

**RELATIONSHIP MARKETING DYNAMICS AND CUSTOMER  
LOYALTY IN HIGHER EDUCATION SECTOR**

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**RELATIONSHIP MARKETING DYNAMICS AND CUSTOMER LOYALTY  
IN HIGHER EDUCATION SECTOR**

**By**

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## ABSTRACT

In response to the challenges facing higher educational institutions, including declining public funding, globalization and stiff competition, this study aims to fill literature gaps by proposing and validating a customer loyalty model based on relationship marketing for the higher education sector. Drawing upon social exchange and social learning theories, this study examines the moderating effect of long term orientation on the link between relationship marketing dynamics and customer loyalty. A total of 416 graduates and undergraduate students of federal universities in Nigeria participated in the study. The results of the partial least squares (PLS) path analysis supported the hypothesized direct and indirect effects of relationship marketing dynamics on customer loyalty. Specifically, relationship marketing dynamics of bonding, communication, and personalization were found to have significant positive relationship with customer satisfaction and trust. The results of the analysis also suggest that customer satisfaction and trust mediate the link between bonding, communication, personalization and customer loyalty. Furthermore, long term orientation moderates the relationship between customer satisfaction and customer loyalty. Specifically, there is more significant positive relationship between customer satisfaction and customer loyalty for individual customers high in long term orientation than for individual customers low in long term orientation. However, no moderating effect of long term orientation was found on the path between trust and customer loyalty. Taken together, the findings of the study lend empirical support to the view that relationship marketing in general, and service personalization in particular, can promote customer loyalty, especially among individual customers high in long term orientation. Hence, knowledge of individual customer long term orientation can assist university administrators in managing their students profile effectively. Theoretical, managerial, and methodological implications are discussed and a conclusion is drawn.

**Keywords:** customer loyalty, relationship marketing, customer satisfaction, long term orientation, higher education sector

## ABSTRAK

Bagi menghadapi cabaran institusi pengajian tinggi seperti kemerosotan pendanaan awam, globalisasi dan juga persaingan kompetitif, kajian ini bertujuan mengisi lompong dengan mencadang dan mengesahkan satu model kesetiaan pelanggan berdasarkan pemasaran perhubungan dalam sektor pengajian tinggi. Dengan menggunakan teori pertukaran sosial dan pembelajaran sosial, kajian ini meneliti kesan penyederhana untuk orientasi jangka panjang antara elemen pemasaran perhubungan dan kesetiaan pelanggan. Sejumlah 416 siswazah dan prasiswazah universiti awam di Nigeria telah mengambil bahagian dalam kajian ini. Keputusan analisis pekali lintasan Kuasa Dua Terkecil Separa (Partial Least Squares) menyokong hipotesis kesan langsung dan tidak langsung elemen pemasaran perhubungan terhadap kesetiaan pelanggan. Secara lebih terperinci, elemen ikatan, komunikasi dan personalisasi mempunyai hubungan positif yang signifikan dengan tahap kepuasan dan kepercayaan pelanggan. Hasil analisis juga mendapati kepuasan dan kepercayaan pelanggan berhubung kait dengan ikatan, komunikasi, personalisasi dan kesetiaan pelanggan. Tambahan pula, orientasi jangka panjang berkorelasi dengan kepuasan pelanggan dan kesetiaan pelanggan. Secara khususnya, terdapat hubungan positif yang signifikan antara kepuasan dan kesetiaan pelanggan terhadap jumlah pelanggan individu yang tinggi dalam orientasi jangka panjang berbanding jumlah pelanggan yang rendah dalam orientasi yang sama. Walau bagaimanapun, tiada kesan penyederhana orientasi jangka panjang didapati antara kepercayaan dan kesetiaan pelanggan. Secara keseluruhannya, dapatan kajian menerusi bukti empirikal berjaya menyokong pandangan pemasaran perhubungan secara am dan personalisasi servis secara khusus boleh meningkatkan tahap kesetiaan pelanggan terutamanya bagi jumlah pelanggan individu yang tinggi dalam orientasi jangka panjang. Oleh itu, pengetahuan mengenai pelanggan individu dalam orientasi jangka panjang berupaya membantu pihak pentadbiran universiti menguruskan profil para pelajar dengan lebih berkesan. Implikasi terhadap teori, pengurusan dan metodologi juga dibincangkan dan kesimpulan dihasilkan.

**Kata kunci:** kesetiaan pelanggan, pemasaran perhubungan, kepuasan pelanggan, orientasi jangka panjang, sektor pengajian tinggi

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## **LIST OF ABBREVIATIONS**

AVE	Average Variance Extracted
BON	Bonding
CLOY	Customer Loyalty
CMV	Common Method Variance
COM	Communication
CRM	Customer Relationship Management
CS	Customer Satisfaction
f <sup>2</sup>	Effect Size
FMOE	Federal Ministry of Education
GoF	Goodness of Fit
HE	Higher Education
HEIs	Higher Educational Institutions
HES	High Education Sector
LISREL	Linear Structural Relationship
LTO	Long Term Orientation
MBA	Master of Business Administration
OECD	Organization for Economic Cooperation and Development
OYAGSB	Othman Yeop Abdullah Graduate School of Business
PER	Personalization
PBUH	Peace Be Upon Him
PhD	Doctor of Philosophy

PLS	Partial Least Squares
Q2	Cross Validated Redundancy Measure
R2	Coefficient of Determination
RM	Relationship Marketing
SEM	Structural Equation Modelling
SET	Social Exchange Theory
SLT	Social Learning Theory
SPSS	Statistical Package for the Social Sciences
SWT	<i>Subhanahu Wa Ta'ala</i>
TR	Trust
USA	United States of America
UNESCO	United Nations Educational, Scientific and Cultural Organization
UUM	Universiti Utara Malaysia



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

The strategic importance of the services marketing industry is universally acknowledged as dominating the global market (Berry, 1995; Gummesson & Gronroos, 2012) and providing over 70 per cent of employment in both the public and private domains (Berger & Humphrey, 1992; Hoffman & Birnbrich, 2012). Perhaps, this accounts for the shift in marketing theory and practice from manufacturing or goods marketing to services marketing (Gronroos, 1994). Extant literature suggests that in service context, relationship marketing (RM) is most critical because services are perceived intangible, easily perishable and less consistent (Palmatier, Dant, Grewal & Evans, 2006). Further, customers and firms are more involved in the consumption and production of services than they are for manufactured products (Zeithaml, Parasuraman & Berry, 1985). These basic features of services imply that consumers cannot verify claims made by service providers by mere inspection (Abubakar, 2011; Palmer, 2000) thus, making trust a critical decision making parameter in the production and consumption of services (Palmatier, *et al.*, 2006).

Within the services industry, the education sector is a key component given its critical and pivotal role in the development agenda of nations (UNESCO, 2013). The university as a social institution has the mandate to enrol and graduate students in various scientific and educational fields that are excellent in character and learning for the

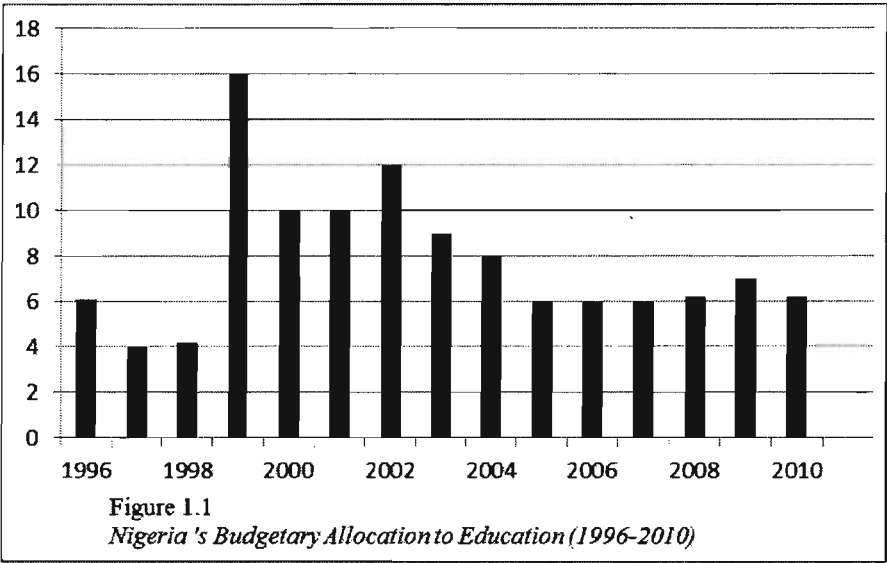
survival and advancement of the society (Necolescu, 2011). This critical role of the university is further supported by the emergence of RM (Gummesson & Gronroos, 2012) which promotes both social and economic ties between students and universities (Ackerman & Schibrowsky, 2007; Hennig-Thurau, Langer & Hansen, 2001).

However, in recent times student retention and loyalty to university has become a global strategic issue because of a number of underlying shifts in the higher education sector (HES), including policy changes in university ownership, funding, globalization and student mobility among others (Bowden, 2013; Moore & Bowden-Everson, 2012). Globally, the policy regarding ownership of universities and other higher educational institutions (HEIs) is shifting from public to private (Hemsley & Oplatka, 2006). With ever increasing number of public and private universities, competition among universities for students' enrolment is on the increase (Bowden, 2011; Serenko, 2011).

In Nigeria, university education started in 1948 with the establishment of the University College, Ibadan as an affiliate of the University of London and by 1960's, five full pledged universities were established by the federal government. As at 2013, Nigeria has 129 accredited universities including 51 private universities which suggest competition for students' enrolment among the universities (World Education News & Reviews, 2013) because the choices before candidates as well as the opportunities for students to shift universities are on the increase, especially when enrolling for higher degree programs (Akeusola, Daniel & Iyere, 2011; Tasie, 2012).

Anecdotal evidence also indicates that state funding of universities and other higher educational institutions (HEIs) has fallen drastically (Hennig-Thurau *et al.*, 2001) with

universities shifting towards tuition based budgets as government financial support is also becoming performance based (Nesset & Helgesen, 2009). As against the UNESCO recommendation that 26 per cent of annual national budget should be spent on education, Nigeria has been expending only between 4 and 16 per cents annually on education (FMOE, 2012; US Embassy in Nigeria, 2013) while Nigeria’s vision 20.2020 demands that universities should look internally for funds, consistent with global trends (National Planning Commission, 2010). Impliedly, Nigerian universities should be able to admit and retain enough students to be able to function effectively and achieve their mandate which highlights the critical importance of student loyalty.



Marketing concepts have been assimilated to a great extent in the HES of Britain and the United States in particular (Mazzarol & Soutar, 2012; Times Higher Education, 2014). In 2008, the United States alone enrolled about 19 per cent of total international students at higher education level. Britain occupied second position with 10 per cent, followed by Germany, France and Australia, each with about 7 per cent and Canada with 5.5 per cent

(OECD, 2010). However, four years later, the equation began to change as non-English speaking countries such as China, Spain, Malaysia, Japan, India and Singapore actively compete for overseas students (Mazzarol & Soutar, 2012, OECD, 2014).

Trade in education services is a fast increasing international business. In 2011, global education business was estimated at US\$ 65 billion which represented roughly 3 per cent of world services export (Naidoo & Wu, 2011). This trend reflects both global competition among HEIs as well as international mobility with critical implication for attraction and retention of students at both domestic and international levels (Thomas & Cunningham, 2009). These global developments have called on the university to apply marketing of educational services through customer centric approaches in the delivery of university services (Deshields, Kara & Kaynak, 2005; Mazzarol & Soutar, 2012).

In spite of the issues highlighted above, it has been observed that universities and colleges pay more attention to admission and enrolment of students rather than managing the enrolments, even though satisfying admitted students is central to retention and loyalty of students (DeShields *et al.*, 2005). In the US, more than 40 per cent of college entrants leave High Educational Institutions (HEIs) before earning a degree and 75 per cent of these students drop out in the first year. Similarly, in Australia, 50 per cent of all attrition at the tertiary level occurs to students in the first year, while 30 per cent of these students are not satisfied with their experience (Bowden, 2013). In the case of Nigeria, anecdotal evidence reveals an ever increasing number of oversea graduate students. In 2009/2010, Nigeria was the 19<sup>th</sup> source of graduate students in the United States. In 2012, there were over 6000 Nigerian students in the US, over 5,000 in Malaysia and more than 1000 in Canada (UNESCO, 2013). Many of these oversea

students are persuing graduate degrees having had their Bachelor and or Master degrees in Nigeria which suggest disloyalty to their former home universities and a form of attrition.

Consequent upon the preceding issues, the need to develop strategies for the attraction and retention of undergraduate and graduate students by Nigerian universities has become critical (Akuesola *et al.* 2011). However, the needed transformation to a student based model requires the utilisation of an RM strategy (Ackerman & Schbrowskey, 2007; Hennig-Thurau *et al.*, 2001). Having looked at the practical motivation for the present study at length, in the subsequent paragraph, a highlight of the theoretical motivation is given.

Empirical evidence abound on the role of student satisfaction with university services (e.g., Douglas, McClland & Davis, 2008 Serenko, 2011), good reputation (Nesset & Helgesen, 2009), service quality (i.g., Hennig-Thurau *et al.*, 2001; Purgailis & Zaksas, 2012; Sultan & Wong, 2013), commitment to university (Hennig-Thurau *et al.*, 2001), image (Cubillo, Sanchez & Cervino, 2006) and student trust ( Moore & Bowden-Everson, 2012) in promoting student loyalty to university. However, little empirical evidence exist of the role of critical RM dynamics, such as bonding, communication, personalization and student long term orientation (LTO) in enhancing student satisfaction, trust and loyalty to the university. Next, the research problem is explained.



## 1.2 Problem Statement

The strategic importance of customer loyalty in enhancing organisational efficiency and competitiveness is supported by anecdotal and empirical evidence (Berry & Parasuraman, 1996; Gronroos & Gummesson, 2012; Hennig-Thurau *et al.*, 2001; Morgan & Hunt, 1994). Several studies have used a variety of antecedents to predict customer loyalty, such as service quality (e.g., Caruana, 2000; Chang, *et al.*, 2012; Douglas *et al.*, 2008; Gurbuz, 2008), customer satisfaction (e.g., Armstrong & Seng, 2000; Fornell, Johnson, Anderson, Cha & Bryant, 1996; Hallowell, 1996), switching costs (e.g., Dagger & David, 2012; Hassan & Anwar, 2012), customer relationship management (e.g., Cillian & Gutierrez, 2005; Toyese, 2014; Wang, Liang & Wu, 2006), image (e.g., Purgailis & Zaksa, 2012), reputation (e.g., Nettet & Helgesen, 2009), customer complaints (e.g., Awwad, 2011; Fornell *et al.*, 1996), RM dynamics such as trust (Casielles, Alvarez & Martin, 2005; Selnes, 1998; Ball, Coelho & Marchas, 2004), commitment (Armstrong & Seng, 2000), bonding (Berry & Parasuraman, 1991) and communication (Halimi, Chavosh & Choshali, 2011; Narteh, Agbemabiese, Kodua & Braimeh, 2013).

However, the findings of the previous studies on the link between key RM dynamics and customer loyalty are contradictory. For example, while main stream studies (e.g., Armstrong & Seng, 2000; Berry & Parasuraman, 1991; Coelho & Henseler, 2012; Fornell *et al.*, 1996; Halimi, *et al.*, 2011; Kantsperger & Kunz, 2010; Nettet & Helgesen, 2009; Rizan, Warokka & Listyawati, 2014) have reported significant positive relationship between customer satisfaction and customer loyalty, other studies have

reported insignificant/negative associations between the constructs of customer satisfaction and loyalty (e.g., Bauman, Elliot & Burton, 2012; Bowen & Chen, 2001; Dagger & David, 2012). Similarly, while mainstream studies (e.g., Casielles *et al.*, 2005; Kantperger & Kunz, 2010; Morgan & Hunt, 1994; Narteh *et al.*, 2013; Ndubisi *et al.*, 2007; Rizan *et al.*, 2014; Selnes, 1998) have found significant positive relationship between trust and customer loyalty, some studies (e.g., Hennig-Thurau *et al.*, 2001; Moore & Bowden-Everson, 2012; Shams-Ur Rahman, Shareef & Ishaque, 2012) have reported insignificant relationship between the variables of trust and customer loyalty.

These inconsistent findings suggest that research on the link between customer satisfaction and loyalty and between trust and customer loyalty is not conclusive. Meanwhile, previous empirical studies have not tested the moderating effect of LTO on the relationships between satisfaction, trust and customer loyalty despite literature evidence of the effect of individual customer LTO on customer perception and attitude towards goods and services (Caceres & Paparoidamis, 2007; Hofstede, 1991; Bearden, Money & Nevins, 2006; Hwang, Chung & Jin, 2013). Consequently, prior studies (Caceres & Paparoidamis, 2007; Hassan, Shiu & Walsh, 2011; Maiyaki & Mokhtar, 2012; Palmatier, Jarvis, Benckhoff & Kardes, 2009) suggest that future research should consider the moderating role LTO in the context of the link between RM dynamics and customer loyalty.

Hence, the current study fills this literature gap by introducing LTO as moderator variable between the constructs of customer satisfaction, trust and customer loyalty to see whether LTO can strengthen the relationships between the predictor and criterion variables. According to Baron and Kenney (1986) moderator variables are typically

introduced as a result of inconsistent findings or unusually weak relationships between the predictor and criterion variables. Apart from inconsistent findings, past RM dynamics and customer loyalty literature is fragmented, while paucity of studies on the construct of personalization is evident. In addition, the literature review shows that key RM dynamics of bonding, communication and personalization were scarcely validated in the HES. These issues are expatiated subsequently.

Meanwhile, most of the previous models of RM dynamics are fragmented, either because they examine the effect of RM dynamics on customer loyalty in isolation (e.g., Ball, Coelho & Vilares, 2006; Bowen & Chen, 2001; Coelho & Henseler, 2012; Halimi, *et al.*, 2011; Kantsperger & Kunz, 2010) or because they neglect other relevant mediating and moderating mechanisms that may influence customer perceptions and behaviour (e.g., Caceres & Paparoidamis, 2007; Ehiobucher & Khan, 2012; Narteh *et al.*, 2013; Ndubisi, Khoo-Lattimore, Yang & Capel, 2011). By incorporating relevant mediating and moderating mechanisms as suggested by past empirical studies (Ehigie, 2006; Palmatier *et al.*, 2009; Coelho & Henseler, 2012), the present study hopes to better explain the association between RM dynamics and customer loyalty.

From the literature review, it is evident that the most validated RM dynamics include trust (Casielles *et al.*, 2005; Morgan & Hunt, 1994; Kantsperger & Kunz, 2010), commitment (Jani & Han, 2011; Naoui & Zaien, 2010), relationship quality (Liu, Guo & Lee, 2011; Kiyan, Niazi, Rizvi & Khan, 2012; Palmatier *et al.*, 2006), bonding (Chatattanon & Tremetsontoom, 2009; Giddie, DeFranco & Giddie, 2005; Narteh *et al.*, 2013), communication (Ball *et al.*, 2006; Chen, Shi & Dong, 2008; Halimi *et al.*, 2011), conflict handling (Ehiobucher & Khan, 2012; Ndubisi, Wah & Ndubisi, 2007; Ndubisi

& Wah, 2005), satisfaction (Hallowell, 1996; Nesset & Helgesen, 2009; Leverin & Liljander, 2006) and competence (Cheng & Lee, 2011; Ndubisi *et al.*, 2007) to the neglect of personalization.

The paucity of studies on the construct of personalization was also observed by Deb and Lomo-David (2013) who posit that sufficient measurement and estimation of the effect of personalization is lacking in the literature. This is surprising given the argument put forward by Berry's (1983) seminal work that personalization is one of the key RM dynamics. The paucity of studies on personalization may be traced back to the ambiguity and confusion surrounding the concept of personalization (Ball *et al.* 2006; Vesanen, 2007) and the difficulty in its practical implementation (Huang & Lin, 2005; Shen & Ball, 2009). Hence, the current study hopes to contribute to theory and practice by testing the relative influence of personalization along with other RM dynamics as recommended by Coelho and Henseler (2012).

The foregoing RM dynamics have been validated virtually across all sectors such as restaurant (Bowden-Everson, Dagger & Elliot, 2013; Jani & Han, 2011) retail (Binninger, 2008; Cheng & Lee, 2011; Morgan & Hunt, 1994), manufacturing (Donney & Cannon, 1997), travel (Casielles *et al.*, 2005; Halimi *et al.*, 2011), hospitality (Bowen & Chen, 2000; Kaveh, Mosari & Ghaedi, 2012; Narteh *et al.*, 2013), tourism (Alvarez, Casielles & Martin, 2011), health (Chen *et al.*, 2008; Naoui & Zaaïem, 2010), banking (Armstrong & Seng, 2000; Ball *et al.*, 2006; Ehigie, 2006; Hallowell, 1996; Kantsperger & Kunz, 2010; Leverin & Liljnder, 2006), education (Bowden, 2011; DeShields *et al.*, 2005; Hennig-Thurau *et al.*, 2001), telecommunication (Deng, Lu, Wei & Zhang, 2009; Liu *et al.*, 2011) and automobile (Cillian & Gutierrez, 2005; Kiyani *et al.*, 2012).

