYZ, participants felt that timing is very important. As one participant (female, 66 years old, retired) mentioned, referring to customer service at the camera counter, "I must have been lucky because the day I bought my camera, there was a young man [staff] there as well, and he was looking after the other customer...so probably my timing was lucky, as I received good product advice and was looked after properly." Moreover, in relation to the issue of good pricing, one participant (female, 33 years old, tutor) mentioned, "I would go to retail store XYZ because I already know that there is a good product and I've seen the prices cause I've done the research." Referring to the checkout service, one participant (female, 66 years old, retired) responded, "If the checkout operation is not checking at that time, they will go to the front and they will say come this way and that's helpful...I like it, cause it makes you feel that they [retail store XYZ] are watching their staff and training their staff, but maybe I got it wrong...I don't think so." Finally, one participant (female, 59 years old, teacher) reported, "The service at the front, they are fabulous. They must be trained in a

way...I've been in the store about an hour and there is this skateboard that I would like to get for my grandson just on Christmas day...the skateboard was faulty, and he was so disappointed...and I took it back to the store, they [the salesperson] put batteries in it, they tested it, they spent a lot of time giving me customer satisfaction."

Table 7.6 <u>City store (Group 1) - Dislikes</u>

• Quality of products	• Tall aisle
• Layout – like a maze	• Different layout every week
• Hygiene at lollies bar	• Dry garden plants
• Lacked product knowledge	

On the issue of product quality, one participant (male, 57 years old, network controller) remarked, "I guess I always regarded retail store ABC [competitor store] to be more upmarket than retail store XYZ, but also on quality...I find that the clothes from retail store ABC are of better quality than retail store XYZ...yes, you pay more for them." In response to this statement, another participant (female, 33 years old, tutor) commented, "But then you pay more for the quality also, it's depending on why we would go to retail store XYZ and what we would like to get from it, compared to what we would get from a more upmarket store, and whether it will *stay* that way." Referring to the dry garden plants in the store, one participant (male, 57 years old, network controller) mentioned, "I find that...because we are gardeners, we tend to buy our plants from retail store XYZ, however, on most occasions, we don't get good quality plants. We were there one day, and the plants were a bit croaked, and needed some water, and we bought some and we were going through the checkout counter and we told the staff that the plant is a little bit dry, and he went...oh, you're the third person to say that...well I shouldn't be the third person, I should be the first." In addition, with reference to the issue on lack of product knowledge, one participant (female, 46 years old, medical secretary) commented, "I would want to feel that the people at the store...they know about their products, and that they are people you can go to, and not just salespeople who take you around the store or take you to the counter, but they can actually advise you on the pros and cons of each product...it's like when you go to a smaller store, and you know that because they only deal with this, they know their product...I don't get this feeling when I go to retail store XYZ." Finally, relating to the issue on store layout, one participant (male, 57 years old, network controller) mentioned, "I do not mind if they have a different sort of layout at the store, so

that when you go back the next week, it's the same layout and when you want something...and when you find someone [salesperson] and ask them where it is, they'll say it's just there (points to the floor)."

Table 7.7 <u>Country store (Group 2) - Likes</u>

• Good pricing	• Checkout service
• Well trained employees	• Polite and friendly checkout staff
• Lay buy service	• Caters to the mid – low range market
• Range of clothes sizes	• Exchange policy
• Value for money	• Range of products

Relating to the issue on the range of clothes sizes, one participant (female, 29 years old, library assistant) remarked, "Retail store XYZ has a wide range of clothes sizes, and this is the only place where I can get clothes my size, however, the range is growing smaller now...they used to have four to five racks of clothes for bigger women, now, they have only two." In addition, participants agreed that retail store XYZ offers a wide range of products. Referring to clothes again, one participant (female, 41 years old, secretary) mentioned, "You can get the same pink tee shirt in nylon, cotton, or polyester, at the same low price, so if you cannot wear polyester, you can get the same tee in nylon or cotton." Furthermore, a widely agreed on issue is the superior exchange policy offered by retail store XYZ. With reference to this, one participant (female, 34 years old, payroll officer) commented, "Because they [retail store XYZ] are very good on their exchange policy, I will often buy something for my kid that I am not so sure about, take it home and try it on...and I know I can bring it back to the store if it doesn't fit...at least it's done at the time when I have time to do it." Finally, one participant (female, 48, nurse) remarked, "Retail store XYZ offers pretty much good pricing and pretty much...say if I want something, they can deliver it at a value-for-money price."

Table 7.8 <u>Country store (Group 2) - Dislikes</u>

• Quality of products	• Checkout service at the cigarettes counter
• Long queues	• Lacked toilet/baby change facilities
• Lacked customer service	• Lack of merchandise (quantity)
• Lacked product knowledge	• Price not labelled on products
• Checking of bags at checkout	• Products placed in wrong rack
• Tall aisles	• Lacked salesperson assistance

With reference to the comment on the checkout service at the cigarettes counter, one of the participants (male, 48 years old, boilermaker welder) remarked, "I hate it when I am in the queue that serves the cigarettes counter as well as the normal queue…on one occasion, I was standing in the queue for more than 5 minutes…and somebody just charge up to the cigarettes counter to make a purchase, and this slows down the queue tremendously as the checkout staff will serve the cigarettes counter first, even though that customer is after the rest of us in the queue. But I know it is not the fault of the staff, as I've spoken to the lady there, and she mentioned that it is management's instructions to serve the cigarettes counter first. If only they can have a separate counter, that makes things easier.". Referring to the issue of checking of bags at the checkout, another participant (female, 41 years old, personnel consultant) mentioned, "I do not like the way they check your bags at the checkout, makes you feel like you've done something wrong. So nowadays, I just open my bag automatically at the checkout, there is nothing there for them to see, just my make up bag. Sometimes, I am worried if I have a new bag of unopened sanitary napkins in my bag, and there is something similar sold in the store…just wonder how you can prove that you actually bought that somewhere sometime ago." On the issue of toilet and baby change facilities, one participant (female, 34 years old, payroll officer) commented, "I was in the store one day and my little one wanted to go [to the toilet], and I was thinking, ok, I'll park my shopping cart at the flowers section, nobody will see it, and when I come back, there was this guy placing things back on the rack, and I thought…hey, that was my shopping…it's just so frustrating, when you need someone, they are not there, when you don't need them, they appear everywhere." Relating to the issue on tall aisles, one participant (female, 29 years old, library assistant) remarked, "Layout is very important to me and I've stopped going to retail store XYZ a lot because of the layout…I get very frustrated and I hate that big tall aisle, and I hate that wondering around like I am in a maze…that's why I rather go to retail store EFG [competitor store]." Finally,

referring to the lack of merchandise, one participant (female, 28 years old, handyperson) commented, "Sometimes, when they [retail store XYZ] have a special promotion on a certain item, you can't get it in the store, because they only order like one or two of that item for each store here [country], and you can't place a request on that item, I guess they order in small quantities for the country stores only."

Table 7.9 <u>City store (Group 3) – Likes</u>

• Good pricing	• Polite and friendly checkout staff
• Availability of parking	• Value-for-money products/services
• Operation hours (24 hrs)	• Exchange policy
• Consistency in layout across stores	• Good quality products
• Checkout service	• Reasonable range of products
• Door greeters giving directions	• Good garden section

With reference to the issue on consistency in layout across stores, one participant (female, 26 years old, retail manager) mentioned, "One thing I like about it [retail store XYZ] is that all the stores are laid out exactly the same, and I could walk in to you know…a Chadstone store, and then to another store, and pretty much, everything has similar areas…hence I can actually pick up a product I want without much hassle." Commenting on the variety of the garden section, one participant (female, 56 years old, customer service trainer) mentioned, "I am usually stuck when I see the orchids at the plants section. I might be thinking of something and it looked so beautiful, a big pot…especially when they have it set up on the front on the left when I go in…I don't do it at other stores, I do it in that garden section…they have such a good variety of products there." On the issue of asking directions from door greeters, one participant (male, 28 years old, furniture designer) suggested, "When you first walk into the store, there is someone there [door greeter], and if you think ahead of what you would like to get, you can ask that person there, and they are usually very helpful in giving directions, or getting someone to help you if you need assistance." Finally, on the exchange policy of the store, one participant (female, 54 years old, demonstrator) remarked, "We get all our electrical appliances from there [retail store XYZ], and if we have any queries about the price or whatever, they will take them and change them or whatever. And I've got a retarded son, and I buy his clothes there, and they will always take them back, and exchange them, no questions asked, as long as you have the price tag still on them, that is no problem at all."

Table 7.10 <u>City store (Group 3) - Dislikes</u>

• Signs above the store	• Layout of signs in-store
• Lacked product knowledge	• Run out of stock
• Lack of staff	• Lacked toilets and café facilities

Relating to the issue of signs above the store, one participant (male, 28 years old, furniture designer) mentioned, "Sometimes when I go in there and I do want to find something in particular, the other day, I can't remember what it was...and I couldn't find the actual area it was supposed to be in, and the layout of the sign above the store was quite small...in retail store XYZ, you got to look around above to look at what the signs are, and sometimes, you got to walk around to find the signs." In addition, another participant (female, 56 years old, customer service trainer) mentioned, "I have had trouble finding people at times (another participant agrees), and I have trouble finding signs, because I need glasses for distance, but I don't need them for close up, so I will try and read it but they are small and I had trouble finding people at times, because if there is no one in that area, you don't know quite where to go." Referring to the issue of product knowledge, one participant (female, 26 years old, retail manager) remarked, "One thing I expect is that for the actual service person to know their product in their department...I had an experience when I went in and I was in the right department and I asked a question and the girl there knew nothing about the product at all...and she just said I don't know, and that was it." On the same issue, one participant (female, 56 years old, customer service trainer) elaborated further, "The worst thing is when they say, 'I am here only casual'. Which means, I take my salary, but I don't know anything. I think they [retail store XYZ] should really train people, if you don't know anything, no matter whether you are a casual or not, you find out." Finally, one participant (female, 54 years old, demonstrator) mentioned, "I missed the café a lot, for specific things, I wander for a long time, browsing, and occasionally I would like to sit down. Furthermore, the café is a place to have a cup of coffee. So I really liked that."

7.3.5   Formation of Customer Relationships

The previous two sections covered shoppers' general attitudes and perceptions of their shopping experiences at retail store XYZ. This section elicits more specific information regarding the formation of customer relationships with the salesperson (interpersonal level) and the store (company level).

- Do participants perceive any relationship with the employees of retail store XYZ or with retail store XYZ itself?

With reference to the city store (Group 1), when asked whether participants perceived that there is a relationship with any of the employees at retail store XYZ, some of the participants think it is not possible. Reasons to support that include: going into the store at different times of a day, seeing different people, or that they might recognise the employee, but the employee might not recognise them as they have so many customers everyday.

On the other hand, two of the participants often see familiar faces at the doorway who nod at them as they pass through, and that can be quite a comfortable feeling. This is reinforced by a statement made by one participant (female, 66 years old, retired), "At the East Burwood store, they have two or three door greeters who certainly greet you and say, 'hello, how are you today'…perhaps you get familiar with the store you go to, you feel comfortable." Furthermore, one participant mentioned that top management can make a difference, and that a happy management leads to a happy employee.

When asked whether they perceived that there is a relationship with retail store XYZ itself, the participants mentioned that they shop at retail store XYZ more for convenience. Furthermore, one participant (female, 33 years old, tutor) remarked, "If another store turns out next door with the same products and the same prices, then there is no sense of loyalty, you know, we are out on our own to look after our own interest." In addition, another participant (female, 64 years old, retired) mentioned, "I guess for me, because I shopped there since the week it opened at East Burwood, and because I've always lived in that area, I got to know it [retail store XYZ] and I feel ok with it…I feel that the prices are

always nearly competitive...so I supposed I've built up a relationship with them [retail store XYZ], but simply because I got used to it."

Similarly, when asked whether the country participants (Group 2) perceived that there is a relationship with any of the employees at the country store, five of the eight participants think it is not possible, as the employees at the country store are mostly temporary staff. When asked whether they perceived that there is a relationship with the store itself, again, the participants mentioned that this is not possible.

Finally, when asked whether participants at the city store (Group 3) perceived that there is a relationship with any of the employees at retail store XYZ, all four participants think it is not possible. Again, reasons to support that include: going into the store at different times of a day, seeing different people, and the high number of casual staff at the store. This is reinforced by a statement made by one participant (female, 56 years old, customer service trainer), "Not when they have so many casuals, it is very difficult to find the same person all the time. That used to happen and that is why you went to stores, and there are lots of shops I go to because I know the people. But because they [employees of retail store XYZ] are casuals, you go to the store at different times, you do not see the same person."

On the other hand, one of the participants think that she enjoyed seeing familiar faces at the doorway who nodded at her as she passed through at the East Burwood store, and this made her felt that she knew the door greeter fairly well. Again, when asked whether they perceived that there is a relationship with the store itself, two participants mentioned that they shop at retail store XYZ mainly due to the convenience factor.

- Do participants trust the employees of retail store XYZ or the retail store itself?

All participants from both the city and the country retail stores felt that they would not trust the employee nor the store when it comes to receiving advice on products or services. As suggested by one of the city participants in the first group (female, 33 years old, tutor), "I don't know whether that [trust] applies so much any more...products are so mass produced. You know that the Panasonic cordless phone you buy at retail store XYZ is sold everywhere...so it is not up to retail store XYZ or any individual store to give me a good product there, I know my brands, I know what is available. And so I will shop wherever it is cheapest, or I go and shop where there is Fly Buys, or where there is a

discount card or whatever." In addition, one participant (female, 56 years old, customer service trainer) from the third group mentioned, "Yes, I would go back purely just to see those people who gave me personalised service because I trust them and feels committed to them. There are a couple of stores that I go to now purely because I know those people, they are such good service people, they actually greet people at the door and escort them in...like my chemist at the moment, they know their names, and that was the kind of service you used to get. And nothing was ever too much trouble, the customer is always right and there was never an argument. It is quite different now, especially in bigger retail stores like retail store XYZ."

- Do relational bonds (Fly Buy card, retail store XYZ card, shareholder card) impact on participants' shopping experiences at retail store XYZ?

Coincidentally, a few weeks before the first focus group session was conducted, the retail store in this study introduced their very own store card system in Victoria. Before the store card system was introduced nationwide, Adelaide was the first city to implement the store card system in March 1998. The store card works as a credit card, tracking customers' purchases. In addition, there are no application fees, account keeping, or annual fees involved, and the card offers customers up to 55 days interest free. When asked whether participants are interested in applying for the store card, the participants in all three groups mentioned that they are not interested at all, preferring their own credit or debit card, or having only one centralised card.

Nevertheless, one participant from the city store (Group 1) had a Fly Buy card, however, he felt that his points expire faster than he could keep on with them, as reinforced by his comment (57 years old, network controller), "I've got a Fly Buy card but we find that the points expire faster than we can keep on with them...and I've to throw mine out soon because it's useless...but also, I think Fly Buy is there to help the shop, not to help us...they simply use that to get to the market." On the other hand, another participant made good use of her Fly Buy card, as supported by her (33 years old, tutor) comment, "I had free family portraits on Fly Buys, I've got vouchers...the phone I got was $120, with my discount card and Fly Buy voucher, I only paid $9, so it served me well." However, another participant cannot be bothered to even use it, preferring frequent flier (credit card) instead.

For the country store (Group 2), participants who have the Fly Buy card mentioned that they would not particularly shop at retail store XYZ just to collect points on the card. Participants also mentioned that they would prefer specific Fly Buy promotions or discounts/specials, rather than just having a generic card that collects frequent shopper points. Finally, one participant remarked that he felt that the Fly Buy card is just there for the benefit of the company, not the customers, as reinforced by his (48 years old, boilermaker welder) comment, "These cards are here to keep track of what we purchase, they are not here to help us genuinely."

Finally, for the city store (Group 3), two respondents had a Fly Buy card, and one of them felt that it had been difficult for her to accumulate enough points in exchange for a reward. On the other hand, another respondent made good use of her Fly Buy card, as she received discount vouchers for using her card, as reinforced by her statement (54 years old, demonstrator), "Oh no, I've got free vouchers for shopping on the Fly Buy. So I think it's worth, the Fly Buy have been worthwhile for me, but that is mainly for shopping at retail store LMN [grocery store] rather than retail store XYZ, I supposed."

- Do relational contact (frequency, length of shopping trips) impact on participants' shopping experience at retail store XYZ?

With reference to the city store (Group 1), when asked whether the frequency of their shopping contributes to their loyalty towards retail store XYZ, most participants mentioned the convenience factor. However, some do appreciate that retail store XYZ served that exact niche of the market that they liked, as reinforced by the comment made by one participant (female, 46 years old, medical secretary), "I hope retail store XYZ will not up itself with all its research and its nice layout and its marketing…to do what retail store ABC [an upmarket competitor] have done, and move upmarket. It seems to have evolved."

Similarly, for the country store (Group 2), when asked whether the frequency of their shopping contributes to their loyalty towards retail store XYZ, most participants felt that relational contact does not impact on their loyalty behaviours.

Finally, for the city store (Group 3), most participants mentioned the convenience factor for shopping at retail store XYZ. However, one participant, in particular, mentioned that

she would feel comfortable shopping at a store she had regular contact with than a new store, as she would know her way around the store, and that gives her a cosy feeling, as compared to a new store where she might not be able to find the products she needed. However, on this issue, one participant (male, 28 years old, furniture designer) remarked, "I think if standards slipped, I will move on to a different store or a separate smaller store, I think because the quality is good and there is so much variety there [retail store XYZ], I'll shop there. I think that's for me, and if the quality isn't as good, I won't hesitate not to go there."

7.3.6   Recommendations for Improving Service at Retail Store XYZ

- What type of improvements would participants like to see at retail store XYZ?

Participants in Group 1 would like to see more product knowledge, more personalised customer relationships, less standing in the queues, chairs in between the aisles, and more parking at retail store XYZ, specifically the East Burwood store. Commenting on the idea of putting chairs in between aisles, one participant (female, 66 years old, retired) mentioned, "My neighbour is 80 years old and she can't walk that far...so with more seats like putting some chairs in the store, she might be able to visit the store occasionally and she might buy something."

