Impact of Relationship Marketing Tactics (RMT’s) & Relationship Quality on Customer Loyalty: A Study within the Malaysian Mobile Telecommunication Industry

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Abstract

Today’s business is becoming extremely competitive and challenging. As such, continuous development of mutual long term relationship strategy with customers has been one of the top priorities for most companies recently. By looking specifically into Pull-Push-Mooring (PPM) Migration model and Commitment-Trust Relationship Marketing Theory, the proposed study aims to examine the impact of relationship marketing tactics (RMT’s) and relationship quality on customer loyalty. Three types of RMT’s (labelled as Pull and Mooring factors) and RQ dimension are proposed and to be tested. Specifically, this study intends to assess the impact of RMT’s \textit{Brand Reputation} and \textit{Alternative Attractiveness} on RQ’s - \textit{Trust}, which in turn, then lead to customer loyalty in terms of retention behavior. In addition, the study also aims to determine whether \textit{Emotions} have a direct impact on such behavior.

Keywords: Relationship Marketing; Relationship Marketing Tactics; Brand Reputation; Alternative Attractiveness; Emotions; Trust; Push Pull Mooring

1. Introduction

Relationship marketing has been found to be successful at building trust and commitment with external stakeholders to create those loyal customer relationships (Morgan & Hunt, 1994). Several studies in the past decade have indicated that relationship marketing has a positive impact on firms’ business performance. Halimi et.al (2011)
for example, suggest that companies should manage their customer relationship strategies with their customers by considering factors that affect their relationships in order to create more beneficial buyer-seller relationships and make more profit. Raza & Rehman (2012) found that relationship marketing helps decision makers and marketers take accurate decisions to enhance customer loyalty. It also proves the importance of relationship marketing in a long term relationship.

Specifically, the study intends to achieve objectives which include: (1) to investigate the impact of RMT’s on Relationship Quality within the Malaysian mobile telecommunication industry (2) to examine whether Emotions have a direct effect on customer loyalty within the Malaysian mobile telecommunication industry and (3) to assess the influence of Relationship Quality on Customer Loyalty within the Malaysian mobile telecommunication industry. Initial analyses of recent related past studies have shown that most researchers have used relationship quality as mediator for loyalty. For instance, study of Zhang & Feng (2009), has examined service quality, price perception, brand image, value offer, and switching costs as relationship marketing tactics, and relationship quality as trust and satisfaction. Doaei (2011) further stated the relationship marketing tactics as direct mail, tangible reward, interpersonal communication, preferential treatment, and membership, while the relationship quality as trust, satisfaction, and commitment. Both of the examples provided conceptual frameworks that have shown the intervention of RMT and RQ dimensions of trust, satisfaction, and commitment.

1.1. Problem Statement

Facing a fiercely competitive environment in the mobile telecommunication industry, many service providers have come out with intensive marketing strategies to compete in order to gain customer loyalty. Zhang & Feng (2009) stated that although much extensive research has been carried out in relationship marketing tactics, there is still little to be known about its impact on customer loyalty. Tseng (2007) on the other hand, utilized the different kind of tactics in measuring relationship quality. The research explores five types of relationship marketing tactics such as direct mail, tangible rewards, interpersonal communication, and preferential treatment on how they influence the customer’s perception on long term relationship. Bansal et.al (2005) further pointed out another important relationship marketing tactics include quality, satisfaction, value, trust, price perception, commitment, alternative attractiveness, attitude towards switching, subjective norms, switching costs, prior switching experience and variety seeking on retaining customers.

In addition, Reza & Rehman (2012) stated that relationship marketing has become an integral part of the industry and most importantly in the service sector. Companies use many tactics to retain their customers. They argue that many of the tactics still a failure or are ineffective on the customers. As a result, target customer shows behavior called switching. This behavior can act as push factors for customers to move to another service provider that they feel can meet their expectations. In addition to that matters, study by Ordekerken-Schroder et.al (2003) has pointed out that the marketers can apply a variety of different tactics with the aim to dedicate their intention for customer loyalty, however, most of them still struggle with the question of which specific tactics can be successfully applied to secure customer loyalty. Moreover, even though they have put an effort, consumers are still disrupted by various marketing activities for instance an aggressive sales tactics, telemarketing, direct mail, doorstep selling, radio advertisement, TV advertisement, and internet promotion to customer loyalty programmers (Peng and Wang, 2006).