Notwithstanding the pivotal role of HES and its strategic importance to global development agenda, customer loyalty in the context of HE in particular have become a very serious issue in recent times. These issues which impact student retention and loyalty include globalization of HE (Mazzarol & Soutar, 2012; Nasset & Helgesen, 2009), dwindling public funding of HEIs (Hennig-Thurau *et al.*, 2001; Nicolescu, 2009; Ramachandran, 2010; UNICEF, 2013), privatization and commercialization of HE (Moore & Bowden-Everson, 2012; Thomas & Cunningham, 2009), student mobility (Bowden, 2013; OECD, 2012; UNICEF, 2013) and intense competition for students enrolment among HEIs, especially universities (Hensely-Brown & Oplatka, 2010; Deshields *et al.*, 2005; OECD, 2014). Each of these highlighted practical issues has a critical implication on the ability of the university to attract and retain students and achieve academic pedagogical and financial targets through students' loyalty.

However, as observed by Das (2009), most of the RM dynamics studies were conducted in the banking/financial environment (36.80%) and retailing (10.40%) to the neglect of such industries as education (0.80%) and shipping (0.80%). The case of education sector is even worse as some scholars are opposed to the notion of student as customer and thus, reluctant to undertake RM studies of educational application, despite the benefits that accrue to the HEIs in particular from applying RM dynamics.

Previous studies on RM dynamics conducted in the HE context focused on the validation of such constructs as satisfaction (e.g., Douglas, *et al.*, 2008; Nasset & Helgesen, 2009; Serenko, 2011), reputation (Nasset & Helgesen, 2009), service quality (i.g., Hennig-Thurau *et al.*, 2001; Nasset & Helgesen, 2009, Purgailis, & Zaksa, 2012; Sultan & Wong, 2013), commitment (Hennig-Thurau *et al.*, 2001; ), image (Cubillo,

Sanchez & Cervino, 2006, Purgalia & Zaks, 2012) and trust (Bowden, 2011; Moore & Bowden-Everson, 2012). However, the relationship between customer loyalty and key RM dynamics like bonding, communication and personalization are scarcely validated by previous RM studies applied to HE which provide an important justification for the current study.

Further, the literature review has demonstrated that past RM dynamics studies were predominantly conducted in the big nations such as US, UK, Europe, France, Spain, and China to the neglect of the African continent in general and Nigeria in particular (Chattananon & Trimetsoontorn, 2009; Das, 2009; Hau & Ngo, 2012).

The importance of the foregoing contextual gaps was further explained by Palmer as cited in Narteh *et al.* (2013) who suggest that RM has different meanings and interpretations in different nations and therefore, marketers should not prescribe global practices for relational exchanges. Put differently, cultural disparity among customers of different social backgrounds distinctively and dramatically affects the interpretation and effectiveness of RM dynamics (Arnold & Bianchi, 2001; Caceres & Paparoidamis, 2007; John, John & Baker, 2011; Patterson *et al.*, 2006). Thus, given the dearth of empirical studies on the role of cultural orientation in relational exchanges (Kantsperger & Kunz, 2010; Mazhari, Mahadi & Sukati, 2012; Ndubisi *et al.*, 2011; Hwang *et al.*, 2013), there is sufficient ground for further exploration of this research domain particularly in an emerging environment like HE and in the context of Nigeria, an African country.

### **1.3 Research Questions**

From the statement of the problem above, the broad research question which this study sought to answer was whether RM dynamics of bonding, communication, personalization, customer satisfaction, trust and LTO can together explain customer loyalty in the Nigerian HES. Based on the general research question, the following specific research questions are posed for the guidance of the study:

- 1 What are the effects of bonding, communication and personalization on customer satisfaction and trust in Nigerian HES?
- 2 What is the relationship between customer satisfaction and customer loyalty in Nigerian HES?
- 3 What is the relationship between trust and customer loyalty in Nigerian HES?
- 4 Do customer satisfaction and trust mediate the relationship between bonding, communication, personalization and customer loyalty in Nigerian HES?
- 5 Does LTO moderate the relationship between customer satisfaction, trust and customer loyalty in Nigerian HES?

### **1.4 Research Objectives**

In pursuance of the research questions stated above, the following specific objectives are set up:

1. To examine the relationships between bonding, communication, personalization, customer satisfaction and trust in Nigerian HES.
2. To investigate the relationship between customer satisfaction and customer loyalty in

Nigerian HES.

3. To investigate the relationship between trust and customer loyalty in Nigerian HES.
4. To assess the mediating effect of customer satisfaction and trust on the relationships between bonding, communication, personalization and customer loyalty in Nigerian HES.
5. To explore the moderating effect of LTO on the relationship between customer satisfaction, trust and customer loyalty in Nigerian HES.

### **1.5 Scope of Study**

The focus of this study is to examine the relationships between customer loyalty and six RM dynamics, namely bonding, communication, personalization, trust, customer satisfaction and LTO among Nigerian university students. Theoretical evidence shows that some of the selected constructs for this study adequately represent others. For example, trust, overwhelmingly assumed as the centrepiece of relationships, can stand in for commitment (Geddie, DeFranco & Geddie, 2005), for empathy, shared value and reciprocity (Callaghan & Show, 2001). Also, customer satisfaction along with trust and emotional commitment (i.e. bonding) represent relationship quality in the proposed model (Skarmeas & Shabbir, 2011). Meanwhile, the inclusion of personalization construct in the model was born out of the paucity of studies on personalization (Coelho & Henseler, 2012; Deb & Lomo-David, 2013).

Data was collected from a sample of 416 Nigerian university students being primary customers of their institutions (Bowden, 2011). Thus, secondary clients or other stakeholders of the HEIs such as parents and employers are outside the scope of this



study. The unit of analysis was therefore, individual customers. To reflect the cultural diversity of respondents embodied in the moderating variable of LTO, one federal university from each of the geopolitical zones of Nigeria was randomly selected to be covered by the survey. Importantly, federal universities are selected for the survey to the exclusion of state owned and privately owned universities.

### **1.6 Significance of the Study**

This study makes significant contribution to the body of knowledge theoretically, practically and methodologically. From the theoretical perspectives, the findings of this study offer empirical evidence of the significant positive relationship between the key RM dynamics of bonding, communication, personalization, customer satisfaction, trust, individual customer LTO and customer loyalty in the context of HES, thereby enriching the existing literature of RM in particular and services marketing in general. Given the paucity of studies on the construct of personalization even in the mainstream RM literature (Deb & Lemo-David, 2013), this study makes a significant contribution to theory by validating the relative effect of personalization among other RM dynamics as recommended by Coelho and Henseler (2012). Generally, for the first time the moderating effect of LTO on the relationship between customer satisfaction, trust and customer loyalty is empirically validated which accounts for the most compelling contribution of the present study.

To conduct RM dynamics research in the domain of HE is in its own right an important contribution to theory and practice considering the relative scarcity of such studies, particularly in the context of Nigeria, an African country (Das, 2009; Hau & Ngo, 2012;

Kantsperger & Kunz, 2010). In particular, the present study proposes an RM dynamics model for predicting customer loyalty in the HE environment. Furthermore, the study has extended the horizons of social exchange and social learning theories which underpinned the present study.

The findings of this study represent important contribution in the search for managerial solution to the issues of domestic and international competition, state funding and students' mobility that embattle the HES. The findings from the study may assist universities and other HEIs in the formulation and execution of viable policies and strategies that recognize individual student LTO as well as the use of such RM dynamics as bonding, communication and personalization to mitigate attrition and dropout rates in the HEIs as well as minimize the effects of globalization and international mobility on student retention and loyalty to university.

The current study contributes to the debate on the metaphor of students as customers – a notion some scholars and researchers are reluctant to embrace (Nicolescu, 2009). Since, the measurement scales used in the current study were adapted from various sources and different contexts, their revalidation in the context of HE bears a methodological contribution. Similarly, the use of PLS path modelling, a robust, second generation structural equation system will provide a platform for comparison between the covariance based SEM and PLS-SEM.



## **1.7 Outline of the Thesis**

This thesis is presented in six chapters. Chapter one introduces the entire work. The chapter comprises of the background of the study, statement of problem, research questions and research objectives, scope of the study, significance of the study, outline of thesis and finally key terms definition.

Chapter two conceptualizes and review existing literature on the relationship between RM dynamics - bonding, communication, personalization, customer satisfaction, trust, LTO and customer loyalty. The chapter also discusses the underpinning theories used in the study and ended on chapter summary.

Chapter three describes the research framework in relation to past studies and underpinning theories and subsequently developes research hypotheses. Chapter four discusses the methodology followed in conducting the study. Specifically, the chapter consists of the research philosophy, research design, population of the study, unit of analysis, sample size and sampling procedure, measurement of variables, instrumentation, measurement scale, pilot study, data collection procedure, data analysis method and finally chapter summary. Chapter five reports the main findings of the empirical study through data screening, assessment of measurement and structural models and tests of hypotheses. Chapter six discusses the results in the contexts of research questions, research objectives, hypotheses and underpinning theories. The chapter also contains implications of the study, limitations of the study and future research directions. The chapter closed on a conclusion.

## **1.8 Definitions of Terms**

### **1.8.1 Customer Loyalty**

Customer loyalty is defined as a deeply held commitment to a service product or brand such that the customer desires to patronize and buy the service product or brand consistently in the future without consideration to factors that may cause switching behaviour such as situational factors and marketing efforts (Oliver, 1999).

### **1.8.2 Customer Satisfaction**

Customer satisfaction is defined as pleasurable fulfilment arrived at through an evaluation of the perceived discrepancy between prior expectations and the actual performance of the service product (Oliver, 1980, 1999). Customer satisfaction is a key outcome of marketing strategies and provides the link among various marketing processes that culminate in the creation of customer loyalty (Churchill & Suprenant, 1982).

### **1.8.3 Relationship Marketing**

RM is defined as all marketing activities directed towards establishing, developing and maintaining successful relational exchanges (Morgan & Hunt, 1994). The concept encompasses such dynamics as reciprocity, trust, bonding, commitment, communication and personalization.

#### **1.8.4 Trust**

Trust is a willingness to rely on an exchange partner in whom one has confidence (Morgan & Hunt, 1994). Effective service marketing depends on the management of trust because a customer typically buys a service before experiencing it (Anderson & Wetz, 1989).

#### **1.8.5 Bonding**

Bonding is defined as the development of emotional relationship between two parties acting in a unified manner towards a common destination (Chattananon & Trimetsoontorn, 2009).

#### **1.8.6 Communication**

Communication is defined as the ability of a business to provide the customer with information that is timely and trustworthy (Ndubisi & Wah, 2005). It is observed that effective communication can bring about satisfaction and trust which in turn poster customer loyalty (Ball *et al.*, 2006).

#### **1.8.7 Personalization**

Personalization is defined as the customization of certain aspects of a service product or its delivery by means of providing for the special needs of every individual customer (Claycomb & Martin, 2001; Goldsmith 1999).

### **1.8.8 Long-term Orientation**

LTO is defined as the cultural value of viewing time comprehensively, valuing both the past and the future, instead of judging actions important only for their effects in the present or the short term (Bearden *et al.*, 2006).

### **1.8.9 Relationship Marketing Dynamics**

RM dynamics refers to relational constructs such as trust, commitment, bonding and communication that are used by marketing organizations to attract and retain customers through dynamic management of relationships (Dwey, Schurr & Oh, 1987).

## **1.9 Summary of Chapter**

Chapter one comprises of the introduction to the whole thesis. Specifically, the chapter covers the background of the study, problems statement, research questions, research objectives, scope of the study, significance of the study, outline of thesis, definitions of key terms and finally chapter summary.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter builds upon the review of the literature on customer loyalty and its antecedents, particularly RM. Specifically, the chapter begins by reviewing literature on the concepts and antecedents of customer loyalty. Next, the chapter reviews the relationships between RM dynamics and customer loyalty, including the origin of RM and how it differs from CRM. Subsequently, the chapter discusses LTO and its moderating role after which the underpinning theories are discussed. The chapter ended with a summary.

#### **2.2 Customer Loyalty**

Customer loyalty occupies a central position in the body of marketing theory and practice (Berry, 1995; Oliver, 1999). As a field of research, customer loyalty remains a primary interest of the academic and practitioner communities (Ravard & Gronroos, 1996; Gummesson & Gronroos, 2012; Gronroos & Heleen, 2012; Taoufaily, Richard & Perrien, 2012).

The unparalleled interest in customer loyalty research and programmes may not be unconnected to the benefits loyalty offers to both the firm and the customer (Berry *et al.*, 2010; Gronroos & Hellen, 2012). Academics and practitioners concur that a strategic business goal centres on the enhancement of customer loyalty (Han & Hyun, 2012;

Toufaily *et al.*, 2012; Haris & Goode, 2004; Yavas & Babakus, 2009). Once customers become loyal, they tend to purchase more, willingly spend more and are passionate about advocacy in favour of the firm and /or service (Abubakar, Mokhtar & Abdullateef, 2013; Haris & Goode, 2004; Oliver, 1999). Consequently, modern day businesses work hard to build and maintain customer loyalty as an essential part of doing business (Gronroos, 1996; Gummesson & Gronroos, 2012; Kiyani, Niazi, Rizvi & Khan, 2012; Toufaily *et al.*, 2012).

At inception, the academic and practitioner communities concentrated on understanding customers' needs better than rivals. However, recent literature and the expanding interest in RM have identified customer loyalty as a strategic antecedent of long term profitability (Kiyani *et al.*, 2012) because customers are the most important assets of a company (Ehigie, 2006) and thus, the purpose of any business is to create and retain customers.

### **2.3 Conceptualization of Customer Loyalty**

In respect to loyalty conceptualization, literature examines the multidimensional nature of customer loyalty from two angles: one perspective lean heavily on building process (Kiyani, 2012) while the other on related outcomes (Zeithaml *et al.*, 1996; Caceres & Paparoidamis, 2007). Meanwhile, customer loyalty has been defined differently by different scholars. Oliver (1999) construed loyalty as a deeply held attachment to a product or brand such that the customer wish to patronize and buy the product/brand consistently in the future without recourse to factors that may cause switching behaviour such as situational factors and marketing efforts. Earlier, Oliver (1997) has



posited that customer loyalty is divided into two broad typology namely, attitudinal loyalty and behavioural loyalty. Attitudinal loyalty specifically, develops through three stages: cognitive, affective and conative loyalty, while behavioural loyalty (otherwise known as action loyalty) emerges from the three sequential processes of attitudinal loyalty (Oliver, 1997).

At cognitive stage, the customer acquires information on brand attributes only; at the affective stage, the customer begins to like the product or service or form an attitude towards it, while in the conative stage, the customer develops a commitment to re-buy the product/brand. In the final stage of loyalty, the customer moves from the three stages (cognitive, affective & conative) to action which is the dream of the business (Oliver, 1999). Action loyalty is loyalty at stage four and the last stage. Action, albeit, does not automatically implies buying the product/brand since not all intentions are translated into action (Evanschitzky & Wunderlich, 2006; Han & Hyn, 2012). Put differently, there are many potential buyers of a product who hold a liking of the product (affective loyalty) but have never actually purchased the product/service. Beerli *et al.* (2004) described attitudinal loyalty as loyalty based on inertia and further described true brand loyalty as behavioural loyalty.

Inertia denotes that the customer is buying the product simply because it is not worth the trouble to look for a substitute (Beerli *et al.*, 2004). Impliedly, a rival firm can easily change a buying pattern that is based on inertia because of little resistance to brand switching. Zhang and Prybutok (2005) conceptualized customer loyalty from the B2B perspective to define the term as the customer's commitment to a company, or the company's desire to keep an enduring relationship with the vendor. On their part, Yin,

Tse, David and Chan (2008) borrowed from Oliver (1999) to define customer loyalty as a highly deep commitment to keep on purchasing a product or service in the future regardless of the fact that there are situational factors and marketing efforts which have potential to create switching behaviour.

In educational sector, the length of the relationship between students and their institutions of learning is a common characteristic. The practice in the sector has been for the HEIs to involve in long term relationship with students (Hennig-Thurau *et al.*, 2001; Moore & Bowden-Everson, 2012). A number of researchers have already adopted the Oliver's four stages loyalty conceptualization (e.g., Evanschitzky & Wunderlich, 2006; Beerli *et al.*, 2004; Leverin & Liljander, 2006). In conclusion, researchers concur that customer loyalty is of two types, namely short term loyalty and long term loyalty (Liu, Guo & Lee, 2011). Customers with long term loyalty do not easily switch to competitors as against customers with short term loyalty who exits easily whenever they are exposed to a new offer that appears to be more attractive. This study focuses on long term loyalty because it is better for the Nigerian universities to nurture an enduring relationship with their students beyond graduation, particularly given the falling government funding of tertiary education (Ehigie & Taylor, 2009). The term, commitment, in Oliver's (1999) conceptualization of customer loyalty connotes long term loyalty and hence this study adopts Oliver (1999) conceptualization of customer loyalty. Applied to HES, customer loyalty refers to student loyalty to the institution which is not limited to the period when a student is formally registered to include alumni membership (Hennig-Thurau *et al.*, 2001).

## **2.4 Antecedents of Customer Loyalty**

Literature has identified various antecedents of customer loyalty such as service quality (e.g., Gurbuz, 2008), customer satisfaction (e.g., Armstrong & Seng, 2000; Fornell *et al.*, 1996), switching cost (e.g., Dagger & David, 2012), CRM (e.g., Chen & Papavich, 2003; Yao & Khong, 2012) and corporate/brand image (e.g., Andreassen & Lindestand, 1998).

### **2.4.1 Service Quality**

Extant literature amply demonstrates that service quality (SQ) predicts customer loyalty across different sectors, particularly within the last decade. The effect of SQ on customer loyalty generally is both direct and indirect though a few studies also made contradictory findings on the link between the construct of SQ and customer loyalty.

The study by Caruana (2002) examined the association between service loyalty, service quality and customer satisfaction in the context of retail banks in Malta. The authors collected data through adapted questionnaire and employed LISREL to analyse the data. Results suggest that SQ has an indirect effect on service loyalty through customer satisfaction. Again, Kassim and Abdullah (2010) in the context of Qatari and Malaysian customers have found that SQ impact customer satisfaction significantly, while customer satisfaction in turn impact trust. Similarly, Maiyaki and Mokhtar (2012) suggest the effect of SQ on customer behavioural intention in the context of Nigerian banking sector. In the context of HES, Purgalis and Zaksa has conducted a study on the correlation between perceived service quality (PSQ) and student loyalty. Results show

that PSQ is related to factors like academic staff, study content, acquired skills and readiness for labour market which in turn impact student loyalty.

#### **2.4.2 Switching cost**

Gorondutse (2012) examined the influence of switching costs on bank customer loyalty in the context of Nigerian retail banks and discover that switching costs are negatively related to customer loyalty. The impact of switching costs on customer loyalty was validated by Hassan and Anwar (2012) in their study of customer loyalty of Islamic banks in Pakistan. Similarly, a research was carried out by Zain *et al.* (2012) with the objective of determining the most critical factor that affect switching behaviour. The study found that price is the major factor influencing customer switching behaviour in the banking industry which support earlier discovery by Santonen (2006) that price sensitivity is one of the main antecedents of customer loyalty.

#### **2.4.3 Customer Relationship Management (CRM)**

Chen and Popovich (2003) conducted a study on CRM in the context of U.S firms and found that successful implementation of CRM through people, processes and technology positively impact customer loyalty. The research by Haghtalab, Ahrari and Amirusefi (2011) reveals that CRM has significant relationship with customer loyalty. The work by Toyese (2014) on the effect of CRM in the context of Nigerian telecommunication sector reveals that a strong correlation exists between CRM and customer retention. The author argues that by undertaking CRM companies could benefit from effective communication with subscribers and increase effectiveness and efficiency. Similarly, in

the context of banking industry, Dedu and Nitescu (2014) opine that CRM is part of the ongoing trends in the banking sector. That CRM affords the banks the opportunity to collect and analyse information pertaining to customer interactions with the bank and then use the information to map out strategies distinctively targeted at customer needs and thus, enhance customer loyalty.

#### **2.4.4 Corporate/Brand image**

Corporate image and brand image are predictors of customer loyalty. For instance, Andreassen and Lindestad (1998) investigated the association between corporate image, customer satisfaction, quality and loyalty for customers with varying degrees of service expertise in Norway. The study suggests that corporate image has direct impact on customer loyalty, whereas contrary to expectancy/disconfirmation theory, customer satisfaction does not impact customer loyalty. The work by Hart and Rosenberger III (2004) shows that corporate image has significant effect on core service and perception of customer satisfaction while the total effect of corporate image on customer loyalty are substantial. Nasset and Helgesen (2009) examine the correlations between corporate image, perception and loyalty among university college students in Norway. Findings reveal that university reputation has positive effect on student loyalty. In the context of credit unions of Canada, Nguyen, Leclerc and LeBlanc (2013) conducted a study on the effects of corporate image and customer trust on customer loyalty. The study reveals that customer trust mediates the effect of corporate brand on customer loyalty. The authors conclude that for financial institutions to secure customer loyalty they must build corporate image which derives customer trust.

## **2.5 Other Related Studies**

In general, the association between relationship quality, interpersonal relationships, complaints management and customer loyalty has been examined in past studies.

For example, the impact of interpersonal relationships on customer satisfaction and loyalty in the context of medium-sized fitness centres of Italy was investigated by Guenzi and Pelloni (2004) who draw from RM theory. The authors administered questionnaires to a sample of 253 customers. The findings of the study suggest that customer-to-employee and customer-to-customer relationships have different contributions to the development of customer loyalty. These findings support earlier findings by Claycomb and Martin (2001). In the same vein, Streukens, and Ruyter (2011) focused on the return on marketing investments in B2B customer relationship with the aim of developing a model that managers can use to evaluate marketing investment. The authors used triangulation method by administering a questionnaire to a sample of 183 respondents and scrutinizing company records to collect data. The results of the study indicate that managing customer attitude and perception is critical in creating customer loyalty.

