

Relationship Quality as a Predictor of B2B Customer loyalty

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Abstract

This study aims to provide a picture of how relationship quality can influence customer loyalty or loyalty in the business-to-business context. Building on prior research, we propose relationship quality as a higher construct comprising trust, commitment, satisfaction and service quality. These dimensions of relationship quality can reasonably explain the influence of relationship quality on customer loyalty.

This study follows the composite loyalty approach providing both behavioural aspects (purchase intentions) and attitudinal loyalty in order to fully explain the concept of customer loyalty. A literature search is undertaken in the areas of customer loyalty, relationship quality, perceived service quality, trust, commitment and satisfaction. This study then seeks to address the following research issues: Does relationship quality influence both aspects of customer loyalty? Which relationship quality dimensions influence each of the components of customer loyalty?

This study was conducted in a business-to-business setting of the courier and freight delivery service industry in Australia. The survey was targeted to Australian Small to Medium Enterprises (SMEs). Two methods were chosen for data collection: mail survey and online survey. The total number of usable respondents who completed both survey was 306.

In this study, a two step approach (Anderson and Gerbing 1988) was selected for measurement model and structural model. The results also show that all measurement models of relationship dimensions achieved a satisfactory level of fit to the data. The hypothesized relationships were estimated using structural equation modeling. The overall goodness of fit statistics shows that the structural model fits the data well.

As the results show, to maintain customer loyalty to the supplier, a supplier may enhance all four aspects of relationship quality which are trust, commitment, satisfaction and service quality. Specifically, in order to enhance customer's trust, a supplier should promote the customer's trust in the supplier. In efforts to emphasize commitment, a supplier should focus on building affective aspects of commitment rather than calculative aspects. Satisfaction appears to be a crucial factor in maintaining purchase intentions whereas service quality will strongly enhance both purchase intentions and attitudinal loyalty.

Keywords: Loyalty, Relationship Quality, B2B, Service Quality, Courier Services

Introduction

In a B2B environment, suppliers need to understand the nature and circumstances of their customers because of the unique characteristics of the customers acting as an organization. As business customers purchase large volume of products and services, managing and maintaining loyal B2B customers can secure a supplier greater revenue. The importance and benefits of attracting and maintaining loyal customers has arisen because there is a general acceptance that profitability follows customer loyalty (Reichheld and Sasser 1990). The economic value of loyalty has been discussed by Jone and Sasser (1995) and Reichheld (1996). Therefore, complete understanding of the concept of loyalty highlights the need for a balance of value between customers and the firm and the need to develop customer loyalty as a long term investment.

With attempts to fulfill the needs of business customers, many supplying and selling firms engage in relationships with the business customers (Ryssel, Ritter and Gemunden, 2004) and see the importance of the strategic management of supplier and customer relationships (Eng, 2004). Some authors (e.g. Woo and Ennew, 2004) view the quality of the business-to-business relationship as a crucial factor in building success in the market. Retaining customers over the long run yields greater profits. However, the development of loyalty and its potential application to the business-to-business settings has not been widely explored. This study aims to provide a picture of how relationship quality can influence customer loyalty or loyalty in the business-to-business context. We propose relationship quality as a higher construct comprising trust, commitment, satisfaction and service quality. These dimensions of relationship quality can reasonably explain the influence of relationship quality on customer loyalty. This study was conducted in a business-to-business setting of the courier and freight delivery service industry in Australia.

Conceptual Background

Customer loyalty

Loyalty has been largely studied in the consumer context (e.g. Brown 1952; Cunningham 1956; Dick and Basu 1994; Farley 1964; Fournier 1998; Jacoby 1971; and Jacoby and Kyner 1973, Oliver, Rust and Varki 1997; Sirgy and Samli 1985) and service market (e.g. Andreassen and Lindestad 1998; Fisher 2001; Selnes 1993; Zeithaml, Berry and Parasuraman 1996). The concept of loyalty, however, has not been widely studied in the B2B context.

