

# The Effect of Expertise of Service Provider, Relational Benefit on Loyalty - An Empirical Study of Hairstyle Franchise System

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## ABSTRACT

*The purpose of the study is to propose and test an integrated model investigating the relationship among relational benefit, the attributes of service provider, relationship quality on the loyalty. Data collected in face-to-face interviews with 257 customers of 15 hairstyle franchise outlets. Structural equations modeling were used to test the proposed model. The findings indicate that the expertise of service provider has a significant impact on customer trust and satisfaction in high involvement services. Preferential treatment is shown to positively influence on satisfaction, increased purchases and word of mouth. Managerial and academic implications are delineated and directions for future research are offered.*

**Keywords:** relational benefits, the expertise of service provider, high involvement services

## INTRODUCTION

The concept of relationship marketing is not a new phenomenon (Sheth and Parvatiyar, 1995), but is now one of the most important topics in services marketing academics and the services business practices (Yacout, 2010). The rationale of relationship marketing is to create, enhance and maintain relationship with their customers or even their stakeholders. Unlike transactional marketing, relational marketing is a dynamic process that requires sellers to constantly listen to their customers and ensure the fulfillment of their social needs and expectations. Most service marketers recognize the importance of building more sustainable and long-lasting relationship with their customers (Etsingueuch et al, 2007; Hennig-Thurau et al, 2002) when considering the performance of services vary on the degree of complexity, the intimate nature of exchange and co-production of services outcomes (Lovelock,1996). Thus, the growing importance of relationship marketing has interested in the role of trust and satisfaction in the services contexts.

There are two approaches in the study of relationship marketing: one is relationship quality, which paying attention on the concepts of trust, satisfaction another one is relationship benefits that is based on the assumption for the maintenance of long –term relationship in relational exchange. Prior studies in services context largely emphasized the performance of customers' interaction with service providers while lacking of the relational aspects that is crucial for enhancing long term relationships with service providers. For the customer, the benefits of relationship from the service firms include the reeducation of risk, uncertainty (Gwinner et al., 1998), preferential treatment (Berry, 1995, Gwinner et al, 1998, Lacey et al., 2007) and the fulfillment of social needs. Customer-provider relationships have received much attention in the literature, yet there is lack of study in the impact of relational benefits on the development of service relationship quality.

The purpose of this study is to examine the extent to which provider expertise and relational benefits influence on the assessment of trust, satisfaction and loyalty, specifically the franchise system of hair-salon. The study seeks to focus on a high involvement setting. Under the condition, relational benefits play a significant role in shaping and influencing the relationship quality. In addition, the study was conducted in Taiwanese setting, because Taiwanese society is relationship, collectivist oriented where interpersonal relationship plays a critical issue in the development and maintain of successful service relationship. Prior studies have been conducted in China in retailing context but there still lacks of empirical studies of relational benefits in Taiwanese. Thus, the research question is to identify what the relationships among expertise of service provider and relational benefits, relationship quality and loyalty. Particularly, we explore the extent to which customer's satisfaction mediates the relationship between satisfaction and loyalty.

## LITERATURE REVIEW

### Relationship Quality

Relationship quality is the core construct of relationship marketing for research, which regarded as the overall assessment of the relationship strength within the exchange partners because of its relative novelty and exploding growth. There is no consensus dimension where make up relationship quality, only exists in the various conceptualizations. The first study of relationship quality is stated by Dwyer et al. (1987, p.130) as “a higher order construct consisting of several distinct, although related dimensions”. Crosby et al. (1990, p. 70) define relationship quality in the context of service marketing as when "the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance because the level of past performance has been consistently satisfactory". So, relationship quality is characterized by construct of trust and satisfaction. Morgan and Hunt (1994) delineated the KMV model; trust and commitment are two other constructs in the theoretical conceptualization of relationship quality. Few studies in the context of buyer-seller relationships share many common dimensions of relationship quality (Heide & John, 1990; Wilson, 1995) including commitment (Dwyer et al., 1987; Morgan & Hunt, 1994; Dorsch et al., 1998), trust (Crosby et al., 1990; Berry, 1995), satisfaction (Ganesan, 1994; Comer, Mehta, & Holmes, 1998; Rosen & Suprenant, 1998), and conflict (Morgan & Hunt, 1994; Kumar et al., 1995; Han, 1997). De Wulf et al. (2001) and Dwyer et al. (1987) use satisfaction, trust, and commitment as dimensions of relationship quality. Based on the prior conceptualizations, the study considers that relationship quality incorporates satisfaction and commitment.