Distinctively, Starvos and Westberg (2009) sought to improve the understanding of RM in the context of an industry evolving in its strategic application of RM. In particular the research investigated the factors driving the adoption of RM within the biggest professional sporting organizations in Australia. The findings of the study suggest that the extension and application of RM to sports domain is particularly important in

understanding the factors and issues that facilitate or hamper the progressive adoption and application of RM in that sector.

Investigating the factors that impact customer behavioural intentions in the context of a full-service restaurant in US was the direction of the research conducted by Jani and Han (2011) using a sample of 500 restaurant patrons. The findings of the research indicated that affect is a major contributor to customer satisfaction and behavioural intentions while customer satisfaction is a direct antecedent to trust but indirect antecedent to commitment. In addition, service encounter performance directly affects customer satisfaction. Similarly, Foteal, Fotea and Poli (2011) reviewed the theoretical foundation of RM and customer satisfaction and the possibility of implementing the relational principles in direct marketing firms of Romania by surveying 392 customers. The results show that overall satisfaction of repeat customers was higher than that of the first time customers.

Critical examination of the correlations among relationship quality and customer loyalty in the context of retail pharmacies in western Kenya was the focus of a study carried out by Adoyo, Ondoro, Ojere, Abong'o, Aila and Jeremiah (2012). Based on the research objectives and drawing from RM theory, customer satisfaction was construed as the summation of the quality of all the previous interactions with the supplier. The author employed a survey of a sample of 52 retailers via a multi-stage sampling technique. The results of the correlation analysis depict that relationship quality is positively and significantly related to customer loyalty. Complaints management is yet another construct that impact customer loyalty and is briefly discussed subsequently.

It has been argued that the success of service organizations depends to a large extent on their competence to satisfy their customers consistently (Pettersson, *et al.*, 2006; Webster & Sundram, 1998). However, it is contended that even the firms with excellent strategies and quality assurance systems could not avoid process mistakes or failures in their day-to-day interactions with clients/customers (Webster & Sundram, 1998). Hence, customer complaints are a natural consequence of all service encounters and thus, service organizations are expected to be proactive instead of waiting for complaints to be registered and then start looking for solution. Otherwise, they may lose customers, both current and potential through negative word-of-mouth (Pettersson, *et al.*, 2006).

Customer complaints should be seen as opportunities of accessing marketing intelligence that enable the marketing firm to improve satisfaction at no cost. The effect of customer complaining behaviour on customer loyalty have been reported by past studies (e.g., Awwad, 2011; Fornell *et al.*, 1996; Kitapci & Dortyol, 2009; Sing, 1990a; Zeithaml *et al.*, 1996). For example, drawing from Hirschman's (1970) exit-voice theory, Awwad (2011), Fornell *et al.* (1996) and Zeithaml *et al.* (1996) argue that when customers are satisfied with goods and services, they become loyal but when dissatisfied, they exit (i.e leave the firm for a rival) or seek restitution.

Taken together, customer complaints' literature shows that some customers, for instance, who are dissatisfied, complain (Awwad, 2011; Fornell *et al.*, 1996; Johnson, Gustafsson, Andeasson, Lervic & Cha, 2001; Lobato-Callers, *et al.*, 2013; Ryzin, Muzzio, Immerwahr, Gulick & Martinez, 2004; Zeithaml *et al.*, 1996) but not all of them return to the marketer (Dewitt *et al.*, 2007) because not all of them will be satisfied with the handling of their disputes due to inefficient communication



mechanism of the organization (Ndubisi & Wah, 2005) which highlights the importance of effective communication system ( Ball *et al.*, 2006; Halimi *et al.*, 2011).

## **2.6 RM and Customer Loyalty**

### **2.6.1 Origin of RM paradigm**

The emergence of RM paradigm owes much to the marketing mix theory, services marketing, and the network theory approach to industrial marketing, quality management and to a lesser extent the organizational theory (Gummesson, 1994; Gronroos, 2004) all of which have contributed specifically and broadly to the development of RM paradigm. The importance of services marketing has continued to wax stronger since the mid 1970s with notable contributions from the Nordic school of Northern Europe, France, UK and USA (Abratt & Russell, 1999; Gummesson, 1994).

At the centre of RM philosophy is the notion that the existence of a relationship between two parties, the supplier and the buyer, create a value more important than the value of products and services themselves, because the relationship create sustainable competitive advantage and sustainable value added services/products for the firm and the customer respectively (Abratt & Russell 1999; Berry, 1983; Gronroos, 2004; Hunt, Arnett & Madhavarani, 2006). While much of the teaching and research in marketing lean heavily on acquiring new customers through new products and services to meet particular needs, RM emphasizes building and maintaining long-term relationships to enhance profitability (Morgan & Hunt, 1994). Kotler (1991) has captured this shift from

transaction driven marketing to relationship driven marketing when the scholar argues as follows:

A paradigm shift, as used by Thomas Khun....occur when a field's practitioners are not satisfied with the field's explanatory variables or breadth.....What I think we are witnessing is a movement away from a focus on exchange, in the narrow sense of transaction, to a focus on building value-laden relationships and marketing networks....We start thinking mostly about how to hold on to our existing customers.....Our thinking therefore is moving from a marketing mix focus to a relationship focus (p.14).

Hence, RM charts an important paradigm shift in marketing by recognizing the strategic position of various parties in exchange (i.e suppliers, employees, dealers, retailers, shareholders) cooperating to deliver superior value to the customer (Ehiobuche & Jersey, 2012).

Even though RM originates from the industrial environment, the service sector has increasingly focused on maintaining and consolidating relationships with customers (Gronroos, 1997; Caceres & Paparoidamis, 2007). RM was first introduced in the services sector in 1983 by Berry who was the first to formally mention the term in his seminal work on services marketing (Gronroos, 2004). Berry (1983) defined RM as attracting, maintaining, and, in multi-service organizations, enhancing customer relationships. In a separate work, Berry and Parasuraman (1991) contend that RM concerns attracting, developing, and retaining customer relationships. An early definition of RM by Gronroos (1990) opines that the role of relationship marketing is to

identify, establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all other parties involved are met through mutual exchange and fulfilment of promises.

Morgan and Hunt (1994) gave a widely accepted definition of RM as all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges. It is postulated that RM can be used to build unique marketing assets through management of interactions, relationships and networks for business survival, growth and long term profitability (Ehiobuche & Khan, 2012) through efficient and effective utilization of resources (Ehigie & Taylor, 2009). RM has been put forth as a means by which businesses establish valuable and mutually beneficial long – term relationships with customers, particularly in the presence of high interactions between suppliers and markets and the customers are willing to go into such relationships for anticipated benefits (Gummesson, 1993; Leverin & Liljander, 2006). Next, a conceptual definition of marketing is attempted.

### **2.6.2 Conceptualization of RM**

No single literature has been able to give an adequate conceptualization of RM (Morgan & Hunt, 1994). In the services marketing field, a widely acknowledged definition of RM is that of Berry (1983) who defines RM as attracting, maintaining and in multi-service organizations, enhancing customer relationships. Meanwhile, Berry and Parasuraman (1991) contend that RM concerns attracting, developing, and retaining customer relationships. An early definition of RM provided by Gronroos (1990) suggest that the role of RM is to identify, establish, maintain, and enhance relationships with customers

and other stakeholders, at a profit, so that the objectives of all other parties involved are met which is done through mutual exchange and fulfilment of promises.

In an integrative style, Morgan and Hunt (1994) define RM as the entire marketing activities directed towards establishing, developing, and maintaining successful relational exchanges. Following a content analysis of 117 different RM literature, Das (2009) concludes that any organization that proactively create, develop, and maintain committed, interactive and profitable exchanges with selected customers (or partners) over time is engaged in RM. However, this study takes a queue from the Morgan and Hunt (1994) conceptualization of RM because it is consistent with our study of RM in the context of relationship between students and the university.

Applied to HES, RM is a combination of marketing strategies which aim at attracting, motivating and enhancing existing and potential students' relationships with university as well as other stakeholders like parents, associates and reference groups; with emphasis on retaining current students and expanding their profile (Moore & Bowden-Everson, 2012). In the next section, we differentiate between two closely related but different concepts, namely RM and CRM.

### **2.6.3 RM vs CRM**

Any discussion on RM will be incomplete without reference to CRM. In fact the two terms are sometimes used interchangeably in the literature as if they are the same (Sin, Tse & Yim, 2005a). Thus, confusion is created in the use of the terms by researchers (Das, 2009). Nevertheless, there is a clear line of divide between the constructs of RM

and CRM. As argued by Gummesson (1994), RM is broader than CRM; in fact the later emerged from the former. RM goes beyond the traditional seller – buyer dyad to include building relationships with the entire stakeholders (suppliers, shareholders, government agencies, middlemen, competitors, etc.). RM is relatively more strategic in nature, whereas, CRM is more tactical in its approach. Put differently, CRM represents the execution arm of RM through the use of information technology (Abdullateef, Mokhtar & Yusoff, 2011). Again, RM is more emotional and behavioural in approach, focusing on such dynamics as bonding, trust, communication and personalization (Sin *et al.*, 2005a). On the other hand, CRM lean heavily on building relationship with profitable customers managerially. Beyond these differences, both RM and CRM focus on establishing and maintaining long-term relationship with customers (Das, 2008). Having differentiated between RM and CRM, next, the major RM dynamics (or strategies) are identified.

#### **2.6.4 RM Dynamics**

A very important contribution to the development of the notion of RM dynamics came from Dwyer *et al.* (1987) who considered the life cycle of relationship development. The scholars highlight the significance of viewing relationships as dynamic phenomena that requires continues adjustment to the service offering consistent with the ever changing aspirations of customers. Hunt, Arnett and Madhavaram (2006) have identified six elements that underpinned research in the field of RM, namely RM dynamics, market offerings, resource elements, internal marketing, competence factors, information technology elements, historical factors and public policy elements. However, from

theory to practice, RM dynamics predominantly underpinned RM studies. The RM paradigm is itself relational in nature as opposed to discrete transactions as explained earlier (Gronroos, 1990; Kotler, 1991; Morgan & Hunt, 1994; Gummesson, 1994). Although extant literature has identified many dynamics associated with successful relationship strategies, the nine most cited RM dynamics in the literature are trust, bonding, commitment, communication, conflict handling, reciprocity, personalization (customization), and empathy and shared value (Morgan & Hunt, 1994; Oliver, 1999; Ndubisi & Wah, 2005; Ndubisi, Wah & Ndubisi, 2007; Halimi, *et al.*, 2011; Hau & Ngo, 2012).

Each of the RM dynamics that relates to the present study is reviewed in the subsequent paragraphs.

## **2.7 Bonding**

### **2.7.1 Conceptualization of Bonding**

Long-term relationship presupposes social and economic bonds between the firm and its customers (Sin *et al.*, 2005b). The scholars argued that for successful customer-marketer relationship bonding produces the seeds of goal achievement. In addition, developing strong bonds between the seller and the buyer curtails possible disputes between the two parties.

Chattananon and Trimetsoontorn (2009) defined bonding as the dimension of an exchange relationship that leads the parties (the customer and the supplier) to act in a unified manner towards achieving a common goal. The process of bonding begins with

the underlying urge that brings together the customer and the service provider, with each of them trying to satisfy his needs through the other. For long-term orientation to exist, it would necessarily require bonding and that bonds reduce the chances for conflicts (Heides & Weis, 1995). The authors added that customers who are bonded to their supplies are more likely to get satisfaction as compared to those customers who are not bonded.

Taking a cue from Chattananon and Trimetsoontorn (2009), Hau and Ngo (2012) posit that bonding refers to the development of an emotional relationship between two partners acting in a unified manner toward a common destination. Bonding is also referred to as attachment in some studies (e.g. Yuksel, Yuksel & Bilim, 2010; Mende, Bolton & Bitner, 2013). In their study of customer satisfaction and loyalty in tourism destination, Yuksel *et al.* (2010) described bonding as destination attachment or place attachment. That it is an affective bond or an emotional linkage of an individual to a particular environment.

### **2.7.2 Relationship between Bonding and Customer Loyalty**

Building strong, viable bonds between service providers and their customer is one of the primary objectives of RM (Sin *et al.*, 2005b). Bonds are described as emotional, psychological, economic or physical attachments in buyer-seller relationships which serve to bind parties together under relational exchange (Narteh *et al.*, 2013). Bonding implies collaborative endeavour between two parties trying to attain a common objective in a progressive manner (Charttananon & Tremetsoontorn, 2009).

Bonding, which some scholars argue is similar to commitment or is the result of emotional commitment (Lambe *et al.*, 2008; Callaghan & Shaw, 2001), has been widely accepted as part of RM dynamics and its effect on customer loyalty was empirically validated (e.g., Bowden, 2013; Chattananon & Trimetsoontorn, 2009; Geddie, Defranco & Geddie, 2005; Hau & Ngo, 2012; Lin, Weng & Hsieh, 2003; Narteh *et al.*, 2013).

Examination of the associations between bonding, customer satisfaction, trust, commitment and customer loyalty was the focus of a study conducted by Wang, Liang and Wu (2006) in the context of information service sector of Taiwan. The results of full model path analysis show that structural relationship bonding tactics had the largest explanation power on relationship quality, followed by interactive social bonds. The authors conclude that there is the need for the information services industry to promote value added services and initiate specific competitive advantages to enhance satisfaction, trust and commitment.

Chattananon and Trimetsoontorn (2009) explores the impact of bonding, trust, empathy and reciprocity in a Thai context via a mail survey of 166 sales persons and quantitative interview of 15 sales managers. The authors conceptualized RM from the perspective of supplier-customer tie, as creation and maintenance of relationship between two parties. The findings of the study show that bonding rather than trust has greater influence on customer loyalty and the success of RM in general. A study conducted by Bowden (2011) in the context of Australian university reveals that student loyalty is a function of psychological attachment or social bonding. Similarly, in the research carried out by Narteh *et al.* (2013) to investigate the effect of RM on customer



loyalty in the context of luxury and first-class hotels of Ghana, it was discovered that bonding has significant positive effect on customer loyalty in the hotel industry.

However, literature suggests careful handling of social bonding practices if companies desire to attain their relational objective of attracting and retaining customers. Mattila (2004) has argued that social bonding has the potential to erode customer loyalty in situations where customers with high level of emotional bonding are faced with service failure, because they may feel betrayed and eventually exit. The author further posited that the case of customers with low levels of emotional bonding will be different, in the sense that this category of customers may forgive the firm. The highlight of the study was that bonding has the property to moderate the effect of service failure on customer loyalty subject to the customers' level of social bonding with the organisation. The negative effect of self - service was also reported by Selnes and Hansen (2001). The authors discovered that self-service has the tendency to weaken the effect of bonding on customer loyalty. Hence, they advised marketers to combine self- service with personal service because while the later enhances social bonding, the former weakens it (Selnes & Hansen, 2001).

In the context of U.S-Mexican alliance, Rodriguez and Wilson (2002) have reported the direct impact of customer bonding on customer trust. A cross departmental study to examine the relationships between customer perspective (i.e bonding tactics, perceived relationship investments, customer satisfaction, trust, commitment and customer loyalty) and financial perspective (i.e financial performance) was undertaken by Liang and Wang (2008) using data gathered from a famous retail bank in Taiwan. Findings reveal

that different bonding tactics have corresponding impact on financial performance through customer satisfaction, trust, commitment and customer loyalty.

Similarly, Alrubaiee and Al-Nazer (2010) have investigated the influence of RM orientation on customer loyalty of Jordanian retail banks. Findings of the study reveal that bonding strategies along with the other relational strategies significantly explains the variations in customer loyalty of banks in Jordan.

Bowden (2013) examines the association between affective commitment, bonding and first year experience in the context of Australian HES. The author employed a qualitative survey using focus groups and in-depth interview and qualitative analytic technique to elicit and analyse data respectively. Findings of the study suggest that the development of strong emotional bonds with students is strategic in fostering higher levels of satisfaction during the first year experience. Further, a sense of belonging was considered by faculty members as a primary antecedent of student retention beyond the first year. Similarly, a hierarchical model of relational bonding tactics, satisfaction and loyalty in the context of health care services of US was validated by Peltier, Schibrowsky and Nill (2013). Results show that with the exception of job flexibility and communication with physicians, all bonding tactics were positively and significantly related to nurse job satisfaction and loyalty.

## **2.8 Communication**

### **2.8.1 Conceptualization of Communication**

Communication has been conceptualized by Ndubisi and Wah (2005) and Ndubisi Wah and Ndubisi (2007) as the competence of a business partner to provide information that is timely and trustworthy. The authors argued that communication in the field of RM implies providing trustworthy information; providing information when service/delivery failure occurs; providing information on quality issues and fulfilling promises and living up to the expectations of clients. It is contended in Morgan and Hunt (1994), though from the perspective of B2B setting, that communication has the capacity to minimize conflicts between partners because the customer is provided with timely explanation as to what happened and what is likely to happen in future. The authors added that communication helps align goals. Dewitt, Nguyen and Marshall (2007) posit that by telling the customers about the efforts being made by the organisation to rectify mistakes and recover failed services, communication has the ability to reduce or mitigate customer complaints thereby promoting customer loyalty.

Put differently, communication in RM has a new perspective now. That is, it encompasses interactive dialogue between the company and its customers or partners and it takes place before the selling, during the selling and after the selling (Ndubisi & Wah, 2005).

Taking cue from Morgan and Hunt (1994), Halimi, Chavosh and Choshali (2011) noted that successful relationship communication should be taken as a prominent feature of

relational transactions. Further, communication can help to foster understanding of the organizational objectives by employees and customers as well. On their part, Sin *et al.*, (2005b) and Hau and Ngo (2012) conceptualized communication in RM as formal and informal sharing and exchanging meaningful and timely information between sellers and customers. Hau and Ngo (2012) concur with Morgan and Hunt (1994) that effective communication assist partners to discover new opportunities and poster positive relationships. It is contended that if well executed, communication can bring about satisfaction, poster loyalty between relational members. It is argued that communication is implemented through a vast array of instruments such as personalized letters, direct mail, website, interactions and other machine-mediated practices (Ball, Coelho & Vilares, 2006). This study conceptualizes communication as the ability of the company to provide the customer with information that is timely and trustworthy (Ndubisi & Wah, 2005).

### **2.8.2 Relationship between Communication and Customer loyalty**

Communication is an efficient system of demonstrating the existence of confidence in relationships (Cacelielles *et al.*, 2005; Morgan & Hunt, 1994). Communication is defined as formal and informal exchange and sharing of significant, trustworthy and timely information between buyer and seller (Ndubisi & Wah, 2005). It is posited that in RM, communication means to keep in constant touch with valued customers, providing timely and trustworthy information on service products and service changes and be proactive in case of service delivery failure ( Ndubisi & Wah, 2005; Ndubisi et al., 2007). As an RM dimension, communication has been amply used in previous studies to

predict customer loyalty (e.g., Chen, Shi & Dong, 2008; Ehiobucher & Khan, 2012; Halimi *et al.*, 2011; Naoui & Zaiem, 2010; Narteh *et al.*, 2013; Ndubisi *et al.*, 2007), satisfaction and trust (Redondo & Fierro, 2006).

For example, a university context research by MacClelland and David (2006) found that communication correlates positively with students' positive experience. Ndubisi (2007) examined the influence of RM strategy on customer loyalty in the context of Malaysian banks through a survey of 220 customers. The study findings reveal that four RM dynamics, namely communication, commitment, trust and conflict handling explained a good proportion of variance in bank customer loyalty. The authors posit that effective communication, through timely and trustworthy information, cultivates loyalty to a bank and thus, banks should be open to consumers.

The multi-effects of communication on key relational dynamics have been documented by Chen, Shi and Dong (2008) in the context of higher credence service in Hong Kong. The authors surveyed a sample of 229 hospital patients. The findings of the research indicate that communication, expertise, empathy, likeability, effectiveness of the service firm are all related to the constructs of trust and satisfaction in the right direction and that they influence relationship quality which in turn impact behavioural outcomes.

In a related study, Naoui and Zaiem (2010) used RM theory to examine the influence of antecedents of relationship quality (RQ) on client's loyalty in the context of the Pharmaceutical industry of Tunisia. The researchers investigated five antecedents of RQ, namely communication, relational contact, seller's expertise, conflict resolution and client-oriented behaviour. Thirty participants who work in pharmacy took part in the

study. The findings of the study suggest that the antecedents of RQ have positive effect on customer loyalty.

The influence of RM strategy and transaction cost on customer satisfaction and customer loyalty became the focus of the study conducted by Cheng and Lee (2011). The research seeks to develop a conceptual model for explaining consumers' preferences for retailers in the context of shopping malls in Taiwan drawing upon relationship marketing and transaction cost theory. The participants were 258 customers of shopping malls. The findings of the study reveal that communication, trust, commitment and conflict handling have significant positive effect on customer satisfaction and customer loyalty but negative effect on perceived risk. In addition, both RM and transaction costs could have indirect effect on customer loyalty through customer satisfaction.

The antecedents of relationship quality in Malaysia and New Zealand were examined by Ndubisi, Khoolattimore, Yang and Capel (2011) in a survey of 150 customers from Malaysia and 208 customers from New Zealand. The authors adopted measures from several sources including Morgan and Hunt (1994) and Ndubisi (2007) and used a five-point likert scale ranging from 1= strongly disagree to 5= strongly agree. The findings of the study reveal that five RM dynamics (trust, personalization, communication, conflict handling and empathy) explain 84 per cent and 76 per cent of variations in relational quality in the two countries respectively. Furthermore, communication, trust and empathy are significantly related to relationship quality in both countries, whereas personalization has significant impact on relationship quality in New Zealand but not in Malaysia. The variations between the two countries were presumably accounted for by the cultural dissimilarities between them; Malaysia is collectivist while New Zealand is

individualistic (Ndubisi *et al.*, 2011). Similarly, the significant/positive relationship between communication and customer loyalty has also been documented in other previous studies (Claycomb & Martin, 2001; Ehiobucher & Khan, 2012; Halimi *et al.*, 2011; Ndubisi *et al.*, 2007; Morgan & Hunt, 1994).