There are three main streams of research in loyalty: behavioral loyalty (e.g. Tellis 1988; Tucker 1964), attitudinal loyalty (e.g. Bennett and Rundle-Thiele 2002) and composite loyalty (e.g. Day 1969; Jacoby 1971; Jacoby and Kyner 1973; Chaudhuri and Holbrook 2001). In an early school of thought Tucker (1964) argued that behavior (past purchases of the brand/product) completely accounts for loyalty. Consistent with this viewpoint, Jacoby and Chestnut (1978) observed that in behavioral loyalty studies the focus was on interpreting patterns of repeat purchasing in primarily panel data as a manifestation of loyalty. Loyalty in this behavioral manner is believed to be stochastic not deterministic (Uncles and Laurent, 1997). On the other hand, attitudinal concepts can be identified as providing positive word of mouth (e.g. Zeithaml et al., 1996; Andreassen and Lindestad, 1998), recommending the service to others (Zeithaml et al., 1996), and encouraging others to use the service (Bettencourt and Brown, 1997).

A reconciliation of both behavioural and attitudinal components of loyalty was first proposed by Day (1969) as he cautions that loyalty viewed in terms of purchase decisions may not distinguish between loyalty and spurious loyalty. There was a need to extend typical definitions and measurement approaches of loyalty (Baldinger and Robinson 1996). It was suggested that one should study the attitudinal components for additional understanding of the stochastic representation of behavioral loyalty (Jacoby and Chestnut 1978; Uncles and Laurent 1997). This study follows the composite loyalty approach providing both behavioural aspects (purchase intentions) and attitudinal loyalty in order to fully explain the concept of customer loyalty.

Relationship Quality

The concept of relationship quality has arisen from theory and research in the field of relationship marketing (e.g. Crosby, Evans and Cowles 1990; Dwyer, Schurr and Oh 1987) in which the ultimate goal is to strengthen already strong relationships and to convert indifferent customers into loyal ones (Berry and Parasuraman, 1991).

Although, previous research of relationship quality (eg. Bejou, Wray and Ingram 1996; Crosby, Evans and Cowles 1990; Dorsch, Swanson and Kelly 1998; Hennig-Thurau and Klee 1997; Kumar, Sceer, Steenkamp 1995; Storbacka, Strandvik and Gronroos 1994; Walter, et al. 2003; de Wulf, Odekerken-Schroder and Iacobucci 2001) has discussed and tested the concept of relationship quality in various research contexts, the definition and operationalisation of relationship quality differs from research project to research project. However, these authors agree that the concept of relationship quality is a higher-order construct consisting of several distinct but related components or dimensions. These components are opportunism (Dorsch et al. 1998), customer orientation (Palmer and Bejou, 1994; Dorsch et al., 1998), conflict (Kumar, Sceer, Steenkamp 1995), trust in salesperson (Crosby, Evans and Cowles 1990; Lagace, Dahlstrom, and Gassenheimer 1991), trust (Bejou, Wray and Ingram 1996; Dwyer and Oh 1987; Dorsch et al. 1998; Gronroos 1990; Hennig-Thurau and Klee 1997; Kumar et al., 1995; Moorman et al. 1992; Wray et al. 1994), satisfaction (Crosby et al. 1990; Dwyer and Oh 1987; Lagace et al. 1991), commitment (Dorsch et al. 1998; Hennig-Thurau and Klee 1997; Kumar et al. 1995; Moorman et al. 1992) and perceived quality (Hennig-Thurau and Klee 1997; Moorman et al. 1992).

Building on past research, this study proposes that relationship quality is comprised of four different but related dimensions, which are: perceived service quality, trust, commitment and satisfaction. The selection of these four dimensions is also based on the literature and suitability to the context of B2B markets. In the literature, a number of authors (e.g. Dwyer and Oh 1987; Moorman et al. 1992) empirically found that relationship quality was comprised of trust, commitment and satisfaction. While a great number of relationship quality components have been proposed, the variables of trust, commitment and satisfaction are the most frequently studied (e.g. Anderson and Naus 1990; Dwyer et al. 1987; Morgan and Hunt 1994). In addition, the use of perceived product/ service quality as a dimension of relationship quality has only been conceptualized but not tested. The inclusion of perceived service quality as a dimension of relationship quality in this study can be supported by Hennig-Thurau and Klee (1997) who argue that because the exchange of products and/or services is the fundamental feature of any buyer-seller relationship, the overall products and/or service-related quality perception should be included as a basic component of relationship quality (p.751).