### Relational Benefit

Relational benefits refer to the benefits that customers receive either from core product or from relationship itself as a result of having cultivated the mutual long-term relationship. Customer relationship benefits can be regarded as an important factor between organization and customer (Gwinner et al., 1998; Reynolds & Beatty, 1999; Hennig-Thura et al., 2002; Yen & Gwinner, 2003). Morgan and Hunt (1994) suggest relationship benefits is one of the critical relationship commitment decision factors, relationship benefits have positively associated with relationship commitment. The study of Gwinner et al (1998) identified a typology of three relational benefits. Confidence benefits refer to perception of reduced anxiety and comfort in knowing what to expect in the service encounter. Social benefits, emotional part of the relationship, are characterized by personal recognition of customers by employees, the customer's own familiarity with employees, and the creation of relationships between customers and employees. Special treatment benefits is regarded as the form of relational consumers receiving price breaks, faster service or individualized additional services, which comprises two components: economic and customization. These benefits are not only important to customers but also should be directly important to firms given their positive relationship to several outcomes valued by organizations.

## COCEPTUAL MODEL AND HYPOTHESES

In this section, we developed and test an integrative model that combines the relational benefit and relationship quality perspectives and identify the relationship among the antecedents and consequences of relationship quality.

Expertise of service provider and relationship quality. Expertise of service provider is a subjective term on the basis of customer perceptions that service providers have knowledge, training, expertise, experience, qualifications, or skills in a particular service domain .According to Crosby. (1990), relationship quality is enhanced if salespersons are perceived to be competent. In other word, expertise can make the influence on the long-term sales relationship through the impact of relationship quality. In high-credence service market, professional knowledge and expertise should be the most important criteria for customers in the selection of a service provider. If the expertise is proven after consumption, the trust and satisfaction of customers towards the service provider will increase (Smith, 1998).

Many empirical studies also supported that expertise is perhaps the most important antecedent of relationship quality and has the positively associated with relationship quality (Shamdasan et.al. 2000; Macintosh, 2007; Qin et al., 2009; Sapke et al., 2010). Based on the above arguments, we propose the following hypothesis:

H1: The expertise of service provider positively influences customer trust to the relationship with the firm

H2: The expertise of service provider positively influences customer satisfaction to the relationship with the firm  
Relational benefits and relationship quality

The relational benefits refer to assume that both parties in a relationship must benefit for it to continue in the long run. For the customer, these benefits can be focused on either core service or on the relationship itself (Henning et al., 2000). In the study, relational benefits are consisted of two components: social benefit, special treatment benefits. Social benefit has been presumed to include feelings of familiarity, personal recognition, friendship rapport and social support (Gwinner et al., 1998). Social benefits focus on the relationship itself rather than on the outcomes of the transactions. It involves the amount of customer-provider interaction that can be considered “non-commercial “relationship. Researchers have suggested social benefits are positively related to the customers’ relationship quality of the firms (Goodwin, 1997; Henning et al., 2002; Hauswan., 2003; Yacout, 2010). Indeed, Berry (1995) contends that social bonds between customers and employees lead customers to have higher levels of trust to the organization. In addition, social benefits are expected by customers besides functional benefits, we can assume a positive relationship between social benefits and customer satisfaction. Base on the above arguments, we propose the following hypothesis:

H3: Social benefit positively influences customer trust to the relationship with the firm

H4: Social benefit positively influences customer satisfaction to the relationship with the firm

Preferential treatment refers to the practice of giving selective customers’ elevated social status recognition and or/additional or enhanced products and services above and beyond standard firm value propositions and customers service practices. Czepiel (1990) describes a marketing relationship as one that reaches special relative to other customers as firms customize their offering to meet particular customer specifications and requirement (Beatty., 1996). Examples of preferential treatment might range from the employment of personal shoppers to offering special customer service phone lines to dedicated product experts, use of private tours, concierge services, invitations to special events, expedited repairs, and express service lines for select customers. Preferential treatment of customers helps create an emotional attachment to the firm (Rust. et al, 2004) and thus influences customer’s commitment to the firm. When customers perceive themselves as benefactors of preferential treatment as a result of their satisfaction, a stronger emotional attachment and more enduring desire to maintain the marketing relationship emerges (Lacey et al., 2007). Base on the above arguments, we propose the following hypothesis:

H5: Preferential benefit positively influences customer trust to the relationship with the firm

H6: Preferential benefit positively influences customer satisfaction to the relationship with the firm  
Relationship quality and loyalty

Relationship quality is regarded as a good index of the future well-being of long-term service relationships. The long-term objective of relationship marketing is to build and develop loyalty. As such, loyalty is an important consequence of providing high levels of relationship quality. When customers perceive the high relationship quality provided by the competencies of the service provider, they are motivated to engage in the continuance relationship. In addition, they will recommend it to their friends and relatives. Base on the above arguments, we propose the following hypothesis:

H7: Relationship quality positively influences customer loyalty to the relationship with the firm

## METHOD

### Sample

The study conducted the survey in franchise system hair-salon outlets in Taiwan. The Hair-salon service is highly intangible and complex in light of the quality of serve outcomes is greatly personal insight. The assessment of the quality contains not only tangible outcome but also intangible services. Thus, the evaluation of customers of the quality of hair-salon service is largely based on the credence attributed. In addition, the nature of franchise system is operated

under the same brand, the standard operational procedure that lead to more difficult for the high-credence service setting. Thus, it is more valuable to the study.

The questionnaire is developed on the basis of relationship quality literature and discussed with the expert in the field of marketing relationship and marketers. To test the initial questionnaire, a pre-test sample of 10 respondents was used. The final questionnaire was distributed to a convenience sample of Taiwanese respondents obtained from certain franchise system of 15 outlets. Face to face interviews were used to obtain data from customers who had required hair service. A total of 300 questionnaires were distributed to field assistants. Among the data, 43 were eliminated due to incomplete and missing data. The final sample size for data analysis was 257.

### **Measures**

All of the variables were measured by a five-point Likert scale, ranging from 1-strongly disagree to 5- strongly agree. The majority of the items in the measures were adopted from established scales.

Expertise of the service provider refers to the overall customer's assessment of relevant competencies associated with the service provider. The construct was measured by a four-item scale and adapted from Shamdasani et al., 2000 and Crosby ET al's (1990) salesperson expertise index. Relational benefit is conceptualized as benefits customer receives beyond core service. The construct of relational benefits was measured using a total of 8 items scale developed by Gwinner et al., 1998 ; Hennig-Thurau et al, 2002, including social benefit (four items) ; special treatment benefit (four items). Relationship quality is defined as a relationship outcome and an overall means of assessing the strength of a relationship between two exchange partners. The construct of relationship quality was measured by 5 items, the satisfaction scales developed by Crosby et al's (1990) and trust items from Morgan and Hunt, (1994). Loyalty is regarded as the willingness of customers to recommend the firms to their relatives or friends and the intention of repurchase under any condition. The construct was measured by three items developed by Shamdasani et al., (2000).

## **RESULT AND ANALYSIS**

### **Respondent Characteristics**

A brief analysis of the final sample profile indicated that 83% of the respondents were below the age of 50 years and the sample is skewed toward the female gender. About 63% of respondents reported attained college or higher level education. The reason for respondents to visit hair-salon was the fixed service provider. Regarding to the salon patronage behavior, about 60 % of the respondents reported visiting hair salons average 7 times for the past 3 months.

### **Measurement Model**

In this study, a two-step approach was chosen to analysis the measurement model consisted of exploratory factor analysis using SPSS 12.0 and confirmatory factor analysis using AMOS 17.0. Principal components analysis was used to test for unidimensionality. The criterion for factor extraction was an eigenvalue greater than 1.0. Retained items required a loading of at least 0.50. Item 7 was cut off due to the loading is 0.273.

The raw data was used to estimate the measurement model. Parameter estimates, t-value, composite reliabilities, variance extracted estimates and fit statistics are displayed in Table I. For discriminant validity, the test and confirmed the assumption was proposed by Fornell and Larcker (1981). The average variance extracted (AVE) which measures the amount of variance captured by a construct's scale in relational to variance associated with random measurement error , are all above 0.5, indicating discriminant validity (Anderson & Gerbing, 1988) . Table 1 shows that all AVEs were larger than 0.5. In addition, the reliability of scales was assessed by examining the constructs of composite reliability above 0.7. This result indicated that all constructs have good reliability and discriminant validity. The fit statistics were  $\chi^2 = 491.627$ ; d.f. =155;  $\chi^2/d.f. = 3.172$ ; GFI = 0.839; AGFI=0.0.783; CFI = 0.924; RMSEA = 0.092; RMR= 0.022. Model with cutoff values above 0.9 for GFI and below 0.08 for RMSEA are considered to have a good fit between the hypothesized model and the observed data (Hu and Bentler, 1999).