Relating to the country store (Group 2), participants would like to see more product knowledge, more personalised customer relationships, less standing in queues, more follow-up service on items not available in the catalogue, more follow-up service on product knowledge, and aisles within manageable reach. One participant (female, 62 years old, retired) remarked that she held a shareholder card and would appreciate if shareholders could be qualified for further discounts or promotions, as shareholders paid to have a shareholder card. Further, one participant (female, 41 years old, personnel consultant) suggested that there should be a separate queue for the cigarettes counter, as sometimes, it can be quite irritating for customers to stand in the queue and wait while the cashier served the normal queue as well as sell cigarettes to customers in the cigarettes queue. Finally, one participant (male, 48 years old, boilermaker welder) mentioned that it would be nice if there could be a cash only counter, as he felt that the use of cards could slow down the queue considerably at times.

Finally, participants from the city store (Group 3) would like to see more product knowledge, more staff, and better toilets and café facilities. As one participant (female, 56 years old, customer service trainer) commented, "They [the staff] don't have a lot of knowledge, and there are so many more things they could do, especially in the garden area, I hate to keep saying the garden area, but I just think it is so under capitalised. The nurseries have all sorts of things, they have demonstrations, they wouldn't be so hard to do, they have so many special things, and they don't have to be a sit down one, because they don't [retail store XYZ] have the room. But certainly if they have a topic a week, like pruning at the moment, or citrus...at the other garden store [a stand-alone garden store of retail store XYZ]...they have John Patrick, a famous horticulturist, and they have coffee there, and they have an excellent service ... I haven't mentioned this, I have this problem, a knee problem, and I was just about to give up gardening, and the guy at the garden store showed me a whole pile of tools that his wife uses, and he was wonderful, and he totally revolutionised how I did the garden, and he came up for an award. I wrote a letter to the management. So...I haven't thought about that store [retail store XYZ garden store], but I actually lived there an awful lot, and they do terrific things at their garden section and they are very good and knowledgeable, but the East Burwood store is a long, long way behind them."

- Will these improvements increase participants' loyalty to retail store XYZ (repurchase behaviour)?

For the city store (Group 1), one participant mentioned that he would not mind paying more for the extra information on any purchase, as the participant (57 years old, network controller) commented, "If the quality of the service increases, and I knew that it is worthwhile going there, because I will get better information and be happier with my purchase, I don't mind paying more for that, and that is the same reason why I go to the old wine shop versus the new one, as I am happy to pay for the added expertise." However, another participant mentioned that she would prefer retail store XYZ to stay the way it is, as sometimes she is not willing to pay more for that extra service, as reinforced by the comment, "If they are going to up prices and you are not willing to pay for that, then you are not going to have alternatives for the times when you are looking for something cheaper and you do not need that extra service" (33 years old, tutor).

Similarly, one of the country participant (Group 2) mentioned that she would not mind paying more for the extra information on any purchase, and this statement was further supported by her comment, "Even if they [the salesperson] could not answer my question at that time, they should take the initiative to ask for my number and give me a call when they found someone with the expertise to assist me with my query...in that case...I do not mind paying more for that added service" (41 years old, secretary). Finally, another remarked that if retail store XYZ would be nice to customers (providing excellent customer service), they would be happy to spend their money at the store.

Finally, one participant in the city store (Group 3) mentioned that he would not mind paying more for the extra information on any purchase, as he could leave the store feeling happy with getting the product he wanted. As reinforced by his statement, "Yes, I will buy more at retail store XYZ if they provide good product advice, because instead of leaving frustrated and not getting what you're after, which I have sometimes, you leave with the product you want, and you buy it" (28 years old, furniture designer).

7.3.7   Overall Closing Comments

When participants were asked to make some closing comments about what they thought the focus group session was about, one participant in Group 1 mentioned that the focus group helped confirmed his thoughts, and that he is no different from the rest of the group, in terms of his perceptions towards shopping at retail store XYZ. Another participant in Group 1 brought up the issue of managing expectations and perceptions of shopping, while one said that the group gave her an opportunity to voice out her frustrations towards shopping at retail store XYZ (referring to the big, tall aisle). Additionally, two of the participants in the first group reported factors such as convenience, value-for-money, middle of the road, and fair pricing.

Subsequently, one participant in the country store (Group 2) remarked that the session clarified in her mind why she used retail store XYZ – when she needed something specific as opposed to when she needed expert advice.

With respect to the city store (Group 3), one respondent mentioned that the main issue of the focus group was on improving the efficiency of staff as well as the product knowledge

of staff. Another respondent mentioned how the group gave her an opportunity to explore the ways different people shop at retail store XYZ. Finally, one participant suggested that retail store XYZ should try to utilise what they have at the store. To elaborate further, she mentioned that the group did not have any complains about the products at retail store XYZ, the only re-emerging issue in the group is the lack of service provided by the store, the availability of service, as well as the inadequate product knowledge of staff.

7.4 Summary of the Customer Focus Group Findings

The previous section presented the individual findings of the three customer focus group sessions. In order to further examine and discuss these findings, it is imperative that a holistic view of these findings be presented. To attain this, a summary of the customer focus group findings is outlined in the following paragraphs.

Participants in this study shop at retail store XYZ due to a variety of reasons, including the convenience factor, variety of merchandise, and value-for-money products. These reasons are related to aspects of the service which are not directly connected with the customers' interaction with employees of the retail store. When shopping at retail store XYZ, price is a major factor in predicting their shopping behaviour. In addition, the quality of service and merchandise are also important factors in predicting participants' shopping behaviour. On a general note, participants in this study liked the fact that retail store XYZ provides good pricing, friendly staff, good exchange policy, and a reasonable range of products. In contrast, participants disliked the store layout, tall aisles, lack of staff training in product knowledge, and lack of salesperson assistance when needed.

With respect to the formation of customer relationships, participants in this study do not perceive that they have any relationship with the employees or the retail store, and this is attributed to the large number of part-time and casual staff employed by retail store XYZ, the different timing in which they patronise the store, and the different employees they meet each time they visit the store. Furthermore, participants do not expect to form personal relationships with employees of retail store XYZ, as they understand that this is fairly impossible due to its large store size and huge store operations. However, some participants do appreciate seeing the same few familiar faces at the front of the store, greeting shoppers as they enter or leave the store. Given the preceding discussion, the

constructs of trust and commitment did not emerge as relevant or significant in the focus group discussions.

When participants in this study were asked of their views with regard to relational bonds (Fly Buy card, store card, shareholder card), most of them mentioned that they did not see the benefits of the use of cards that tie them to the store. Nevertheless, approximately 22% of the participants (4 out of 18) recognised the benefits and advantages of using these cards. In addition, the findings of the focus group sessions supported the contention that relational contact (frequency and length of shopping trip) is mainly influenced by the convenience factor, and the notion of convenience far surpassed their feelings of loyalty.

Finally, participants in this study recommended that retail store XYZ should work on providing more training for staff in the area of product knowledge and customer service. Indeed, participants would appreciate that retail store XYZ employs more staff to assist in its daily store operations. With respect to this, participants believed that these improvements would certainly increase their loyalty towards retail store XYZ and generate more shopping volume for the store.

7.5 Conclusion for Chapter Seven

This chapter presented the results of the qualitative phase of the study – the customer focus group interviews. Accordingly, the data analysis process was described and the background of the participants in the sample was provided. Subsequently, the common themes that emerged across all the interviews were presented in the summary of focus group findings. Following, the next chapter draws on the results presented in Chapters 5, 6, and 7 with a holistic and integrated discussion of the findings as well as relevant implementation guidelines.

CHAPTER EIGHT

DISCUSSION OF F. NDINGS AND THE EXTENDED RELATIONSHIP STRENGTH MODEL

8.1 Introduction

The main purpose of this study was to ascertain the antecedents and consequences of relationship strength in the retail industry. It was proposed that trust would facilitate the development of commitment by mediating the relationship between service quality and relationship strength. The outcomes of relationship strength include overall perceived relationship quality and customer loyalty. The conceptual model was tested empirically and the results of this study provided support for all the 10 research hypotheses. As a result of this study, the knowledge bases associated with services marketing/management, specifically customer relationship marketing/management have been furthered. Greater insight into the development and maintenance of customer relationships has been gained.

Chapter 3 presented the research model developed from the existing literature, along with 10 specific research hypotheses, while Chapter 4 presented the procedures used to test the hypotheses. Chapter 5 examined the descriptive statistics of the research constructs as well as their reliability and validity. Following that, Chapter 6 addressed the 10 hypotheses independently using correlation analysis, regression analysis, and subsequently, the 10 hypotheses were examined simultaneously using structural equation modelling and path analysis. Subsequently, Chapter 7 further investigated the research construct in the Relationship Strength Model through the conduct of three customer focus group interviews.

In this chapter, both the quantitative and qualitative findings from the data analyses presented in Chapters 5, 6, and 7 are synthesised and discussed keeping the proposed theoretical model in mind. This chapter then expands on the discussion of the results by comparing them with previous research described in Chapters 2 and 3. In addition, any extensions of the model that emerged from the data are discussed, while several implementation guidelines for adopting the model are suggested. Subsequently, these

guidelines are presented to a focus group of retail store managers ($N = 8$). Following, the findings of the focus group sessions are examined, and relevant feedback and comments from these managers are further incorporated into a final set of implementation guidelines presented in section 9.5.

8.2 Discussion of Findings

Prior to discussing the results, it is important to review the conceptual framework used in this study (see Figure 3.4). To briefly recap, the constructs in the Relationship Strength Model include perceived service quality, trust, commitment, relational contact, relationship strength, relationship quality, customer satisfaction, and customer loyalty. All the research hypotheses that constituted the Relationship Strength Model were examined in Chapter 6 using correlation analysis, regression analysis, and structural equation modelling. Consequently, based on the modification indices derived from Chapter 6, a Revised Relationship Strength Model was constructed, and the 11 hypothesised relationships within the revised model are further analysed in the following paragraphs.

8.2.1   Hypothesis 1

H1: Perceived service quality is positively correlated with relationship strength

Hypothesis 1 was examined in Chapter 6 using correlation analysis, regression analysis, and structural equation modelling. General support was found for this hypothesis. Specifically, the five dimensions of service quality include reliability, responsiveness, assurance, empathy, and tangibles. Out of these five dimensions, the tangibles dimension had the highest score, with a mean of 5.28 (see Table 5.12). In addition, the tangibles dimension also emerged as the best predictor of overall service quality. Tangible cues in the physical shopping environment of a retail store influence behaviours of customers and modify their expectations and perceptions of service quality (Booms & Bitner, 1982; Shostack, 1977; Zeithaml et al., 1993). In this instance, factors relating to the tangibles dimension are the only visible service quality items, and this makes it easier for customers to identify with when evaluating their perceptions of the level of service provided by the retail store. Hence, before and during the service encounter, customers look for tangible

cues to indicate what to expect in terms of the retail store's capabilities and service performance (Bitner, 1990; Shostack, 1977).

Similarly, findings of the focus group sessions presented in Chapter 7 revealed the importance of the tangible elements of the retail service provided, and this included the variety and quality of merchandise, as well as the appearance, layout, and facilities of the retail store. In a study conducted in the retail industry by Dabholkar et al. (1996) using depth interviews, the appearance of the retail store and its facilities were found to be important to customers. Consequently, further observations from this study suggested the importance of tangible factors such as store layout as well as quality of merchandise, and this provided further support for the findings of this study.

There was a significant and positive regression coefficient between perceived service quality and relationship strength (standardised γ =.06, t = 2.20, p < .05), and empathy (standardised β =.419, t = 7.08, p < .001) surfaced as the best predictor of relationship strength. Empathy has been discussed as similar constructs to customisation and individualised attention (Bitner, Booms, & Tetreault, 1990) as well as personalisation, which included recognition of a customer's uniqueness (Suprenant & Solomon, 1987), use of a customer's name (Goodwin & Smith, 1990), and responding to customer needs (Brown & Swartz, 1989). Indeed, empathy factors are conducive to the formation of relationships in services. These factors are especially important at an interpersonal level as employees play a major role in shaping the service experience due to the inseparability of the interface between the service and its provider. Hence, service encounters or moments of truths relating to the caring and individualised attention that a service provider gives to customers take on added significance. Consequently, understanding a customer's specific needs and having the customer's best interest at heart send a powerful signal to customers as to the quality and performance of the service delivered to customers. Because of the characteristics of retail services, all interactions between the service provider and the customer present an opportunity to portray the firm in a positive – or negative – light, and this inevitably have a major impact on the formation of customer relationships with the employees as well as with the retail store they represent.

Likewise, findings of the focus group sessions in Chapter 7 reinforced the importance of empathy factors such as having polite and friendly checkout staff that provided individual and personal attention to customers, and seeing familiar faces at the doorway nodding at

customers as they pass through. All these empathetic gestures made customers feel comfortable, hence further strengthening their relationships with the employees and the retail store they represent.

8.2.2   Hypothesis 2

H2: Perceived service quality is positively correlated with customer satisfaction

There was a significant and positive regression coefficient between perceived service quality and customer satisfaction (standardised γ =.62, t = 20.57, p < .001). In fact, Kristensen et al. (1999) and Martensen et al. (2000) state that perceived service quality is one of the primary drivers of customer satisfaction. To reinforce this, Taylor and Bullard (1993) and Cronin and Taylor (1992), who conceptualised satisfaction as an aggregate construct, find that perceived service quality precedes overall customer satisfaction.

To further examine this relationship, a multiple regression analysis was conducted between the dimensions of service quality (IV) and customer satisfaction (DV). The results suggest that reliability (standardised β =.202, t = 5.41, p < .001) is the best predictor of customer satisfaction, followed by tangibles (standardised β =.119, t = 3.78, p < .001). Interestingly, responsiveness and empathy did not emerge as significant predictors of customer satisfaction.

Similarly, reliability generally surfaced as the most critical dimension of the five service quality dimensions, based on direct measures of relative importance (Zeithaml, Parasuraman, & Berry, 1990) and importance weights derived from regression analysis (Parasuraman et al., 1988). Indeed, Parasuraman and Grewal (2000) suggest that the provision of reliable service is a core element of service quality. Hence, the best predictor, reliability, reflects mostly "core" components of the service function in the sense that the individual items encapsulate issues associated with the retail store keeping its promise in the delivery of services, showing sincere interest in solving service problems, performing the service right the first time, providing services at the time it promises to do so, and providing accurate product and service information. Therefore, reliability is seen as the minimum "threshold level" of service customers expect from their shopping experience at the retail store, as they would not be prepared to patronise a retail store that may run under

reduced levels of reliability. Broadly conceived, service delivery personnel must avoid unreliable behaviours in order to provide "adequate" service (Parasuraman et al., 1991a) and to protect against customer dissatisfaction. These negative behaviours represent "dissatisfiers" (Johnston, 1995; Wels-Lips, Ven, & Pieters, 1998), and if service providers exhibit any of these behaviours, the service level may fall below what Zeithaml et al. (1991) call the customer's zone of tolerance, below which the customer will be dissatisfied with the service rendered.

Tangibles also emerged as an important predictor of customer satisfaction, probably because issues related to a tangible nature are better linked to consumer memory, therefore tangible elements ultimately gain higher importance in customers' assessments of their satisfaction levels. It is also possible that the tangible effects of service indicate that customers' feedback reflect their medium and long-term memory, and not their instant reactions to recent contacts with the salesperson or the retail store. Moreover, the case of physical evidence draws mainly on predetermined, and not variable levels of satisfaction, since having decided upon the choice of retail store to patronise means customers have, to a large extent, felt satisfied with issues related to physical evidence.

8.2.3   Hypothesis 3

H3: Customer satisfaction is positively correlated with customer loyalty

There was a significant and positive regression coefficient between customer satisfaction and customer loyalty (standardised β =.13, t = 5.58, p < .001). More specifically, the findings indicate that when customers assessed high levels of customer satisfaction, they will make a decision to stay with the retail store, and they will subdue their negative behavioural intentions. This finding is reinforced by past research which found a positive relationship between customer satisfaction and customer loyalty, and that the former led to the latter (Athanassopoulos et al., 2001; Cardozo, 1965; Fornell, 1992; Halstead & Page, 1992; Oliver & Swan, 1989; Rust & Oliver, 1994; Taylor & Baker, 1994; Youjae, 1991).

Consequently, as most firms assume that there is a need to retain customers, it follows logically that satisfaction in relationships with customers is the key to retention. Therefore, there is a belief that satisfied customers will stay in a relationship with the

employees and the organisation they represent (Eriksson & Löfmarck Vaghult, 2000). In order to bring about customer retention, retail stores should seek to develop strategies that enhance positive behavioural responses to customer satisfaction and prohibit negative ones. Some of these strategies can include meeting customers' desired-service levels, proactively preventing service problems from occurring, dealing effectively with dissatisfied customers, solving service problems effectively when they occur, and confronting customer complaints positively and empathetically.

To support the preceding discussion, participants of the focus group sessions mentioned that they would increase their loyalty to the retail store if they attain higher levels of customer satisfaction with the service provided. Therefore, they would not mind paying more as they think it would be worthwhile shopping at the retail store in the long term.

8.2.4   Hypothesis 4

H4: Relationship strength is positively correlated with customer loyalty

There was a significant and positive regression coefficient between relationship strength and customer loyalty (standardised $\beta =.06$, $t = 1.99$, $p < .05$). Clearly, there are obvious benefits to be gained from encouraging the development of strong relationships between salespeople and their customers. These benefits include customer loyalty behaviours such as an increased propensity to remain a customer of the store, and an increase in the likelihood that the customer will say positive things about the store to other people, recommend the store to someone who seeks his or her advice, and encourage friends and relatives to shop at the store. Similarly, it is also the case that the existence of strong relationships at the salesperson level can, through improvements in the customers' perceptions of the store's service quality, enhance the store's overall relationship with the customer (overall relationship quality), thereby contributing to further customer loyalty behaviours (Foster & Cadogan, 2000).

Within the literature, it has been purported that gaining new customers is more expensive than serving present target groups (Barsky, 1994; Heskett, Sasser, & Hart, 1990; Reicheld & Sasser, 1990; Webster, 1994). Consequently, savings from serving a larger share of loyal customers can be invested in further quality improvements in order to meet the

constantly growing expectations of loyal customers, and in doing so, a higher value can be created for these target customers.