Perceived Service Quality

As a critical measure of organizational performance, service quality remains at the forefront of both the marketing literature generally and the service marketing literature specifically (Jensen and Markland 1996). Both practitioners and academics are keen on accurately measuring perceived quality in order to better understand its essential antecedents and consequences and, ultimately, methods for improving quality to achieve competitive advantage and build customer loyalty (Palmer and Cole 1995; Zahorik and Rust 1992). A number of models of service quality have emerged in the literature. Two important service quality models are Gronroos' (1984) and Parasuraman et al.'s (1985, 1988) models.

Several authors insist that the link between perceived quality and various outcomes could be enhanced through further empirical work. Zeithaml et al. (1996) contend that the relationship between service quality and retention should be documented because the financial implications for a given company or even for a given service initiative can be calibrated. de Ruyter and Wetzel (1998) further suggest that it is important to determine the nature and strength of the relationship between perceived service quality and loyalty for a firm and/or different industry levels. Firm- and industry-level assessment of the quality-service loyalty link provides useful information to shareholders on the viability of future performance. Some authors, for example Bloemer and Kasper (1995), Brady and Robertson (2001), and Butcher, Sparks and O'callaghan (2001), Cronin, Brady and Hult (2000), Ennew and Blinks (1999), Fullerton (2005), Lee and Cunningham (2001), Melita and Durvasula (1998), Olsen (2002) Wong and Sohal (2001), have included service quality in their model to explain loyalty or retention. These authors strongly believe that service quality positively affects important behavioural outcomes such as loyalty. Zahorik and Rust (1992) argue that modeling perceived quality as an influencing factor of customer loyalty will provide significant diagnostic ability to any framework that

includes customer loyalty as a dependent construct. Previous research has confirmed that the relationship between perceived quality and customer loyalty exists and is positive (Anderson and Sullivan 1993; Cronin and Taylor 1992; Harrison-Walker 2001).

Nevertheless, since most of the empirical research has been limited to the area of retail and consumer services, there is a need to better understand the relationship of perceived quality and customer loyalty in other contexts, such as industrial markets and B2B markets. This need is also emphasized by Boulding et al. (1993), who states that research efforts should be expanded to include industrial services and even services within industries in order to test quality models and propositions. Parasuraman (1998) also points out the need for academic research - both conceptual and empirical research - on the quality in B2B settings since most of the quality literature is company-to-consumer rather than company-to-company.

Trust

The construct of trust has been particularly associated with the development of interest in relationship marketing in general and particularly in the context of B2B markets (Blois, 1999). The understanding the nature of trust and the importance of its contribution to loyalty will leave a major impact on how B2B relationships are developed and managed. Several authors regard trust as a central construct to the development of successful service relationships in B2B markets and for the achievement of customer loyalty. Parasuraman et al. (1985) introduced trust as a critical success factor in successful service relationships. The authors suggest that customers need to feel safe in dealings with suppliers and need to be assured that their interaction is confidential in that they are able to trust their suppliers. Berry (1995, p.242) suggests that "relationship marketing is built on the foundation of trust". In relation to customer loyalty, Reichheld and Scheffer (2000, p.107) highlight the importance of trust in that "to gain loyalty of customers, you must first gain trust". In addition, trust is an important feature or aspect in the development of quality relationships built through a process of making and keeping promises (Dwyer et al., 1987; Gronroos, 1990; Hewett and Bearden, 2001).