## **2.9 Personalization**

### **2.9.1 Conceptualization of Personalization**

As opined by Berry (1983) and Claycomb and Martin (2001), Personalization is fundamental to RM because it is the bridge that link customers with services and with employees.

However, there is ambiguity and confusion regarding the conceptual definition, measurement and implementation of personalization (Vesanen, 2007). The author argues further that personalization as a differentiation strategy is not easily replicated by rival businesses. Personalization and customization are two closely related concepts used in the literature. Some scholars have attempted to distinguish between the two concepts; prominent among them were Huang and Lin (2005). The authors argued that although the goal of personalization and customization are the same, namely to tailor to customer/user needs, in the later case, there is active user involvement as against the former case where the service user is passive. Thus, personalization is a more proactive marketing strategy.

However, the two closely related concepts of personalization and customization are used interchangeably by a stream of authors (e.g., Claycomb & Martin, 2001; Goldsmith,

1999; Shen & Ball, 2009). Accordingly, Goldsmith (1999) refers to personalization as the customization of some aspect of service or its delivery, handling each customer as a distinct individual with different set of service requirements, thereby creating unique fits between customers and services. Similarly, the concept is construed as customizing services to an individual customer through the adaptive behaviour of service firm employees (Shen & Ball, 2009). Halimi *et al.* (2011) defined personalization as the tactics used to maintain a long-term relationship between customers and the company. The authors explained that personalization is a personal relationship which a firm makes with its customers in order to create more loyalty by taking advantage of customer information and data which is held in computer system to meet customers' distinctive needs and desires. Coelho and Henseler (2012) purports that customization aims at satisfying as many needs as possible for each individual customer through product differentiation which is the solution to the customers' demand for greater variety, more features and higher quality in products and services.

Ball *et al.* (2006) succinctly defined personalization as any creation or adjustment of a service to fit the individual requirements of a customer. This last definition of personalization is adopted in this study for precision and comprehensiveness. Impliedly, this study use personalization and customization interchangeably. Claycomb and Martin (2001) noted that personalization tactics bring together and harmonize customers and employees and also link customers with services themselves. The authors also noted that despite the competitive advantage offered by personalization, its practical application is limited.



### **2.9.2 Relationship between Personalization and Customer loyalty**

Personalization is an integral part of RM theory (Berry, 1983) because it provides a direct link between customers and services and between customers and the service personnel (Clycomb & Martin, 2001; Deb & Lemo-David, 2013). Extant literature posits that service personalization enhances customer satisfaction, which is a primary antecedent of customer loyalty (Aijo, 1996). Different studies have tested the influence of personalization on customer loyalty (e.g., Ball *et al.*, 2006; Bettencourt & Gwinner, 1996; Coelho & Henseler, 2012; MacLaughlin, 2011; Vesanen, 2007).

Bettencourt and Gwinner (1996) suggest that front-line employees can customise or personalised service offerings through interpersonal adaptive behaviours during interpersonal communication through selection of relevant vocabulary, voice and gestures that are consistent with the unique needs of different customers. Ball *et al.* (2006) assessed the impact of service personalization on customer loyalty in the context of the banking industry of Portugal. The authors found that service personalization has direct significant effects on satisfaction, trust and customer loyalty. The researchers concluded that personalization is a powerful means of retaining customers in its own right. Ndubisi *et al.* (2011) assessed the link between five relational dynamics, namely personalization, trust, communication, conflict handling and empathy in two culturally different countries of Malaysia and New Zealand. The findings indicate that the RM dynamics account for 84 per cent and 76 per cent of the variation in customer loyalty in the two countries respectively but personalization was exclusively significant in New Zealand.

Research evidence shows the reflection of service personalization (customisation) in the context of academic library service offering (MacLaughlin, 2011). The author argues that in web-related students' search, postgraduate students in particular may benefit substantially from personalization in the university library databases and related web searches. The study noted that some data bases allow setup of profiles and preferences to establish any of the following: language; one-time acceptance of terms and conditions, the number of search results per page; options for brief; standard or full result display and so on.

Similarly, the impact of customization on customer loyalty in the context of retail banking and cable TV industries in a western European country was examined by Coelho and Henseler (2012). Drawing from social exchange and relationship marketing theories, the authors hypothesised that achieving customer loyalty is contingent upon service personalization. They collected data from 1583 bank customers and 521 cable TV subscribers by means of telephone interview. The findings of the study reveal that customization increases perceived service quality, customer satisfaction, customer trust and ultimately customer loyalty towards a service provider. The study recommended that the relative importance of personalization in the presence of other RM dynamics should be examined by future studies.

Similarly, Halimi *et al.* (2011) draws from RM theory to propose a model that abstracts customer satisfaction and loyalty from key RM dynamics, namely personalization and communication in a B2C tour and travel business environment of Singapore. The major objective of the study was to assess the impact of the two RM dynamics on customer satisfaction and customer loyalty. The findings suggest that RM dynamics of

personalization and communication significantly affect customer loyalty through customer relationship satisfaction. A model explaining the linkages between firm customisation and unfairness perception, firm customisation and customer loyalty and the moderating role of trust was validated by Nguyen, Klaus and Simkin (2014) in the context of a departmental store in Oxford city, UK. Findings of the study suggest that unfairness perception weakens the effect of customization on customer loyalty intentions; while trust strengthens the relationship between customisation and loyalty despite customer unfairness perception.

Furthermore, Wierich and Zielke (2014) have proposed a model of personalization in the context of retailer coupons. The authors argue that retailers with loyalty programmes (i.e, customer cards) typically have access to customer choice and preference information which facilitate the promotion of personalized coupons. The study concludes that treating customers personally via personalised coupons and face value have positive effect on customer loyalty. However, the effect of this personalization on loyalty is mediated by self-reference and enjoyment.

## **2.10 Trust**

### **2.10.1 Conceptualization of Trust**

Trust has been widely studied in social sciences particularly in services marketing. For example, Berry and Parasuraman (1991) observed that customer-company relationships require trust and that effective services marketing depend on the management of trust because the customer typically must buy a service before he can experience it.

Anderson & Weitz (1989) conceptualized trust to mean one party believing that the other party will meet his or her needs. The authors contended that in terms of services, trust is a customer belief that the firm will provide the services that match his or her aspirations and expectations. Student trust encompasses belief in the integrity, competence and benevolence of the university towards the student (Hennig-Thurau *et al.*, 2001).

According to Casieles, Alvarez and Martin (2005), the most widely quoted definition of trust in services marketing literature is the one given by Morgan and Hunt (1994) who posit that trust exist where one party has confidence in the reliability and integrity of a relational partner. The authors defined trust as willingness to rely on an exchange partner in whom one has confidence. The definition of by Morgan and Hunt (1994) draws from the classical perspective, anchored on social exchange theory (Rotter's, 1967) that the construct of trust is a fundamental expectancy of an individual that the words of a transaction partner are reliable, which highlights the significance of confidence. Gronroos (1990) argued that the resources of the firm, both human and material, must be used as instruments in such a manner that the customer's trust is maintained and enhanced because as Ndubisi and Wah (2005) put it, a betrayal of trust by the business can lead to customer dissatisfaction and switching. On their part, Doney, Barry and Abratt (2007) looked at trust from the perspective of B2B environment and defined it as the perceived credibility and benevolence of a business partner.

A consensus appears to have been reached in marketing that trust comprises of two fundamental elements, namely credibility and benevolence. Trust in a partner's credibility hinges on the solid belief that the relational partner upholds his words, fulfils

his promises, shoulders his obligations, and is sincere. Trust in a partner's benevolence is based on the belief that a partner is interested in the organisation's welfare and will not forsake the company or act in a manner that jeopardise the interest of the organisation. Having provided conceptual definitions of the study constructs, subsequently an attempt is made to discuss the antecedents of the endogenous variable.

### **2.10.2 Relationship between Trust and Customer loyalty**

The importance of trust as the corner stone construct in relationships has been widely acknowledged (Casellies *et al.* 2005; Morgan & Hunt, 1994; Palmatier *et al.* (2006). Thus, previous studies have amply used the construct of trust to predict customer loyalty (e.g., Caceres & Paparoidamis, 2007; Kantsperger & Kunz, 2010; Kim, Chung, & Lee, 2011; Kiyani *et al.*, 2012; Morgan & Hunt, 1994; Narteh *et al.*, 2013).

For example, Morgan and Hunt (1994) investigated the strategic influence of trust and commitment to the success of RM in the context of US tire dealers and retailers. Drawing from social exchange and RM theories, the authors hypothesized that trust and commitment and not power and its ability to condition others as contained in the political economy paradigm, can mediate the relationship between the antecedents and outcomes of successful RM. The scholars posited that trust exist when one party has confidence in the reliability and integrity of an exchange partner. The findings of the study reveal that trust and commitment strongly predict customer loyalty through switching barriers, relationship benefits, shared values, communication and opportunistic behaviour.

Similarly, Selnes (1998) examined the relative importance of trust and satisfaction on relationship continuity and enhancement in the context a food manufacturing firm in Norway. The authors used a model that comprised of competence, communication, commitment and conflict handling as independent variables, trust and satisfaction as mediators and relationship enhancement and continuity as dependent variables. The research findings indicate that satisfaction has significant impact on both trust and relationship continuity, while trust has a significant impact on intention of future relationship enhancement. Further, satisfaction has both a direct effect on relationship enhancement and also indirect effect through trust. Overall, the study found the effect of satisfaction on enhancement to be greater than that of trust.

Customer relationship building practices was the focus of a research conducted by Claycomb and Martin (2001) in the context of the US service sector. The researchers drew on RM paradigm to conceptualize and explain the relationships among the constructs under study. The objective of the study was to identify the range of activities that tend to be top-of-mind and likely formalized within the surveyed firms. Findings show that more than 80 per cent of the respondents rated trust as the first factor why they maintained relationship with their business partners. The study concludes that for building relationships between firms and customers, the most effective strategies are personalization, communication and trust.

In the same vein, the mediation effect of trust on the relationship between bonding and commitment was validated by Rodriguez and Wilson (2002) in the context of U.S-Mexican strategic alliances through structural equation modelling. The authors used social exchange and resource based theories to underpin their study. The outcome of the

study reveals that trust and commitment assist in building interdependency between relational parties. In addition, trust is built mainly on economic and strategic cooperation for U.S, whereas for Mexican managers, social and affective dimensions are the driving force behind relationship. Furthermore, both U.S and Mexican managers perceive commitment to the relationship as supported by high levels of trust.

A meta-analysis of the factors that impact the effectiveness of RM was carried out by Palmatier *et al.* (2006). The framework comprises of nine antecedents, namely relationship benefits, dependence on seller, relationship investment, seller expertise, communication, similarity, relationship duration, interaction frequency and conflict; five outcomes, namely expectation of continuity, word of mouth, customer loyalty, seller objective performance and cooperation and four mediators, namely commitment, trust, relationship satisfaction and relationship quality. Findings suggest that RM works more when relationships are more critical to customers as in the case of services and when relationships focus on individuals rather than firms. The report added that these revelations explained, in part, why past studies on RM and performance outcomes are contradictory.

In a related study involving 234 clients of advertising firms, Caceres and Paparoidamis (2007) used RM theory to abstract business loyalty, relationship satisfaction, trust and commitment in the context of business-to business (B2B) firms in France. The findings of the study indicated the influence of trust on customer loyalty. The research however, is limited in methodology. These include the simplicity of the measurements because of the secondary nature of the data used, the use of a single item to measure relationship satisfaction which ignores the complexity in providing services. The study also failed to

integrate cultural diversity among customers which may lead to different perceptions of the attributes of trust and commitment. Hence, the researchers recommended that future studies should examine the influence of cultural environment on the link between trust and customer loyalty.

Similarly, to examine the impact of trust, communication, competence, commitment conflict handling and relationship quality on customer loyalty, a survey of 250 bank customers, in the context of Malaysia was conducted by Ndubisi, Wah and Ndubisi (2007). The research findings indicate that relationship marketing strategies of trust, communication, commitment, competence and conflict handling are directly associated with loyalty. The study recommends that future studies should examine the possible moderation or mediation effects of customer satisfaction. These findings were supported by Doney *et al.* (2007) who investigated the factors surrounding trusting relationships between buyers and suppliers in B2B service context through a survey of 202 buyers of aviation components repair services in 42 countries and confirmed the positive effect of trust building behaviours on customer loyalty.

Assessing the influence of psychological antecedents on loyalty to a bank was the focus of a study carried out by Blomer and Schroder (2007) in a survey of 439 bank customers. The results of the study reveal that trust and commitment are predictors of customer loyalty. Kantsperger and Kunz (2010) also treated trust as a mediator between customer satisfaction and customer loyalty in the context of retail banking industry of Germany. The researchers drew on RM theory and conceptualized trust as willingness to depend on a partner in exchange situation as a consequence of mutual confidence. The authors surveyed 232 retail bank customers using an adapted questionnaire to collect



data. The measurement instrument consists of multi-items rated on 7-point Likert scale. The results of the research show that the two dimensions of trust mediate the effects of customer satisfaction differently, benevolence has significantly greater impact on customer loyalty than credibility and that customer propensity to trust influence trust.

In a related study, Liu, Guo and Lee (2011) undertook a research on the impact of relationship quality and switching barriers on customer loyalty in the context of mobile phone users in Taiwan. The authors conceptualized and underpinned their study on two-factor theory of customer satisfaction adapted from Fredrick Herzberg's two-factor theory of motivation. A questionnaire containing empirically validated measures was distributed to a sample of 440 phone users which generated a response rate of 70.68 per cent and structural equation modelling was used to analyse the data. The findings of the study reveal that RM dynamics including satisfaction and trust have significant effects on customer loyalty. The total model explained 48 per cent of the variance in customer loyalty.

In addition, Kiyani *et al.* (2012) conducted a study on the correlations among brand trust, customer satisfaction and customer loyalty in the context of the automobile sector of Pakistan, using self-administered questionnaire to collect data from a convenience sample of 131 existing users of automobile brands. The instrument's items were measured on a five-point Likert scale. The results of the study show that brand trust and customer satisfaction have statistically positive and significant relationship with outcome variable of customer loyalty. The study conducted by Moore and Bowden-Everson (2012) on RM dynamics and student loyalty in the context of Australian tertiary education discovers that student loyalty is a function satisfaction, commitment and

relationship appeal. Surprisingly, trust was found to have significant negative effect on student loyalty.

The study by Ehiobucher and Khan (2012) investigates the effect of four RM dynamics, namely trust, commitment, communication and conflict handling on customer loyalty in the context of banks in US. The authors conceptualized customer loyalty as a business model used in strategic management in which company resources are employed so as to increase the loyalty of customers and other stakeholders in the expectation that corporate objectives will be achieved or exceeded. Through a systematic quasi-random sampling technique, 220 customers drawn from 20 banks participated in the study. Findings suggest that the four RM dynamics significantly contribute to customer loyalty.

Similarly, Casielles *et al.* (2005) investigated the role of trust in the successful implementation of RM in the context of retail travel agencies of Spain using a sample of 663 clients. The authors conceptualize trust in the light of RM paradigm and adopted the definition of Morgan and Hunt (1994). Findings of the research show that trust and communication have a positive influence on RM. However, besides mainstream research findings, there are reports of insignificant relationships between the independent variable of trust and dependent variable of customer loyalty (e.g., Ball *et al.*, 2006; Hennig-Thurau *et al.*, 2001; Shams-Ur Raheem *et al.*, 2012).

## **2.11 Customer Satisfaction**

### **2.11.1 Conceptualization of Customer satisfaction**

Oliver (1980) conceptualized customer satisfaction as an evaluation of the perceived discrepancy between prior expectations and the actual performance of the product. The scholar also defined it as pleasurable fulfilment (Oliver, 1999). Hence, satisfaction is the consumer's judgement of the differences between what is received and what is perceived as the standard (Ceceres & Paparoidamis, 2007; Zeithaml et al., 1996). Customer satisfaction has been conceptualized by Churchill and Suprenant (1982) as an outcome of purchase and consumption stemming from customer's comparison of the benefits and costs of the acquisition in relation to expectations. Customer satisfaction has also been construed as a function of the relative level of expectation and perceived performance (Kaveh, Mosavi & Ghaedi, 2012). This study adopts the Oliver (1980) conceptualization of loyalty for its wide application in research and suitability to the research context.

The concept of customer satisfaction occupies a central place in the body of marketing theory and practice. Satisfaction is a principal outcome of marketing strategies and it provides a bridge that links the various marketing processes culminating in product patronage and subsequent loyalty (Churchill & Surprenant, 1982).

### **2.11.2 Relationship between Customer Satisfaction and Customer Loyalty**

Customer satisfaction has been used as antecedent of customer loyalty in various studies (e.g., Alrubaiee & Al-Nazer, 2010; Armstrong & Seng, 2000; Bennet & Rundle –Thiele,

2004; Binninger, 2008; Ehigie, 2006; Fornell et al., 1996; Hamidizadeah et al., 2011; Kantsperger & Kunz, 2010; Oliver, 1999).

Fornell et al. (1996) traced the loyalty of American consumer to various categories of goods and services and their producing companies and organizations to overall customer satisfaction. The study found that customer satisfaction significantly affects customer loyalty. In conclusion, the researchers contended that the American customer satisfaction index (ACSI) present an opportunity for companies to formulate competitive strategies and allows managers to compare their performance against benchmarks. On the part of customers, the ACSI afford them with information that can guide them in purchase decisions. A possible limitation of the study is the use of three items alone to measure overall customer satisfaction.

Similarly, Hallowell (1996) studied 59 bank divisions in the context of America and found that customer satisfaction accounts for 37 percent of the variations in customer loyalty. These findings support the research model that customer satisfaction is related to customer loyalty. Furthermore, Armstrong and Seng (2000) examined the corporate bank customer satisfaction in Singapore and the study reveals that customer satisfaction is the only variable affecting repurchases intention. Specifically, customer satisfaction accounts for 74 percent of the variation in repurchase intention in Singapore.

The study by Ehigie and Taylor (2009) in the context of United States' college reveals that customer satisfaction, expectation and perceived service performance together accounts for the variation in student loyalty. In a related work, Serenko (2011) found that satisfaction has influence on student loyalty. Hassan, Ahmed, Riaz and Maqbool

(2012) examined the influence of customer satisfaction, switching cost, trust and commitment on customer loyalty of Islamic banks in Bahawalpur region. The research results show that customer satisfaction and other related constructs are significant predictors of customer loyalty.

Investigating factors that impact customer behavioural intentions in a full-service restaurant, Jani and Han (2011) surveyed seven full service restaurants in a US metropolitan city taking a sample of 500 restaurant patrons. The findings of the research indicate that affect is a major contributor to customer satisfaction and behavioural intentions, customer satisfaction is a direct antecedent to trust but indirect to commitment. In addition, service encounter performance directly affects customer satisfaction. Similarly, Foteal, Fotea and Poli (2011) review the theoretical foundation of RM and customer satisfaction and the possibility of implementing the principles in direct marketing firms of Romania. The authors surveyed 392 customers. The results show that overall satisfaction of repeat customers was higher than that of the first time customers and that satisfaction rises in the purchase stages and records degradation in the post-purchase stage.

In particular, Ehigie (2006) examined the impact of customer satisfaction on customer loyalty of Nigerian banks. Drawing on RM theory, the author hypothesized that customer satisfaction predict customer loyalty. The study participants were 247 bank customers. The research reveals that customer satisfaction is significantly related to customer loyalty and concludes that the managers of Nigerian banks could enhance the loyalty of their customers by implementing suitable marketing strategies towards improving customer satisfaction. However, findings from this study could not be

generalized to the entire banking industry or other countries with different cultural background. Another limitation of the study was the use of few measurement items in attempt to encourage respondents to participate in the survey.

However, prior studies have reported mixed findings on the relationship between customer satisfaction and customer loyalty. For example, in an attempt to identify attributes that will produce customer loyalty in the hotel industry of US, Bowen and Chen (2001) conducted a study involving 2,000 participants. The authors discover that the relationship between customer satisfaction and customer loyalty is non-linear and asymmetric, meaning that an increase in customer satisfaction does not always bring a corresponding increase in customer loyalty. A similar result was obtained by Baumann, Elliot and Burton (2012) in banking sector. Thus, Dagger and David (2012) posit that to assume that an increase in customer satisfaction always leads to increase in customer loyalty is an over simplification of the complex association among the constructs. These findings support Oliver (1997) that customer satisfaction does not always predict customer loyalty.

In fact, some studies do not find any significant relationship between customer satisfaction and customer loyalty. For example, Leverin and Liljander (2006) examined the impact of RM strategy of a retail bank in Finland through a survey of 974 customers. The findings of the study suggest that relationship satisfaction was less important as a determinant of loyalty.

### **2.11.3 Expectation/disconfirmation theory**

The concept of customer satisfaction/dissatisfaction (CSD) has been defined by Oliver (1997) as the consumer's fulfilment response or judgement that a product or service feature, or the product or service itself, offered or is offering a pleasurable level of consumption-related fulfilment, including levels of under, or over fulfilment. The expectation/disconfirmation theory postulates that expectations originate from the customer's belief about the level of performance a bundle of benefit would provide (Oliver, 1997).