8.2.5 Hypothesis 5

H5: Perceived service quality is positively correlated with trust between the exchange partners

The significant and positive regression coefficient between perceived service quality and trust (standardised γ =.81, t = 31.38, p < .001) provided support for Hypothesis 5. Particularly, assurance (standardised β =.254, t = 7.18, p < .001) emerged as the best predictor of trust, followed by empathy (standardised β =.221, t = 7.06, p < .001). Therefore, assurance factors such as being consistently courteous to customers, instilling confidence in customers, having the knowledge to answer customers' enquires, and having the ability to handle customer complaints assist in the establishment of higher levels of trust.

Although having a high level of knowledge is of critical importance, the employee has to also learn how to disseminate the knowledge in a manner that incorporates a significant degree of sensitivity to the customer (Darian et al., 2001). Subsequently, it is important for employees to be continually updated and demonstrate an awareness of new products and services, technical developments, prices, and other variations in the retail store's offerings. In addition, it is essential that employees should be consistently courteous to customers and instil confidence in them. Hence, the customer confronting such an employee will feel more comfortable asking questions about the products or services offered by the store. In a shopping experience, the acquisition of information is likely to be one of the customer's primary objective, and a rude employee can interfere with the accomplishment of the objective. Consequently, customers can view this unfavourably, and this can have a detrimental effect on their level of trust in the employees and the retail store they represent.

Given the preceding discussion, a competent employee with complete and accurate product knowledge creates customer satisfaction, subsequently developing trust of the employee. Furthermore, employees can earn their customers' trust by continually

demonstrating that they have the customers' best interests at heart, that they have the skills required to meet customer needs, and that they can solve customer problems honestly and skilfully (Beatty et al., 1996). Also, employees can develop customers' trust by exhibiting extensive product, merchandise, and fashion knowledge, by using their knowledge of the customer to select merchandise that is right for them, and even by helping them coordinate merchandise purchased elsewhere.

To the contrary, an examination of the focus group findings revealed that the participants in this study would not trust the employee or the retail store when it comes to receiving advice on products or services. One reason could be due to the large size of the retail store, which makes it difficult for customers to establish personalised relationships with the same employee or the same group of employees. Despite this, few respondents mentioned that they do go back to their local stores purely because the stores are smaller in size, hence they were able to establish trusting relationships with the employees and the store they represent. Consequently, the provision of higher levels of service quality definitely helps in the establishment of greater levels of trust in the formation of customer relationships.

8.2.6   Hypothesis 6

H6: Trust between the exchange partners is positively correlated with commitment

The significant and positive regression coefficient between trust and commitment (standardised β =.80, t = 36.03, p < .001) provided support for Hypothesis 6. Previous research has posited trust as a major determinant of relationship commitment (Achrol, 1991; Delgado-Ballester & Munuera-Alemán, 2001; Miettilä & Möller, 1990; Morgan & Hunt, 1994). Morgan and Hunt (1994) point out that individuals prefer trusting relationships; as a result, the parties involved will commit themselves to the organisation as long as they enjoy trusting relationships. Sharing of information and experiences function as ways to demonstrate trust which lead to higher levels of commitment and a better atmosphere for subsequent transactions. Consequently, social exchange theory and the notion of reciprocity lead to a belief that with the presence of trust in a relationship, individuals will chose to respond through commitment to the relationship (Blau, 1964).

The results of this study showed that trust contributes positively to commitment. Specifically, the behaviours and attributes of employees influence customers' satisfaction with their shopping experiences and their level of trust in the employees (Kennedy et al., 2001). Indeed, factors of trust relating to employees who can be relied on to keep their promises, employees who are sincere and honest, employees who put the customer's interests before their own, and employees who are responsible can assist in the development of customer commitment. Moreover, factors of trust such as the ability of the retail store to do what is right for its customers and the retail store's understanding of its customers contribute to the establishment of customer commitment. All these factors of trust are a precondition for increased customer commitment (Miettilä & Möller, 1990).

This hypothesis is further reinforced by findings of the focus group sessions which suggested that customers would go back to a store purely because they received personalised service from the employees and they trusted the employees and felt committed to them. Subsequently, feelings of trust can be gained over time, after customers experienced the service and found it to be trustworthy. Therefore, trust takes time to build and can only be developed after repeat encounters with customers. More importantly, trust develops after an individual puts himself or herself at risk with the partner (Sheaves & Barnes, 1996).

8.2.7 Hypothesis 7

H7: Commitment is positively correlated with relationship strength

There was a significant and positive regression coefficient between commitment and relationship strength (standardised β =.78, t = 24.35, p < .001). The findings in this study indicate that for the establishment of strong customer relationships, it is very important that a customer has a high level of trust in the employee and feels committed to the employee. The importance of commitment in retail relationships is stressed by its strong correlation with relationship strength. With a higher level of commitment, there is also a higher level of obligation to make the relationship succeed and to make it mutually satisfying and beneficial. More committed customers tend to form positive impressions towards the relationship, including different transactions, both positive and negative. Furthermore, since commitment is higher among individuals who believe that they receive

more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received. As a result, these customers tend to exhibit a stronger intention to stay in the relationship than less committed customers, and this implies that the interpersonal relationship is associated with purchase intention over and above the effects that accrue through one's feelings about the store (Macintosh & Lockshin, 1997).

A corollary to the above implication is that customer loyalty to an employee can result in customer defections when the employee leaves to work for a competitor or sets up in competition on his/her own, and this is yet another reason for managers to be hesitant transferring or moving employees too often. Salesperson, personal service employees such as beauticians and hairdressers, and professional service employees such as doctors and consultants, are well known for taking favoured customers with them when they leave to work for another competitor business (Chow & Holden, 1997; Payne, Christopher, Clark, & Peck, 1994). Intuitively, as a customer-contact employee relationship matures, a customer simply relies on his/her liking towards the employee to maintain and continue to build trust and commitment. Thus, trust and commitment are undermined each time an employee is replaced, and the impact of this constant detaching and the subsequent attempts to rebuild interpersonal trust and commitment is a critical issue in the long term (Nicholson, Compeau, & Sethi, 2001). In every new relationship, valuable time by both parties have to be given up, and each time it occurs, there is a chance that trust and commitment towards the employee will not emerge in the new relationship or will be delayed significantly.

Clearly, retail stores should be aware that they are in a potentially vulnerable situation if they rely exclusively on the employee to build a relationship with the retail store. In order to secure a relationship with the retail store, trust building mechanisms such as providing excellence in service quality, superior customer value, and exceptional product quality should be instigated, such that customers feel trust and committed towards both the employee as well as the retail store (Foster & Cadogan, 2000). Although it may be argued that what the retail store seeks is trust and commitment towards the store, rather than the employee, these outcomes are not mutually exclusive (Macintosh & Lockshin, 1997). In this instance, trust and commitment towards the employee could be viewed as an extra bonus to the store, because it creates an additional bond that ties the customer to the store. Thus, employees who are able to engender trust and commitment between themselves and

their customers will be rewarded with fruitful, long-term relationships. As it often costs much more to sell more to new customers than to sell more to existing customers, retail stores that are successful at building trust into their relationships with customers will be rewarded with a loyal base of committed customers.

8.2.8   Hypothesis 8

H8a: Intensity of relational contact is positively correlated with relationship strength
H8b: Frequency of relational contact is positively correlated with relationship strength

The significant and positive regression coefficient between relational contact and relationship strength (standardised γ =.26, t = 11.19, p < .001) provided support for Hypothesis 8. This finding is supported by previous research conducted by Barnes (1997), who found that higher levels of personal contact contributed to a positive emotional tone in the relationship and subsequently to the development of stronger customer relationships. Particularly, in his study conducted in the banking industry, Barnes (1997) found that customers who made more personal visits to their bank branch each month had a closer relationship with their banks, as these customers had greater face-to-face contact with the bank staff.

As previously discussed in Chapter 4, relational contact consists of two factors, namely frequency of contact, which detailed the frequency of purchases the customer made at the retail store, and intensity of contact, which detailed the percentage of purchases the customer spent at the retail store. The results of this study suggest that intensity of relational contact (standardised β =.366, t = 13.56, p < .001) is a better predictor of relationship strength than frequency of relational contact (standardised β =.147, t = 5.43, p < .001). As expected, percentage of purchases should be a better indicator of relationship strength than frequency of purchases, as the true success of customer relationship management results from growing the "share of customer" rather than the "share of market" (Peppers & Rogers, 1995). For example, a customer who shops once a month (low frequency of purchase) at the retail store but spends $5,000 a year (high percentage of purchase) at the retail store profits the organisation more than a customer who shops five times a week (high frequency of purchase) at the retail store but has a total purchase of less than $1,000 a year (low percentage of purchase). Furthermore, a customer who

spends more at the retail store is subjected to higher levels of perceived risk, as the concept of perceived risk is related to costs (Czepiel, Solomon, Suprenant, & Gutman, 1985). The level of perceived risk is higher in high intensity contact service encounter, hence the customer is motivated to seek and develop a stronger relationship with a trusted service provider (Barnes, 1995; Bendapudi & Berry, 1997; Czepiel, 1990).

Interestingly, findings of the focus group sessions in Chapter 7 revealed that the frequency of shopping trips made by the participants is related to the convenience factor, as most of the participants lived within close proximity to the retail store. Despite that, participants of the focus groups mentioned that they felt comfortable shopping at a store which they had regular contact with, however, if the quality of the product or service drops, they would stop patronising the retail store. Therefore, it could be implied that, in general, the more frequent the interaction between people, the stronger their relationship is for one another, provided the relationship was mutually rewarding (Evans, 1963).

8.2.9   Hypothesis 9

H9: Relationship strength is positively correlated with overall relationship quality

There was a significant and positive regression coefficient between relationship strength and overall relationship quality (standardised β =.85, t = 33.48, $p < .001$). As shown in Table 5.22, shoppers in this study have positive perceptions of the overall quality of their relationship with the employees (mean score = 4.26) and the store (mean score = 4.37). This suggests that a customer's overall perceived relationship quality can be governed by the extent, degree, or magnitude of customer relationships.

Indeed, findings of the focus group sessions in Chapter 7 indicated that shoppers valued an immediate greeting from the employees at the doorway upon entering the store. These shoppers like to see familiar and friendly faces at the doorway, as this gave them a comfortable and pleasant feeling, as if they had built a relationship with the employees, and subsequently, the retail store they represent. Accordingly, employees should be sensitive to the desire of customers to be greeted or approached. For example, careful observation of shoppers entering the stores should be undertaken to appraise the incidence of eye contact and other nonverbal cues. This can help the employees ascertain how and

when to approach the customer. These efforts can further strengthen existing customer relationships, subsequently leading to attainment of higher levels of overall relationship quality.

8.2.10 Hypothesis 10

H10: Overall relationship quality is positively correlated with customer loyalty

The significant and positive regression coefficient between overall relationship quality and customer loyalty (standardised $\beta = .12$, $t = 4.73$, $p < .001$) provided support for Hypothesis 10. This finding is reinforced by research conducted by Crosby et al. (1990) who studied relationship quality within the context of selling services and found that relationship quality had a significant influence on the customer's anticipation of future purchase intentions. The authors further comment that relationship quality contributes to a lasting bond by offering assurance that the salesperson will continue to meet the customer's expectations and not knowingly distort information or otherwise subvert the customer's interests. Similarly, research conducted by Bejou et al. (1996) concluded that relationship quality is an important prerequisite to a successful long-term and loyal customer relationship.

To further support this hypothesis, participants of the focus group sessions suggested that they would not mind paying more and maintaining their loyalty to the retail store if the overall quality of the relationship improves. Specifically, participants mentioned that variables that may act to influence the quality of their relationships with the employees and the retail store they represent include the provision of higher levels of service and better product knowledge. For their part, customers shopping for products in a large retail store may find themselves easily overwhelmed with numerous details which may lead to confusion. Hence, customers may well be seeking a straightforward presentation of whatever relevant product information that will help them make a purchase decision. In this instance, employees should be much more knowledgeable than the customer, and they should be eager to explain complex and technical features of the product to customers. Although at times customers may be uninformed, slow to learn, or ask inappropriate questions, employees should consciously be aware that they should not speak to customers in a condescending tone, as this can result in the customer feeling insulted.

8.2.11 Hypothesis 11

H11a: Intensity of relational contact is positively correlated with commitment
H11b: Frequency of relational contact is positively correlated with commitment

There was a significant and positive regression coefficient between relational contact and commitment (standardised β =.45, t = 15.98, p < .001). Specifically, an increased level of relational contact offers greater opportunity for the salesperson to provide enhanced customer service critical to the success of the relationship. Consequently, over time, customers should maintain their commitment towards the relationship unless a service failure occurs. Hence, the higher the frequency and intensity of positive relational contact, the more the customer feels cognitively anchored and positively attached to behavioural acts, manifested in the concept of commitment (Bloemer & Kasper, 1995).

To further examine the two hypotheses, a multiple regression analysis was conducted between the intensity and frequency of relational contact (IV) and commitment (DV). The results suggest that intensity of relational contact (standardised β =.451, t = 17.205, p < .001) is a better predictor of commitment than frequency of relational contact (standardised β =.90, t = 3.45, p < .001). In line with the results of Hypothesis 8, percentage of purchases is a better indicator of commitment than frequency of purchases, and this is reinforced by the discussion in section 8.2.8 on the success of customer relationship management being derived from growing the "share of customer" rather than the "share of market" (Peppers & Rogers, 1995).

8.3 Extensions to the Relationship Strength Model

Unlike previous studies of relationship marketing, the present study provides a theoretical framework of relationship strength that includes several antecedents (service quality, commitment, relational contact), mediators (trust and customer satisfaction), and consequences (overall perceived relationship quality and customer loyalty). To date, none of the studies previously conducted in the area of relationship marketing have focused on attempting to identify such relationships. The Relationship Strength Model, formed based on a review of the literature discussed in Chapters 2 and 3, is not only proposed, but is empirically evaluated and revised in the quantitative and qualitative phases of the study.

Having discussed both the quantitative and qualitative findings of the study and comparing them with previous research, attention now turns to a discussion of further extensions to the Revised Relationship Strength Model. Consequently, various related constructs that emerged from the preceding findings could be incorporated into the Revised Relationship Strength Model in order to improve the diagnostic value of the model, and these constructs are discussed in the following sections.

8.3.1   Firm Image

Grönroos (1984; 1990c) defined firm image as how customers see and perceive a firm. The author further proposed that customers' expectations of services and their evaluation of services received are influenced by their view of the company. A positive image of a service firm will cause a customer to find excuses for a poor service performance and a negative image will be very difficult to overcome no matter how good the service is performed. These positive and negative views of a service firm will impact on customers' expectations and their propensity to patronise the service firm (Clow, Kurtz, Ozment, & Ong, 1997). Specifically, in a cross tabulation conducted in section 5.2.5 between image of the retail outlet and relationship strength and customer loyalty respectively, 70.0% of the respondents who chose image as a reason for shopping at the retail store rated relationship strength highly (5, 6, or 7 on a 7 point Likert-scale), while 30.7% of the respondents rated customer loyalty highly. Although image was not operationalised as a full measurement construct in this study, the results do give an indication of the role of firm image in the formation of customer relationships and customer loyalty behaviours. Furthermore, Clow et al. (1997) recommend that regardless of the service industry, firm image is an important antecedent of customers' expectations of service quality. Hence, what customers believe about the firm and how they view the firm have a strong impact on the level of service customers expect from the firm. Given the preceding discussion, the following hypothesis is proposed:

H12: Firm image is positively correlated with perceived service quality

In a study conducted in public services, the reputation or image of the firm was found to influence overall user satisfaction and overall user loyalty (Andreassen, 1994). Due to the impact of firm image on customer satisfaction and customer loyalty, managing firm image

becomes a critical marketing function, as it is difficult to rebuild a firm's image once it is damaged. Indeed, managing firm image begins with firms delivering the promised service to customers. This will create positive feelings of customer satisfaction, and subsequently customer loyalty. Hence, the following hypothesis is advanced:

H13: Firm image is positively correlated with customer satisfaction

8.3.2   Perceived Switching Costs

In many instances, customers develop loyalty to an organisation because of the difficulty of changing to and purchasing from a different firm. These costs, in terms of real and perceived, monetary and non-monetary, are known as switching costs. Switching costs represent any factor that makes it more difficult or costly for consumers to change service providers (Jones, Mothersbaugh, & Beatty, 2000). Some barriers of switching costs include interpersonal bonds, interpersonal relationships, location of the service firm, and attractiveness of competing alternatives. Such barriers are likely to be prevalent in consumer services given their highly customised, personalised, and geographically disperse nature (Zeithaml, 1981). In general, switching costs only become important where there are at least a few viable alternative providers in the market (Lee, Lee, & Feick, 2001). Apparently, due to the competitive nature of the retail industry, the effect of switching costs on a customer's buying process and decision would play a significant role.

From the customer's perspective, perceived switching costs represent the customer's perceptions of time, money, and effort associated with changing service provider (Dick & Basu, 1994). These costs often entail searching costs resulting from the geographic dispersion, and learning costs resulting from the customised nature of service encounters (Guiltinan, 1989). It has been argued that the costs of switching service providers tend to be higher for services than for goods (Gremler & Brown, 1996). As the perceived switching costs of an activity increases, the likelihood of customers diminishing their switching tendencies and engaging in customer loyalty behaviours increases (Ganesh, Arnold, & Reynolds, 2000). In addition, Andreasen (1982; 1985) found empirical support for the effect of high switching costs on customer loyalty in relation to medical services.