Past research has shown a link between trust and customer loyalty. Some studies have shown customer loyalty to be a consequence of trust. Empirically, there is evidence of direct effects of trust on loyalty. A direct link between trust and loyalty has been demonstrated in several research studies. Chaudhuri and Holbrook (2001) demonstrate that trust plays an important role in the brand domain in that they link (brand) trust to brand performance through brand loyalty. The view of brand trust as part of the brand domain recognises that brand value can be created and developed through the management of some aspects that go beyond consumer's satisfaction with the functional performance of the products and its attributes (Aaker 1996 and Lasser et al 1995). Blackston (1995) also suggests that trust can offer an appropriate schema to conceptualize and measure a more qualitative dimension of brand value. Delgado-Ballester and Munuera-Aleman (2001), using customer commitment as an indicator of customer loyalty, empirically found that brand trust has a direct effect on customer commitment and thus indirectly can affect the level of price tolerance. Based on this evidence, one can conclude that it is sufficient to conclude that trust leads to customer loyalty.

Commitment

It is argued that customer commitment to the supplier is a very important driver of customer loyalty in service industries (Fullerton 2003). The construct of commitment has also been shown to be an important dimension of relationship quality (e.g. Hennig-Thurau et al. 2002).

In similar way to trust, commitment is considered as an important ingredient in successful relationships (Morgan and Hunt, 1994). The construct of commitment is regarded as the central construct in relationship marketing (Garbarino and Johnson 1999, Pritchard et al. 1999). The concept of commitment stems from industrial and organizational psychology and has been viewed as an intention to continue a course of action or activity such as maintaining a relationship with a business partner (Fehr 1988). In the buyer-and-seller relationship literature, commitment is defined as an implicit or explicit pledge of relational continuity between exchange partners (Dwyer et al. 1987). In simpler terms, commitment refers to the motivation to stay with a supplier or supplier (Moorman et al. 1992). In a business relationship, commitment is a psychological sentiment of the mind through which an attitude concerning continuation of a relationship with a business partner is formed (Wetzels, de

Ruyter and Birgelen. 1998). Prior research suggests that there are at least two forms of commitment (Kumar, Hibbard and Stern 1994), calculative commitment and affective commitment.

In terms of the relationship between commitment and loyalty, Dick and Basu (1994) suggested that potential consequences of commitment may include word of mouth communications- an important aspect of attitudinal loyalty. Customers who have high commitment in a product or service will buy more. In other words, commitment leads to behavioral aspect of loyalty. In support of this notion, Pritchard, Havitz and Howard (1999) found a significant path from resistance to change (commitment) to loyalty. This link was particularly strong in their airline sample with more than half of loyalty variance accounted for by this path. Other authors such as Fullerton (2003) Garbarino and Johnson (1999), Geysken, Steenkamp, Scheer and Kumar (1996), Gilliland and Bello (2002), and Wetzels, de Ruyter and Birgelen (1998) also provided empirical evidence that the relationship of customer commitment to future purchase intentions and intention to stay in the relationship exists.

Satisfaction

Kotler (1994, p.20) importantly states “the key to customer retention is customer satisfaction”. There is much theoretical and empirical evidence that shows that link between satisfaction and customer retention and customer loyalty. In theory, several authors posit the contribution of satisfaction to customer loyalty. For example, Aaker (1991) and Heskett, Sasser and Schlesinger (1997) state that satisfaction is a key determinant to every level of brand loyalty. These authors propose that satisfaction is an important variable in explaining loyalty. Dick and Basu (1994) and Oliver (1999) suggest satisfaction to be an affective antecedent of brand loyalty. Satisfaction is often thought to affect the likelihood of repurchasing or reusing the service of a provider. Oliver (1997) proposes three dimensions of satisfaction; cognitive, affective and conative, that culminate in action loyalty or repeat usage.