Similarly, the Parasuraman's gap model is anchored on disconfirmation paradigm. Accordingly, the customer determines service quality by comparing the expected service delivery with the perceived service performance (Parasuraman et al., 1985). In effect, the higher the service quality perceived by the customer, the more positive the disconfirmation and the better the future buying behaviour a customer holds with regard to the service provider. Conversely, the lower the perceived service quality, the more negative the disconfirmation and the worst the post-purchase behaviour of the customer. According to Caruana and Matta (2000), the vast majority of satisfaction studies are anchored on expectancy/disconfirmation paradigm.

The expectancy/disconfirmation theory (Armstrong & Seng, 2000; Churchill & Suprenant, 1982; Oliver, 1980) assumes that consumers compare their perceptions of products' performance with a given benchmark (i.e., expectations or other norms of performance). Confirmation emerges when the expected performance equal or surpassed standard, whereas disconfirmation arises when performance is below expectation

(Caruana & Matta, 2000). Where performance fails to meet expectation, customers will be negatively disconfirmed/dissatisfied (Armstrong & Seng, 2000). Thus being satisfied or dissatisfied is a function of consumer's emotional judgement towards a product (Oliver, 1997). In Churchill and Suprenant's (1982) work, customer satisfaction was treated as the cost and benefit analysis in consumer mind where cost refers to money, time and effort spent by the consumer looking for and consuming the product, while benefit is given by the performance or profit acquired after consuming or using the product.

## **2.12 Hofstede Culture Frame-work**

In order to understand the context in which LTO is used in this study, it will be appropriate to briefly discuss the Hofstede's culture frame-work.

Hofstede's culture framework is one of the most outstanding contributions in the domain of national culture and cross-culture studies (Hwang *et al.*, 2013). National culture has an important impact on marketing practice (Hassan *et al.*, 2011). A salient dimension of national culture is how people view time. Time orientation have massive influence on different aspects of an individual's life as it affects how the individual evaluate time, both the past, the present and the future (Hassan, *et al.*, 2011).

To assess time, scholars have mainly relied on Hofstede's (1980) indices concerning LTO (Bearden *et al.*, 2006). In this section, an attempt is made to recapitulate the Hofstede's (1980) culture framework, identify some relevant past studies and then proceed with discussion on LTO.



In his seminal work, Hofstede (1980) identified four culture dimensions, namely individualism/collectivism, power distance, uncertainty avoidance and masculinity/femininity. Eleven years later, Hofstede introduced long- term/ short term orientation as the fifth dimension (Hofstede, 1991). Hofstede refers to the five dimensions as national culture that characterized the social dynamics of the different people around the world (Hofstede, 1980, 1991).

The dimension of power distance, in Hofstede model, represents the level of acceptable inequity among people within a society. Accordingly, the powerful are entitled and expected to have separate status, symbols and privileges while the less powerful are expected to be dependent on the powerful (Kueh & Voon, 2007). A culture which is built on higher degree of inequality and greater power distance hampers charitable intentions between different social classes. Low power distance however, promotes equality within society and implies that both superiors and other members of the society are equally accessible (Luczak, Mohan-Neill & Hills, 2010). Furthermore, power distance provides a platform upon which to establish trust. In countries of higher power distance, members of a particular social network trust each other but do have lower propensity to trust members of a different social network. The breakdown in trust reduces access to resources that can be made available because of the fragile ties among social networks (Luczak *et al.*, 2010).

The dimension of individualism/collectivism reflects the extent to which people in a given society choose to act on behalf of themselves as individuals in contrast to acting on behalf of others (Hui, Ho & Wan, 2011). The individual focuses only on the care of himself and his family. In other words, the interest of the individual prevails over the

interest of the group. In collectivist society, an individual learns to respect the group to which he/she belongs and remain loyal to the group and as well put the group interest above his/her own individual interests. Collectivist customers desire harmony and interdependence in social relationships and will therefore be more tolerant of mistakes (Hofstede, 1980; Kueh & Voon, 2007) and undifferentiated products (Ndubisi *et al.*, 2011).

Hofstede's gender dimension focuses on masculine and feminine societies. A masculine culture, like US, stresses values related to ambition, performance, competition, success and differentiated gender role, while a feminine culture, like Netherlands, values creating and nurturing relationships, community service, care for elders and securing group solidarity and sexuality equality ( Luczak *et al.*, 2010) . Gender distinction is one perspective of this dimension. Some societies allow men and women take many different roles, while other societies make distinct divisions between the acceptable and unacceptable roles for each gender.

Uncertainty avoidance dimension relates to how comfortable people of a given cultural group are with uncertainty in any given situation and the extent to which they can tolerate ambiguity and change (Hofstede, 1980). In a culture with high uncertainty avoidance, people may feel threatened by ambiguity and therefore require formal rules and procedures to govern their environment. Conversely, a culture with low uncertainty avoidance show a high tolerance for uncertainty and tend to be more flexible and less formal and tend to moderate uncertainty via long-term relationship instead of formal rules (Hofstede, 1980).

Hofstede's fifth culture dimension describes long-term and short-term orientation, originally described as Confucian dynamism. A society characterized by long-term perspective tends to emphasize future and long-term relationships (Kueh & Voon, 2007). Long-term orientation influences trust and thus, relationship once established is presumed to last long. Furthermore, satisfaction and trust are promoted by long-term orientation through emphasis on social sanctions (Hofstede, 1991). On the contrary, a culture that is identified as possessing the property of short-term perspective will emphasize on the present and now. Accordingly, this short-term perspective shall focus on discrete transactions as opposed to lasting relationship (Hofstede, 1991). For companies in long term oriented companies such as China and Japan, long term investments are common. Consequently, annual profits declaration is not very important especially at the early stage of a business.

Since the seminal work of Hofstede (1980) on national culture, several studies have been conducted on the influence of culture on customer perception and evaluation of service encounters, satisfaction and behavioural loyalty (e.g., Ekiz & Au, 2010; Fang, 2003; Fayolle, Basso & Bouchard, 2010 ; Frost, Goode & Hart, 2010; Gelfand, Leslie & Fehr, 2008; Hui *et al.*, 2011; Kueh & Voon, 2007; Lai, He, Chou & Zhou, 2013; Luczak, Neill & Hills, 2010; Mende, Bolton & Bitner, 2013; Patterson, *et al.*, 2006; Winsted, 1997).

For example, Winsted (1997) examines the effects of two different cultures, US & Japan, on customer evaluation of service encounters and explored the differences in the relevant dimensions in the context of restaurant setting. The research was carried out in three stages: focus groups and literature review, open-ended exploratory survey and a

detailed transaction-specific survey. The results reveal that satisfaction with service encounters was higher in US than in Japan implying that unidentified factors that affect satisfaction in Japan still exist.

In a related study, Patterson, *et al.* (2006) investigates the influence of individual level culture on customer evaluation of service recovery performance in the contexts of Australia and Thailand. The results reveal that cultural values of individual power distance, uncertainty avoidance, and collectivism actually interact with a company's service recovery tactics to determine perception of fairness/justice. Similarly, Griffith and Griffith (2007) examine the effect of ethnic culture on organizations and employees using Chinese and Javanese in Indonesia. The authors took a sample of 140 employees of manager rank from 100 organizations for query. The findings of the study indicated that managers' ethnic cultural diversity reflect in their group differences with respect to personality type, level of participation in budgeting and job satisfaction.

The link between ethical values and time orientation was the focus of the research by Nevins, Bearden, and Money (2007). Using an adapted questionnaire, the authors solicited data from 293 undergraduate students of two US universities and employed SEM to analyse the data they collected. Results suggest that the two LTO components of planning and tradition promote higher level of ethical conduct and also mediate the relationship between conservatism, work ethics, and formation of ethical values. In a similar vein, a loyalty study of 140 collectivist and individualistic Australian shoppers was conducted by Frost, Goode and Hart (2009). The authors empirically confirmed that online shoppers are more individualistic as compared to those who have not shopped online while individualism and collectivism do not influence online loyalty.

The work carried out by Hsu and Burns (2012) examined the impact of culture on perception of clothing values in the context of two culturally opposing nations, USA and Taiwan. The researchers collected data from 487 and 903 university students from USA and Taiwan, respectively via a questionnaire. The authors used SPSS to analyse data and the results indicate that consumers from Taiwan (Confucian culture) scored higher on economic and religious clothing values than consumers from USA. In a related study, Lai, *et al.* (2013) discover that Americans have more tendency to voice their opinions on products and services and make more recommendations to others as compared to Chinese. Further, Chinese and American customer reviewers look at different dimensions of products and services.

### **2.13 Long-Term Orientation**

An important aspect of culture is time orientation which was found to explain systematic behaviour disparities at the individual, organisational and national levels (Bearden *et al.*, 2006; Patterson *et al.*, 2006). The concept of Confucian work dynamism as a culture perspective was first identified by Hofstede and Bond (1988) from the Chinese value which is rooted in Confucian values of tradition, planning for the future and harmony with others. Later, Hofstede (1991) renamed this cultural perspective as LTO.

#### **2.13.1 Conceptualization of LTO**

On the foundation of time oriented conceptualisation, Bearden *et al.* (2006) defined LTO as the cultural value of looking at time holistically, valuing both the past and the future,

rather than considering actions important only for their effects in the here and now or the short term. Hence, individuals and corporations scoring higher in LTO value planning, hard work for future reward, tradition and perseverance.

### **2.13.2 Relationship between LTO and Customer Perception and Behaviour**

In spite of its relevance, particularly to relational contexts as shown in previous sections, the time orientation perspective of culture (LTO) is one of the least empirically validated by past studies. This paucity of study may be on account of the scholarly arguments related to the origin and philosophical foundation of LTO (Fang, 2003) and the psychometric properties of measures of LTO as proposed by Hofstede in 1980 (Bearden *et al.*, 2006). One line of argument against LTO that seems to be racial is that since the concept of LTO originated from oriental Chinese thinking, it cannot be reconciled with Western ideology (Fang, 2003). However, in a study involving 2000 respondents across four countries, namely Argentina, Australia, Japan, and United States, Bearden *et al.* (2006) have developed reliable LTO measures. The scholars empirically demonstrated the psychometric properties of the measures and validated their discriminant and convergent validities. The study concludes that the LTO measures are applicable for examining the individual customer differences in LTO both within and across countries.

Consequently, Kueh and Voon (2007) adapted the LTO measures developed by Bearden *et al.* (2006) in their study of the impact of individual-level cultural dimensions on Generation Y consumer's expectations of service quality (SQ) in the context of full-service restaurants in Malaysia using the service quality model (SERVQUAL) of Parasuraman (1988). The result suggests that SQ expectations are positively related to

uncertainty avoidance and long-term orientation but negatively related to power distance. The study recommended that future researches should use a more representative sample and be replicated in other service industries.

In the same vein, Hassan *et al.* (2011) adopted the LTO scales developed and tested by Bearden *et al.* (2006) and re-examined their psychometric properties and generalizability at the individual level in a study involving 3,491 respondents from across ten EU countries. The authors collected data through an internet questionnaire and assessed generalizability of the scale. Findings of the study suggest that LTO scale has adequate dimensional properties in the majority of the sample countries but discriminant validity was not observed in four countries. Further, significant association was found between LTO and individualistic orientation among respondents in nine countries. Similarly, Yu and Cable (2011) examined the moderating effect of LTO in the context of team cooperation using 56 teams, consisting of 283 MBA students of a university in South-East US. The authors adopted Long-term orientation measures from Bearden *et al.* (2006) and employed Edwards and Lambert (2007) technique to analyse the data collected. The study reveals that for teams with high LTO, a negative relationship exists between informational diversity and civic virtue, while no significant relationship existed for teams with low LTO.

Arguing based on the previous studies; John, John and Baker (2011) posit that given individual level differences in cultural values such as time orientation, ambiguity and uncertainty, there is the need to investigate customer preferences regarding service production and delivery. Chan, Yim and Lam, cited in John, *et al.* (2011) observed that a contingency based approach that incorporates potential antecedent or moderating

value orientation is essentially missing in previous relational studies. To the sincere knowledge of the researcher, the interaction effect of long-term orientation on the relationships between customer satisfaction, trust and customer loyalty has not been empirically validated in previous studies. Meanwhile, several studies have recommended for the exploration of the role of cultural values in shaping customer perception, values, orientations and behaviour (e.g., Hassan *et al.*, 2010; Hwang *et al.*, 2013; Kantsperger & Kunz, 2010; Palmatier *et al.*, 2009).

#### **2.14 Other RM Dimensions**

Extant literature has also reported the relationship between customer loyalty and other RM dimensions such as commitment, shared value, empathy, reciprocity and conflict handling. For example, the significant relationship between commitment and customer loyalty is evident in Caceres & Paparoidais (2007), Ndubisi *et al.* (2007), Ndubisi & Wah (2005) and Morgan & Hunt (1994). The indirect positive effect of shared value on customer loyalty is reported by Hau & Ngo (2012) while the influence of empathy on customer loyalty is found in Chattananon and Trimetsoontorn (2009) and Zeithaml *et al.* (1996). The effect of reciprocity on customer loyalty is evident in Chattananon & Trimetsoontorn (2009) while the role of conflict handling in fostering customer loyalty is reported in Ehiobucher and Khan (2012), Ndubisi *et al.* (2007) and Narteh *et al.* (2013).



## **2.15 Relationship Marketing and Customer Satisfaction**

Several studies have used RM to predict customer satisfaction (e.g., Armstrong & Seng, 2000; Ball *et al.*, 2006; Beerli, Martin & Quintana, 2004; Cheng & Lee, 2011; Colhoe & Hensener, 2012). However, there are instances where mixed findings were documented.

For example, Molina, Martin-Consuegra and Esteben (2007) conducted a study to determine the relational benefits customers drive from long-term relationship with banks and also assess the relationship between these benefits and satisfaction in three large banks of Spain. The authors surveyed 204 customers using personal interview. The results reveal that trust have direct positive effects on the satisfaction of customers with their banks while service personalization and social benefits do not have any significant effects on satisfaction in retail banking environment. These findings support Bennet and Rundle-Thiele (2004).

In the same vein, the influence of trust, bonding, communication, shared value, empathy and reciprocity in relation to customer satisfaction was investigated by Hau and Ngo (2012) through a survey research involving 100 executives of B2B firms in the context of Vietnam. The findings of the study suggest that trust, bonding, shared value, and reciprocity have positive influence on customer satisfaction while communication and empathy have not. Furthermore, trust and bonding predict customer satisfaction better than shared value and reciprocity.

## **2.16 Underpinning Theories**

Social exchange theory and social learning theory are used in this study to help drive the research framework and then develop hypotheses from these theories and research framework.

### **2.16.1 Social Exchange Theory**

The origin of the social exchange theory (Blau, 1964; Thibaut & Kelley, 1959) can be traced back to the orthodox theories of social behaviour, defined as any interaction between individuals in an exchange of resources (Homans, 1958). Major contributions to the development of SET came from the works of such sociologists as Blau (1964), Emerson (1962), Homans (1958) and psychologists like Thibaut and Kelley (1959).

The basic assumption of SET is that partners voluntarily enter and maintain relationships on the expectation that such relationships will pay back (Blau, 1960; Homans, 1958). For instance, students approach universities for educational services of their choice and universities voluntarily provide the services through admissions, lectures, research and on campus services; each party anticipates the mutual benefits of the relationship. The fundamental premises of SET are provided by Lambe *et al.* (2001) as follows:

Social exchange theory postulates that exchange interactions involved economic and/or social outcomes. Over time, each party in the exchange relationship compares the social and economic outcomes from these interactions to those that are available from exchange alternatives which determine their continuity on the

exchange relationship or otherwise. Positive economic and social outcomes over time increase the partners' trust on each other and commitment to maintaining the exchange relationship. Positive exchange interactions over time also produce relational exchange norms that govern the exchange partners' interactions (p. 6)

SET considers exchange as a social behaviour that could bring about material and non-material benefits, and that individuals join new partnerships and maintain existing ones because they expect such behaviour to pay off (Homan, 1958, Macneil, 1980; Thibaut & Kelley, 1959). The theory postulates that the parties to a relationship view the outcomes of such exchanges to surpass those that could be attained through another exchange or another partner (Anderson & Narus 1990). From the perspective of relationship marketing, the benefits students receive from relationship with their universities, which they believe may not be provided by a competing institution, include adaptability, reputation, integrity, confidence and reliability; while universities in turn, expect from the relationship actualization of mandate and access to funds that guarantee their successful operations (Hemsley-Brown & Oplatka, 2006; Hennig-Thurau, *et al.* 2001).

According to SET, the early stage of the relationship is critically important in determining the future direction of the relationship (terminate, reduce, stabilize or expand). Satisfaction plays an integrative role in relationships (Blau, 1964; Homans 1958; Thibaut & Kelley, 1959). Students who receive educational and social benefits which meet or surpass their expectations and are equal to or superior to benefits available from competing institutions are likely to maintain and/or expand the relationship (Ackerman & Schibrowsky, 2007; Nasset & Helgesen, 2009; Thibaut and

Kelley, 1959). Taken together, satisfaction serves as a mirror of a seller's view of the outcomes of the relationship. While it may not capture a partner's estimation of available alternatives, it does provide an idea of the relationship's overall performance (Wilson, 1995).

Relational exchange has been the trust of ample studies in business-to-business (B2B) and business-to-customer (B2C) contexts drawing from social exchange theory (e.g., Anderson & Narus, 1990; Bagozzi, 1975; Blau, 1960; Celhove & Henseler, 2012; Dwyer, Schurr & Oh, 1987; Emerson, 1962; Hofmans, 1958; Luo, 2002; Moller & Halinen, 2000; Morgan & Hunt, 1994; Nguyen & Liem, 2012; Sierra & MacQuitty, 2005; Wilson, 1995).

Blau (1964) posit that non-material benefits, such as pursuit of personal advantage, spiritual values, emotional satisfaction, and sharing of humanitarian ideals, values that serve as foundations of the university system (Bowden, 2011; Ramachandran, 2010), are frequently held more important in social exchange settings than economic gains. In relationship marketing and social exchange (Thibaut & Kelley, 1959), these non-material benefits are referred to as social benefits of relationship, such as feeling of familiarity, personal recognition, friendship, affection and social support which bond students to the university beyond graduation thereby making them good ambassadors of the university (Ehigie & Taylor, 2009; Skarmeas & Shabbir, 2011).

It is argued that an important component of social exchange is trust because to a large extent, social exchange is governed by social obligations rather than by contacts (Blau, 1964). In extending benefit to an exchange partner, one must be confident that the other

party will reciprocate (Homans, 1958). As a general rule, SET suggests that small and insignificant transactions may be the foundation of building trust between relational exchange partners such that as the value a partner receives from the other increase, what he must give in turn increases in a corresponding manner (Homans, 1958). The variables of trust, bonding, personalization and communication have been identified as critical factors and facilitators of all relational exchanges (Nevin, 1995; Rutti *et al.*, 2012; Nguyen & Liem, 2013). Indeed as argued by Blau (1964) trust is recognized as the most important key variable in relational exchanges by social exchange theorists perhaps because it determines other important predictors of positive relational exchanges such as commitment and reciprocity (Morgan & Hunt, 1994).

Extant literature posits that the concept and value of relationship is contingent upon the individual customer's cultural value orientation (Ndubisi *et al.*, 2011; Palmatier *et al.*, 2009). The social aspects of the interaction, consistent with the social exchange theory, outweigh the economic gains (Blau, 1964) and therefore a necessary condition for satisfaction and loyalty (Patterson *et al.*, 2006).

Consistent with SET, the complex relationship between students and universities is governed by contractual obligations underpinned by higher levels of cooperation, joint planning and mutual adaptation, which highlight the use of such RM dynamics as bonding, communication and personalization (Nevin, 1995). The theory further suggests that small and insignificant transactions are the foundation of building student satisfaction and trust such that as the value students receive from the university increases, they reciprocate the university gesture (Homans, 1958) by staying on their

programs, involve in favourable WOM, and even donate to the university as good alumnus (Bagozzi, 1975; Hunt, 1976).

### **2.16.2 Social Learning Theory**

The Social Learning Theory (Bandura, 1977, 1978) is one of the most outstanding scientific contributions of the renowned psychologist, Albert Bandura, who was the President of the American Psychological Association in 1970s. The social learning theory (Bandura, 1977) suggests two types of learning, namely reinforcement learning and vicarious learning. In the perspective of the former, individuals learn from the outcome of their behavior (i.e., reinforcement); so, they are likely to increase (decrease) the frequency of a behavior that has resulted in positive ( negative) outcomes which is also termed as experiential (Akers, Krohn, Lanza-Kaduce & Rodosevich, 1979).

In the second perspective of learning, individuals can participate in vicarious learning by observing and imitating others before engaging in a particular behavior because doing so enables them to avoid unnecessary and costly mistakes (Bandura 1978; Lam, Kraus, & Ahearne, 2010). This aspect of learning is consistent with collectivist societies such as China, Korea and Japan that transmit Confucian values to the younger generation through modelling (Hofstede, 1983; Hwang *et al.*, 2013).

SLT theorised that individuals learn behaviour from their social environment through observation, imitation, and modelling. Social cognitive learning theory highlights the idea that much of human learning occurs in a social environment by observing others, people acquire beliefs, attitudes and knowledge of rules (Akers *et al.*, 1979; Bandura,

1977). Further, individuals learn about the importance, appropriateness and consequences of particular behaviors by observing people they consider as models. The theory further explains that the individuals making observation of their models then act in accordance with their beliefs concerning the expected outcomes of their actions (Lam *et al.*, 2010).