Evident from the findings of the focus group sessions in Chapter 7, the convenience or location factor has been mentioned on several occasions throughout the discussion across the three groups. Moreover, participants of the focus groups indicated that the use of the Fly Buy loyalty card also posed as a barrier to switching. In light of the focus group findings, it can be interpreted that location and financial bonds (e.g., Fly Buy loyalty card) have a switching barrier effect on customer loyalty. Therefore, higher levels of perceived switching costs are associated with higher levels of repurchase intentions and customer loyalty behaviours. Hence, the following hypothesis is advanced:

H14: Perceived switching costs are positively correlated with customer loyalty

8.3.3   Perceived Value

The role of customer perceived value is a key strategic variable to help explain repeat purchase behaviour and brand loyalty (Patterson & Spreng, 1997; Payne & Holt, 2001). A detailed exploratory study conducted by Zeithaml et al. (1988) found that consumers tended to interpret value in several ways, namely: value is equated to low prices; value is whatever customers want in a product; value is the quality customers receive for the price they pay, and value is what customers get for what they give. Overall, Zeithaml (1988, p. 14) defined these consumer-based definitions of perceived value as "the consumer's overall assessment of the utility of a product (or service) based on perceptions of what they received and what is given." Particularly, in a cross tabulation conducted in section 5.2.5 between perceived value and relationship strength and customer loyalty respectively, 37.3% of the respondents who chose value as a reason for shopping at the retail store rated relationship strength highly (5, 6, or 7 on a 7 point Likert-scale), while 24.3% of the respondents rated customer loyalty highly. Although the results exhibited fairly low percentage levels, the role of perceived value in predicting the diagnostic significance of the Revised Relationship Strength Model should not be ignored.

Value is an abstract concept with meanings that vary accordingly to context (Sweeney, Soutar, & Johnson, 1997). In addition, consumer perceptions of what is given (costs) and what is received (benefits) vary from one consumer to another, hence overall perceived value represents the trade-off between total costs and benefits (Gould-Williams, 1999). It has been suggested that customers will favour service providers that maximise the utility

from quality minus the disutility from the price (Zeithaml, 1988). Perceptions of value are not limited to the functional aspects but may include social, emotional, and even epistemic value components (Sheth, Newman, & Gross, 1991). Nevertheless, the most popular conceptualisation of value in marketing is a functional one, whereby value is defined in terms of quality performance and price (Sweeney et al., 1997).

Within the retail context, consumer perceptions of value have been proposed as an antecedent variable to willingness to buy and purchase intentions (Baker, Grewal, & Parasuraman, 1994). In addition, Dodds et al. (1991) posited that value involves a trade-off between perceived quality and perceived sacrifice that results in a positive linkage between perceived quality and perceived value. These authors reported empirical findings that indicated strong support for their hypothesised positive linkages between perceived quality and perceived value. As an antecedent to value, perceived service quality addressed the "benefits" in the service delivery process (Zeithaml, 1988). Therefore, value can be seen as the key linkage between cognitive elements of perceived service quality and customer behavioural intentions. Hence, the following hypotheses are proposed:

H15: Perceived service quality is positively correlated with perceived value

H16: Perceived value is positively correlated with customer loyalty

Consequently, Spreng et al. (1993), Strandvik and Liljander (1994), and Cronin et al. (2000) argue that value should be posited as a direct antecedent of customer satisfaction. In an empirical study conducted by Patterson and Spreng (1997), perceived value was found to significantly impact customer satisfaction. Therefore, the following hypothesis is advanced:

H17: Perceived value is positively correlated with customer satisfaction

8.3.4   Perceived Risk

A customer's perceived risk in acquiring a service is a function of the uncertainty which he or she has about the outcome of a given course of action, and the consequences associated with alternative outcomes (Cunningham, 1967). Perceived risk is related to

cost and reversibility (Czepiel et al., 1985) and the level of perceived risk increases as the probability of negative outcomes increase and as the adverse consequences of the negative outcomes increase (Swan & Nolan, 1985). Consequently, risk may involve possible social consequences, financial loss, physical danger, loss of time, or ineffective performance (Cunningham, 1967; Kaplan, Szybillo, & Jacoby, 1974). In situations where perceived risk is high, the customer is motivated to seek and develop a long-term relationship with a trusted service provider (Barnes, 1995; Bendapudi & Berry, 1997; Czepiel, 1990). Hence, to attract prospective customers and maintain market leadership, service firms can focus on reducing customers' perceived risk (Kandampully & Butler, 2001). Indeed, trust plays an important role in terms of reducing perceived risk in extending the scope of the relationship. Trust may be applied because it is the only option available, or it may be employed because it is a cost-efficient mechanism. Hence, it follows that trust can reduce a customer's level of perceived risk more efficiently than other available mechanisms (Selnes, 1998). Therefore, the following hypothesis is proposed:

H18: Trust is negatively correlated with perceived risk.

Specifically, a customer's high risk perceptions are related to the characteristics of the service (i.e., intangibility, heterogeneity, and inseparability) which makes it difficult for customers to evaluate the quality of the service (George, Weinberger, & Kelly, 1985). Therefore, services that are variable in quality and personally important to customers require high purchase involvement (Beatty et al., 1996). As discussed in section 8.2.8, a customer who spends more at the retail store is subjected to a higher level of perceived risk, and under this condition, one would expect the customer to have a stronger relationship with the salesperson. As a result, the following hypothesis is advanced:

H19: Perceived risk is positively correlated with relationship strength

In principle, perceived risk can be reduced by collecting more information, however, in some cases, information is often not available or is too costly to acquire (Selnes, 1998). In order to reduce customers' perceived risk, retail stores could provide adequate external marketing promotions and related communications to customers, introduce the presence of product warrantees or service guarantees, or increase the product and service knowledge of their employees. These mechanisms can help enhance the confidence of customers while simultaneously understanding customers' changing needs (Berry & Parasuraman,

1997). In cases where customers have no other information about the product or the service, they may trust the judgement of the merchandise buyers of a reputable store. Hence, firm image imparts the idea of product testing, the assurance of service, return privileges, and adjustments in case of dissatisfaction (Mitchell & Greatorex, 1989). Therefore, the following hypothesis is proposed:

H20: Firm image is negatively correlated with perceived risk

8.4 The Extended Relationship Strength Model

The Relationship Strength Model was developed based on the literature and tested and revised empirically using the sequential triangulation model of research, whereby a quantitative survey design was used, and then the processes explained by subsequently conducting qualitative focus group interviews (Tharenou, 2000). Based on a discussion of the integrated research findings in section 8.2, the research hypotheses that constituted the revised model were further confirmed. Subsequently, the Revised Relationship Strength Model was further extended with the addition of four new constructs that emerged from the data, and the new constructs include firm image, perceived switching costs, perceived value, and perceived risk. Finally, the proposed hypotheses discussed in the preceding section were incorporated into the Extended Relationship Strength Model, as depicted in Figure 8.1.
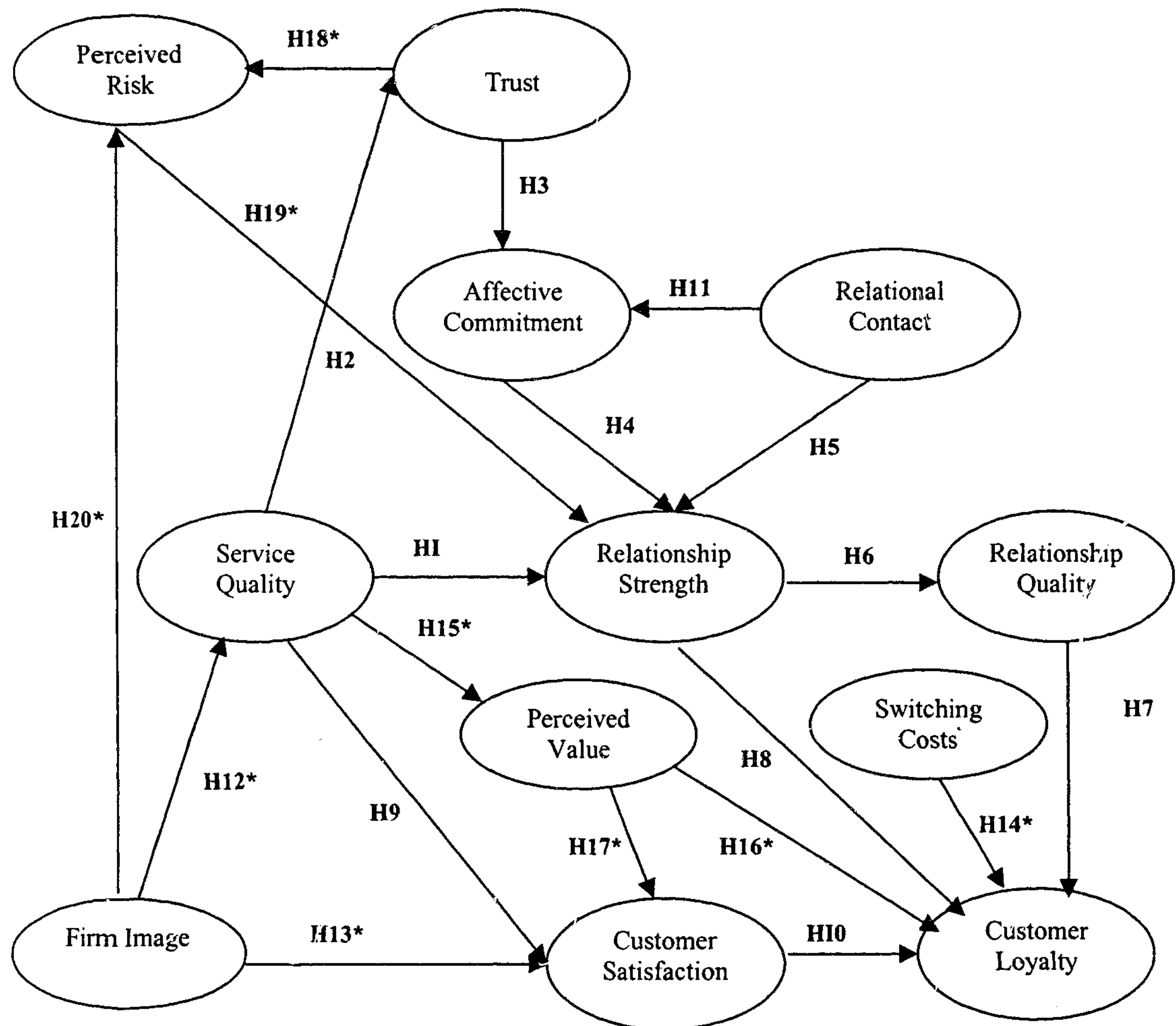
Figure 8.1. The Extended Relationship Strength Model

*Additional hypotheses advanced during data analysis

8.5 Implementation of the Extended Relationship Strength Model

Having presented the extended research model, attention now turns to a brief discussion of several guidelines that can be adopted to effectively implement the model. These guidelines were developed based on the overall findings of the study, in conjunction with the constructs depicted in the Extended Relationship Strength Model. The relevant guidelines to operationalise the extended research model include the following:

- Managers need to effectively manage and exceed customers' expectations of service quality. In order to do so, managers need to understand what service quality consists of, its definition, and how it can be measured.

- Managers should recognise the importance of trust and commitment in the formation of customer relationships. Moreover, managers are advised to emphasise activities and initiatives that promote feelings of affiliation.

- The provision of some sort of service guarantee or return policy may prove helpful in reducing customers' perceived risk. In addition, it is also essential that the retail firm pre-plan and design approaches for service recovery if something were to go wrong in meeting customers' expectations.

- An effective method to retain customers is to deter customers from switching. In order to do so, retail stores can implement a reward program to increase the benefits of membership, which results in loyalty inertia. Moreover, the management of switching costs can be directed towards both loyal and disloyal customers, so that both groups' incentives to consume more products or services at the retail store can be increased.

- Top management should not ignore the critical role they play in enhancing contact employees' service delivery process by setting high performance standards, enabling contact employees to meet these standards, and appraising and rewarding them accordingly.

- Careful screening of sales personnel can ensure a good job fit that will contribute to the establishment of strong customer-salesperson relationships.

- The retention of key employees who develop positive relationships with customers is critical. To attain employee retention, a shared vision can be created early in the firm's overall strategy so that salespersons understand the retail store's direction and their role in the journey.

- Effective human resource training programs could be instilled to help train employees to be more responsive to customers' needs and expectations. In addition, employees should be trained to identify potentially dissatisfying experiences and invoke effective recovery procedures to deal with the situation.

- In order to facilitate the above changes, employees must be empowered by management to do whatever it takes to bring about changes that can satisfy the customer. Empowerment allows employees to be flexible and creative in making decisions and providing solutions that can assist in achieving customers' needs and expectations.

Subsequently, these guidelines were presented to a focus group of retail managers ($N = 8$). Further details of the managerial focus group are provided in the following section.

8.6 The Managerial Focus Group Session

The purpose of the managerial focus group was to discuss the applicability of the various research constructs within the Extended Relationship Strength Model, and to provide relevant feedback and comments on the feasibility and the implementation guidelines of the model. Basically, the method of data analysis employed to analyse the managerial focus group data was in accordance to the preceding procedures adopted in the customer focus group analysis (see section 7.2 for details on the focus group analysis process). Consequently, the reliability of the focus group findings was established, given the high inter-rater reliability figure of .99.

8.6.1   Details of the Managerial Focus Group Session

The managerial focus group session was held in a conference room at the retail store head office on December 11, 2001, at 10:00 am. Eight managers who work mainly in the areas of customer satisfaction, customer service, budgeting, financial support, store operations, store training, marketing, and customer research participated in the session. Due to anonymity and confidentiality agreement with the managers, further demographic details of the managers were not identified in this research.

On commencement of the focus group session, the researcher presented an outline of the research study, the research method, the demographics of the sample, and the research model. This provided the managers with a brief overview of the study. Following, several brainstorming questions and issues for discussion were posed to the group (see section 4.6.2 for an outline of the qualitative instrument used).

8.6.2   Feasibility of the Research Model

The corresponding summary of responses with respect to each question posed during the focus group session is presented below.

- Do you have any comments with regard to the constructs in the model?

With respect to this question, the managers could identify with all the 12 constructs in the model. Not surprisingly, the managers have implemented several relationship-building activities to establish and nurture long-term relationships with customers. The specific tactics and/or programs used reinforce the importance of the 12 constructs proposed in the Extended Relationship Strength Model. Specifically, one of the [marketing] managers mentioned that it is definitely helpful for managers to have such a comprehensive model. As suggested by the manager, "What you see is that there are a lot of elements that affect customer relationships and loyalty, so sometimes when you sit back and then you are building a business model, and sometimes you do not think about every single one of them, but you are actually focused on a few of them, potentially because some of them are weighted." Overall, the managers recognised the broad potential of customer relationship management and appreciated the usefulness of a model that guides the implementation of relationship-building practices.

- Is the model applicable to a real life retail store?

Interestingly, there are three specific constructs in the model that are particularly applicable to a real life retail store scenario, and store managers tend to relate to these constructs really well. The three constructs include: (1) firm image; (2) value concept, and (3) relational contact. Specifically, the notion of a good firm image can be attributed to the return policy of the retail store. As a [training] manager commented, "A good firm

image represents the fact that the return policy really drives a lot of customer loyalty when they say, yes, if I buy it today, I know very well that I can come back and make an exchange, and if the exchange is not a right size, I can get a refund tomorrow, and chances are that I won't have to do that anyway." In addition, the management team is also well aware of the applicability of relational contact between both their customers and frontline employees, as the concept of relational contact is a term that has resurfaced over and over again in their daily store operations. As suggested by the [training] manager, "...and the staff can tell you that as well, they build a great rapport with customers, they know that they get repeat businesses, and these customers come in knowing that Joe has been serving them paint for the last 10 years and they always go to Joe, or Mary in Manchester. And they built up that relationship, and when we have the stores in turmoil from time to time when we change our approach, our servicing, and the budgets affecting the way they apply their service, many people in the store felt that they have to compromise that, and certainly value for money...we are very aware of our customers' comments."

However, in applying the model in terms of building service strategies, store managers have minimal freedom in terms of developing these strategies, as most service strategies are planned at the corporate level, taking into consideration the geographical divisional structure of the retail store, as well as the need to ensure consistency in service across the various store outlets in Victoria. As reinforced by a comment made by a [customer satisfaction] manager, "I guess the service strategies are set for them [the store managers], but they run their own shots with their ability to affect how they deliver them with their teams within the store structure and budget." Hence, store managers are given adequate autonomy and flexibility at the store level, to personalise and customise specific aspects of their service delivery to their target customers' needs, wants, and preferences.

- Applying this model to your operations strategy, what do you think would be captured by the model, and what would not be captured?

Specifically, the managers felt that the model would certainly capture some of their operations strategy. Particularly, the managers have been involved in a range of efforts designed with the intention of evoking customers' emotional responses to make them feel good about their shopping experiences and to make them feel warm and cosy in their relationship with the retail store. As such, one [customer research] manager suggested, "I think that trust, commitment, and relational contact would be heading towards relationship

strength. I think that trust is about much more than just establishing relationships, trust is about when I go in to buy an iron, I will have a good range to choose from and these items would be a good price and that they will work...all these would come under trust, and that would certainly build the relationship strength." To this end, the managers seemed to be working on customers' affective commitment (i.e., emotional attachment to the service provider) as a drawing point for building and maintaining customers' willingness to remain in a relationship with their service providers and the retail store they represent.

When asked what operations strategy would not be captured by the model, the difficulty in defining the service element and delivering the promised service emerged as focal issues. Although most service organisations often expressed the belief that delivery of quality service is essential to building and maintaining customer relationships, the essence of mutually satisfying relationships actually comes from effective delivery of the promised service. Similarly, as one of the [training] managers commented, "I guess the difficulty is with defining the service quality construct, and certainly value for money is where we are going, that is a very strong component. However, what is service? Service isn't one-to-one service, service is having the shop opened, service is having a hosts of things outside one-to-one contact with people, and for the type of store that we are, there is a debate of whether we should have one-to-one service in our store. Because if we have the right price on the shelf, clearly labelled, clearly ticketed, and customers can get through the registers fast, really why do I need to speak to anyone else, because we are a self-service store, so some of that is incorporated into our strategies, but like I said, there is still an opportunity to build a rapport with customers, it does increases loyalty and it brings about business, but for the majority of our customers, the first thing they think about is whether they can get value for money and whether they can get the products on the shelf at the right price, I think, before any other service components come up."