There is a stream of empirical research that stresses the link between satisfaction and customer loyalty. In consumer marketing, there is consistent evidence that satisfaction contributes to repurchase intentions, behavioural intentions, customer retention and customer loyalty (e.g. Anderson and Sullivan, 1990; Bearden and Teel 1983; Bitner, 1990; Bloemer, de Ruyter and Peeters 1998; Bloemer and Kasper 1995; Boulding et al. 1993; Burton, Sheather and Roberts 2003; Dube and Maute 1998; Ennew and Binks 1999; Oliver 1997; de Ruyter and Bloemer 1999; LaBarbera and Mazursky 1983; Patterson 1995; Selnes 1993; Yu and Dean 2001). In the context on marketing channels, Geyskens and Steenkamp (2000) empirically found that loyalty is the result of economic satisfaction, and a channel member’s evaluation of the economic outcomes that flow from the relationship with its partner such as volume, margins and discount. The authors also found that loyalty is reduced by social satisfaction, which is a channel member’s evaluation of the psychological aspects of its relationship. In business-to-business research, several authors show that a link between satisfaction and loyalty exists. For example, Eriksson and Vaghult (2000) found that satisfied customers stay with the firm. Their results showed that as relationship satisfaction increases so does customer retention. Their findings indicate that long lasting and deep relationships are the result of the parties involved being satisfied with the outcome of their work. In research conducted in the courier industry business-to-business setting, Lam, Shankar, Erramilli and Murthy (2004) measured customer loyalty using two dimensions: recommendation and patronage. The authors found that customer satisfaction has a positive effect on only one dimension, which is recommendation. They did not find support for the hypotheses that that business customer satisfaction contributes to the patronage dimension of loyalty. It appears that business customers of courier providers are mainly driven by their affective state of satisfaction in recommending the service.

Research Issues and Hypotheses

Providing the theory and evidence of past research on loyalty and relationship quality, it is possible to lay out the following research issues: does relationship quality influence both aspects of customer loyalty? Which relationship quality dimensions influence each of the components of customer loyalty? The following hypotheses were developed based on the theory and past empirical evidence discussed above.

Hypotheses: There is a positive relationship between relationship quality (second-order construct) and customer loyalty. This relationship must be evidence the following hypotheses.

- H1: trust in the employees of the supplier is positively related to a) behavioral loyalty (purchase intentions) and b) attitudinal loyalty
- H2: trust in supplier is positively related to a) behavioral loyalty (purchase intentions) and b) attitudinal loyalty
- H3: calculative commitment to the supplier is positively related to a) behavioral loyalty (purchase intentions) and b) attitudinal loyalty
- H4: affective commitment to the supplier is positively related to a) behavioral loyalty (purchase intentions) and b) attitudinal loyalty
- H5: calculative commitment to the employees of the supplier is positively related to a) behavioral loyalty (purchase intentions) and b) attitudinal loyalty
- H6: affective commitment to the employees of the supplier is positively related to a) behavioral loyalty (purchase intentions) and b) attitudinal loyalty
- H7: overall satisfaction is positively related to a) behavioral loyalty (purchase intentions) and b) attitudinal loyalty
- H8: overall perceived service quality is positively related to a) behavioral loyalty (purchase intentions) and b) attitudinal loyalty

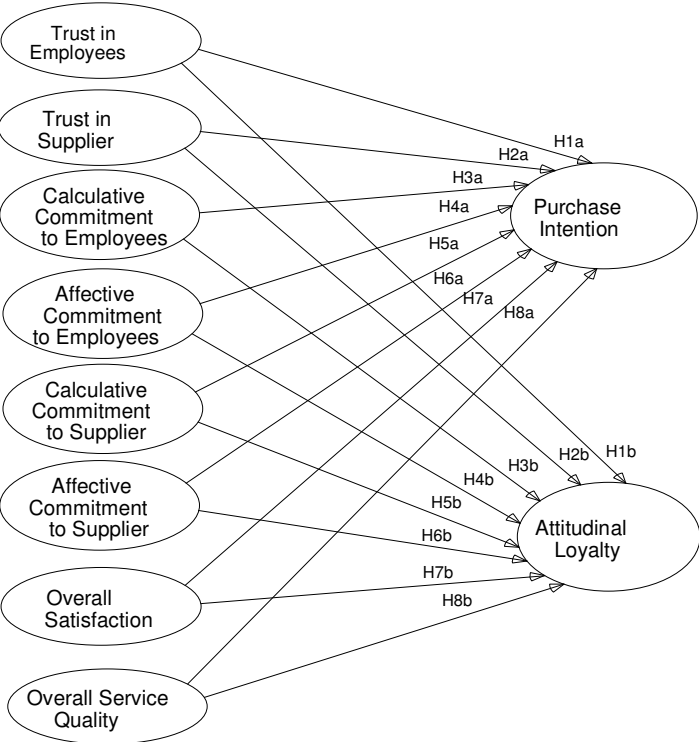


Figure 1: Structural Model of Relationship Quality as Predictor of Customer loyalty

The Study

Research Setting

This study was conducted in a business-to-business setting of the courier and freight delivery service industry in Australia. The survey is targeted at business customers, in particular, Australian Small to Medium Enterprises (SMEs). This study has chosen to study SMEs as they represent a sub group of business-to-business customers.

