

# The Study on the Antecedents of Relationship Quality and Loyalty of Urban Business Club: Landmark Club

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## ABSTRACT

**Purpose:** All business want to change from short-term orientations to a focus on building long-term relationships to attract better profits by customer retention This study aims to explore the path of the antecedents of relationship quality and loyalty for Urban Business Club: Landmark Club in Taiwan. **Methods:** Total of 127 members in Landmark Club was surveyed by convenience sampling. Then the data was analyzed by Path analysis. **Results:** The result found that (1) relationship quality affected by selling behavior and service tangibility significantly, but did not affect positively by service expertise; (2) relationship quality influenced the customer's loyalty significantly; (3) selling behavior, service expertise, and service tangibility had positive relationship one mutually. **Conclusion:** the better the relationship quality could be, the better the customer's loyalty would be. Therefore, sales in urban business club need to get touch with their members frequently and keep service tangible to upgrade the relationship quality in order to maintain customer's loyalty. In addition, the club should plan some marketing strategies and maintain the resounding regularly to assure that the service could meet the members' needs. **Keywords:** Selling behavior, Service expertise, Service tangibility, Relationship quality, Loyalty

## INTRODUCTION

According to the 80/20 reports, business could gain 80% profit form 20% of their old customer. Not only companies, but also sport clubs want to change from short-term orientations to a focus on building long-term relationships to attract better profits by customer retention. Relationship marketing is a well-known strategy in service industry and becomes a source of differentiation and increase customer switching costs for business, especially in services, due to their intangibility (Athanasopoulou & Mylonakis, 2009; Gwin, 2009).

Relationship Quality was recognized as a central construct in the relationship marketing literature and was also as a critically important role of relationship marketing (Leuthesser, 1997). Johnson (1999) simply describes relationship quality as "the overall depth and climate of the interim relationship". Building on past research, relationship quality was comprised of two different but related dimensions, which are trust and satisfaction (Parsons, 2002). Trust was defined as a seller's subjective feeling that relying on this intermediary for conducting business is secure and comfortable (Sun, Zhang, & Xiao, 2007). Satisfaction was considered as a feeling reaction to the perceived difference between performance appraisal and expectations (Lin, Chiu, & Tsai, 2008).

Loyalty was defined as a degree of a customs' intention to continue the relationship with a firm and to expand the quantity and volume of this relationship (Homburg et al., 2003). Uncles and Dowling (1997)

found that greater cost-effectiveness of retaining new customers compared with acquiring new ones and the lower servicing costs for loyal consumers.

Despite of the importance of relationship quality and loyalty and their impact on firm profitability and customer retention, the first step in effectively managing relationship quality and customer loyalty is identifying their antecedents (Lin & Ding, 2006). Therefore, this study aimed to explore the path of the antecedents of relationship quality and loyalty for Urban Business Club members—Landmark Club in Taiwan.

## METHOD

### Hypothesizes

#### *The Antecedents of Relationship Quality vs. Relationship Quality*

Previous many scholars, such as Crosby, Evans, and Cowles (1990), Shamdasani and Sheth (1995), Lin and Ding (2006), and so on, found some antecedents as positively influences relationship quality, including relational selling behaviors, service domain expertise, and service tangibility.

- (1) Relational selling behavior. Relational selling behaviors refer to a behavioral tendency exhibited by some sales representatives to cultivate and maintenance the relationship between buyers and sellers via mutual communications (Crosby, Evans, & Cowles, 1990; Lin & Ding, 2006).
- (2) Service domain expertise. Expertise is a subjective term based on customer perceptions that service providers have valuable knowledge, experience, skills, or qualifications in a specific service domain (Lin & Ding, 2006).
- (3) Service tangibility. Tangibility is defined as the degree to which a product or service can provide a clear concrete image (McDougall & Snetsinger, 1990). In addition, service tangibility also a factor of service quality (Chen & Lin, 2008).

Therefore, relational selling behavior, service domain expertise, and service tangibility are hypothesized to positively influence relationship quality.

H1: Relationship quality affected by relational selling behavior positively.

H2: Relationship quality affected by service domain expertise positively.

H3: Relationship quality affected by service tangibility positively.