1.2. Research Questions

As such, this study has formulated the following research questions:

- **RQ1**: Does Brand Reputation impact on Relationship Quality within the Malaysian mobile telecommunication industry?
- **RQ2**: Does Alternative Attractiveness impact on Relationship Quality within the Malaysian mobile telecommunication industry?
- **RQ3**: To what extent do Emotions directly affect on Customer Loyalty within the Malaysian mobile telecommunication industry?
- **RQ4**: Does Trust influence Customer Loyalty within the Malaysian mobile telecommunication industry?
1.3. Research Proposition

Accordingly, this study has developed hypotheses propositions to be tested as follows:

- **H1**: Brand Reputation has a positive impact on Trust in the Malaysian mobile telecommunication industry.
- **H2**: Alternative Attractiveness has a positive impact on Trust in the Malaysian mobile telecommunication industry.
- **H3**: Emotions have a positive impact on Customer Loyalty within the Malaysian mobile telecommunication industry.
- **H4**: Trust has a positive impact on Customer Loyalty within the Malaysian mobile telecommunication industry.

2. Literature Review & Conceptual Development

2.1. Relationship Marketing

Berry (1983) initially mentioned relationship marketing as attracting, maintaining, and, in multi-service organizations, the art of enhancing customer relationships. He asserted that while recognizing that customer acquisition was and would remain part of marketer’s responsibilities, this viewpoint emphasized that a relationship view of marketing implied that retention and development were of more equal or even greater importance to the organization in the long term, than customer acquisition. Morgan and Hunt (1994) then provided a more comprehensive definition of relationship marketing as all marketing activities directed towards establishing, developing, and maintaining successful relational exchange. Berry and Parasuraman (1991) propose that relationship marketing is concerned with attracting, developing and retaining customer relationships.

Peng and Wang (2006) stated that amongst factors identified by proponents of relationship marketing as having contributed to the growth of relationship marketing, they include (1) the increasing trends in advanced economies towards being service oriented, niche oriented, and information oriented; (2) the increasingly global and intense nature of the competition, and more demanding and sophisticated customers; (3) the increasing fragmentation of consumer markets and rapidly changing customer buying patterns that demands higher standards of quality; (4) the inadequacy of quality itself to create sustainable competitive advantages; (5) the influence of technology on almost all products and services; and (6) the unreliability of traditional marketing coupled with the rise of strategic network competition”. Gummesson (2008) believe that relationship marketing represents a new marketing paradigm, a new theory built upon relationships, and as elements that can be added to the traditional marketing management to produce better outcomes.

**The Commitment-Trust Relationship Marketing Theory**

According to Paltamier (2008), The Commitment-Trust Theory of Relationship Marketing model developed by Morgan and Hunt (1994) can be considered as the most influential relationship marketing theory to date. The theory that describes the presence of commitment and trust are the “keys” to a successful relationship marketing despite there are many other contextual factors that influence the success or failure in relationship marketing (Palmatier, 2008).

The theory also highlights the model of relationship marketing, called the key mediating variable model or KMV model which focuses on one party in the relational exchange and that party’s commitment and trust in the relationship. Since they hypothesized it as a key construct, both commitment and trust are placed as mediating variables between other five antecedents such as termination costs, benefits, shared values, communication, and opportunistic behavior, and five outcomes comprises of acquiescence, propensity to leave, cooperation, functional conflict, and decision-making uncertainty (Morgan & Hunt, 1994).
2.2. Relationship Marketing Tactics (RMT’s)

According to Odekerken-Schroder et al. (2003), a strong relationship outcome (loyalty) not only lies upon a good relationship marketing tactics (RMT), but also upon customer personality as well. The study demonstrates that a different relationship marketing tactics have a different impact on overall perceived loyalty efforts by service providers. The findings suggest that service providers should adding more tangible elements in marketing strategies to bring more loyalty behavior from the customers, for example, product or service quality.

A broader view of relationship marketing tactics from Bansal et al. (2005), which has pointed out that RMT can be executed from twelve (12) important factors (service quality, satisfaction, value, trust, commitment, price perception, alternative attractiveness, attitude toward switching, subjective norms, switching costs, switching behavior, and variety seeking). In their study, the authors have tested the proposed relationship marketing tactics or what they referred as the “pull”, “push” and “mooring” effect on consumer switching behavior. Although positive impacts were revealed, they had insisted that the study is not enough since the “pull” dimension only captured via a single, overarching construct of alternative attractiveness. They suggested that the model could be expanded into broader setting and different classes of services.