**Table I: Measurement Model and Confirmatory Factory Analysis**

Construct/item	Standardized loading	t-value	Composite reliability	Variance extracted
Service provider's expertise			0.826	0.6162
1. My hair stylist possesses specialized knowledge of hair styling, hair care, hair products, etc.	0.843	13.787		
2. My hair stylist is highly skilled.	0.874	14.30		
3. They can provide services in accordance with my expectations.	0.710	11.42		
4. My hair stylist has enough fashion information.	0.757	9.22		
Social benefit			0.8771	0.6465
5. I am familiar with the service provider who performs the service.	0.627	9.75		
6. I have developed a friendship with my service provider.	0.820	12.918		
8. Certain employees are my good friends.	0.763	10.21		
Specific Treatment benefit			0.9238	0.7521
9. They do services for me that they don't do for most customers.	0.854	14.598		
10. I get discount or good deals than most customers don't get.	0.753	12.648		
11. I am satisfied with services or discounts only for membership.	0.757	12.561		
12. I am placed higher on priority list when there is line.	0.773	10.23		
Trust			0.885	0.651
13. I believe is less risk that something will go wrong.	0.854	18.601		
14. I have no doubt about the quality of services offered by my hair stylist.	0.917	21.518		
15. I have full confidence in my hair stylist.	0.871	15.12		
Satisfaction			0.7829	0.6432
16. My choice to use this hair salon was a wise one.	0.920	24.241		
17. Overall, I am satisfied with this hair salon system.	0.907	11.2		
Loyalty			0.8547	0.6801
18. I will recommend my hair salon to my friends and family members.	0.892	25.679		
19. I will continue to visit my present hair salon in future.	0.919	28.51		
20. If someone enquires about this hair salon, I will recommend it.	0.950	15.31		

**Structural Model Fit**

Structural equation modeling with AMOS.17.0 was used to test the hypothesized model. The model fit statistics were  $\chi^2 = 490.376$ ; d.f. = 150;  $\chi^2/df = 3.503$ ; GFI = 0.832; AGFI=0.772; CFI = 0.921; NFI = 0.894; RMSEA = 0.099. These fit statistics indicate a good fit between the hypothesized model and the data. As shown in Table II, most of the hypothesized paths were significant at the  $p < 0.05$  level. These paths were not supported by the model. The paths that were not significant were path from social benefit to trust and special treatment benefit to satisfaction.

**Table II: Structural Parameter Estimates**

PATH	Estimated value for standardized coefficient	
Expertise → trust	0.180*	Support
Expertise → satisfaction	0.328*	Support
Social benefit → trust	-0.096	Not support
Social benefit → satisfaction	0.139*	Support
Special benefit → trust	0.744*	Support
Special benefit → satisfaction	0.089	Not Support
Trust → satisfaction	0.836*	Support
Trust → Loyalty	0.033*	Support
Satisfaction → Loyalty	0.95*	Support
p< 0.05		
$\chi^2 = 490.376$ ; d.f. = 150; $\chi^2/df = 3.503$ ; GFI = 0.832; AGFI=0.772; CFI = 0.921; NFI = 0.894; RMSEA = 0.099		

## DISCUSSION AND IMPLICATIONS

Based on the above data analysis, the finding is that perceived expertise quality has a greater impact on the relationship quality than relational benefit does in the high involvement nature of hair salon services. The finding of the study supported that expertise of service provider have significant impact on the level of satisfaction and the level of trust. It is consistent with the findings of Crosby et al (1990), Shamdasan et.al (2000). When the more expertise the hair stylist displays, the more customers are able to rely on him or her and feel confident of receiving a high quality and pleasant service experience. The finding indicated that service provider attribute variable can be considered as key factor in the service literature in a high involvement context. It suggests that the operation of professional franchise system should be pay attention on to the extent of attributes of hair stylists when they are recruited. Although expertise of service provider may be necessary for the development of customer trust and satisfaction, this attribute does not alone appear enough. The social competence and emotional intelligence of service provider are important components when hiring hair stylist or on job training. Besides, the evidence of expertise such as hair design award, certifications and other indications of quality should be visible to the customers to deliver expertise. Whether displayed in the outlet or promoted on local media, or on website, fashion magazine, these cues evoke trust in the provider and facilitate loyalty in the service provider.

The finding of the study indicated that special treatment benefits have positively related to enlarge the effect on relationship trust and satisfaction. It is consistent with the findings of Patterson et al. (2001) that indicated Asian are more respect with special treatment benefit than West Countries. When customers recognize they are benefactors of preferential treatment, they are likely to have strong emotional attachment and more enduring to maintain the relationship with the firm. Thus, special treatment can facilitate the development of the firms and maintain relationship marketing strategy.

The social benefits have not significant with the trust but significant with satisfaction. It can be explained that benefits derived from integration with customers should take long time to establish the friendship with their customers when considering the personality of Taiwanese are shamed of communicating with people high involvement services settings. It suggests that the firm can establish the strategy of nurturing of important relationship in the early stage through directly recognizing customers, getting to know their name and generally treating them almost as family members.

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