With reference to the preceding discussion, another [marketing] manager mentioned, "To also compensate a little bit on the service quality element and to help define that is to concentrate on the trust component. Retail store XYZ has worked very hard in getting some suppliers of national brands so that customers feel confident that they are buying reasonably good brand, so although there isn't really a one-on-one service, they are able to actually increase the perception of that, by offering national brands. So, that sort of focuses on that trust element, so I guess that reduces perceived risk. For example, if there isn't someone who is able to help them, perhaps, they would be familiar with, say Dulux

being a national brand, they might buy that product because they feel that they can trust it." As exemplified, the concept of trust is particularly relevant in defining the service element, because customers often do not buy services *per se*, rather, what they buy are implicit and explicit promises of the service. Therefore, customers must trust service providers before they are willing to pay for promises, and given that, trust should be an important element of any relationship-building program.

- Are these constructs covered in your training programs?

Retail store XYZ has a customer service training program that covers the basic training in customer service, such as cultivating employees' interests in customers, training employees on what appropriate levels of service to deliver, motivating employees to enjoy stronger relationships with customers, etc. These relationship-building practices are designed to support the frontline employees who serve customers. While this training program may be a broad view of customer relationship-building, it recognises the important role that employees play in the service delivery and customer relationship management processes. In addition, to reinforce their level of basic service expectations, one [customer satisfaction] manager noted, "Retail store XYZ expects its staff to be polite, to be well groomed, to be courteous, because this is just what everyone expects."

- The current focus of retail store XYZ is on reducing costs, do you think you might end up negatively in the development of relationships or the formation of loyalty?

The difficulties and tradeoffs in balancing quality and costs have been widely acknowledged by the management team at retail store XYZ. In relation to balancing quality of relationships and costs, one [customer satisfaction] manager commented, "I think that we are absolutely focused on costs for all the right reasons, but underpinning that is understanding that we need to service our customers, and underpinning that is where we are going and the decisions we are taking...we are very mindful that we might need to change the relationships with some customers, but everything is so far indicating that this won't mean that that will necessary translate into a reduction in sales, so it's understanding that what is most important to our customers, and yes...we are focusing on cost, but we do understand that we are a business to serve customers to make money, so you can go down one path to the detriment of the other if you don't take the other along with you." Clearly, the emergent issue underlying the preceding statement is that the

effective communication of the retail firm's overall service positioning to customers is integral, as customers' expectations can be created and managed accordingly.

8.6.3 Discussion of Managerial Issues and Implementation Guidelines

In this section of the focus group, the managers were presented with some issues for discussion (see section 4.6.2 for an outline of the qualitative instrument used), and the managers were encouraged to comment on the feasibility and applicability of some of the issues. The corresponding feedback and comments on the issues are as follows:

- Managing and exceeding customers' service expectations

The managers perceived that the management of customer expectations is a challenge for retail store XYZ. Clearly, if the retail firm cannot consistently satisfy customers' expectations better than their competitors, other practices of relationship-building are likely to accomplish little. Therefore, the challenge for managers is to communicate effectively to customers, the right service proposition and retail offer, so that customers can understand what to expect. As a [customer satisfaction] manager stated, "It is integral for customers to understand that there are so many broad ranges of retail, you have your reject shops to your high priced speciality stores, and between them, there are so many types of retail, and how you communicate to your customers effectively your point of difference and what they can expect when they come into your store is the challenge for us…and how we communicate that through our marketing, to our customers, which will then allow us to manage their expectations much more accordingly to what their expectations were."

Further, a key issue to managing customers' service expectations is the delivery of the promised service at the promised time. When the service can be delivered reliability and credibility, feelings of trust as a form of security can be formed in the mind of the customer, hence, the customer can be assured that the service delivered will meet his/her expectations. To reinforce the importance of this concept, a [training] manager suggested, "Performing in those areas that we say we will perform in is essential, like if we say we are going to be in stock, then we definitely have to, and if we say we are going to be faster at checkout, then we need to make sure we put in more staff." More specifically, retail

store XYZ builds its customers' trust by keeping its commitment to promises and not over promising (e.g., keeping advertising claims and sales pitches realistic).

In addition, the managers highlighted the importance of personalisation practices at the departmental level. As one [marketing] manager supplemented, "Some departments require more service than others, for example hardware vs. clothing vs. consumer goods, hence not only do we have to define service as a total company, but also the basic service that we provide, and how we challenge and define those other areas too." Therefore, managers have to structure the retail service offer departmentally in order to assign employees the responsibility of serving specific customers, and to empower employees to treat each customer as a unique individual. On this issue, all the managers recognised that personalisation efforts require widespread cooperation between management and employees for maximum results.

- Role of store managers in managing customers' expectations

With respect to the preceding discussion, an important issue that emerged is the role of the store managers in addressing strategies and issues planned at the corporate level. Given the geographical divisional structure of retail store XYZ, the various retail outlets in each suburb are designed to serve different geographical areas. Consequently, the respective store managers can operate within their scope to enhance customers' perceptions of the retail service by providing relevant points of differentiation and augmentation that are meaningful to customers. As one [customer satisfaction] manager mentioned, "Retail store XYZ has 150 odd locations in Australia, with 150 odd different markets, and those stores are situated in geographically dispersed areas. Hence, our store managers have to meet those expectations, and they are different, and when defining our strategies, yes, we want consistency in our offer, when customers go to an outlet in region A, they will get the same offer if they go to an outlet in region B. However, underpinning that too, the store managers have got their local staff, their local customers' needs and wants, and they have a range [of products and services] that may be slightly different to reflect that, so there is some scope for managers to work within the parameters that have been set by what is retail store XYZ. And I think that is when the store managers tend to look at the delivery of the service in their stores and manage customer expectations accordingly."

- Customising the retail offer to the needs of the local market

Retail store XYZ has implemented several mechanisms to customise their retail offer to the needs of the local market. By customising their retail offer, retail store XYZ is treating each customer as a unique individual with a unique set of service requirements, and this creates unique fits between customers and services. Moreover, retail store XYZ constantly collects a range of statistics on demographics in the region, and most of the time, store managers are able to effectively screen and hire staff depending on the needs (i.e., language, culture, lifestyle, etc.) of the target population in the area. To reinforce, a [customer research] manager reported, "Demographics such as income can be easily picked up by store managers, as this may affect their merchandise structure in general. Also, customers in affluent areas might not be interested in price, and we might have sporting goods that may take up higher priced items on the sports range, where people will buy fairly expensive tennis rackets for their children. These basic differences are probably known to most of the store managers."

In addition to the store managers, store buyers also played a major role in customisation of the retail offer. With reference to this, a [marketing] manager noted, "Some buyers are able to identify specific brands that work better in a particular store because they have the right demographics for that brand, and there will be a larger market at that store to meet those needs. And I guess it is getting a balance, the way marketing and promotions are structured and communicated, so there should be an adequate range as well as balance customised to each store."

Subsequently, retail store XYZ recognised that involvement in community events and support for charitable organisations or social causes can generate favourable media publicity and word-of-mouth, thereby helping the retail firm position itself positively in their communities – with the retail firm playing the role of good corporate citizens interested in returning to the communities the support given to them. This is further supported by the comment made by one of the [operations] managers, "Some store managers are very involved in local activities and sponsorships in country towns, as this is a very important thing - to be in involved in the local group."

- Increasing customer value

The managers are aware that customers' perceived value could be enhanced by the provision of services or service attributes that are generally not provided by their competitors. Hence, the underlying idea is essentially to eliminate competition by meaningfully differentiating retail store XYZ's goods and services to the point where other retail stores' offerings are not comparable in the customer's mind. With regard to the issue on increasing customer value, a [customer research] manager mentioned, "The whole idea of value is to look at services being other than people, so when you talk about trust, trust is - I trust the store when I buy these Bonds tee shirts that they are a good price, I trust that retail store XYZ will be giving me value for money, and I trust that they will be here tomorrow and will still serve us, so trust is a much bigger thing than just face-to-face interactions. And moving on to the issue of service quality, value means that if I run into the store, I need to easily get cross the checkout, so I suppose what we'll trying to do here is to understand what make up the total service strategy, and what we are learning from our customers is that it is more than just face-to-face interactions, it is about getting the stock on the shelf at a good price, being convenient, being open, having good brands, having quality, having a good return policy - all of these things make up value."

- Role of top management

The group of managers at the session believed that the role of top management is integral in promoting the service strategy of the organisation, as a supportive top management can help create a facilitative climate of support, trust, and helpfulness. In addition to that, it is important that there are clear messages and signals from the top management about what the retail offer and image is, and what the retail firm seeks to portray to customers. As a [customer satisfaction] manager commented, "I think the major role that a senior management group has is to define the service strategy, you define exactly what your business means, and by defining it, all the bits and pieces making up your business will then work that aim. If the aim is not clear, and there's some skewing of somebody thinking we should be going in one direction and somebody thinking we should be going in a different direction, that's where as you cascade down through the lines in an organisation, you will get some confusion and misinterpretation." Subsequently, the presence of clear lines of command between management and employees can help reduce job tension and ensure consistency in service delivery across the various retail stores.

- Use of research and customer feedback as an analytical tool

The managers at retail store XYZ are recognising the acceleration of marketing research as more of a line function, rather than a staff function. At retail store XYZ, marketing research is being undertaken as part of normal on-going business operations, rather than in response to specific marketing problems or opportunities. Consequently, all the managers agreed that the new direction of the organisation is to focus on research outcomes. As suggested by a [customer research] manager, "We do use research as a very strong analytical tool, we also use it as a major tracking for strategy." Moreover, another [customer service] manager mentioned, "In the past we have done some research, such as quality tracking, and we have built in these findings to some of our merchandising strategies"

Clearly, the availability of better decision tools and decision support systems is facilitating the analysis and implementation of research findings. With that, managers can access internal and external primary and secondary data, analyse them, and make relevant decisions for effective customer relationship management. In seeing the benefits of research as a tool for effective customer relationship management, a [customer satisfaction] manager noted, "We do benefit from the feedback we collect from our customers, feedback that comes into our feedback centre is collected, and analysed, and it goes in and it always goes in front of the Managing Director...there are two types of research, you've got your perceptions research, and you've got your reality check, and the actual customer feedback is quite regularly placed in front of the top management of the organisation. It is not painting us any new pictures, it runs in conjunction with, and there are very rarely any major differences in what our customers tell us in research and what they tell us in their real life experiences, we know what our opportunities are, but we got to keep making sure that the voice of our customers gets heard."

- Screening and hiring of employees

The managers acknowledged that careful screening and hiring of employees can help ensure a good job fit that can further contribute to the establishment and maintenance of strong customer relationships. However, a [customer satisfaction] manager remarked that the actual screening and hiring process is a very difficult task. On this issue, a [training] manager commented, "Generally speaking, at the store, we try to determine whether the

person is a task oriented or service oriented person, and we ask the person what they are interested in and what they are good at, and we make that screening decision before we hire them and put them in the store, that certainly means identifying what they are good at and putting them in the right jobs."

- Employee retention

With regard to employee retention, retail store XYZ do invest the relevant time, money, and effort to recruit, train, equip, and motivate their frontline employees. The managers strongly believed that by establishing frontline employees as a top priority, employees are more likely to enjoy stronger relationships with customers. In particular, the managers recognised the importance of employee retention, especially at the shop floor level. A [marketing] manager noted, "The turnover figures of the employee are different at different levels of the organisation, and certainly in some ways, the retention rates of the shop-floor employees are not what it should be." Furthermore, another [customer satisfaction] manager commented, "It does cost a lot of money to retrain people and get them experienced, and there is certainly an acknowledgement of the issue of employee retention as being important to keep people with knowledge and experience."

- Employee induction

Following the preceding issue on employee retention, one manager highlighted the importance of good employee induction programs. The [marketing] manager commented, "I would say that a good induction program is essential in defining service delivery and relationship-building practices. Although we do run clearly defined induction programs here at retail store XYZ, induction is an issue that I don't hear a lot of people talking about. I certainly believe that induction is very important for a new employee who begins to work for retail store XYZ, and induction definitely plays a critical role in defining the service strategy of retail store XYZ."

- Employee training and development

Retail store XYZ has instilled effective training programs and relationship-building practices that can help employees become more responsive to customers' needs and expectations. The managers agreed that retail store XYZ has done reasonably well in the

area of training and development. To further exemplify this, a [customer satisfaction] manager commented, "I think we do quite a lot of training, certainly with our GST (Goods and Services Tax) program, which made major and significant changes to the way our business operates. I think the way we went about with that was very successful, in that retail store XYZ has very few issues with regard to the implementation of the GST." Furthermore, another [training] manager reinforced, "Well, there are a lot of training on the shop floor, that certainly formalises the shop floor activities, but then in some areas, we have specific training, like Kodak and Dulux training, which involves proper training through the Kodak Lab and the Dulux Academy, and these are paid by the companies. Additionally, the line managers go through considerable training in leadership, team building, occupational health and safety, etc., which are certainly major focal areas that our in-house training concentrates on."

8.6.4   Overall Closing Comments

When participants were prompted for further feedback and comments, a [marketing] manager suggested a future research issue, "It would be interesting to see whether in a different retail environment, will this research model change, and if so, what are the variables that may change." In addition, another [customer satisfaction] manager noted, "Even though we might be able to conduct a tracking study before and after change to ascertain the specific variables that might deviate, I guess the challenge is how to define when change starts and when it is finished."

8.7 Summary of the Managerial Focus Group Findings

The previous section presented the findings of the managerial focus group session. Generally, the findings provided support for the Extended Relationship Strength Model. In addition, relevant feedback and comments were provided with regard to the implementation guidelines proposed.

The managers found the research model helpful, as most of the constructs were applicable to a real life retail store setting. Specifically, the managers highlighted the importance of some of the constructs in the model, namely service quality, firm image, value, perceived risk, trust, commitment, relational contact, relationship strength, and customer loyalty.

Subsequently, the issue of balancing quality and costs as well as the trade-offs involved in the balancing act have been an emerging theme of the focus group discussion.

In addition, several managerial issues were discussed, and these issues include managing and exceeding customers' service expectations, the role store managers play in managing these expectations, the customisation of the retail offer to the needs of the local market, increasing customer value, the role of top management, the use of research and customer feedback as an analytical tool, screening and hiring of employees, employee retention, employee induction, and employee training and development.

Finally, the managers recommended that future research should investigate whether the Extended Relationship Strength Model will change in a different retail environment, and if so, what are the variables that may change.

8.8 Conclusion for Chapter Eight

This chapter presented a discussion of the integrated quantitative and qualitative findings from Chapters 5, 6, and 7. The discussion was further expanded and elaborated in conjunction with the Revised Relationship Strength Model. In addition, any extensions of the model that emerged from the data were discussed and incorporated into the Extended Relationship Strength Model, while several implementation guidelines for adopting the model were suggested. Subsequently, these guidelines were presented to a focus group of retail store managers ($N = 8$). Following, the findings of the focus group sessions were examined, and relevant feedback and comments from these managers were further incorporated into a final set of managerial guidelines presented in section 9.5. Consequently, the next chapter presents a summary of the findings of the three fieldwork phases, the theoretical and methodological contributions of the study, relevant managerial guidelines and implications, as well as limitations and future research directions.

CHAPTER NINE

CONCLUSIONS, IMPLICATIONS, AND FUTURE RESEARCH

9.1 Introduction

The research presented here provides a unique and detailed investigation of how customers form long-term relationships with customer-contact employees and the organisation they represent. This affords a new perspective in customer relationship management research. The findings of this research revealed the role of antecedents and consequences of relationship strength in the formation of long-term customer relationships.

The results and discussion of the research hypotheses were presented in the previous chapters. Chapter 5 examined the reliability and validity of the key constructs in the Relationship Strength Model, while Chapter 6 addressed the relationships between the constructs in the model. Subsequently, Chapter 7 reported and examined the findings of the customer focus group sessions. Chapter 8 provided an integrated discussion of both the quantitative and qualitative findings of this study. In addition, the findings of the managerial focus group session were presented.

In this final chapter, a summary of the findings of the study is provided. In addition, the theoretical and methodological contributions to academic knowledge arising from this study are highlighted. Moreover, the practical usefulness of these results is outlined in a discussion of the managerial implications. Consequently, limitations of the study are explained and justified. Following that, relevant directions for future research are suggested.

9.2 Summary of Findings

This research investigated the antecedents and consequences of relationship strength in the retail industry. Based on the literature, a conceptual model of relationship strength is

proposed. The relationship strength model afforded a framework for firm-controlled antecedent conditions such as the level of service quality and customer satisfaction provided as well as the use of relational bonds and relational contact, and tested their impact on customer trust and commitment. This model then explored, from a customer's perspective, the influence of customer trust and commitment on relationship strength, as well as attitudinal outcomes such as perceived relationship quality and behavioural outcomes such as customer loyalty.

The findings of the study are presented in relation to each of the three major research phases: the quantitative research phase (phase I – mall intercept surveys), and the two qualitative research phases (phase II - customer focus group and phase III - managerial focus group).

9.2.1   Fieldwork Phase I –Mall Intercept Surveys

9.2.1.1 Reliabilities and Validities of the Research Constructs

Exploratory and confirmatory factor analyses were used to identify the dimensions of the constructs in the Relationship Strength Model. For the dimensions that represented the service quality construct, confirmatory factor analysis of the reliability, responsiveness, assurance, empathy, and tangibles scales suggested that the dimensions were unidimensional. However, exploratory factor analysis of the tangibles dimension highlighted two factors of the tangibles dimension, which instigated a revision from the initially hypothesised tangibles dimension. The first tangibles factor described the *appearance* of the employees and equipment, as well as the *convenience* of the service, while the second tangibles factor described the *user-friendliness* and *appeal* of the store and its equipment, facilities, and materials.

Regarding the constructs of overall service quality, commitment, customer satisfaction, and relationship strength, confirmatory factor analysis confirmed that the measures were unidimensional. Subsequently, the constructs of trust and customer loyalty were subjected to further data refinement and reduction through the examination of Cronbach alpha reliabilities, as well as exploratory and confirmatory factor analyses. The data refinement and reduction process resulted in the deletion of two items from the trust scale (items 2 and 3) and three items from the loyalty scale (items 2, 10, and 12). Following this

process, the unidimensionality of the trust and customer loyalty scales were further established.