Research Design

Two methods were chosen for data collection: mail survey and online survey. To ensure a successful response rate for both the mail and online survey, incentives were included. As an incentive, an Australian charity organization authorized fundraising and provided their name and logo as part of this study. SMEs who participated in the study were told that for each completed questionnaire returned, a small donation would be made charity on their behalf. By completing the survey, SMEs would contribute to research efforts as well as to a good cause. As an additional incentive, a copy of the results was to be available on request to interested participants.

For the mail survey, telephone recruitment was conducted prior to survey to obtain permission and agreement to participate from potential respondents. Telephone recruitment was carried out prior to the mail survey because SMEs owners and decision makers are generally busy and might disregard unsolicited mail. The mail questionnaires were distributed to 500 willing-to-participate SMEs recruited by telephone from a commercial list of 3,000 SMEs. The questionnaires were sent with a cover letter and accompanied with a reply-paid envelope. Of the 500 questionnaires distributed in this manner, 52 were returned. This translates into a response rate of 10.4 % of total SMEs who had previously agreed to participate. For the 'willing-to-participate' sample, there was initial confidence that the possibility that most of 500 participant to send back complete questionnaire are high due to the enthusiastic tone of the respondents during telephone recruitment. A low response rate of 52 out of 500 was out of expectation.

For the online survey, online participants were recruited via email notifications. The email letter was designed with a link to the online survey. The email broadcast was carried out by a professional broadcasting company¹ who broadcast emails to a list of SMEs provided by an audited permission-marketing database. This list of SMEs consists of 4,000 owners and managers of SMEs. These SMEs are registered members of an audited permission-marketing database who also provides free web-based mobile text messaging (SMS) services to Australian mobile users. This website was audited for privacy and data security and offers the ability to communicate through free SMS service with highly targeted segments. The email broadcasting for this study was targeted to SMEs who are registered members of this website. Once the registered members clicked on the link to the survey, they were rewarded one SMS point. This reward of mobile short messaging points served as additional incentive to fill in this survey. Of the 4,000 email broadcast to SMEs, a total number of 1,216 SMEs clicked through to the survey link. However, the total number of usable respondents who completed the survey was 254. This number translates into a 6.35 % (254/4,000) response rate. In total, the two methods of survey generated 306 usable questionnaires.

The Data Set

Mail and online survey achieved a collection of 306 usable questionnaires. The content of the questionnaire includes 2 parts: part A (general information/demographic), part B (SME buying behavior). In part A, demographic questions included the position in the company of the respondents, type of industry in which SME operates, number of full time employees, annual turnover and choice of supplier. In part B, all of the construct measurements were included. Questions in part B includes overall satisfaction to main supplier, purchase intention, attitudinal loyalty, commitment to employee, commitment to supplier, trust in employees, trust in supplier, and overall service quality.

Operationalisation of Constructs

Measurement items of the two aspects of customer loyalty were borrowed from the loyalty literature: items of purchase intentions were modified from Chaudhui and Holbrook (2001), Gremler and Gwinner (2000) and Sirdeshmuk et al. (2002). Items for attitudinal loyalty modified based on Zeithaml et al. (1996). The attitudinal loyalty items also reflect customer advocacy, recommending others and encouraging others to use the supplier.