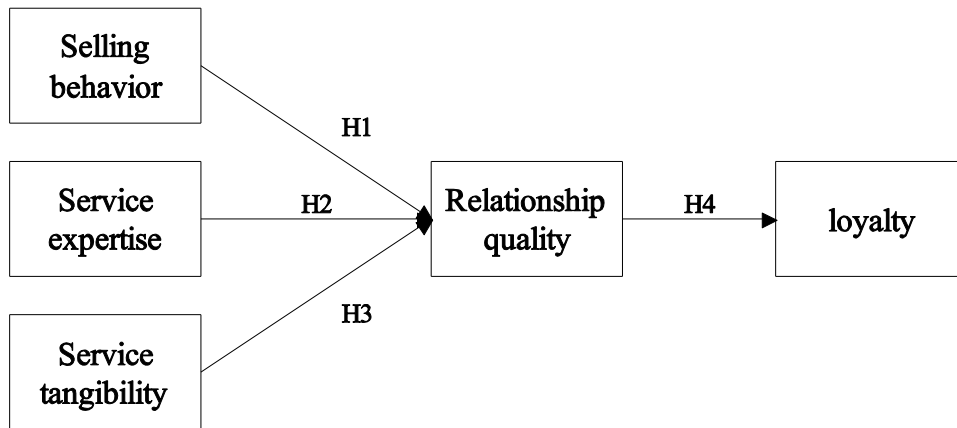
#### *Relationship Quality vs. Loyalty*

Lin and Ding (2006) found that relationship quality significantly and positively influences loyalty, which relational selling behavior simultaneously influences relationship quality in ISP service. Liu (2000) also found that service tangibles of employees, specialization knowledge, and relational selling behavior will affect the trust and satisfactory level in the banking industry. Hence, the following hypothesis based on the above findings can be derived:

H4: Relationship quality positively influences loyalty.

#### *Hypothesizes Summary*

According to the literary reviews, we hypothesized that (1) Relational selling behavior positively influences relationship quality; (2) service domain expertise positively influences relationship quality; (3) service tangibility positively influences relationship; and (4) relationship quality positively influences loyalty. The conceptual model displayed in Figure 1.



**Figure 1: Research frame**

### **Instruments**

The ethnocentrism scale was adopted from Crosby, Evans and Cowles (1990), Lagace, Dahlstrom, and Gassenheimer (1991), and Lin and Ding (2006). The scale had 5 factors (selling behavior, service expertise, service tangibility, relationship quality and loyalty). All factors were measured on a five-point Likert-type scale ranging from (1) "strongly disagree" to (5) "strongly agree". Internally consistent reliability analysis results indicated that the selling behavior factor ( $\alpha = .84$ ), service expertise factor ( $\alpha = .89$ ), service tangibility factor ( $\alpha = .90$ ), relationship quality factor ( $\alpha = .88$ ) and loyalty factor ( $\alpha = .82$ ).

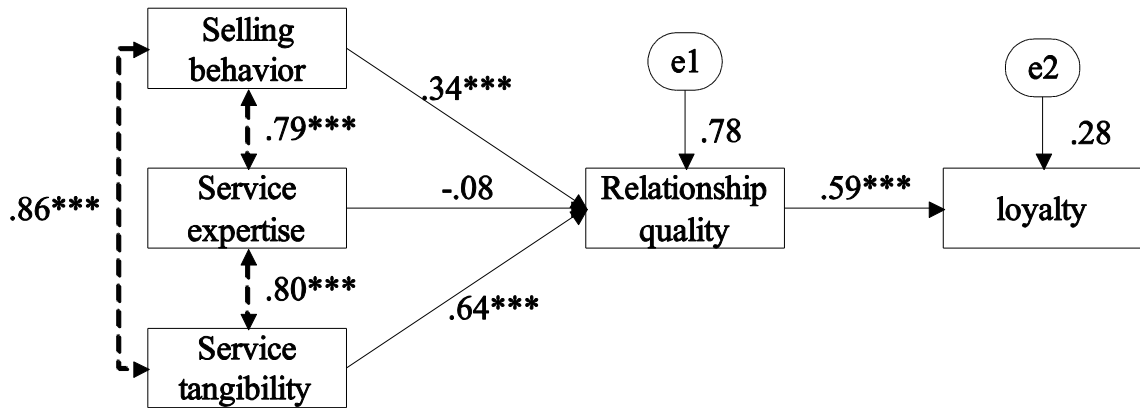
### **Data Collection**

By convenience sampling method, a total of 127 members in Landmark Club between March and May in 2005 were surveyed. Confirmatory factor analysis (CFA), descriptive statistics, and path analysis were used to analyze the data by SPSS and AMOS. Statistical comparisons were deemed significant at the 5% level ( $p < .05$ ).