Fundamental to Bandura's social learning theory is the concept of reciprocal determinism. Reciprocal determinism states that an individual's behaviour is largely influenced by characteristics of the individual and his environment (Bandura, 1978). In principle, Social learning theory explains human behaviour as a continuous reciprocal interaction between cognitive, behavioural and environmental influences (Bandura, 1977) stressing that the individual and the environment do not function as independent units but instead determine each other in a reciprocal manner (Davis & Luthans, 1980).

SLT (Bandura, 1977; Davis & Luthans, 1980) suggests that individual students who possess long-term orientation are products of a social environment that believe and value planning, savings, respect for tradition and perseverance in the face of difficulty in the expectation that such orientation will pay back both economically and otherwise (Bandura, 1978). This group of students are prone to long term relationship as they would look for evidence [what SLT refer to as reinforcement] in support of being loyal to a particular university. Given the fact that LTO impacts trust and satisfaction through emphasis on social saction (Bearden *et al.*, 2006; Hassan *et al.*, 2011), it is postulated to moderate the effect of trust and satisfaction on student loyalty.

## **2.17 Summary of Chapter**

The chapter critically reviews literature on customer loyalty, RM, customer satisfaction, and LTO. In particular, the literature review reveals that the main antecedents of customer loyalty are RM dynamics, customer satisfaction, service quality, switching costs and CRM (Armstrong & Seng, 2000; Berry & Parasuraman, 1991; Fornell *et al.*, 1996; Gronroos, 1990, 1994; Gummesen, 1994; Oliver, 1999; Santonen, 2007; Zeithaml *et al.*, 1996). However, the results of past studies are far from conclusive, which suggests the need to introduce intervening and contingent variables. To this effect, customer satisfaction and trust are proposed to mediate the effect of relational dynamics of bonding, communication and personalization on customer loyalty, while LTO is postulated to moderate the link between customer satisfaction, trust and customer loyalty in Nigerian HES. Finally, the underpinning theories used in the study are discussed. The next chapter discusses the research framework along with the hypothesized relationships.



## **CHAPTER THREE**

### **RESEARCH FRAMEWORK**

#### **3.1 Introduction**

This chapter Seeks to describe the research framework and develop hypotheses for the study. Specifically, the chapter begins with description of the research framework, using diagrammatical presentation to explain the linkages among the study constructs, while at the same time highlighting on the underpinning theories that anchor the research framework and the formulated hypotheses.

#### **3.2 The Research Framework**

Building on the preceding literature review and the theoretical underpinnings discussed in chapter two, the research framework depicted in Figure 3.1 emerged. The proposed research framework demonstrates that RM dynamics of bonding, communication and personalization have significant positive relationships with customer loyalty through the mediating effects of customer satisfaction (e.g., Ball *et al.*, 2006; Gwinner & Gremler, 2002; Halimi *et al.*, 2011) and trust (e.g., Hennig-Thurau, *et al.*, 2001; Kantsperger & Kunz, 2010; Moore & Bowden-Everson, 2012). For example, the influence of bonding (e.g., Liang & Wang, 2008; Rodriguez & Wilson, 2002; Bowden, 2013), communication (e.g., Coelho & Henseler, 2012; Halimi *et al.*, 2011; Selnes, 1998) and personalization (e.g., Ball *et al.*, 2006; Coelho & Henseler, 2012; Deb & Lomo-David, 2013; MacLaughlin, 2011) on customer satisfaction, trust and ultimately customer loyalty was reported by past empirical studies.

However, empirical evidence also exist of the insignificant relationship between RM dynamics of customer satisfaction (e.g., Dagger & David, 2012; Leverin & Liljander, 2006; Oliver, 1997) trust (e.g., Ball *et al.*, 2004; Bowden 2011; Hennig-Thurau *et al.*, 2001; Moore & Bowden-Everson, 2012) and customer loyalty. In other words, neither satisfaction nor trust is sufficient to warrant customer loyalty to a service provider or its brand. This proposition hinges on the empirical evidence that some satisfied customers still switch (Dagger & David, 2012; Yap, Ramaya & Shahidan, 2012) while customers who trust the organization are some times disloyal (Hennig-Thurau *et al.*, 2001; Moore & Bowden-Everson, 2012) especially higher customer-service provider interactions and great uncertainties are common, as in the case of students- university relationships. These mixed findings suggest the need to test the possible role of a contingent variable between the predictor and the criterion variables (Baron & Kenney, 1986).

Therefore, whether or not customer satisfaction and trust are sufficient to warrant customer loyalty in the Nigerian HES depends on the individual customer LTO which requires empirical validation (Arnold & Bianchi, 2001; Hwang *et al.*, 2013; Kantsperger & Kunz, 2010; Narteh *et al.*, 2013). In other words, LTO is postulated to moderate the effects of RM dynamics of customer satisfaction and trust on customer loyalty in the Nigerian HES.

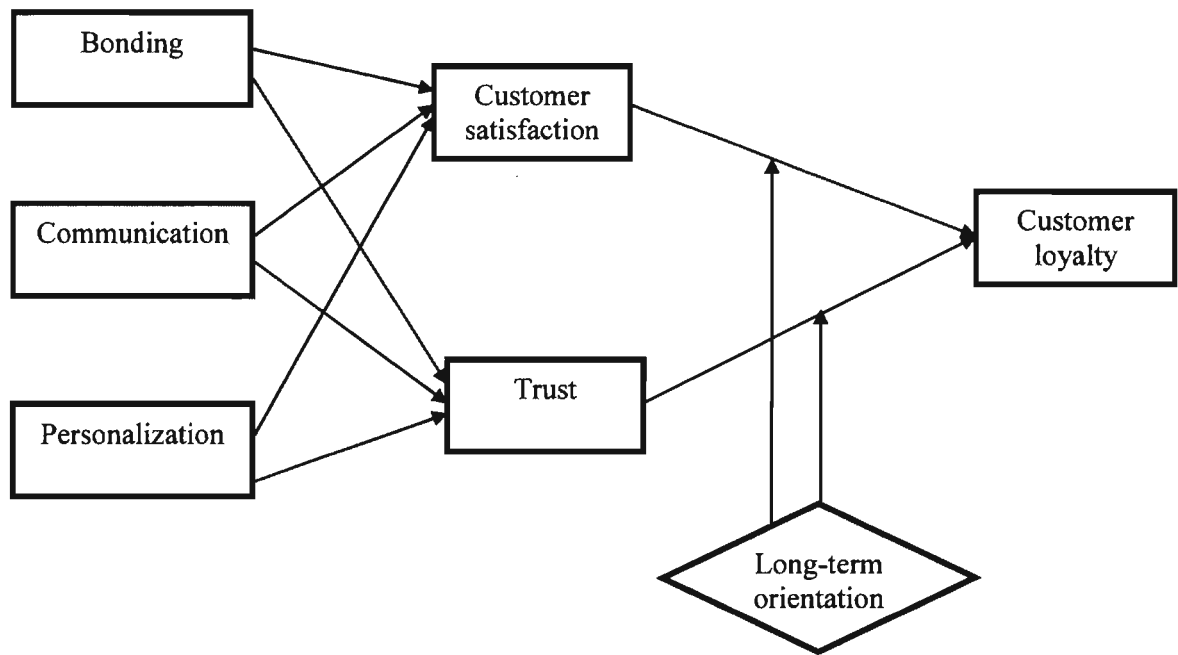


Figure 3.1  
*Research framework*

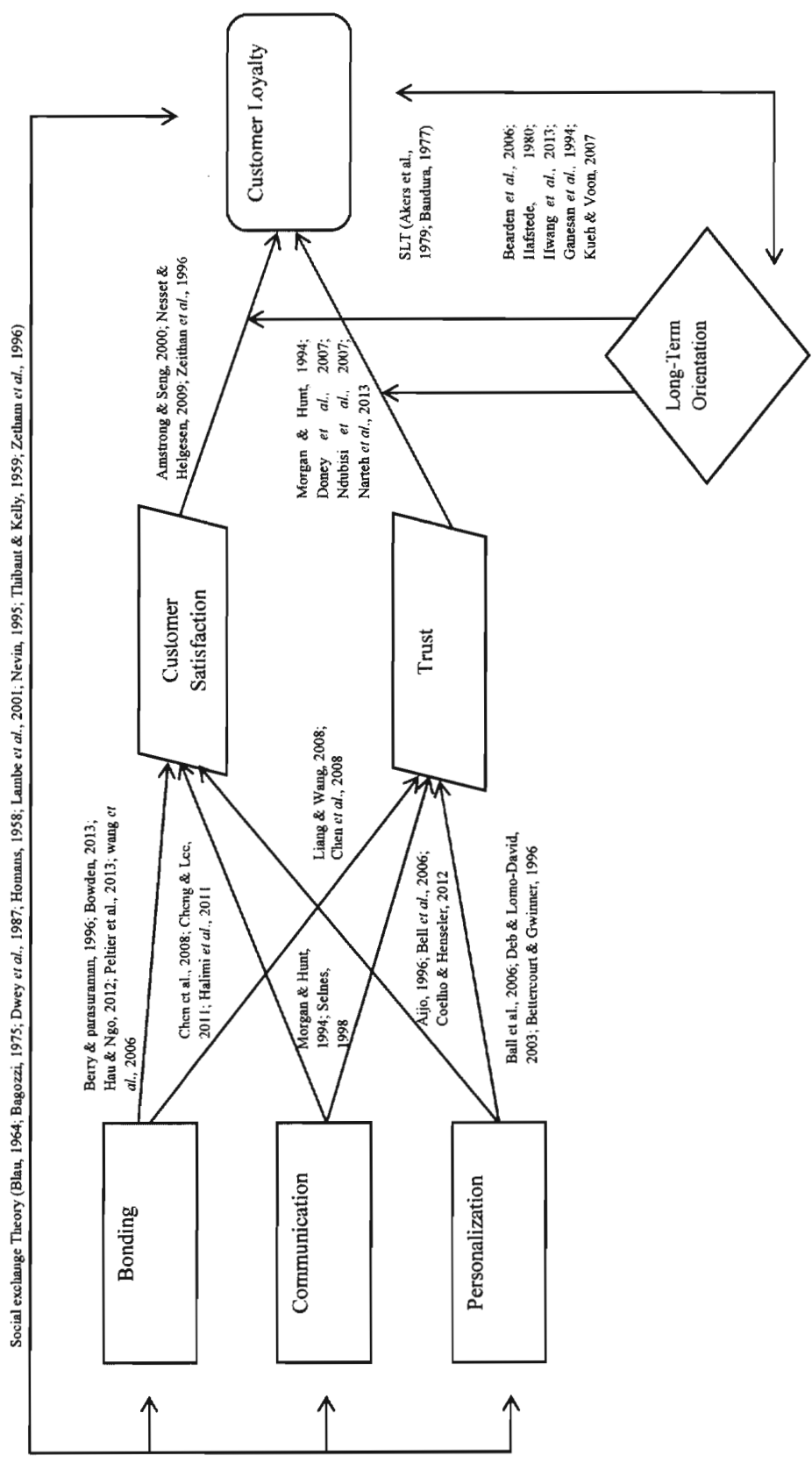


Figure 3.2  
Research Framework Embedded with Underpinning Theories

Figure 3.2 in the previous page demonstrates how the theoretical underpinnings support the research framework for the present study. The figure shows the linkages covered by the social exchange theory (Blau, 1964; Thibaut & Kelley, 1959) and the supporting social learning theory (Bandura, 1977). The figure also demonstrates some of the prior studies conducted that support the hypothesized relationships depicted on the research framework. In the subsequent paragraphs, the research hypotheses are developed based on the theoretical underpinnings.

### **3.3 Hypotheses Development**

The social exchange theory (SET) views exchange as social behaviour that is capable of offering benefits, both material and non-material to relational partners. According to SET, individuals voluntarily join new partnerships while maintaining existing ones because they expect such behaviour to pay back (Homan, 1958; Thibaut & Kelley, 1959). These relationships are characterized by higher levels of cooperation, joint planning and mutual adaptation in response to the complexity and unforeseen nature of the relationship (Nevin, 1995). Cooperation, joint planning and mutual adaptation are properties of RM dynamics of bonding, communication and personalization which influence customer loyalty through customer satisfaction and trust (Blau, 1964; Dwey *et al.*, 1987). SET suggests that students who enjoyed relationship benefits such as satisfaction with university services and trust in the institution are likely to reciprocate the university by extending the relationship, involving in word-of-mouth

recommendation and being good ambassadors of the university beyond graduation (Baggozi, 1975; Zethalm *et al.*, 1996).

Consistent with SLT (Bandura, 1978), social environment and the expectation of reward exposes individuals to LTO which is favourable to long-term relationship as opposed to short-term discrete business relationships which focus on immediate reward (Hofstede, 1980; Hwng *et al.*, 2013). Empirical evidence has shown that LTO has a buffering effect on satisfaction and trust (Bearden *et al.*, 2006; Ganesan, 1994; Hwang *et al.*, 2013; Hofstede, 1980) and from that proposition, the interaction role of LTO on the link between customer satisfaction, trust and customer loyalty was speculated.

### **3.3.1 Bonding**

One of the primary objectives of RM is to build strong relational bonds between service providers and buyers as a strategy for securing customer positive experience, satisfaction, trust and loyalty (Lambe *et al.*, 2001). Three hierarchical relational bonds effective for relationship building in the services industry have been identified by scholars, namely financial bonds, social bonds and structural bonds (Berry & Parasuraman, 1991). The study by Lin *et al.* (2003) in the context of financial services consumers of Taiwan demonstrates that social, financial and structural bonds foster customer trust and commitment as all types of bonds are significantly and positively correlated with customer trust. Bonding was reported to moderate the effect of service failure (Mattila, 2004) and the effect of self service (Selnes & Hansen, 2001) on customer loyalty.

In the same vein, Chiu, Hsieh, Li and Lee (2005) examined the associations between relational bonds, customer value and customer loyalty among three different bank customer groups, namely stayers, dissatisfied switchers and satisfied switchers. The findings suggest that for stayers, financial, social and structural bonds could improve loyalty to the bank; for dissatisfied switchers, only structural bonds impact loyalty and for satisfied switchers, social bonds significantly affect their loyalty towards their banks. The managerial implications of these findings include management knowledge of which bonds best suit which category of customers.

Robinson, Abbott and Shoemaker (2005) used the term emotional bonds to conceptualise bonding tactics applicable to fast service restaurants. The findings suggest that platforms such as business name, logo, music, aroma and light could be used by restaurants to create feeling of emotional attachments in the minds of restaurants' patrons which could also serve to establish loyalty community. In the context of information service industry, structural bonding tactics have been found to have the strongest impact on the loyalty of clients towards their service providers (Wang *et al.*, 2006). Thus, the authors conclude that for the information service sector to provide value added services and initiate specific competitive advantage to enhance satisfaction, trust, and commitment and finally customer loyalty, particular attention must be accorded to creating strong bonds between the service firms and their clients.

Chattananon and Trimetsoontorn (2009) examined the effect of bonding on customer loyalty along with other relational dynamics in a Thai context. The study found that bonding, rather than trust, has more impact on customer loyalty and relationship marketing in general. In the banking environment of Jordan, the study by Alruibee and

Al-Nazer (2010) reveals that along with other relational tactics, bonding, have positive significant relationship with customer loyalty. Similarly, Hau and Ngo (2012) in the context of B2B companies of Vietnam discovered that bonding has positive influence on customer satisfaction. Among other relational constructs, bonding was also found to have significant correlation with customer loyalty in the context of hospitality industry of Ghana (Narteh *et al.* 2013).

Similarly, Peltier *et al.* (2013) explored the relationship between bonding tactics, satisfaction and loyalty in the health care environment of US through modification indices methods (Diamantopous & Siguawa, 2000; Joreskog, 193). The study reveals that bonding tactics predict nurse job satisfaction and loyalty. Taken together bonds work best on customer loyalty through customer satisfaction and trust. Based on the foregoing background, the following hypotheses are formulated:

H1 Bonding has a significant positive relationship with customer satisfaction in the Nigerian HES

H2 Bonding has a significant positive relationship with trust in the Nigerian HES

### **3.3.2 Communication**

In relational context, communication refers to the ability of service organisation to provide customers with relevant, timely and trustworthy information (Ball *et al.*, 2006; Morgan & Hunt, 1994). The role of communication in predicting customer loyalty was assessed by Ball, Coelho and Machas (2004) in the context of the banking industry, applying the European Customer Satisfaction Index (ECSI). The study discovered that



communication has three direct significant effects; on satisfaction, loyalty and trust. Further, the practical magnitude of the impact of communication on satisfaction and loyalty are similar for all the banks studied. Hence, communication is pervasive as it affects all aspects of the relationship (Doney *et al.*, 2007). Similarly, the studies by Ndubisi and Wah (2005) and Ndubisi (2007) suggest that proactive and reliable communication between service providers and customers has the capacity to create, enhance and sustain customer loyalty.

Similarly, the association between communication, RM and customer loyalty was reported by Chen, Shi and Dong (2008) in the context of high credence services of Hong Kong. Findings of the study reveal that communication affects trust and satisfaction and customer loyalty in the right direction which supports earlier discovery by Morgan and Hunt (1994). Furthermore, communication impacts relationship quality which subsequently influences behavioural outcomes including customer loyalty. In the same vein, Naudi and Zaiem (2010) examined the influence of communication among other RM dynamics in the context of the pharmaceutical sector of Tunisia. The outcome of the research suggests that communication has a positive effect on customer loyalty.

The influence of communication together with other RM dynamics on transaction cost and customer loyalty was investigated by Cheng and Lee (2011) in the context of shopping malls in Taiwan with a view to developing a framework for explaining consumers' choice of retail stores. The findings show that communication, among other relational dynamics, has a significant positive effect on customer satisfaction and loyalty but a negative effect on perceived risk, because communication provides the stimuli that can modify customer behaviour to think positively about goods and services and their

producers (Narteh *et al.*, 2013). Consistent with the prior literature, the following hypotheses are formulated:

H3 communication has a significant positive relationship with customer satisfaction in the Nigerian HES

H4 Communication has a significant positive relationship with trust in the Nigerian HES

### **3.3.3 Personalization**

Growing literature evidence in relationship marketing is pointing at service personalization as one of the most striking relational dynamics in predicting customer loyalty and competitive advantage. For instance, the study by Bettencourt and Gwinner (1996) examines the role of frontline employees in the customisation of service experience.

The authors argue that different audiences/customers expect and respond differently to service performances, which imply that customer satisfaction achieved by fulfilling the individual aspirations of customers is a function of adjustment in the offer and in the manner service is delivered to individual customers by frontline staff. The influence of personalization on customer satisfaction and customer loyalty in the banking industry of Portugal was explored by Ball *et al.* (2006). The authors defined personalization as any creation or adjustment of a service to fit the individual requirements of a customer. The study reveals that personalization has direct significant effects on bank customer loyalty in Portugal and that the effect of service personalization on loyalty is not all direct, because personalization works through improved service satisfaction and trust. Furthermore, personalization and improved communication act together in such a way

that they account for the differences in customer loyalty and successful relational exchanges.

In the same vein, an empirical study of the impact of personalization on customer loyalty in online business was done by Pechpeyrou (2009). The author discovered that the opportunity provided to online vendors to personalize their services has helped the business to create customer loyalty. In the same vein, the impact of service personalization on relationship satisfaction and customer loyalty was examined in the context of Singapore tour travel industry by Halimi *et al.* (2011). The results confirmed the significant effect of personalization on customer loyalty through relationship satisfaction.

The authors concluded that higher levels of personalization and communication translate into higher level of satisfaction with relationship and subsequent higher level of customer loyalty. Research on student use of technology related data bases and web 2.0 provide insights on actual and potential use of personalization features. For example, the study by McLaughlin (2011) discovers that individual student's needs are attended to via the academic library data bases and web related searches through a variety of personalization features. These features include setup profiles and preferences to establish language, one-time acceptance of terms and conditions, number of search results per page, options for brief standard or full result display among others. The work conducted by Wierich and Zielke (2014) has also traced the effect of personalization in relationship in the context of retailer coupons. Findings of the study suggest that personalised coupons impact customer loyalty through self-reference and enjoyment.

Further, the positive effect of personalization is heavier than that of adjustment in face value.

Drawing upon the extant literature, service personalization improves customer loyalty through different paths. First, if executed properly, personalization predicts customer satisfaction (Coelho & Henseler, 2012; Deb & Lemo-David, 2013; Halimi *et al.*, 2011) which is a primary antecedent of customer loyalty. Evidence from literature equally shows that personalised services may improve customer confidence and trust in the firm which ultimately predict customer loyalty to the company or its brand (Shen & Ball, 2009).

Arguably, services that meet the specific needs of a customer command more loyalty than those that fits all needs (Goldsmith, 1999). Thus, the following hypotheses are formulated:

H5 personalization has a significant positive relationship with customer satisfaction in the Nigerian HES

H6 Personalization has a significant positive relationship with trust in the Nigerian HES

#### **3.3.4 Customer satisfaction**

The concept of customer satisfaction/dissatisfaction (CSD) has been defined as the consumer's fulfilment response or judgement that a product or service feature, or the product or service itself, offered or is offering a pleasurable level of consumption-related fulfilment, including levels of under, or over fulfilment ( Oliver, 1997). Of the several

factors reported to impact customer loyalty, customer satisfaction is arguably the most fundamental (Churchill & Suprenant, 1982). Thus, Fornell *et al.* (1996) suggest that customer satisfaction has significant effect on customer loyalty. The authors conclude that the American customer satisfaction index affords American firms an opportunity to formulate competitive strategies.