Since the impact of various tactics is still questionable, this study intends to propose three important variables from the literature namely Brand Reputation, Alternative Attractiveness, and Emotions in order to provide a clearer picture of its direct impact to the customer loyalty. The literature of each variable will be discussed in following parts. In addition, since this study is using relationship quality (Trust) as mediating to the relationship of RMT and customer loyalty, in other words, to show that there is not a direct relationship, literature will firstly describe the important gaps of the relationship marketing tactics and relationship quality as follows:

2.2.1. Brand Reputation

According to Weiss et al. (1999) brand reputation is defined as “an overall judgement regarding the extent to which a firm is held in high esteem or regard”. They cited that brand reputation plays an important role in service companies. This is because a strong brand reputation increases the customer trust, provide better understanding into intangible products, and reduce customer’s buying risk (Peng & Wang, 2006; 2007). In addition, a service provider with a more favorable reputation tends to lower the customer switching intention over a period of time. Zhang & Feng (2009) in their study argued that brand building is not the only important driving force for marketing for physical product, but it is also a vital issue for service firms. They claimed that brand reputation is likely to be formed by customers via informal methods such as word of mouth, a company’s public reputation, and verbal communication. Hence, a positive brand reputation is supposed to meet customer’s expectation and offer more benefits to the customers, which may lead to customer trust and commitment.

2.2.2. Alternative Attractiveness

Jones et al. (2000) defines alternative attractiveness as positive characteristics of competing service provider, which positively influence the customers’ switching intention. Sharma & Patterson (2000) claimed that the higher the alternative attractiveness of competing service providers, the higher the probability consumers will choose not to loyal to their current service providers, because of the availability of choices. This argument is widely supported by many researchers (e.g., Bansal et al., 2005, Horng et al., 2010; Bashir, 2011). However, most of the researchers pointed out different views of the relationship between alternative attractiveness and customer loyalty. Sharma & Patterson (2000) added that a lack of alternative attractiveness offering can affect the likelihood of a customer to stay loyal or to switch their service provider. Moreover, customers may decide to terminate the current relationship and go to a new service provider if they perceive the alternative to be attractive due to the availability of better service, the proximity of location, availability of complete services and lower fees or the promise of high financial returns (trustworthy). Different view by Horng et al., (2010), insisted that alternative attractiveness is significant and negatively impacts the customer involved in long-term relationship and relationship commitment. They stated that customers are committed to the service providers and tend to maintain existing relationships only if they are unaware of alternative attractiveness or do not perceive the alternatives to be more attractive than current service providers. This means, the lower level of alternative attractiveness, favors customer loyalty. Bansal et al. (2005) has
suggested that alternative attractiveness can be used as “pull” factor which can attract customers to stay as they aware of available alternative from that existing service provider, thus, developing a customer loyalty. Therefore, this study attempts to examine the impact of alternative attractiveness, whether it can be a factor to pull them from switch to another service provider in the Malaysian mobile telecommunication sector.

2.2.3. Emotions

Emotions are a mental state of readiness arising from cognitive appraisals of events or thoughts. It has a variety of cognitions such as a phenomenological tone and is accompanied by physiological processes that are often expressed physically and may result in specific actions to affirm or cope with the emotion (Bagozzi et.al., 1999). Claeys & Roozen (2012) insist that there are few researches on the impact of emotion on customer loyalty. They investigate the role of emotions component together with functional of customer in contributing loyalty in two different contexts; experiences and services. Findings show that both components explain loyalty; however the impacts differ according to the context of the experience. It is thus suggested that the roles of emotions are expanding into different settings such as hospitality and other service sectors.

2.3. Relationship Quality (RQ)

Relationship quality refers to a customer’s perception on the extent to which relationship fulfills the expectations, predictions, goals, and desires that the customer has regarding the overall relationship (Wong & Sohal, 2002). High relationship quality means that the customer is able to rely on the service provider’s integrity and develop confidence in the service provider’s future performance because the level of past performance has been consistently satisfactory (Tseng, 2007). However, it is argued that relationship quality is important to measure the degree of relationship strength. If relationship quality is high, it may develop a strong and long term relationship between customers and firm. Morgan and Hunt (1994) developed the commitment-trust theory, which stated that those two components is the basic construct for measuring relationship quality. This study will implement the element of trust as an indicator of relationship quality in order to investigate loyalty.