Evidence of reliability and validity was obtained for all the measures in this study. The Cronbach alpha coefficients and the composite reliability coefficients for all the measures ranged from .86 to .97, and this far exceeded the acceptable level of .70 suggested by Litwin (1995). The content validity of the scales was assumed, as the scales reflected the genesis of the constructs in relevant literature, combined with additional insights provided by senior retail store managers and the use of extensive pretesting. In addition, convergent validity of the scales was confirmed through the use of confirmatory factor analysis, as the confirmatory models all provided an acceptable fit to the data and the t-values associated with the factor loadings were all significant at $p < .001$. Moreover, discriminant validity was established using a chi-square difference test, and all the five pairs of scales with correlation values of above .70 were statistically significant at $p < .01$. Subsequently, the correlation matrices of the constructs provided support for nomological validity, as the majority of the constructs were significantly correlated at $p < .01$. Additionally, none of the constructs had correlation values greater than .80, hence the assumption of multicollinearity was not violated. Finally, concurrent validity of the constructs was established, as the direction and magnitude of the correlations between the constructs were consistent with expectations.

9.2.1.2 Relationships between the Research Constructs

The Relationship Strength Model provided support for all the 11 research hypotheses. Inferences were made from this model given that the model exhibits a good fit to the data. The 11 significant relationships included the following:

- Perceived service quality and relationship strength (standardised $\gamma = .06$, $t = 2.20$, $p < .05$);
- Perceived service quality and customer satisfaction (standardised $\gamma = .62$, $t = 20.57$, $p < .001$);
- Customer satisfaction and customer loyalty (standardised $\beta = .13$, $t = 5.58$, $p < .001$);
- Relationship strength and customer loyalty (standardised $\beta = .06$, $t = 1.99$, $p < .05$);
- Perceived service quality and trust (standardised $\gamma = .81$, $t = 31.38$, $p < .001$);

- Trust and commitment (standardised $\beta = .80$, $t = 36.03$, $p < .001$);

- Commitment and relationship strength (standardised $\beta = .78$, $t = 24.35$, $p < .001$);

- Relational contact and relationship strength (standardised $\gamma = .26$, $t = 11.19$, $p < .001$);

- Relationship strength and overall relationship quality (standardised $\beta = .85$, $t = 33.48$, $p < .001$);

- Overall relationship quality and customer loyalty (standardised $\beta = .12$, $t = 4.73$, $p < .001$), and

- Relational contact and commitment (standardised $\beta = .45$, $t = 15.98$, $p < .001$).

As presented above, two of the relationships, namely: (1) perceived service quality and relationship strength, and (2) relationship strength and customer loyalty, have lower significance levels. Despite that, the overall goodness-of-fit indices of the model provided strong evidence of the robustness and generalisability of the model in an Australian chain departmental store setting.

9.2.2   Fieldwork Phase II – Customer Focus Group

The purpose of the customer focus group was to clarify and extend previous survey findings and to explore the retail service provided by the chain departmental store using the critical incident technique. Three customer focus groups were conducted; two in the metropolitan area and one in country Victoria. A total of 18 shoppers participated in the customer focus groups. The findings from these sessions were transcribed, written up and coded in terms of themes and sub-themes, and semantically content analysed. The composite inter-rater reliability coefficient of the data was computed as .98. This high degree of internal consistency demonstrated the reliability of the findings.

Participants in this study shopped at the retail store due to a variety of reasons, including the convenience factor, quality of service, variety of merchandise, good exchange policy, reasonable product range, friendliness of staff, and value-for-money products. Specifically, participants disliked the store layout, tall aisles, lack of staff training in product knowledge, and lack of salesperson assistance. In terms of the formation of customer relationships, participants perceived no relationship with the employees or the retail store, and this is attributed to the large number of casual staff at the store, the different timing they patronised the store, and the different employees they met each time they visited the store. Furthermore, participants do not expect to form personal

relationships with the employees, as they felt that this is fairly impossible due to the large store size and operations. Despite that, some participants appreciated the presence of familiar faces at the entrance of the store, greeting shoppers as they enter or leave the store. Given the preceding discussion, it can be deduced that the constructs of trust and commitment did not emerge as significant in the focus group discussions.

When participants were asked of their views with regard to relational bonds (i.e., Fly Buy card, store card, and shareholder card), most of them mentioned that they did not see the benefits of the use of these cards. Nevertheless, approximately 22% of the participants (4 out of 18) recognised the benefits and advantages of using these cards. In addition, participants mentioned that their relational contact (frequency and length of shopping trip) with the store was mainly influenced by the convenience factor, rather than feelings of customer loyalty. Finally, participants recommended that the store should work on providing more staff training in the areas of product knowledge and customer service. Indeed, participants would appreciate that the store employs more staff in its daily operations. With regard to this, participants believed that these improvements would certainly increase their loyalty towards the store.

9.2.3   Fieldwork Phase III – Managerial Focus Group

The purpose of the managerial focus group was to discuss the applicability of the various research constructs within the Extended Relationship Strength Model, and to provide relevant feedback and comments on the feasibility and the implementation guidelines of the model. A total of eight retail managers attended the focus group session. The findings from the session were transcribed, written up and coded in terms of themes and sub-themes, and semantically content analysed. The composite inter-rater reliability coefficient of the data was computed as .99. This high degree of internal consistency demonstrated the reliability of the findings.

The managers highlighted the importance and applicability of some of the constructs in the model, namely service quality, firm image, value, perceived risk, trust, commitment, relational contact, relationship strength, and customer loyalty. In addition, several managerial issues were discussed, and these issues include managing and exceeding customers' service expectations, the role store managers play in managing these expectations, the customisation of the retail offer to the needs of the local market,

increasing customer value, the role of top management, the use of research and customer feedback as an analytical tool, screening and hiring of employees, employee retention, employee induction, and employee training and development. Consequently, the managers recommended that future research should investigate the applicability of the model to a range of different retail environments.

9.3 Theoretical Contributions

The major theoretical contributions of this study were the integration of the literature with the formation of a conceptual Relationship Strength Model and the establishment of empirical links between the research constructs proposed in the Relationship Strength Model. The Relationship Strength Model emphasises elements of a customer-contact employee relationship that are particularly important in determining a high level of trust and commitment that the customer feels towards the service provider or the service firm. In particular, this study shows that assurance factors such as being consistently courteous to customers, instilling confidence in customers, having the knowledge to answer customers' enquires, and having the ability to handle customer complaints assist in the establishment of higher levels of trust. This provides empirical support for the relationship between service quality and trust (H5).

Several conceptual studies have detailed the formation of customer relationships in the service industry (Barnes, 1994; Bendapudi & Berry, 1997; Berry, 1995; Hocutt, 1998; Liljander & Strandvik, 1995). However, most of these studies on relationships have been conducted in contexts other than retailing (Beatty et al., 1996). Besides, to date, none of the studies conducted in the relationship marketing area have explored the dimensions of service quality and their impact on relationship strength (Jackson, 1994). This study demonstrates that in order to establish and maintain long-term customer relationships in the retail industry, retail firms need to focus on improving their level of service quality, especially in the provision of empathy factors relating to the caring and individualised attention that a service provider gives to customers. This establishes an empirical association between service quality and relationship strength (H1).

Moreover, this study extends the current knowledge of the nature and outcome of relational contact. Specifically, this study shows that intensity of relational contact is a

better predictor of relationship strength than frequency of relational contact. Hence, customers' actual share of expenditure at the retail store is a significant indication of relationship strength, as the true success of customer relationship management results from growing the "share of customer" rather than the "share of market" (Peppers & Rogers, 1995). Therefore, this provides empirical support for the association between relational contact and relationship strength (H8).

There has been a lack of studies that examine the various aspects of service that are vital to customer retention (Zeithaml, 2000). In view of this, this study verifies the linkages between attitudinal measures (i.e., service quality, customer satisfaction) and behavioural measures (i.e., customer loyalty, word-of-mouth behaviour) in the formation of strong customer relationships (Storbacka et al., 1994). This study empirically examined the association between service quality, customer satisfaction, and customer loyalty (H2 and H3). Particularly, reliability emerged as the most significant predictor of customer satisfaction. A basic rationale for this is that this dimension of service quality is seen as the minimum "threshold level" of service customers expect from their shopping experience at the retail store, as they would not be prepared to patronise a retail store that may run under reduced levels of reliability. Accordingly, the provision of high levels of satisfaction is the key to customer retention.

Consequently, this study examined the attitudinal and behavioural consequences of relationship strength. This study demonstrates positive empirical associations between relationship strength and its respective outcomes such as overall relationship quality and customer loyalty (H9 and H4). Specifically, the formation of strong customer relationships can lead to positive attitudes regarding customers' overall perceptions of the quality of their relationships with the salespersons and the retail store they represent, as well as benefits of customer loyalty behaviours, both to the organisation and the customer. A discussion of the benefits of customer loyalty is provided in section 2.4.1.

9.4 Methodological Contributions

This study undertook a rigorous statistical validation of the Relationship Strength Model in a retail chain departmental store setting in Victoria, Australia. In general, support was found for the conceptualisation and operationalisation of the Relationship Strength Model.

This model was further stringently examined for reliability and validity across the sample and was found to perform well.

In particular, this study demonstrates the value of the multi-context, multi-method approach employed in marketing research. The Relationship Strength Model was constructed based on the existing literature and supported by depth interviews with two retail store managers. The model was later pretested on a sample of fellow researchers and academic staff in the Faculty of Business and Economics at Monash University ($n = 10$). Following a pilot study ($n = 100$), the model was empirically tested in a mall-intercept survey ($N = 1,261$). Consequently, the model was examined using factor analysis, correlation analysis, regression analysis, and structural equation modelling. Overall, the model provided strong support for the proposed relationships. However, the research effort did not stop there. In the second phase of the study, the model was further validated through three qualitative focus group sessions ($n_1 = 6$, $n_2 = 8$, and $n_3 = 4$) with customers of the retail store. The qualitative data helped to enhance the validity of the survey research findings. A discussion of the triangulation research method is provided in section 4.1.4.

9.5 Managerial Implications

Incorporating the feedback and comments of the eight managers at the managerial focus group session conducted in the third phase of the study, the results of this research have several important practical managerial implications, which will be discussed and elaborated in the following sections.

9.5.1 Managing and Exceeding Service Expectations

Understanding customers' service expectations is a prerequisite for delivering superior service because service expectations are implicit performance standards that customers use in assessing service quality. In any service interaction between the customer and the service provider, the customer weighs up their expectations of the service with what they perceive they are receiving from the service provider and come to an assessment of the service. Subsequently, Zeithaml et al.'s (1993) notion of "zone of tolerance", which contend that service quality can be conceptualised as the difference between what a

consumer expects to receive and their perceptions of actual service delivery, is appropriate here.

Precise identification of service quality would enable pre-emptive tactics to be employed to counter threats to a firm's positioning of service delivery, while post-situational identification of a service quality problem would enable direction of resources to remedy the situation (Imrie, Cadogan, & McNaughton, 2002). Therefore, it is important for managers to understand what service quality consists of, its definition, and how it can be measured. If managers are to take action to improve service quality, a clear conception of quality is important. A vague indication to customer contact employees to "improve quality" may leave each employee acting on his or her own belief of what quality is. Hence, it is more effective for managers to tell employees exactly what the specific attributes of service quality includes, for example, managers can convey to employees to improve the reliability dimension of service quality to bring about an overall increase in customers' perceptions of the service delivered.

From a practical viewpoint, managers of retail firms should be aware that, although the concept of service quality is multidimensional, not all dimensions contribute equally to customers' perceptions of overall service quality. Good performance on the more important dimensions may be requisite to providing quality, whereas performance on dimensions of lesser importance may not significantly influence customers. With the important service quality dimensions uncovered in the findings, retail managers can develop a rational improvement plan, one that considers company expertise and resources, depending on whether the company aims to establish and maintain customer relationships on an interpersonal or a company level. It is also possible that the greatest success will result from an improvement strategy that concentrates on one specific dimension of service quality, with the retail firm seeking clear leadership on that dimension, rather than from one in which the retail firm improves marginally on several dimensions (Hansen & Bush, 1999).

9.5.2   The Importance of Trust and Commitment

As trust and commitment play an important role in customer relationships, managers are advised to emphasise activities and initiatives that promote feelings of affiliation. Long-term relationships with customers can provide all kinds of benefits for the firm.

Furthermore, contact employees should try to act proactively when giving advice to customers. On the basis of their knowledge of the products and services offered by the firm, it should be possible to provide customers with new product and service solutions that are mutually beneficial (de Ruyter et al., 2001). One suggestion might be to invite core customers to new product or service introductions to create a cooperative atmosphere. Additionally, in order to create commitment through emotional experiences, the firm can share sponsored social or sports events with their core customers. Furthermore, when hiring contact employees, firms should screen applicants for the social abilities that facilitate establishing and maintaining long-term relationships based on the concepts of trust and commitment. Consequently, all contact employees should recognise their role as salesperson representing complex bundles of services and view themselves as relationship managers (de Ruyter et al., 2001).

9.5.3   Reducing Customers' Perceived Risk

Consumers seek information to reduce their levels of perceived risk, as the more information the consumer has about the product, the more predictable the possible consequences (Mitchell & Greatorex, 1989). In searching for product and service related information, consumers seek informal sources, such as the recommendations of friends and relatives, as well as formal sources, such as the salesperson or via television programmes or newspapers and magazines. In addition, consumers avoid risk by remaining loyal to a brand which they have used and have been satisfied with (Sheth & Venkatesan, 1968). When consumers have no previous experience with a product or a service, they tend to trust a favoured or well-known brand to help reduce their levels of perceived risk. Subsequently, the provision of some sort of service guarantee or return policy may prove helpful in reducing customers' perceived risk (Kandampully & Butler, 2001). In addition, it is also essential that the retail firm proactively plan and design approaches for service recovery in the event of a service failure. Through service recovery, service failures can be transformed into positive acts that can further strengthen customers' attitudes towards the firm.

9.5.4   The Effective Management of Switching Costs

Switching costs force customers to stay in a relationship with a service provider. Turnbull and Wilson (1989) use the term *structural bonds* to describe switching costs and argue that

such bonds can sustain a relationship and make it difficult for competitors to displace the incumbent service provider. One effective way to retain customers is to deter them from switching. In order to do so, retail stores can implement a reward program to increase the benefits of membership, which results in loyalty inertia. Moreover, the management of switching costs can be directed towards both loyal and disloyal customers, so that both groups' incentives to consume more products or services at the retail store can be increased.

Another successful approach to increase switching costs is to increase the perceived effort required on the part of the customer to switch service providers. In order to make it difficult for customers to change service providers, retail stores can educate customers about their service offerings by providing information that is typically not furnished by other competing service providers. In addition, retail stores can provide ancillary services as a tactic to increasing effort on the part of customers. With respect to this, retail stores can provide ancillary financial services by implementing their own in-store credit card, hence providing customers with additional benefits such as interest free purchases and credit limit approval. Although the preceding discussion focuses on the retention of loyal customers through the implementation of switching costs, managers should also ensure that they do not create switching costs that make the retail firm inaccessible to new and potential customers.

9.5.5   The Critical Role of Management

The role of management is critical as a supportive management is likely to lead to positive attitudinal and behavioural responses by employees (Yoon, Beatty, & Suh, 2001). Subsequently, managers' concern and support for subordinates' work facilitate a positive climate of support, trust, and helpfulness. In addition, a supportive work environment can help foster employee commitment, reduce employee turnover intentions, and enhance employee job performance. Generally speaking, a supportive management signals that managers trust their employees and have confidence in employees' abilities to perform their jobs effectively.

Given the influence of service quality and customer satisfaction on repeat purchase intention, it is also important that managers be concerned with whether or not customers develop positive feelings towards the contact employees as well as the retail firm, as an

unsatisfactory service encounter or "moment of truth" (Carlzon, 1987) can obviously lead to a lost sale and potentially to diminished customer loyalty. Hence, top management can play a critical role in determining the levels of service quality and customer satisfaction provided to customers, as supportive managers can enhance contact employees' service delivery process by setting high performance standards, enabling contact employees to meet these standards, and appraising and rewarding them accordingly.

This further emphasises the importance of good communications and human resource training and is consistent with managerial implications from earlier research in which the critical incident technique was used to explore the types of customer-employee interaction which influence satisfaction with the service encounter (Bitner et al., 1994; Bitner et al., 1990). Subsequently, there must be clear lines of command between management and employees. Therefore, unity of command is essential in reducing job tension between employees and management.

9.5.6 Screening and Hiring of Employees

The findings of this study suggest that commitment is essential to the development and maintenance of strong customer relationships. Hence, relationship marketing programs directed towards high relational customers should focus on building and maintaining customer commitment. One way to achieve customer commitment to the employee, and subsequently to the retail store they represent, is to ensure that retailers recruit employees who like to interact with customers and are willing to base their customer relationships on repeated interactions built on notions of commitment (Beatty et al., 1996). In addition, careful screening of sales personnel can ensure a good job fit that will contribute to the establishment and maintenance of strong customer-salesperson relationships. This screening can be done via relevant personal histories and through the use of interpersonal role-playing situations within the interview environment (Crosby et al., 1990). Furthermore, when hiring contact employees, firms should screen applicants for the social abilities that facilitate establishing and maintaining long-term relationships based on the concepts of trust and commitment. To reinforce these efforts, trust and commitment-building activities on the part of all employees should be encouraged and taught.

9.5.7   Effective Employee Retention

The retention of employees who develop continuing positive interactions with customers has become a critical issue in the current marketplace (Rust, Stewart, Miller, & Pielack, 1996). Lower levels of employee turnover have been successfully linked to improved service quality at the organisational level (Connolly & Connolly, 1991). High levels of employee turnover result in a lack of continuity in service as perceived by the customer. A change in personnel usually breaks the rapport and relationship formed between customers and employees over time. Therefore, employees who enjoy their jobs more are likely to stay longer to build and maintain long-term relationships with customers who benefit by dealing with experienced staff who are familiar with their needs (Boshoff & Allen, 2000). The firm, besides benefiting from long-term customer relationships, also saves on recruiting and selection costs.