Measurements for the determinants of loyalty were developed from the relationship marketing literature and service literature. Relationship quality was measured as a higher level constructs comprised of trust, commitment, satisfaction and service quality. Items of trust in supplier were modified from Geyskens et al. (1996), Macintosh and Lockshin (1997) and Roberts, Varki and Brodie (2003). Items of trust in the employees were modified from Geyskens et al. (1996) and Mcallister (1995). Both calculative commitment and affective commitment to supplier were drawn from Kumar, Scheer and Steemkamp (1995) and both calculative commitment and affective commitment to employees were drawn from Hensen, Sandvik and Selnes (2003). One single item overall satisfaction item drawn from Humburg and Rudolph (2001). Four items of overall service quality items were developed based on the definitions of Zeithaml (1988, p. 3) "*The consumer's judgment about a product and service's overall excellence or superiority.*"

In this study, a two step approach (Anderson and Gerbing 1988) was selected for measurement model and structural model. Construct reliability was assessed by using Cronbach's alpha coefficient. All the Cronbach's alpha for are higher than 0.9 for all constructs except calculative commitment to supplier (0.87). Confirmatory factor analysis (CFA) indicates one factor model for each constructs. CFA results shows 5 items for purchase intentions, 4 items for attitudinal loyalty, 3 items for trust in supplier, 5 items for trust in employees, 3 items each for calculative commitment to employees, affective commitment to employees and calculative commitment to supplier, 2 items for affective commitment to supplier and 3 items for overall service quality. Later in the structural model, some constructs of relationship quality dimensions with 3 to 5 items (i.e. trust in supplier, trust in employees, calculative commitment to employees, affective commitment to employees and calculative commitment to supplier) were randomly summed to two items in order to reduce the complexity of the structural model (Bagozzi and Edwards 1998). The CFA results for a second-order measurement model of relationship quality with 78 degrees of freedom indicate that the model fits the data well: $\chi^2 = 90.829$, $p = 0.152$, TLI (0.996), standardized RMR (0.0172) indicate a good fit to the data. RMSEA (0.023) show a moderate fit. The results also show that all measurement models of relationship dimensions achieved a satisfactory level of fit to the data.

Results

Hypothesis			Estimate	Hypothesis supported
H1a	Trust in employees	—————>	Purchase intentions 0.025	no
H1b	Trust in employees	—————>	Attitudinal Loyalty 0.025	no
H2a	Trust in supplier	—————>	Purchase intentions 0.016	no
H2b	Trust in supplier	—————>	Attitudinal Loyalty 0.187***	yes
H3a	Calculative commitment to supplier	—————>	Purchase intentions 0.123	no
H3b	Calculative commitment to supplier	—————>	Attitudinal Loyalty -0.008	no
H4a	Affective commitment to supplier	—————>	Purchase intentions -0.08	no
H4b	Affective commitment to supplier	—————>	Attitudinal Loyalty 0.199***	yes
H5a	Calculative commitment to employees	—————>	Purchase intentions -0.009	no
H5b	Calculative commitment to employees	—————>	Attitudinal Loyalty -0.007	no
H6a	Affective commitment to employees	—————>	Purchase intentions 0.099	no
H6b	Affective commitment to employees	—————>	Attitudinal Loyalty 0.006	no
H7a	Overall Satisfaction	—————>	Purchase intentions 0.306***	yes
H7b	Overall Satisfaction	—————>	Attitudinal Loyalty 0.128	no
H8a	Overall service quality	—————>	Purchase intentions 0.306***	yes
H8b	Overall service quality	—————>	Attitudinal Loyalty 0.339***	yes

Table 1: Results of Hypothesis Testing using AMOS 5

Notes: **p<0.05; ***p<0.01.

The hypothesized relationships were estimated using structural equation modeling. The structural model described in Figure 1 was estimated using AMOS 5 with maximum likelihood estimation method. The overall goodness of fit statistics shows that the structural model fits the data well. The root mean square error of approximation (RMSEA) is 0.053, the goodness of fit index (GFI) is 0.909, the adjusted goodness of fit index (AGFI) is 0.868, the standardised root mean square residual (sRMR) is 0.033, chi square statistics (χ^2) is 387.007 with 208 degrees of freedom and p value of 0.000.

Table 1 suggests that only five out of sixteen paths (H2b, H4b, H7a, H8a and H8b) depicted in the conceptual model were supported. Other eleven were not supported. The hypotheses that were not supported are H1a, H1b, H2a, H3a, H3b, H4a, H5a, H5b, H6a, H6b and H7b.