A study of the banking sector of US conducted by Hallowell (1996) reveal that customer satisfaction accounted for about 37 per cent of the variation in bank customer loyalty. A similar finding was made by Armstrong and Seng (2000) in a study of institutional customers of banks in Singapore. The scholars found customer satisfaction to influence bank re-patronage intention. Drawing on relationship marketing theory, the research conducted by Ehigie (2006) in the context of Nigerian banks, suggest that bank managers could improve customer loyalty by working out marketing tactics that ensure customer satisfaction. This is understood because satisfied customers are most likely to stay with a service provider and by so doing help the firm to reduce operation costs (Kantsperger & Kunz, 2010). In the context of an Australian HEI, Bowden (2011) has traced student loyalty to university to student satisfaction with the services provided by the higher institution. Similarly, the overall satisfaction of repeat customers as against first timers of direct marketing firms of Romania was found to be higher in a study conducted by Fotel *et al.* (2011) which suggest that customer satisfaction is a major antecedent of customer loyalty.

Bowden-Everson, Dagger and Elliott (2013) also traced the relationship between customer satisfaction and loyalty of restaurant patrons. In effect, the relationship

between customer satisfaction and customer loyalty has been documented in various literatures. Against this background, the following hypothesis is formulated:

H7 Customer satisfaction has a significant positive relationship with customer loyalty in the Nigerian HES

### **3.3.5 Trust**

The construct of trust is widely recognised at the most basic of relationship and a primary antecedent of customer loyalty (Morgan & Hunt, 1994; Selnes, 1998). Consequently, past studies amply examined the role of trust in predicting customer loyalty. For example, in the context of supplier vendor relationship, Ganesan (1994) found that trust and dependence have significant effect on long term orientation. Similarly, the work by Selnes (1998) underscores the role of trust in relationship enhancement between buyers and sellers of manufacturing products. The study by Abratt and Russell (1999) indicates that for respondents without a personal banker, trust and honesty of service provider is a primary consideration in establishing relationship.

The research conducted by Doney *et al.* (2007) revalidates the impact of trust building behaviors (bonding, communication, customer orientation) and service outcomes (service quality) on trust formation. A compelling finding of the study was that trust is shown to have a positive influence on key relational outcomes, namely share of wallet, commitment and customer loyalty. Deng *et al.* (2010) examined the determinants of customer loyalty in the context of wireless mobile telecommunication sub-sector of China. The study suggests that trust strongly predict customer loyalty. In the same vein,

the effect of RM on customer loyalty was investigated in the context of Nigerian banks by Aminu (2012). The study discovered that along with four other relational constructs, customer trust has a strong correlation with loyalty to banks. Consistent with this finding, the direct effect of trust on customer loyalty was reported by Coelho and Henseler (2012) in the context of banks and cable TV clients in a Western European country. The study by Narteh *et al.* (2013) traced guests' loyalty to luxury and first class hotels of Ghana to customer trust among other relational dynamics. From the foregoing literature account, the following hypothesis is formulated:

H8 Trust has a significant positive relationship with customer loyalty in Nigerian HES

### **3.3.6 Mediating effect of customer satisfaction**

Customer satisfaction is a major outcome of marketing strategies and processes culminating in product patronage and eventual customer loyalty (Churchill & Surprenant, 1982). Put differently, customer satisfaction is both an outcome of relational strategies and and a key antecedent of customer loyalty (Oliver, 1997). To this end, the effect of relational dynamics on customer loyalty is not always direct, but rather through a mediating mechanism. Several studies have documented the indirect effect of customer satisfaction on customer loyalty. For example, Ryzin *et al.* (2004) employed the ACSI to investigate antecedents and outcomes of overall satisfaction of citizens of New York local government. The findings of the study suggest that citizens' perception of service quality and expectations interact with overall satisfaction to predict the outcome variable of loyalty.

The relationship between relationship satisfaction, customer loyalty and service quality was examined by Caceres and Paparoidamis (2007) in the context of advertising firms of France. The study suggests that relationship satisfaction serves as a partial mediator between service quality and customer loyalty. Similarly, Nasset and Helgesen (2009) validated a student loyalty model in the context of Norway and discovered that satisfaction mediates the link between service quality and loyalty. The mediation effect of customer satisfaction between relational constructs and customer loyalty was also empirically validated by Deng *et al.* (2010) in the context of China. Specifically, the study outcomes show that satisfaction has both direct and indirect influence on mobile service clients' loyalty to service providers.

The study conducted by Jani and Han (2011) explored the antecedents of customer loyalty in the context of full service restaurants of United States. The results of the research suggest that customer satisfaction mediates the impact of commitment on customer loyalty.

Halimi *et al.* (2011) proposed a model that linked RM tactics to relationship satisfaction and customer loyalty in the context of tour and travel sector of Singapore. The results of the study reveal that there is a significant relationship between communication, personalization and customer loyalty through the mediating role of customer satisfaction. In the same vein, Coelho and Henseler (2012) validated the mediating effect of customer satisfaction on the relationship between customisation and customer loyalty in the banking and cable TV environments of the European country.



The intervening effect of customer satisfaction on the association between perceived value and customer loyalty was examined by Kaveh *et al.* (2012) in the context of five-star hotels in the context of Iran using the European Customer Satisfaction Index (ECSI). Findings of the study show that customer satisfaction intervenes the effect of perceived value to determine trust and repurchase intension of the five star hotels' guests. The study by Rizan *et al.* (2014) investigated the relationship between customer perception, customer satisfaction characteristics, confidence and loyalty in the banking sector. The results reveal that RM dynamics affected customer loyalty significantly through the mediating effect of customer satisfaction which explains 67% variances in customer loyalty.

From the foregoing, the following hypotheses are formulated:

H9 Customer satisfaction mediates the relationship between bonding and customer loyalty in the Nigerian HES

H10 Customer satisfaction mediates the relationship between communication and customer loyalty in the Nigerian HES

H11 Customer satisfaction mediates the relationship between personalization and customer loyalty in the Nigerian HES

### **3.3.7 Mediating effect of trust**

Scholars consider trust as the corner stone of RM (Berry, 1995; Palmatier *et al.*, 2006). On the basis of social exchange and relationship marketing theories, Morgan and Hunt (1994) examined the impact of trust and commitment on relational exchanges among tire retailers in US. The authors hypothesized that trust and commitment rather than power

and its ability interact between the antecedents and outcomes of relationship quality. The findings of the study reveal that trust and commitment are significant mediators between antecedents and outcomes of relationship marketing strategies. Selnes (1998) studied the relative importance of trust and satisfaction of customers in the context of a food processing company of Norway. The author found that satisfaction impact trust and relationship continuity as mediating variable, while trust impact future intention to enhance relationship.

Drawing on resource dependency and social exchange theories, Rodriguez and Wilson (2002) developed and tested a model of the impact of bonding on trust and commitment in the context of US and Mexican strategic alliance. The study findings suggest that trust mediate the influence of bonding on commitment to alliance. Similarly, the intervening role of trust was validated in the context of retail banks in Portugal by Ball *et al.*, (2006). Findings reveal that trust mediates the relationship between communication and customer loyalty in the context of banks. In the same vein, trust was found to mediate the relationship between communication, commitment conflict handling and customer loyalty in the banking sector of Malaysia (Ndubisi *et al*, 2007). A meta-analysis of the factors that determine the effectiveness of RM conducted by Palmatier *et al.*, (2006) reveal that trust is one of the key relational mediators between the antecedent and outcome variables of customer loyalty.

The work by Caceres and Paparoidamis (2007) in the context of advertising companies in France reveals a significant indirect relationship between relational dynamics and customer loyalty with customer trust as key intervening variable. These findings support the results of Ndubisi *et al.* (2007) who conducted a study to explore the associations

between trust, other relational dynamics and customer loyalty among bank customers in Malaysia.

Doney *et al.* (2007) conducted a study to verify factors surrounding trusting relationships between buyers and sellers in the context of Aviation component repair services in the context of 42 countries. Findings of the the study reveal among others, that trust mediates the relationship between social interaction, communication, overall service quality and loyalty commitment.

The work by Kantsperger and Kunz (2010) examined the multi-mediating effect of trust on the relationship between satisfaction, propensity to trust and loyalty of bank customers in Germany. The Findings indicate that two dimensions of trust mediate the impact of customer satisfaction on loyalty differently with benevolence having the major influence as compared to credibility. Similarly, the mediating effect of trust on the relationship between relationship quality and customer loyalty was validated by Ndubisi *et al.* (2011) in the context of retail banks in Malaysia and New Zealand. Results show that in both countries trust was significant to relationship quality which is a direct antecedent of customer loyalty. The indirect effect of trust on customer loyalty was reported by Kim, Chung and Lee (2011) in the context of online shopping for tourism products and services in South Korea. Results indicate that trust mediates the link between navigation functionality, perceived security and website loyalty. These findings were corroborated by other studies such as Yap *et al.* (2012) and Coelho and Henseler (2012).

In the light of the preceding literature evidence, the following hypotheses are formulated:

H12 Trust mediates the relationship between bonding and customer loyalty in the Nigerian HES

H13 Trust mediates the relationship between communication and customer loyalty in the Nigerian HES

H14 Trust mediates the relationship between personalization and customer loyalty in the Nigerian HES

### **3.3.8 Moderating role of LTO**

Scientific evidence amply demonstrates the impact of RM dynamics such as customer satisfaction (e.g, Armstrong & Seng, 2000; Bowden, 2011), personalization (Ball *et al.*, 2006), trust (Caceres & Paparoidamis, 2007; Hennig-Thurau *et al.*, 2002), communication (Ndubisi *et al.*, 2007) and bonding (Narteh *et al.*, 2013) on customer loyalty.

However, apart from the mainstream studies which report significant relationship between RM dynamics and customer loyalty, there are other empirical evidences of insignificant relationship. For example, Leverin and Liljander (2006) found that relationship satisfaction has no significant relationship with customer loyalty in retail banks of Finland. Similarly, in the context of nine Australian service firms, Dagger and David (2012) suggest that customer satisfaction is not significant to customer loyalty in Australian service sector. Ball *et al.* (2004) reveals that trust has no significant effect on customer loyalty in the banking sector of Portugal. Similarly, Hennig-Thurau *et al.*

(2001) discovered that trust has no significant influence on student loyalty in the context of HE sector of Germany.

The foregoing contradictory findings, suggest the introduction of a moderator between the exogenous constructs of customer satisfaction and trust and the endogenous outcome variable of customer loyalty to see whether the postulated interaction effect can strengthen the relationships between the independent variables and dependent variables. Several prior studies have recommended the examination of the effect of cultural values on customer perception, attitude and behaviour (e.g., Hau & Ngo, 2012; Hassan *et al.*, 2011; Hwang *et al.*, 2013; Kantsperger & Kunz, 2010; Mazhari *et al.*, 2012).

Meanwhile, the effect of cultural value orientation on customer perception, consumer buying behaviour, satisfaction and loyalty has been reported by past empirical studies. For example, consistent with western view of LTO as an outcome variable, Ganesan (1994) validated a complex model that abstracted retailer's LTO from mutual dependence and trust between vendor and supplier in the context of US. Results indicated that trust and dependence play crucial roles in the formation of LTO for both vendors and retailers. Further, dependence and trust are related to environmental uncertainty, transaction-specific investment, reputation and satisfaction.

Winsted (1997) examines the effects of two different cultures (US & Japan) on service evaluation. The results reveal that satisfaction with service encounters was higher in US than in Japan.

In the same vein, Patterson, *et al.* (2006) investigated the influence of individual level culture on customer evaluation of service recovery performance in the contexts of

Australia and Thailand. The results reveal that cultural values of individual power distance, uncertainty avoidance, and collectivism actually interact with a company's service recovery tactics to determine perception of fairness/justice. The research conducted by Kueh and Voon (2007) examines the impact of individual-level cultural dimensions on Generation Y consumer's expectations of service quality (SQ) in the context of full-service restaurants in Malaysia. The results suggest that SQ expectations are significantly related to uncertainty avoidance and LTO but not significantly related to power distance. Masculinity and collectivism did not have a significant relationship. The study recommended that future researches be carried out in other service industries like HE, banking or hospitality.

Griffith and Griffith (2007) examined the association between culture and organisations and discovered that cultural backgrounds of individuals dramatically affect personalities and work organisations. The association between ethics and time orientation was the focus of the research by Nevins, Bearden, and Money (2007) in the context of US. Results suggest that planning and tradition promote higher level of ethical conduct and also mediates the relationship between conservatism, work ethics, and formation of ethical values.

In a similar vein, the research by Frost, Goode and Hart (2009) on the loyalty of collectivist and individualistic Australian shoppers discovered that online shoppers are more individualistic as compared to those who have not shopped online while individualism and collectivism do not influence online loyalty. Similarly, the importance of taking individual time orientation into account was stressed in the research conducted by Yu and Cable (2011) in the context of team membership in the United States.

Findings suggest that for teams with high LTO, a negative association exist between informational diversity and civic virtue, while for teams with low LTO, no significant relationship exist between the dependent and independent variables. The author concluded that managers must know the time orientation of a customer to be able to apply the right marketing strategy.

The work of Hsu and Burns (2012) examined the influence of culture on perception of clothing values in the context of USA and Taiwan and the results show that consumers from Taiwan (Confucian culture) scored higher on economic and religious clothing values than consumers from USA. Similarly, Lai *et al.* (2013) discovers that Americans have more tendencies to voice their opinions on products and services and make more recommendations to others as compared to Chinese. Further, Chinese and American customer reviewers look at different dimensions of products and services.

Against the above literature background, the following hypotheses are formulated:

H15 Long-term orientation moderates the relationship between customer satisfaction and customer loyalty in the Nigerian HES

H16 Long-term orientation moderates the relationship between trust and customer loyalty in the Nigerian HES

### **3. 4 Summary of Chapter**

The chapter describes the research framework using diagram that shows the linkages between the variables of the study. The chapter then develops hypotheses for the study on the basis of the theoretical underpinnings that anchor the research framework.

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY**

#### **4.1 Introduction**

In the previous chapter literature related to customer loyalty, RM, customer satisfaction, trust and LTO are discussed. In this chapter, the methodology and procedure followed in this study are described. Specifically, the chapter covers the research philosophy, research design, population of the study, unit of analysis, sample size and sampling technique, measurement of variables and instrumentation, data collection procedure and the technique of data analysis used in the study. Contributions from the pilot study are presented as well. Put differently, the chapter presents the results of the initial pilot and main study and the procedure followed in the conduct of the main study.

#### **4.2 Research Philosophy**

Research philosophy or research paradigm, as it is also referred to, is defined by Guba Lincoln (1994) as the fundamental world view which guides investigation. Research philosophy has two main categories, namely positivist paradigm and interpretive paradigm (Bryman & Bell, 2007; Myers, 2009, 2013). The positivist paradigm, otherwise known as the scientific paradigm, represents the contribution of the French philosopher Auguste Comte (1798–1857) (Koval, 2009; Mack, 2010; Moore, 2010). The doctrine of positivism has enjoyed a wider application by social science researchers (Neuman, 2011). Positivists hold the belief that social reality can be studied independent of the researcher (Scotland, 2012) and also assume that social life can be represented in



quantitative terms via correlations and experimentations to examine cause-and-effect relationship between constructs (Creswell, 2009).

Generally, positivists apply deductive inquiry (Tashakkori & Teddlie, 1998), the aim of which is to test propositions that reflect causal relationships between latent constructs that underpinned theories and empirical evidence (Bryman & Bell, 2007; Creswell, 2009; Deshpande, 1983; Perlesz & Lindsay, 2003). In addition, deductive inquiry seeks to arrive at conclusions that can be generalized and which permit a revision of theory (Bryman & Bell, 2007; Deshpande, 1983) and also believed in the importance of replicating research (Neuman, 2011).

The opposite of deductive research is interpretative paradigm, also known as anti-positivist or constructivist paradigm which is a philosophical underpinning of the philosopher and mathematician of German origin, Edmund Husserl (1859-1938) (Mack, 2010; Willis, 2007). In contrast to positivism, interpretative philosophical paradigm hinges on the notion that human social life can be examined qualitatively through diverse means including direct observation, interview, and case studies (Neuman, 2011). Again, social reality according to interpretative philosophical perspective, is subjective and socially built, thus, both researchers and participants could interact to appreciate social phenomena from the point of view of an individual (Creswell, 2009; Guba & Lincoln, 1994).

Meanwhile, the goal of the present study, which belongs to the positivist paradigm, is to test a hypothesized structural model that assumes that long term orientation of the individual customer has a significant interaction role on the association between

relational constructs and customer loyalty in HE context. Specifically, long term orientation is proposed to moderate the effect of customer satisfaction and trust on customer loyalty among Nigerian university students. Six research questions and six research objectives were set for the current study from which 16 hypotheses were formulated and tested. Consistent with the research model, rather than developing new theory, the present study focus on theory testing and verification, thus, applying a deductive inquiry approach. To this end, on the foundation of the foregoing philosophical assumptions, this study mainly employs the positivist philosophical viewpoint that hinges on objectivism as the underlying ontological and epistemological positions.

#### **4.3 Research Design**

A research design is the blue print which specifies the methods and procedures for conducting a research (Zikmund, 2000). This study adopts quantitative research approach to assess the structural relationships among seven constructs: Bonding, Communication, Personalization, Customer satisfaction, Trust, Long-term orientation and Customer loyalty. Partial Least Squares path modeling in conjunction with SmartPLS was used to test sixteen hypotheses that hinges on Social exchange theory (Blau, 1964; Thibaut & Kelley, 1959) and Social learning theory (Bandura, 1977). The study also adopts cross-sectional research design in which data were collected once during the whole study. In this study, survey research method was used to collect data through self-administered questionnaire. Survey research was considered most appropriate as a widely used method adopted by organisational researchers who are

interested in collecting information about very large populations involving sociological and psychological variables that cannot be observed directly (Kerlinger, 1986) such as customer perception and attitudes (Keeter, 2005). As a field study, variables were examined under natural setting which is consistent with correlation research (Cooper & Chandler, 2006). Hence, no attempt was made to control any variable of the study as common in experimental research design. Thereafter, the data were analysed and interpreted statistically, while drawing conclusions or making inferences about the population of the study at one point in time.

In spite of the relative advantage of longitudinal studies, the current study was conducted using cross sectional design. This option was found appropriate in view of the fact that the primary goal of the study was validation of the proposed model and in consideration of resource constraints of the researcher including time and money available to the researcher (Sekaran & Bougie, 2010).

#### **4.4 Population of the Study**

The population of study refers to the entire group of people, events or things of interest that the researcher wants to investigate and make inferences based on a derived sample (Cavana, Delahaye & Sekaran, 2001). The population of this study is made up of the individual students as primary customers of their universities (Bowden, 2011). University students usually maintain a long and very close relationship with lecturers, supervisors, administrative and other supporting staff which makes RM research conducive in the domain (Hennig-Thurau *et al.*, 2001; Leverin & Liljander, 2006). This study focuses on six Nigerian federal universities, namely Abubakar Tafawa Balewa

University of Technology, Bauchi, Ahmadu Bello University, Zaria, Federal University of Technology Minna, University of Benin, University of Lagos and University of Nigeria, Nsuka. Specifically, the population of this study is made up of the total number of registered students in the six federal universities which was 207, 185 students (Needs Assessment Report, 2012) (Table 4.1). For each geo-political zone, one federal university was randomly selected to represent the zone. Federal universities are those universities established and owned by the federal government of Nigeria (Needs Assessment Report, 2012).

A number of justifications explain why federal universities were selected in this study. Firstly, federal universities are more likely to value relationship with students in order to maintain their lead being the oldest and largest universities in their respective Geo-political zones. Secondly, federal universities tend to have the highest students profile and the best teaching and supporting staff as well as teaching and research facilities, and thus, more competitive (Needs Assessment report, 2012). Thirdly, federal universities, being first generation universities, are mother universities in their respective zones, which explain why they are centrally located. Hence, federal universities adequately represent other universities in their respective geo-political zones. Notwithstanding the success recorded in covering the entire geopolitical spectrum of Nigeria, the present research coverage has been limited by the insecurity situation of the country as at the time of the survey. More universities would have been covered if not for *the Boko Haram* insurgency in Northern Nigeria and the Niger Delta Militancy in the South-South (Agnew, 1992; Mohammed, 2012).

Table 4. 1

*List of Nigerian Federal Universities According to Geo-Political Zone*

North- Central	North- East	North-West	South-East	South-South	South-West
University of Ilorin	University of Maiduguri	Ahmadu Bello University, Zaria	University of Nigeria, Nsukka	University of Benin	University of Ibadan
University of Jos	Abubakar T/Balewa University, Bauchi	Bayero University, Kano	University of Technology, Owerri	University of Calaba	Obafemi Awolowo University, Ife
University of Abuja	Modibbo Adama University, Yola	Usmanu Danfodiyo University, Sokoto	Nnamdi Azikiwe University, Awka	University of Port Harcourt	University of Lagos
University of Agriculture Makurdi	Federal University, Gombe	Nigerian Defence Academy, Kaduna	Federal University Ndufe	University of Uyo	Federal University of Technology, Akure
Federal University Lafia	Federal University Taraba	Federal University, Dutse		Micheal Okpara University Umudike	Federal University of Agriculture, Abeokuta
Federal University Lokoja	Federal University Gashua	Federal University Dutsin-Ma		Federal University of Petroleum Resources, Effurun	National Open University, Lagos
Federal University of Technology, Minna		Police Academy, Wudil		Federal University, Bayelsa	Federal University, Ekiti
		Federal University, Birnin Kebbi			
		Federal University, Gusau			

Source: The Researcher

Table 4.1 on the previous page shows the list of federal universities in each geo-political zone of Nigeria from which one university was randomly selected to represent each zone. The researcher's decision to cover the whole of the six geo-political zones of Nigeria is in consideration of the fact that the different ethnic, religious and social backgrounds of the respondents from different regions are of interest to the study because the study involves examination of the time orientation of individual students in relation to their loyalty to universities.