## **RESULTS**

### **Path Analysis**

In the original model (see figure 1), the badness of fit measure shows  $\chi^2=316.799$ ,  $p=.000$ . The hypothesized path model was not supported. Therefore, the model modification process was conducted to improve the model fit by adding the covariance paths among the factors of selling behavior, service expertise, and service tangibility. The result of the final model indicated that several model fit indices, that gives a fit of  $\chi^2=5.376$ ,  $P=.146$ , root mean square residual (RMR) =0.017, goodness-of-fit index (GFI) =0.984, adjusted goodness-of-fit index (AGFI) =9.18, comparative fit index (CFI) =0.996, and root mean-squared error of approximation (RMSEA) =0.079, moderately meet their respective common acceptance level recommended by pervious researcher. The model is valid, so we continue to analyze the outcome of the hypothesized effects.



Note: \*\*\* p< .001

**Figure 2: Revised model**

The strength of the relationships among the constructs was represented by the standardized path coefficient in Figure 2 and Table 1. Selling behavior ( $\beta=.34$ ,  $p< .001$ ) and Service tangibility ( $\beta=.64$ ,  $p< .001$ ) had significant effects on the relationship quality, but service expertise did not ( $\beta=-.08$ ,  $p> .05$ ). Relationship quality positively influences loyalty ( $\beta=.59$ ,  $p< .001$ ). In addition, selling behavior, service expertise, and service tangibility had positive relational coefficients mutually, which had the highest relationship between selling behavior and service tangibility ( $r = .86$ ,  $p< .001$ ).

**Table 1: Overall measure of path analysis**

variables	$\beta$	P	S. E.	C. R.
Selling behavior $\rightarrow$ Relationship quality	.34	.000***	.083	8.225
Service expertise $\rightarrow$ Relationship quality	.64	.000***	.100	7.314
Service tangibility $\rightarrow$ Relationship quality	-.08	.265	.087	-1.115
Relationship quality $\rightarrow$ loyalty	.59	.000***	.083	8.225
Selling behavior $\leftrightarrow$ Service expertise	.79	.000***	.086	9.983
Service expertise $\leftrightarrow$ Service tangibility	.80	.000***	.071	7.003
Service tangibility $\leftrightarrow$ Selling behavior	.86	.000***	.093	7.317

Note: \*\*\*p< .001

### Hypothesis Testing

As the results, the Table 2 reveals that the hypothesis of H1, H3, and H4 was supported, which means that relational selling behavior and service tangibility positively influence relationship quality, and relationship quality positively influence loyalty. However the hypothesis of H2 was not supported, which means that service domain expertise does not positively influence relationship quality.

**Table 2: Hypothesis testing**

Hypothesis	Results
H1: Relationship quality affected by relational selling behavior positively.	Supported
H2: Relationship quality affected by service domain expertise positively.	Not supported
H3: Relationship quality affected by service tangibility positively.	Supported
H4: Relationship quality positively influences loyalty.	Supported

## Discussions and Conclusions

The study found that relationship quality affected by selling behavior and service tangibility significantly. It showed that customer-employee interaction results in customer's overall satisfaction by Boles, Brashear, Bellenger, and Barksdale (2000). Crosby et al. (1990) also said that relational selling reflects an effort to keep efficient communication channels for maintaining a good relationship with consumer. Club should try to create the further contact possibilities via virtual communicating channels to concern customers' needs and updated the packages. In addition, based on Zane's study (1997), privacy, amenities, and atmosphere are the main feature that guests consider important when they experienced.

The study did not found the significant effect from service expertise to relationship quality. However, it did not mean that expertise is not important in the club. Hill, Garner, and Hanna (1989) said that profession knowledge is a key factor which salesperson customer decided to get contract with. Landmark clubs sold membership cards for long-term users via various channels and they provided many functions to users, including retreat, swimming pool, reading room, and so on, some of which members can play themselves without professional knowledge. Not every customer would find what expertise the club staffs have.

Selling behavior, service expertise, and service tangibility had significant relations mutually. Selling behavior and service tangibility influenced relationship quality. Positive customer word-of-mouth and customer loyalty are the key relationship marketing outcomes (Thorsten, Gwinner, & Gremler, 2002). Therefore, salesperson in urban business clubs need to get touch with their members frequently providing immediate messages to attract them interest repeatedly and keep their information correct. In addition, the club should plan some marketing strategies and maintain the resounding regularly to assure that the service could meet the customer's needs.

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