According to these results, purchase intentions is influenced by two important factors of relationship quality which are overall satisfaction and overall service quality whereas attitudinal loyalty is influenced by three factors of relationship quality which are trust in the supplier, affective commitment to the supplier and overall service quality. Moreover, according to the not supported hypotheses, trust in the employees of the supplier and commitment (both calculative and affective aspects) to the employees does not influence either purchase intentions or attitudinal loyalty.

Limitation of Research and Methodological Implications

This research has several limitations that suggest that different approaches for future research may be useful in further exploring the issues investigated in this study. First, the data in this study is from the courier service industry, which may limit the generalization to other industries and business-to-business settings. The study sampled only Australian SMEs. Because SMEs have different size and characteristics compared to larger corporate buyers, their buying behavior and attitude cannot be generalized for the whole population of business-to-business buyers. Loyalty of larger business buyers may be different to the loyalty of SMEs.

The second limitation of this research is the limitation of the data collection. The target sample for this research were the decision makers of the SMEs. SME owners and SME management were assumed to have limited spare time and would be sensitive to issues of privacy and interruption. Therefore telephone recruitment was undergone before mail survey to ask for respondents' initial permission to send mail questionnaire and also aim to increase response rate. Nevertheless, there was a low response rate of mail survey (6.35%). Merging of mail and online survey was done to achieve a dataset of 306. Future researcher must acknowledge advantages and disadvantages of using telephone recruitment to increase response rate of mail survey. The cost of telephone recruitment was very high and it is not clear whether the telephone recruitment aided the response rate. Using telephone recruitment does not necessary contribute to a higher response rate for survey.

Conclusions and Managerial Implications

Once a supplier learns about the two diemnsions of loyalty and combines this with knowledge on spending patterns, they will be able to manage their customers more effectively by seeking to segment their customer base according to customers' level or degree of loyalty. The classification system can also be useful to marketers as they try to build loyalty. Once marketers identify degrees of loyalty most associated with their strategies that are appropriate for building loyalty under conditions that exist for that product and service can be implemented. This study reinforces the importance of the two components of loyalty and illustrates that, while both are important in achieving loyalty, there are differing paths to achieving each component.

Most of the relationship quality research provided three primary dimensions: trust, commitment and satisfaction (e.g. Crosby et al. 1990, Dorsch et al.1998; Moorman et al.1992). This study included overall service quality as an additional dimension of relationship quality in influencing two aspects customer loyalty. The results of this study provide support for the suggestions of Crosby et al. (1990) and Hennig-Thurau and Klee (1997) who argue that service quality can be considered as a condition for relationship quality.

Empirical results of this study suggested that to maintain behavioral loyalty with SMEs customers, supplier may put their efforts in enhancing customer satisfaction and designing excellent service systems. In order to create and maintain attitudinal loyalty of SMEs customers, a supplier should focus on building a relationship on the basis of creating the customer's trust to the courier as an organization, maintaining customer's affective commitment level and again providing excellent service systems. The most important finding in Table 1 is that the most crucial factor of relationship quality aspect is overall service quality as overall service quality may built up from both aspects of customer loyalty. Moreover, the results indicate that the trust in the supplier and commitment to the supplier influences customer loyalty. The hypotheses (H1a, H1b, H2a, H3a, H3b, H4a, H5a, H5b, H6a, H6b) underlying the relationship between trust in the employees of the supplier and commitment to the employees of the supplier are not supported. This also implies that the nature of SMEs customers repurchase behavior and attitudinal loyalty are more influenced by customer's trust and commitment to the supplier as a whole and not to the supplier's employees.

Overall, to maintain customer loyalty to the supplier, a supplier may enhance all four aspects of relationship quality which are trust, commitment, satisfaction and service quality. Specifically, in order to enhance customer's trust, a supplier should promote the customer's trust in the supplier. In efforts to emphasize commitment, a supplier should focus on building affective aspects of commitment rather than calculative aspects. Satisfaction appears to be a crucial factor in maintaining purchase intentions whereas service quality will strongly enhance both purchase intentions and attitudinal loyalty.

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