Hence, to effectively manage long-term customer relationships, managers should also address the issue of employee retention, as previous research has shown that long-tenured employees develop personal relationships with customers, and these relationships form the foundation for reinforcing cycles of positive interactions between employees and customers (Rust et al., 1996; Schlesinger & Heskett, 1991). In this respect, a key issue that will help managers is to create a shared vision so that salespersons understand the retail store's direction and their role in the journey. Moreover, clarification of this shared vision can create higher employee morale, increase communication and feedback, as well as increase employee autonomy. Managers can also provide relevant training for advancement and allow employees increased measures of autonomy, control, and responsibility as they prove their abilities. Accordingly, this can further engage and retain good employees who can develop and maintain positive relationships with customers in the long term.

One of the major reasons for employees leaving their jobs is due to a lack of advancement opportunities. Hence, in order to create advancement opportunities for employees, managers can promote employees from within rather than hire from outside of the organisation. To ascertain if employees are suitable for promotions and leadership positions, managers can conduct performance reviews to identify employees' strengths and weaknesses. Moreover, managers can follow up by working with employees on areas that need improvement to help them prepare for advancement. By mutually creating a

professional development plan, employees will have an added incentive to stay with the retail firm.

Consequently, one of the most successful employee retention methods is strongly tied to factors that affect an employee's compensation. Employees who feel they are not compensated fairly will look for jobs in organisations that are willing to pay them more. Thus, to help retain employees, it is essential that managers conduct compensation reviews and adjust salaries to keep them competitive with other competing retail firms and similar positions in other fields. Additionally, managers should provide discretionary salary adjustments for top-performing employees as a bonus.

9.5.8 Employee Training and Development

For retail stores with a strong customer service orientation program in place, further improvements in customer service may come through the addition of new programs aimed at improving specific weaknesses. With respect to this, effective human resource training programs could be instilled to help employees to be more responsive to customers' needs and expectations. In addition, employees should be trained to identify potentially dissatisfying experiences and invoke effective recovery procedures to deal with the situation. This requires that employees understand the various service expectations customers may have. These expectations may relate to aspects of the service encounter which are obvious and visible, possibly including issues such as availability of the core service or certain aspects of the service delivery. These issues are constantly on the minds of customers, as they consider them consciously when they enter the service encounter.

Despite that, it is also important to note that other expectations that are implicit may only become important and acknowledged when they are absent or are violated. These expectations may have nothing to do with the core service being provided, and they may be elicited during a service encounter that may be unanticipated by the customer. Some of these issues, which may escape the notice of retail managers as they are understandably remote from the provision of the core service, may be related to the manner in which the customer is treated or to some comments made by an employee. Hence, to effectively manage customer-contact employee relationships, there should be a more complete understanding on the part of the employees of the association between employee induced affect and customer behaviour in response to a service encounter. In addition,

opportunities should be identified for employees to be proactive in looking out for situations where the customer feels uneasy or apprehensive so that the employee may step in with a solution. Such action will serve to dispel customer concerns, and will result in the customer being pleasantly surprised and left with a positive feeling. In order to attain this, employees could be given sensitivity training, which involves training staff to avoid saying and doing those things that will lead to negative feelings and behaviours.

9.5.9   Focusing on Customers

In order to encourage the development of relationships between customers and employees, firms need to implement effective ways of rewarding customers for developing interpersonal relationships with employees. Firms might even point out to their customers the benefits of knowing a specific person within the organisation. To do this, firms can make use of database capabilities to reward their loyal customers. Despite this, care must be exhibited in placing too much emphasis on developing relationships with customers, as not all customers desire interpersonal relationships with their service provider (Bendapudi & Berry, 1997; Goodwin & Gremler, 1996). Yet, in some situation, customer loyalty behaviours can still be encouraged and generated via alternative methods such as providing customers with the option of user friendly and functional self-service technologies, or providing customers with the option of on-line interactive information as well as online purchasing of the finn's products and services.

9.5.10 Adapting to Change

Changing or adapting strategies for a firm usually encompasses a myriad of decisions, therefore, the changes suggested in the preceding sections need to be implemented with due consideration. In view of the scope and relative impact of possible tactical and strategic decisions, management will be able to select and fine-tune the right characteristics to improve customer relationships, inevitably achieving long-term, premium customer loyalty. In addition, employees must be empowered by management to do whatever it takes to bring about changes that can satisfy the customer. Empowerment allows employees to be flexible and creative in making decisions. With adequate empowerment, employees experience less role conflict and higher job satisfaction. This, in turn, will lead the employee to deliver higher levels of service quality to customers. Hence, organisations must be prepared to allow employees the freedom to make decisions

based on their judgements (Antonacopoulou & Kandampully, 2000). In addition, management must trust that employees will arrive at solutions that not only meet customers' needs and expectations, but will also enhance the image and profitability of the retail firm.

9.5.11 Application of the Relationship Strength Model

The challenge for managers of retail stores is to be competent in applying the Relationship Strength Model to their businesses. The model will serve managers well if it is used as a diagnostic tool to analyse the links between the constructs, rather than as a model which a priori explains those links. Specifically, managers have to test the model in their particular business context and conduct the analysis of the data themselves in order to see whether the links do actually pertain in their businesses environment. The organisation's competitive strategy and management philosophy can then be developed on the basis of this analysis. More importantly, the organisation's strategic vision must be communicated to employees and this must be in line with the business realities which the employees are familiar with.

9.6 Limitations of the Research

Although this research makes contribution to knowledge in this area, several limitations of this study should be kept in mind when interpreting the findings. These limitations, however, present a number of future research opportunities.

9.6.1 Generalisability of Findings

Although this study found significant relationships between the constructs in the research model, it should be taken into account that the levels of variance explained are relatively modest given the large sample size. Therefore, findings of the research should be comprehended with caution. Moreover, as these findings are confined to the chain departmental store sector within the retail industry in Victoria, Australia, the effects of extraneous variables based on industry or cross-cultural differences may limit its potential generalisability to other service-oriented industries, both within Australia and overseas. Consequently, the scope of this study was circumscribed by resources and time constraints, as is often the case with doctoral studies.

Hence, to determine the generalisability of the model and identify the boundary conditions, the model should be tested in a range of service delivery environments. Key distinguishing features of such settings, which are likely to overlap in practice, are customer segments, work complexity, degree of involvement of service, and type of service (Sergeant & Frenkel, 2000). In addition, further empirical investigation is required to establish whether the constructs in the Relationship Strength Model vary across countries and retail type.

9.6.2 Application of Research Model

In order to apply the model to extended service settings or to a cross-cultural context, there is a need for further customisation of the measurement scales used in this model. However, despite this caveat, the research findings could be generalised to services that share some common characteristics with regard to the nature of customer relationships in the retail industry. For example, the Relationship Strength Model proposed and tested in this study might be applicable to services that reflect the following traits: (1) customers have an ongoing desire for the service; (2) customers have control over selection of service supplier, and (3) alternate service suppliers are available. Banking, accounting, and insurance services share some of these traits, as the personal relationship between the customer and the contact employee is often more essential relative to other aspects of the service than it is in services such as cable television or utilities service.

9.6.3 Lack of Alternative Choices for Services

Following on the preceding discussion, and as mentioned in section 3.6, the proposed Relationship Strength Model is not expected to apply in situations where the customer has no alternative choices for services. Yet, these types of services do exist, including many utilities services such as electric, gas, or local telephone services. Although the Relationship Strength Model is not directly applicable in these situations, confirmation of the expected appropriateness of the model in such contexts is needed. Consequently, deregulation in these industries is expected to continue, and customers may soon have a range of service providers to choose from. Therefore, examination of such services may also provide direction as to how loyalty can be cultivated among customers who previously had no choice, in order to encourage them to remain with the service provider.

9.6.4 Dynamic Nature of Relationships

Due to the dynamic nature of relationships, each customer-contact employee interaction is seldom static and likely to change with time. This is because the participants in the interactions may react differently depending on the different phase in the relationship formation and development process. Furthermore, due to the inseparability of the service from its provider, the provision of service quality will be affected by the various moods of the contact employee as well as the participation of other customers in the service delivery process, and this will inevitably have an impact on relationship strength. Also, the measurement of relationship strength is representative at that point in time when the respondents fill up the questionnaire, as participants might only recall their most recent experience with a service provider or a service firm. Evaluation of that specific experience might obscure the reliability of the findings, as an overall experience of the whole service experience will not be captured. Hence, to overcome the limitation, respondents were informed that they should complete the questionnaire with reference to their overall (previous and present visit) experiences with the store.

9.6.5 Employment of Cross-sectional Design

Another limitation of this study is the employment of a cross-sectional design. In any model in which causality is suggested, longitudinal studies will provide for stronger inferences. Therefore, the Relationship Strength Model developed and tested in this study could benefit from being tested in a longitudinal design, so that actual behaviours of respondents can be taken into account. Also, customers' past behaviours were collected on a self-report basis. Future efforts could obtain customers' actual behaviours through real-time electronic data collection in order to minimise the disadvantages associated with self-report data.

9.6.6 Presence of Social Desirability Response Bias

Researchers have noted the presence of social desirability biases in self-reported studies, whereby individuals may under-report activities perceived to be socially or culturally undesirable and over-report activities deemed to be socially or culturally desirable (Ganster, Hennessy, & Luthans, 1983; Randall & Fernandes, 1991). However, previous research has convincingly demonstrated that observed levels of socially desirable responses vary with the level of anonymity, and that the higher the level of anonymity

assured, the less socially desirable responses are detected (Bradburn, Sudman, & Associates, 1979; Paulhus, 1984). Therefore, steps were taken to minimise the presence of social desirability response bias in this research (i.e., respondents were not asked to place their names on the survey, respondents were assured that their names will not be associated with any research findings).

9.6.7 Limitation of the LISREL Methodology

Finally, the LISREL methodology may be construed as a limitation due to some inherent problems with LISREL analysis such as the sensitive nature of the Chi-square test (Kelloway, 1998). The results presented here are based on the analysis of a causal model with cross-sectional data. As the model is not tested using an experimental design, strong evidence of causal effects cannot be inferred. Rather, the results are intended to support the a priori causal model. Moreover, the model did not test for the existence of reciprocal effects, as it is difficult to attain a correctly identified model that contains bidirectional parameters. However, results from estimation of models with alternative causal orderings suggest that if technical difficulties can be overcome, future tests of bidirectional effects are likely to strengthen the model.

9.7 Directions for Future Research

The preceding limitations of the study present a number of future research opportunities that deserve mention.

9.7.1 Inclusion of other Stakeholders and Moderators

A general direction for future research would be a constructive replication of this study with data collected from other service organisations and their stakeholders, namely employees, suppliers, and shareholders (Borucki & Burke, 1999; Kandampully & Duddy, 1999b). This suggestion is intended to encourage research to evaluate the generalisability of the present research model. Moreover, it is possible that several other variables may moderate the relationships proposed in the Relationship Strength Model. Some potential moderators include the physical surroundings or atmosphere of the service environment, the role of other customers (former, present, and future) in the relationship development

process, the internal service quality and service culture of the organisation, as well as the gender and demographic makeup of the service provider. Investigation of various moderating variables in the Relationship Strength Model could be done by exploring a multitude of contexts and thus obtaining considerate variability across such variables.

9.7.2 Need for Longitudinal Research

Longitudinal research designs may be needed to explore how comparison standards change over time, as customers proceed along the various levels of the relationship marketing ladder of customer loyalty (see Figure 2.1). Furthermore, longitudinal research allows for the interpretation of casual relationships. In addition, other recent research calls for future studies to clarify the relative importance of the various comparison standards customers employ over time (Mittal et al., 1999). However, difficulty is recognised in undertaking such research, but this appears to be a critical area for future studies.

9.7.3 Use of Multiple Types of Sources

In order to further understanding of the boundaries and generalisability of the findings, additional studies that use objective measures of customer relationship activities as opposed to customers' perceptions should be employed. The former can be directly manipulated by management and therefore are more managerially appropriate. Hence, there is a need for more studies that employ multiple types of sources instead of relying on single-source self reports for all of the measures (Gruen, Summers, & Acito, 2000). This helps avoid the well-known problem of common-method variance, which can lead to inflated correlations between measures of the antecedents and consequences.

9.7.4 The Infusion of Technology

Technology has received much attention recently and is changing the nature of many customer-contact employee interactions (Bitner et al., 2000; de Ruyter et al., 2001). The IT economy refers to the influence of information technology on the way consumers and businesses interact with each other (Bejou, 1997). A large percentage of interactions now include non-direct encounters such as machines, telephone, and online encounters. In addition, innovations such as the smart card, the wireless telephone, and the internet are

changing the ways buyers and sellers interact, hence, affecting the formation of long-term customer relationships.

Doing business in an IT economy has profound implications for researchers and managers interested in customer relationship marketing/management. In an IT economy, getting new customers will be much easier than keeping existing ones. Via an attractive home page with animation, sound, and/or video, a service company may be able to acquire many new customers, but maintaining long-term relationships with these customers may be difficult due to the lack of the human element. Therefore, managers employing automation should find an appropriate balance of technology and human element suitable for their service sector, as this enables them to enhance the provision of service quality and customer satisfaction to targeted customers. Subsequently, an area that warrants future research is the nature and extent of technology infusion into relationship-building practices and customer relationship management processes.

9.7.5   Need for Interpretive Methods to Qualitative Research

While this study provides a useful starting point, future research needs to be devoted to the emphasis on qualitative data collection, as a review of the literature suggests that, in the area of data collection, there is a need to develop better qualitative methodologies to test existing theories (Malhotra & Peterson, 2001). Hence, more human-oriented research methodologies, such as story telling, ethnography, and naturalistic inquiry should be employed to understand nascent and emerging consumer issues (Bejou, 1997). Consequently, the increased use of innovative qualitative techniques is expected in the near future, not as a replacement for traditional qualitative techniques, but as an additional supplement.

9.7.6   Integration of the Service Process Matrix

In line with the above discussion, the Relationship Strength Model will benefit from being tested in the four different segments as classified under the Service Process Matrix (Schmenner, 1986) (see Figure 9.1) or other similar service classification schemes. The Service Process Matrix views different service processes in terms of a matrix that contrasts the labour intensity of the process on one hand with the degree of interaction and

customisation of the service for the customer on the other. Through the application of this matrix, service organisations can broaden their relationships with other services that have similar operations and managerial challenges, and in doing so, gain the economic foothold needed to survive and prosper (Schmenner, 1986). Furthermore, using the matrix, the strategic changes and future challenges of the service industry could be integrated with emerging customer relationship management/marketing trends.

Degree of Interaction and Customisation

	Low	High
Low	**Service Factory:** -Airlines -Trucking -Hotels -Resorts and Recreation	**Service Shop:** -Hospitals -Auto Repair -Other Repair Services
High	**Mass Service:** -Retailing -Wholesaling -Schools -Retail Banking	**Professional Service:** -Doctors -Lawyers -Accountants -Architects

Degree of Labour Intensity

Figure 9.1. The Service Process Matrix

Source: Schmenner, R. W. (1986). How can service businesses survive and prosper? *Sloan Management Review, 27*(3), p. 25.

9.8 Conclusion

This study investigated the formation of customer relationships in the retail industry. The study developed a model of relationship strength, based on both qualitative research and a review of the literature. Subsequently, the proposed research model was tested in a cross-sectional survey of actual customers of a chain departmental store within the retail industry. These survey findings were further validated through the conduct of three focus group sessions with customers of a chain departmental store. Based on the quantitative and qualitative findings, the research model was further revised, and several implementation guidelines for adopting the model were suggested. Guidelines were presented to a focus group of retail store managers, and relevant feedback and comments from these managers were incorporated into a final set of implementation guidelines.

Based on the overall findings of this study, several theoretical and methodological contributions to academic knowledge were highlighted. Moreover, the practical usefulness of these results was outlined in a discussion of the managerial implications. Consequently, limitations of the study were explained and justified. Following that, relevant directions for future research were suggested.

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APPENDIX 4.1

Questionnaire

M O N A S H   U N I V E R S I T Y

AUSTRALIA

15th September 2000

Customers' Assessment of a Retail Service

My name is Amy Wong and I am a doctoral candidate in the Department of Management at Monash University. My research interest is in the area of customer relationship management, and I am undertaking my research under the supervision of Professor Amrik Sohal, Associate Dean of Research in the Department of Management.

The aim of my research is to investigate the formation of long-term customer relationships in the retail industry. The management of customer relationships is becoming a major part of business practice and it is important to be able to understand the relationship formation process from the customer's perspective. I believe that the findings of this research project will be useful in contributing to knowledge in the area of customer relationship management.

I am seeking shoppers at retail store XYZ who are prepared to fill out the attached questionnaire on their service experience at retail store XYZ, their loyalty intentions towards retail store XYZ, as well as their assessment of their relationship with retail store XYZ. The procedure would take approximately ten minutes of your time, and I would appreciate if the questionnaire could be filled out soon.

No findings will be published which could identify any individual participant. Anonymity is assured by our procedure, in which you are not asked to provide your name on the questionnaire response sheet. The number on the top right corner of this sheet is printed solely for data collection purposes. Access to data is restricted to my supervisor and to me. Coded data are stored for five years, as prescribed by University regulations.

Participation in this research is entirely voluntary, and if you agree to participate, you may withdraw your consent at any time by not returning the questionnaire or decline to participate in any section of the procedure, by simply not marking a response.

If you have any queries or would like to be informed of the aggregate research finding, please contact me at telephone (03) 9902 6155, or fax (03) 9902 6524 or contact Professor Amrik Sohal at telephone (03) 9903 2033, or fax (03) 9903 2979.

Thank you very much.