2.3.1. Trust

Mayer et al. (2007) defined trust as vulnerability of one party to the actions of another on the basis of expectations that the other person was performing in the desired way. The development of trust is considered to be a critical result of establishing a long term successful relationship between all parties involved. Especially in complicated services industry, customers tend to behave and make a purchase decision depending on their previous consuming experience. The authors further stated that trust is considered important to develop long term relationship and enhance customer loyalty. Meanwhile, many researchers have suggested that customer’s trust plays a significant role in building long term relationship and achieving customer loyalty (Zhang, 2009).

2.4. Customer Loyalty

Customer loyalty is considered the most important goals of implementing relationship marketing tactics. Oliver (1999) defines loyalty as the profound commitment of a customer to repurchase the same product or service and remain repetitive in this behavior. Hayes (2008) argues that customer is the only source of a profitable growth, and customer loyalty may contribute to it. As such, a good service provider believes that any process of growth runs through customers – that is, by not only attracting new customers, but also holding on to existing customers, motivating them to spend more and getting them to recommend products and services to the other people.
Based on the above literature review, a proposed conceptual model is developed as shown below:

![Proposed conceptual framework](image)

Fig. 1: Proposed conceptual framework
Source: Integration of RMT’s Pull-Push-Mooring Model (Bansal, Taylor & James, 2005) and Zhang (2009)

3. Methodology

The study will apply a mixed mode of qualitative and quantitative research method, which will be initially involved an in-depth interview with relevant target audience to gain further insight on the subject matter. Qualitative results would then assist towards designing of survey questionnaires. A face to face and online survey will be done to a sample of 382 students from public universities in Selangor as suggested from table by Krecjie & Morgan (1970). Quota sampling will be implemented to define the sample size for the study.

A pilot test will be initiated to check the reliability of the instrument used to establish the research variable from the samples. Research instrument in this study comprises of six sections, namely demographic, brand reputation, alternative attractiveness, emotions, trust, and customer loyalty. All sections will be using a 5 point Likert-scale ranging from 1=”Strongly Disagree” to 5=”Strongly Agree” except for demographic section. A proposed model is developed to test the relationships between the RMT (Brand Reputation, Alternative Attractiveness, and Emotions), RQ (Trust), and Customer Loyalty. Data will be analyzed using Structural Equation Modeling (SEM AMOS) in order to test the hypothesized path model (See Table 1).

4. Conclusion & Implications

This study seeks to contribute a new knowledge to Pull-Push-Mooring (PPM) theory by extending the existing model which originally discussed twelve antecedents that influence customers to migrate from one service provider to another. By implementing the Relationship Marketing Theory and Trust-Commitment Theory, this study tries to investigate the impact of relationship marketing tactics and relationship quality on customer loyalty. The term extends from this study refers to a new additional factor to the model known as Emotions which labeled as Mooring factors.

In addition, this paper also highlights several practical implications which are contributing to a new understanding of the impact of proposed marketing tactics to mobile telecommunication sectors in Malaysia which can be beneficial to the managers. This study will assist them to provide a better understanding on the effectiveness of RMT’s and the development of strategies that are they capable of accordingly. This allows them to get a better picture of right relationship strategies to be implemented or strategically structure new tactics in order for them to achieve customer loyalty.
Table 1. Statistical Analysis to achieve RO

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<th>Research Objectives (RO)</th>
<th>Research Questions (RQ)</th>
<th>Statistical Analysis</th>
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| 1. To investigate the impact of RMT on Relationship Quality within the Malaysian mobile telecommunication industry. | • Does *Brand Reputation* impact on Relationship Quality within the Malaysian mobile telecommunication industry?  
• Does *Alternative Attractiveness* impact on Relationship Quality within the Malaysian mobile telecommunication industry? | SEM AMOS |
| 2. To examine whether *Emotions* have a direct effect on customer loyalty within the Malaysian mobile telecommunication industry. | • To what extent do Emotions directly affect on Customer Loyalty within the Malaysian mobile telecommunication industry? |          |
| 3. To assess the influence of Relationship Quality on Customer Loyalty within the Malaysian mobile telecommunication industry | • Does *Trust* influence Customer Loyalty within the Malaysian mobile telecommunication industry? |          |

References