Should you have any complaint concerning the manner in which this research is conducted, please do not hesitate to contact The Standing Committee on Ethics in Research on Humans at the following address:

> The Secretary
> The Standing Committee on Ethics in Research on Humans
> Monash University
> Wellington Road
> Clayton Victoria 3168
> Telephone (03) 9905 2052   Fax (03) 9905 1420

Amy Wong

SECTION ONE – SERVICE DELIVERED BY RETAIL STORE XYZ

This section is concerned with the <u>service delivered</u> by retail store XYZ. Please circle *one* number from 1 (*completely failed to meet my expected service level*) to 7 (*far exceeded my expected service level*) for each of the following statements.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| Completely failed to meet my expected service level | | Met my expected service level | | Far exceeded my expected service level | | |

In terms of service delivery, <u>retail store XYZ</u>: (Completely failed to meet my expected service level — Far exceeded my expected service level)

		1	2	3	4	5	6	7
1	Keeps its promises.	1	2	3	4	5	6	7
2	Shows sincere interest in solving my problems.	1	2	3	4	5	6	7
3	Performs the service right the first time.	1	2	3	4	5	6	7
4	Provides its services at the time it promises.	1	2	3	4	5	6	7
5	Provides accurate information (i.e., pricing, advertising).	1	2	3	4	5	6	7
6	Has my best interest at heart.	1	2	3	4	5	6	7

In terms of service delivery, <u>the employees</u> of retail store XYZ: (Completely failed to meet my expected service level — Far exceeded my expected service level)

		1	2	3	4	5	6	7
7	Tell me exactly when services will be performed.	1	2	3	4	5	6	7
8	Give prompt service.	1	2	3	4	5	6	7
9	Are always willing to help.	1	2	3	4	5	6	7
10	Are never too busy to respond to my requests.	1	2	3	4	5	6	7
11	Instil confidence in me.	1	2	3	4	5	6	7
12	Are consistently courteous.	1	2	3	4	5	6	7
13	Have the knowledge to answer my questions.	1	2	3	4	5	6	7
14	Give me individual attention.	1	2	3	4	5	6	7
15	Give me personal attention.	1	2	3	4	5	6	7
16	Understand my specific needs.	1	2	3	4	5	6	7
17	Are neat in appearance.	1	2	3	4	5	6	7
18	Make me feel safe in my transactions.	1	2	3	4	5	6	7
19	Are always willing to handle returns and exchanges.	1	2	3	4	5	6	7
20	Are able to handle customer complaints immediately.	1	2	3	4	5	6	7

In terms of <u>facilities</u>, retail store XYZ:

		Completely failed to meet my expected service level					Far exceeded my expected service level
21	Has up-to-date equipment.	1	2	3	4	5	6	7
22	Has user-friendly equipment (i.e., disabled facilities, store layout map, direction signs).	1	2	3	4	5	6	7
23	Has visually appealing physical facilities (i.e., décor, ambience).	1	2	3	4	5	6	7
24	Has visually appealing materials (i.e., flyers, direct mail catalogues, shopping bags).	1	2	3	4	5	6	7
25	Has a store layout that makes it easy for me to find what I need.	1	2	3	4	5	6	7
26	Has a store layout that makes it easy for me to move around in the store.	1	2	3	4	5	6	7
27	Accepts most major credit cards.	1	2	3	4	5	6	7
28	Provides plenty of convenient parking for me.	1	2	3	4	5	6	7
29	Has operating hours convenient to me.	1	2	3	4	5	6	7

SECTION TWO – OVERALL SERVICE DELIVERED BY RETAIL STORE XYZ

This section is concerned with the <u>overall service delivered</u> by retail store XYZ. Please circle *one* number from 1 (*strongly disagree*) to 7 (*strongly agree*) for each of the following statements.

1	2	3	4	5	6	7

Strongly disagree   Strongly agree

In terms of service delivery, <u>retail store XYZ</u>:

		Strongly disagree					Strongly agree
1	Has an excellent overall service.	1	2	3	4	5	6	7
2	Has a service of very high quality.	1	2	3	4	5	6	7
3	Provides a high standard of service.	1	2	3	4	5	6	7
4	Delivers superior service in every way.	1	2	3	4	5	6	7

SECTION THREE – SERVICE EXPERIENCE AT RETAIL STORE XYZ

The following section is concerned with your <u>service experience</u> at retail store XYZ. Please circle *one* number from 1 (*strongly disagree*) to 7 (*strongly agree*) for each of the following statements.

1	2	3	4	5	6	7

Strongly disagree   Strongly agree

In terms of my <u>experience</u> with retail store XYZ,

		Strongly disagree					Strongly agree
1	The employees of retail store XYZ can be relied on to keep his/her promises.	1	2	3	4	5	6	7
2	There are times when I find the employees of retail store XYZ to be insincere.	1	2	3	4	5	6	7

2

In terms of my <u>experience</u> with retail store XYZ,   Strongly disagree   Strongly agree

3	I find it necessary to be cautious in dealing with the employees of retail store XYZ.	1	2	3	4	5	6	7
4	The employees of retail store XYZ can be trusted at all times.	1	2	3	4	5	6	7
5	Retail store XYZ can be counted on to do what is right.	1	2	3	4	5	6	7
6	The employees of retail store XYZ have high integrity.	1	2	3	4	5	6	7
7	The employees of retail store XYZ put the customer's interests before his/her own.	1	2	3	4	5	6	7
8	The employees of retail store XYZ are honest.	1	2	3	4	5	6	7
9	Retail store XYZ understands me.	1	2	3	4	5	6	7
10	The employees of retail store XYZ are responsible.	1	2	3	4	5	6	7
11	Retail store XYZ can be trusted at all times.	1	2	3	4	5	6	7
12	I am very committed to maintain my relationship with the employees of retail store XYZ.	1	2	3	4	5	6	7
13	My relationship with the employees of retail store XYZ is very important to me.	1	2	3	4	5	6	7
14	I plan to maintain my relationship with the employees of retail store XYZ.	1	2	3	4	5	6	7
15	I care about my relationship with the employees of retail store XYZ.	1	2	3	4	5	6	7
16	I am proud to tell others that I shop at retail store XYZ.	1	2	3	4	5	6	7
17	For me, retail store XYZ is the best of all possible places to do my shopping.	1	2	3	4	5	6	7
18	I am very committed to retail store XYZ.	1	2	3	4	5	6	7
19	I intend to continue shopping at retail store XYZ over the next few years.	1	2	3	4	5	6	7
20	I would expend effort on behalf of retail store XYZ to help it succeed.	1	2	3	4	5	6	7

SECTION FOUR – LOYALTY TOWARDS RETAIL STORE XYZ

This section is concerned with your <u>loyalty</u> towards retail store XYZ. Please circle *one* number from 1 (*strongly disagree*) to 7 (*strongly agree*) for each of the following statements.

    1   2   3   4   5   6   7

Strongly disagree   Strongly agree

In terms of my <u>loyalty to retail store XYZ,</u>   Strongly disagree   Strongly agree

1	I am very loyal to the employees at retail store XYZ.	1	2	3	4	5	6	7
2	I do not plan to shop with the employees at retail store XYZ in the future.	1	2	3	4	5	6	7
3	I say positive things about retail store XYZ to other people.	1	2	3	4	5	6	7
4	I recommend retail store XYZ to someone who seeks my advice.	1	2	3	4	5	6	7
5	I encourage friends and relatives to shop at retail store XYZ.	1	2	3	4	5	6	7

6	I consider retail store XYZ my first choice in the next few years.	1	2	3	4	5	6	7
7	I make an effort to use retail store XYZ for all my retail shopping needs.	1	2	3	4	5	6	7

In terms of my <u>loyalty to retail store XYZ</u>,

Strongly disagree   Strongly agree

8	I would take some of my business to a competitor that offers more attractive prices.	1	2	3	4	5	6	7
9	I would switch to a competitor if I experience problems with retail store XYZ's service.	1	2	3	4	5	6	7
10	Moving my business to another retail outlet is just not worth the effort.	1	2	3	4	5	6	7
11	I deal with retail store XYZ because I want to, not because I have to.	1	2	3	4	5	6	7
12	Sometimes, I get a feeling that I am trapped in dealing with retail store XYZ.	1	2	3	4	5	6	7

SECTION FIVE – RELATIONSHIP WITH RETAIL STORE XYZ

The following section is concerned with your <u>relationship</u> with retail store XYZ.
Please circle *one* number from 1 to 7 for each of the following statements.

Relationship with the <u>employees</u> of retail store XYZ

Very weak   Very strong

1	What is your overall assessment of the strength of your relationship with the employees of retail store XYZ?	1	2	3	4	5	6	7
2	How strong would you like your relationship with the employees of retail store XYZ to be?	1	2	3	4	5	6	7

Relationship with <u>retail store XYZ</u>

Very weak   Very strong

3	What is your overall assessment of the strength of your relationship with retail store XYZ?	1	2	3	4	5	6	7
4	How strong would you like your relationship with retail store XYZ to be?	1	2	3	4	5	6	7

Overall Assessment

Poor   Excellent

5	What is your overall assessment of the quality of your relationship with the employees at retail store XYZ?	1	2	3	4	5	6	7
6	What is your overall assessment of the quality of your relationship with retail store XYZ?	1	2	3	4	5	6	7

SECTION SIX – SATISFACTION WITH RETAIL STORE XYZ

This section is concerned with your <u>satisfaction</u> with shopping at retail store XYZ.
Please circle *one* number from 1 to 7 for each of the following statements.

Satisfaction with retail store XYZ

	Pleased					Displeased		Disgusted					Contented	
1	1	2	3	4	5	6	7	3 1	2	3	4	5	6	7

	Unhappy					Happy		Enjoyable					Frustrating	
2	1	2	3	4	5	6	7	4 1	2	3	4	5	6	7

4

SECTION SEVEN – PERSONAL DETAILS

This last section asks general questions about you. Please answer the questions by ticking the appropriate boxes. Please provide an approximate answer rather than leaving a blank.

1   Gender: ☐ Male   ☐ Female

2   Age: ☐ under 20   ☐ 20 to 30   ☐ 31 to 40   ☐ 41 to 50   ☐ 51 to 60   ☐ 61 and over

3   Household (A$):
     ☐ <20,000   ☐ 20,001   ☐ 40,001   ☐ 60,001   ☐ 80,001   ☐ 100,001   ☐ >120,001
                     - 40,000   - 60,000   - 80,000   - 100,000   - 120,000

4   Number of children in household: _____

5   Reason(s) for choosing retail store XYZ: *(you may tick more than one box)*
     ☐ quality of service
     ☐ quality of product
     ☐ accessibility
     ☐ low price
     ☐ word-of-mouth
     ☐ location
     ☐ in-store promotions
     ☐ value
     ☐ advertising
     ☐ image
     ☐ Fly Buy member
     ☐ availability of parking
     ☐ product range
     ☐ staff
     ☐ brands
     ☐ meet special needs
     ☐ others, please specify _____

(Please tick only one box for questions 6 – 11)

6   How often have you shopped with retail store XYZ during the past 12 months?
     ☐ 1 – 2 times   ☐ 3 - 5 times   ☐ 6 - 10 times   ☐ more than 10 times

7   How often do you expect to shop with retail store XYZ in the next 12 months?
     ☐ 1 – 2 times   ☐ 3 - 5 times   ☐ 6 - 10 times   ☐ more than 10 times

8   How much of an advantage does retail store XYZ have over other retail stores?
     ☐ no advantage   ☐ small advantage   ☐ moderate   ☐ large advantage   ☐ a very large advantage
                                                   advantage

9   Compared with other retail stores, would you say that the quality of service at retail store XYZ is?
     ☐ much worse   ☐ somewhat worse   ☐ about the same   ☐ somewhat better   ☐ much better

10   Approximately how long have you been shopping with retail store XYZ?
     ☐ <1 year   ☐ 1 – 3 years   ☐ 4 –6 years   ☐ 7 – 10 years   ☐ more than 10 years

11   Retail store XYZ received approximately _____ percentage of my retail purchases in the past 12 months
     ☐ 20 %   ☐ 40 %   ☐ 60 %   ☐ 80 %   ☐ 100 %

Would you like to participate in the next phase of this study in April 2001, which involves the conduct of focus group interviews at a store convenient to you?

☐ Yes

☐ No

If Yes, please provide your contact details, and the researcher will contact you directly in March 2001.

Name (Ms/Mrs/Mr/Dr): _____

Phone number: _____ (O) _____ (H)

Address:

_____

_____

Thank you for filling in this questionnaire. Your contribution to this project is greatly appreciated. Please use the space below for any additional comments on the survey.

APPENDIX 4.2

Script used in the Customer Focus Group Recruitment Process

Store:

Hello, my name is Amy Wong and I am a student from Monash University. If you could recall, you filled in a survey as part of my school research project in [month 2000]. In your survey, you mentioned that you would like to participate in a second phase of my research project, which involves the conduct of focus group interviews at a location convenient to you.

The focus group sessions will centre on the retail service provided by retail store XYZ. The purpose of the group is solely to obtain your opinion, and your comments will be kept confidential. The group will be held at [location] on [date] at [time]. The session will last approximately 90 minutes, and you will receive a $20 retail store XYZ voucher for your participation. Would you be interested in participating?

[Y/N]

I will be sending you a *confirmation letter* and directions to the location, can I confirm your mailing address?

[Address]

_____

_____

Thank you very much for your time. I look forward to seeing you at [location] on [date] at [time].

APPENDIX 4.3

Confirmation Letter

Amy Wong
Department of Management
Monash University
PO Box 197
Caulfield East 3145
Victoria, Australia

April 27, 2001

Mr John Citizen
123 High Street
Caulfield East 3145
Victoria, Australia

Dear Mr Citizen

Re: Focus Group Sessions Confirmation Letter

With reference to our phone conversation a few weeks ago, I would like to take this opportunity to extend my utmost gratitude and thank you for agreeing to participate in the second phase of my school research project, which involves the conduct of focus group sessions.

As stated in our earlier phone conversation, the focus group sessions will centre on the retail service provided by retail store XYZ. The purpose of the group is solely to obtain your opinion, and your comments will be kept confidential and for my research project use only. Additional information pertaining to the focus group session is as follow:

- *Site location*: Monash University, Caulfield Campus
- *Building location*: Chisholm Tower, 26 Sir Monash Drive
- *Room location*: Level 9, Faculty of Business and Economics Conference Room
- *Date of session*: May 2, 2001 (Wednesday)
- *Time of session*: 1.30pm – 3.00pm

Please find attached map of the focus group location as well as directions for parking in the vicinity. Please feel free to contact me if there are any further queries to the above. Once again, thank you very much for your kind offer of assistance in making my research project possible, and I look forward to seeing you soon.

Yours sincerely,

Amy Wong

APPENDIX 4.4

Customer Focus Group Questionnaire

Name:	
Age:	
Occupation:	
Have you participated in a focus group session in the past 6 months? (Y/ N)	

APPENDIX 4.5

Explanatory Letter

25th June 2001

Customers' Assessment of a Retail Service

My name is Amy Wong and I am a doctoral candidate in the Department of Management at Monash University. My research interest is in the area of customer relationship management, and I am undertaking my research under the supervision of Professor Amrik Sohal, Associate Dean of Research in the Department of Management.

The aim of my research is to investigate the formation of long-term customer relationships in the retail industry. The management of customer relationships is becoming a major part of business practice and it is important to be able to understand the relationship formation process from the customer's perspective. I believe that the findings of this research project will be useful in contributing to knowledge in the area of customer relationship management.

I am seeking shoppers at retail store XYZ who are prepared to participate in a focus group session. The focus group session will centre on the retail service provided by retail store XYZ. The purpose of the group is solely to obtain your opinion, and your comments will be kept confidential. The session will last approximately 90 minutes, and you will receive a $20 retail store XYZ voucher for your participation.

No findings will be published which could identify any individual participant. Access to data is restricted to my supervisor and to me. Coded data are stored for five years, as prescribed by University regulations. Participation in this research is entirely voluntary, and if you agree to participate, you may withdraw your consent at any time by leaving the session or declining to participate in any part of the session.

If you have any queries or would like to be informed of the aggregate research finding, please contact me at telephone (03) 9903 1579, or fax (03) 9903 2718 or contact Professor Amrik Sohal at telephone (03) 9903 2033, or fax (03) 9903 2979.

Thank you very much.

Should you have any complaint concerning the manner in which this research is conducted, please do not hesitate to contact The Standing Committee on Ethics in Research on Humans at the following address:

> The Secretary
> The Standing Committee on Ethics in Research on Humans
> Monash University
> Wellington Road
> Clayton, Victoria 3168
> Telephone (03) 9905 2052 Fax (03) 9905 1420

Amy Wong
(03) 9903 1579

APPENDIX 4.6

Customer Focus Group Moderator Guide

Retail Store XYZ Shoppers Focus Group Discussion Guide

(5 minutes) Introduction

- Greeting
- Thank them for participating in the session
- Purpose of focus groups
  - Opportunity to explore issues relating to the retail service provided by retail store XYZ
- Housekeeping rules
  - Role of moderator – act as a facilitator
  - Recording equipment – audio tape/video tape - facilitate report writing
  - Observers – Note taker – additional perspective to interpreting results
  - Confidentiality of comments/responses
  - Individual opinions and feelings, not judgement (no right or wrong answer)
  - Speak one at a time and as clearly as possible
- Brief get-acquainted period
  - Participants' names, suburb, how often they shop at retail store XYZ

- Use polling technique throughout session where appropriate

(10 minutes) Reasons for shopping at retail store XYZ (General)

- When would they go to retail store XYZ as opposed to other stores?
- What affects their buying behaviour at retail store XYZ?
- What do they normally purchase at retail store XYZ?
- Do they use services at retail store XYZ (photo processing, lay buy, home delivery)?

(20 minutes) Service provided by retail store XYZ (General)

- Likes and dislikes about shopping at retail store XYZ
- Likes – Why?
  - Exchange policy? Quality of merchandise? Operating hours?
- Dislikes – Why?
  - Lack of staff – why are they looking for staff? Layout of store? Knowledgeable staff (product/store)?
- What service elements are important to customers?

(30 minutes) Formation of customer relationships (Specific)

- Relationship with employee vs. company?
- Trust (employee vs. company level)
- Commitment (employee vs. company level)
- Relational bonds (fly buy card, retail store XYZ card, shareholder card)
- Relational contact (frequency, length of shopping trips)
- Relationship quality (high vs. low quality)
- Customer loyalty

(15 minutes) Recommendations for improving service at retail store XYZ

- What type of improvements would they like to see at retail store XYZ?
- Will these improvements increase their loyalty to retail store XYZ (repurchase behaviour)?

(10 minutes) Closing comments

- Each individual to sum up what the group resolved
- Any additional comments?
- Thank participants and remind them to pick up retail store XYZ voucher on way out
- Feel free to help themselves to refreshments