**Table 4.2**  
*Universities Selected from the Zones with Student population*

<b>Zone</b>	<b>Federal University selected</b>	<b>Number of Students</b>
North-Central	Federal University of Tech. Minna	14,258
North-East	Abubakar T/Balewa Univ. of Technology, Bauchi	13, 996
North-West	Ahmadu Bello University, Zaria	49, 436
South-East	University of Nigeria Nsukka	23,815
South-South	University of Benin	56,501
South-West	University of Lagos	49, 179
<b>Total</b>		<b>207, 185</b>

Source: Needs Assessment Report, 2012

Table 4.2 above shows the list of the universities selected to represent each geo-political zone in Nigeria with students' population for each university. The university with the highest student population was university of Benin with 56, 501 students, followed by Ahmadu Bello University, Zaria with 49, 436 students. The university with least students profile population was Abubakar Tafawa Balewa University, Bauchi with a population of 13,996 students.

## **4.5 Unit of Analysis**

The unit of analysis in this study is represented by the students of the selected federal universities in Nigeria, in their capacity as primary consumers of their university brands. Using individual customers as unit of analysis is the norm in a service marketing research that is not channel relationship type (Moller & Halinen, 2000). Accordingly, most of the RM dynamics and customer loyalty researches in different contexts such as banking (e.g., Blomer & Schroder, 2007; Kantsperger & Kunz, 2010; Leverin & Liljander, 2006; Maiyaki & Mokhtar, 2012) hospitality (e.g., Narteh *et al.*, 2013), retail business (e.g., Binninger, 2008; Casielles, Alvarez & Martin, 2005), health sector (e.g., Naoui & Zaiem, 2010) and restaurants/fast food (e.g., Robinson *et al.*, 2005) uses customers as unit of analysis exclusively. In the higher educational sector, in particular, individual students are most notable unit of analysis (e.g., Bowden, 2011; Ehigie & Taylor, 2009; Hennig-Thurau *et al.*, 2001; Moore & Bowden-Everson, 2012; Nettet & Helgesen, 2009; Serenko, 2011; Sultan & Wong, 2013). Noteworthy, this particular study is interested in the individual factors such as satisfaction, trust, individual cultural value orientation and individual student's loyalty to the university.

## **4.6 Sampling**

### **4.6.1 Sample size and Power Analysis**

A sample is defined as a set of individuals or participants chosen from a larger population for the purpose of survey (Salant & Dillman, 1994). To reduce the cost of sampling error, it's important to determine an optimal sample size. As argued by Salkind

(1997) an appropriate sample is essential for any survey, because a sample size that is too small is not a good representative of the population and may lead to Type 1 error, defined as the probability of mistakenly rejecting a particular finding when it should in fact be accepted. Conversely, a Type 11 error would be committed where a sample size that is too big is used because that will lead to accepting a finding when it is supposed to be rejected (Sekaran & Boughie, 2010).

The Krejcie & Morgan (1970) sample size determination criteria was used because it has taken care of the level of confidence and precision ensuring that sampling error is minimized. Accordingly, the sample size for a population of 207,185 is 382. However, because of low response rate in Nigeria, even among the educated respondents (Adomi, Blessing & Nkapodia, 2007), the sample size was increased by 40 % as suggested by Salkind (1997) which gave a working sample size of 535.

The final step is determination of the number of subjects in sample that represents each cluster.



Table 4.3  
*Sample Frame*

Federal University	Population	Computation	Proportionate Sample	%
Abubakar T/Balewa University, Bauchi	13, 996	$13,996/207,185 \times 535$	36	7
Ahmadu Bello University, Zaria	49, 436	$49,436/207,185 \times 535$	128	24
Federal University of Tech, Minna	14, 258	$14,258/207,185 \times 535$	37	7
University of Benin	56, 501	$56,501/207,185 \times 535$	146	27
University of Lagos	49, 179	$49,179/207,185 \times 535$	127	24
University of Nigeria Nsuka	23, 815	$23,815/207,185 \times 535$	61	11
<b>Total</b>	<b>207, 185</b>		<b>535</b>	<b>100</b>

Source: The Researcher

Table 4.3 above demonstrates the computation of sample frame for each university based on proportionate sampling. The computation is done by dividing the number of students in each university by the total population and then multiplied by sample size.

A post hoc power analysis was carried out by the researcher through G\*Power 3.1.9.2 software (Faul, Erdfelder, Buchner & Lang, 2009; Faul *et al.*, 2007) so as to ascertain that the minimum sample size has been executed for the present survey (Bartlett, Kotrlik & Higgins, 2001; Cohen, 1988, 1992; Faul, Erdfelder, Lang & Buchner, 2007). Scholars concur that the bigger the sample size, the higher the power of a statistical test (Borenstein, Rothstein & Cohen, 2001; Kelley & Maxwell, 2003).

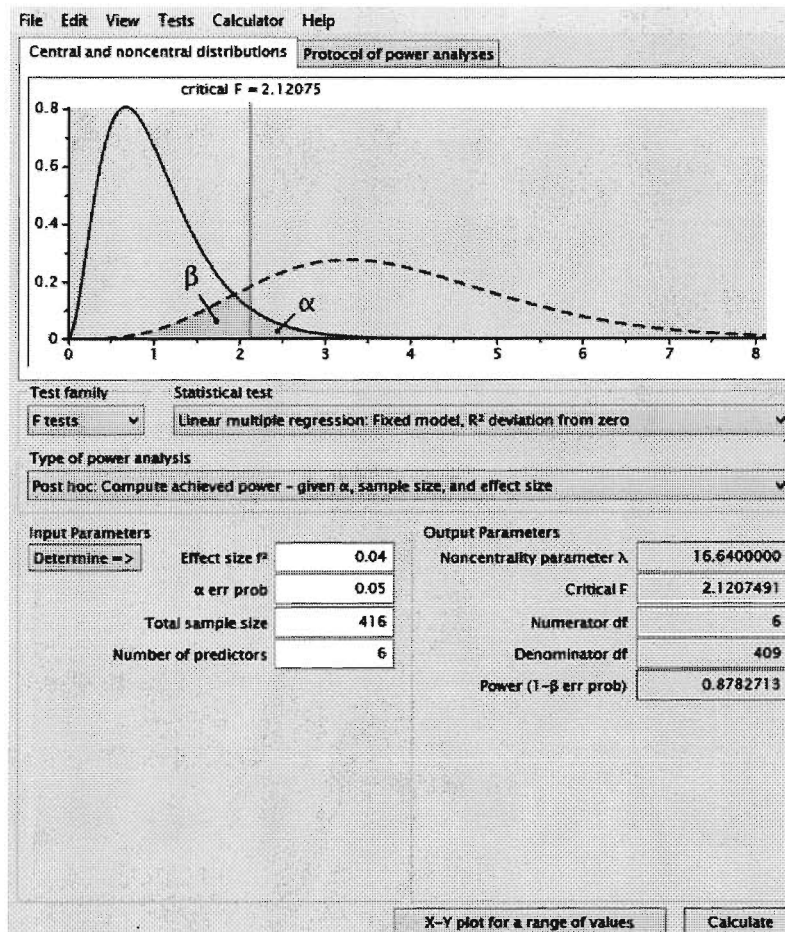


Figure 4.1  
Output of Post Hoc Power Analysis

Figure 4.1 above, indicates the results of the power analysis carried out by applying the parameters of Power ( $1-\beta$  err prob; 0.87), an alpha significance level ( $\alpha$  err prob; 0.05), minimum effect size  $f^2$  (0.04) along with the six predictor variables, namely bonding, communication, personalization, customer satisfaction, trust and LTO. The result shows that a minimum sample of 409 was required to test the regression based model of the study (Cohen, 1992; Faul *et al.*, 2007).

Interestingly, the minimum sample size of 409 obtained through the power analysis and the sample size of 416 already executed in the study using the Krejcie & Morgan (1970) sample size determination criteria and Salkind's (1997) recommendation, are within the same range. Particularly, however, the G\*Power analysis has validated the sample size already executed in the study as having met the minimum sample size needed in a survey research since the power was above 0.80 (Bartlett, Kotrlik, & Higgins, 2001; Cohen, 1988).

#### **4.6.2 Sampling Design**

In this study, a multi-stage cluster sampling technique which is categorized as a form of probability sampling method (Cavana *et al.*, 2001; Cooper & Schindler, 2006; Sekaran & Bougie, 2010) was used. Hair *et al.* (2007) opines that in cluster sampling the target population is seen as made up of heterogeneous groups called clusters. The authors argue that ethnic groups, companies, households, business units and geographic areas are examples of clusters. In the present study, the most frequently employed type of cluster sampling, the geographical cluster sampling, was utilized (Hair *et al.*, 2007).

Specifically, a multi-stage cluster sampling procedure was employed in the current study for a number of reasons. Firstly, given the complex and large population of 207, 185 students in the selected Nigerian federal universities, a multi-stage cluster sampling shall assist in achieving maximum representativeness (Hair *et al.*, 2007; Hair *et al.*, 2010). This assertion is consistent with the Babbie's (1990) argument that social science demands the selection of samples from populations that cannot be easily listed and therefore, it is essential to create and implement a sample design accordingly. In

consideration of the large size of the population involved in the present study, multi-stage cluster sampling is deemed appropriate for fair representativeness and subsequent generalization of the findings of the study which is consistent with the argument of Balian (1982) that a multi-stage sampling method could provide a precise representation of a large population while at the same time using a relatively small sample size.

Secondly, as observed by Cooper and Schindler (2006), unavailability of practical sampling frame and higher sampling costs justify the use of cluster sampling. Scholars categorized cluster sampling design under the probability sampling procedures and argued further that the cluster theory holds that the means of sample clusters are unbiased estimates of the population mean and generally produce representative data (Cooper & Schindler, 2006; Hair *et al.*, 2007; Sekaran & Bougie, 2010).

Thirdly, a cluster sampling design is expected to ensure homogeneity across groups (i.e. Nigerian university students) and heterogeneity within group (i.e. university students from diverse ethnic, religious and social backgrounds) which is reflected by the cultural variable in the research framework. Cluster sampling technique seems appropriate because it ensures that these diverse students' groups are adequately represented in the sample size of 535 (Cooper & Schindler, 2006; Hair *et al.*, 2007).

Hence, for the current study, a cluster is defined as geo-political zone. Fourthly, cluster sampling technique, is one of the most cost effective and most convenient probability sampling technique, which is consistent with the time and financial resource constraints before the researcher (Sekaran & Bougie, 2010). The adoption of a multi-stage cluster sampling design involves some steps. The first step was to define the clusters. In this

study, there were six clusters represented by the six geo-political zones that make up Nigeria. The second step was to decide on clusters to sample. In this study, the six clusters were covered in consideration of the cultural variable in the research model.

The third step was to choose representatives from each cluster and that was done by randomly selecting one federal university from each zone to ensure that each of the geo-political zones was adequately represented. Accordingly, six federal universities emerged (Table 4.1). The fourth step was to obtain a sampling frame. Accordingly, a sampling frame was executed (Table 4.3) in which the total sample size was allocated to the clusters proportionately (Cavana *et al.*, 2001; Hair *et al.*, 2010).

Based on the differences in the student profile among the universities, probability proportionate to size (PPS) sampling was utilized to make sure that the overall selection was representative of the total population and to provide an equal opportunity of being selected by each element (Babbie, 1990). Based on the executed sampling frame, a systematic random sampling procedure was employed in administering the survey instrument on the target respondents. The questionnaires were administered to the individual respondents during students' congregations with the assistance of the appointed research assistants and with the support of Deans of students' affairs and students' union leaders.

Table 4.4  
*Sampling Interval*

University	Executed Sample frame	Sampling Interval
Abubakar T/Balewa University, Bauchi	300	8
Ahmadu Bello University, Zaria	450	4
Federal University of Technology Minna	250	7
University of Benin	500	3
University of Lagos	450	4
University of Nigeria Nsukka	300	5

Source: The Researcher

Figure 4.4 above shows the procedure followed in computing the sampling interval. To arrive at the sampling interval, a preliminary interview was conducted with the various Deans of students' affairs who supplied the researcher with estimates of the average number of students that attend students' general assembly whenever they are called. Using these estimates provided by the Deans of students' affairs, a sampling interval was arrived at by simply dividing the estimated number of students that attend general assembly by the desired sample size for each university, e.g.,  $(300/61 = 5)$ . Hence, every fifth student to enter the congregation hall was selected to participate in the survey and where he/she declined, the next student was selected until the 61<sup>st</sup> student was reached, in this example.

The aforementioned procedures were followed to make sure that every single element was given equal chance of being selected, similar to the approach used by Maiyaki (2012) and Wan Umar (2008). Finally, 535 respondents from the selected universities participated in the study, consistent with Tabachnick and Fidell (2007) that more than

500 respondents are sufficient. However, Sudman (1983) suggests that a sample size between 400 and 1000 respondents is adequate.

#### **4.7 Measurement of Variables and Instrumentation**

In this study, a questionnaire (Appendix A) was administered to the individual students in their capacity as customers of their respective universities. The instrument comprises of two main parts. Part A, consists of 5 demographic variables (gender, age, marital status, programme of study and ethnic group). Part B, consists of 18 items that measure four relational dynamics (trust, bonding, communication, & personalization), 6 items that measure student satisfaction with the university services, 8 items that measure individual student's long-term orientation and 6 items that measure student loyalty.

##### **4. 7.1 Bonding**

In the context of the present study, bonding is defined as emotional, economic and structural attachment between a customer and service provider, acting in a unified manner towards achieving a common goal (Chattananon & Trimetsoontorn, 2009; Hau & Ngo, 2012). In the context of HE, bonding is reflected in the financial, social and structural relational attachments between the student and the university (Ackerman & Schibrowskey, 2007). Past studies (e.g., Chattananon & Trimetsoontorn, 2009; Hau & Ngo, 2012; Mattila, 2004; Narteh *et al.*, 2013; Sin *et al.*, 2005b) have used such descriptors as reliance on each other, close cooperation and constant touch to measure bonding.

Table 4.5  
*Bonding Measurement items used in the Study*

Variable	Conceptual definition	Measurement Items	No. of Items	Source (s)
Bonding	Development of an emotional relationship between two parties acting in a unified manner towards a common goal (Chattananon & Trimetsoontorn, 2009).	My university and I rely on each other  My university and I work in close cooperation  My university and I are in constant touch with each other  My university and I tried hard to establish long relationship	4	Chattananon & Trimetsoontorn (2009)

Source: The Researcher

Table 4.5 shown above indicates the items used in the study to measure the construct of bonding. This study used four items adapted from from Chattananon and Trimetsoontorn (2009) to measure bonding on five point Likert-type scales anchored by 1= strongly disagree and 5= strongly agree.

#### 4.7.2 Communication

Communication is operationally defined as the competence of a service organization to provide customer with information that is relevant, timely and trustworthy (Ndubisi & Wah, 2005). In the HES, communication tools include personal letters and emails to students, university portal system, virtual library, notices and interpersonal communication between staff and students (Ball *et al.*, 2004). Previous studies have used such descriptors as honest, timely and trustworthy information (Ehibucher & Khan,



2012; Ndubisi & Wah, 2005; Morgan & Hunt, 1994), fulfil promises (Hau & Ngo, 2012; Ndubisi & Wah, 2005) to measure the construct of communication.

Table 4.6  
*Communication Measurement items used in the Study*

Variable	Conceptual definition	Measurement Items	No. of Items	Source (s)
Communication	The competence of a business partner to provide information that is timely and trustworthy (Ndubisi & Wah, 2005).	<div>My university provides accurate information to students</div> <div>My university fulfills its promises to students</div> <div>My university provides timely and trustworthy information</div> <div>My university informs me of new educational services</div>	4	Ndubisi and Wah (2005)

Source: The Researcher

Table 4.6 above shows the items used to measure the construct of communication. Accordingly, this study used four items adapted from Ndubisi and Wah (2005) using five point Likert-type scales anchored by 1= strongly disagree and 5= strongly agree.

### 4.7.3 Personalization

In this study personalization and customization are used interchangeably to refer to the same thing. The term personalization is operationally defined as the customization of certain aspect of the service or its delivery, treating each customer as a unique individual with a unique set of service requirements (Goldsmith, 1999). In the context of HES, service personalization is reflected in such university services as e-library web

personalization features, personalized emails/letters, staff-advisor services, sporting facilities, university portal service etc.

Past studies (e.g., Ball *et al.*, 2006; Coelho & Henseler, 2012; Ndubisi *et al.*, 2011; Winsted, 1997) have used descriptors like flexibility, specificity and personalized services to define and measure personalization.

Table 4.7  
*Personalization Measurement items used in the Study*

Variable	Conceptual definition	Measurement Items	No. of Items	Source (s)
Personalization	The customization of certain aspects of the service or its delivery treating each customer as a unique individual with unique requirements (Goldsmith, 1999).	My university offers me personalized services My university is flexible in serving my needs My university is flexible when new services are introduced My university offers me services that satisfy my specific needs	4	Ball <i>et al.</i> (2006)

Source: The Researcher

As shown on table 4.7 above, in this study, personalization is measured using four items adapted Ball *et al.* (2006) using five point Likert-type scales anchored by 1= strongly disagree and 5 = strongly agree.

4.7.4 Customer Satisfaction

Customer satisfaction is operationally defined as pleasurable fulfilment arrived at by customer through an evaluation of the perceived discrepancy between prior expectations and the actual performance of the service product (Oliver, 1980, 1999). Applied to HES, customer satisfaction entails student’s satisfaction with university services, including lectures, research facilities, hostel, sporting and other anciliary services (Ehigie & Taylor, 2009). Previous studies (e.g., Armstrong & Seng, 2000; Beerli *et al.*, 2004; Bennet & Rundle –Thiele, 2004; Binninger, 2008; Bowen & Chen, 2001; Oliver, 1980) have employed expectancy and disconfirmation paradigm to conceptualize customer satisfaction.

Table 4.8  
*Customer Satisfction Measurement items used in the Study*

Variable	Conceptual definition	Measurement Items	No. of Items	Source (s)
Customer Satisfaction	An evaluation of the perceived discrepancy between prior expectations and actual performance of the product (Oliver, 1980).	I am satisfied with the services I receive from my university  I believe my university treats me fairly  My university services meet my expectations  I am proud of my relationship with my university  My experiences with my university have always been good  I am completely happy with my university	6	Hau & Ngo (2012)

Source: The Researcher

Table 4.8 above shows the items used to measure customer satisfaction. In this study, six items have been adapted from Hau & Ngo (2012) using five point Likert-type scales anchored by 1= strongly disagree and 5= strongly agree. Table 4.8 below shows the items used to measure the construct of customer satisfaction in the present study.

#### **4.7.5 Trust**

In the context of the present study, trust is defined as the customer's belief in the reliability and integrity of a relational partner (Morgan & Hunt, 1994). Applied to HES, student trust encompasses belief in the integrity, competence and benevolence of the university as represented by the academic and non-academic staff as well as quality of teaching and research facilities (Hennig-Thurau *et al.*, 2001).

Previous studies (e.g., Casielles *et al.*, 2007; Chattananon & Trimetsoontorn, 2009; Kantsperger & Kunz, 2010) view trust as the most important RM underpinning, construed as willingness to rely on an exchange partner in whom one has confidence (Morgan & Hunt, 1994) and used such descriptive measures as credibility, confidence (Casielles *et al.*, 2005; Kantsperger & Kunz, 2010), reliability, benevolence, shared values (Doney *et al.*, 2007), keeping promises and respect (Ndubisi & Wah, 2005; Ehiobucher & Khan, 2012) to measure the construct of trust.

Table 4.9  
*Trust Measurement items used in the Study*

Variable	Conceptual definition	Measurement Items	No. of Items	Source (s)
Trust	Customer's confidence in the exchange partner's reliability and integrity (Morgan & Hunt, 1994).	My university is trustworthy  I have confidence in my university  My university puts student interest first  My university is consistent in providing quality educational services  My university promises are reliable  My university staff show respect to students	6	Hennig-Thurau <i>et al.</i> (2001), Morgan & Hunt (1994)

Source: The Researcher

Table 4.9 above shows the items used to measure the construct of trust in the study. The measures were adapted from Hennig-Thurau *et al.* (2001) who adapted them also from Morgan and Hunt (1994). Accordingly, this study adapted six items to measure trust using five point Likert-type scales anchored by 1= strongly disagree and 5= strongly agree.

#### 4.7.6 Long Term Orientation

In this study, the dimension of long term-orientation (LTO) is chosen for operationalization because of three main reasons. Firstly, of the five dimensions of culture, LTO is one of the least empirically validated, perhaps because Hofstede

introduced it much later, precisely in 1991 (Fang, 2003) and perhaps because it has generated a lot of controversy and neglect due to its Confucian origin (Fang, 2003) or because it is the most misunderstood culture perspective (Newman & Nollen, 1996). Secondly, as mentioned earlier, LTO is the most suitable culture dimension to the context of the study. Long term orientation is akin to relationship marketing in the sense that students with long term orientation are more likely to value relationship marketing or take interest in long-term relationship with university (Hennig-Thurau *et al.*, 2001; Luczak *et al.*, 2010).

Thirdly, previous studies have tested the effect of Hofstede's culture dimensions separately and collectively. For instance, Kueh and Voon (2007) tested all the dimensions in Malaysia, Frost *et al.* (2010) and Lai *et al.* (2013) tested two dimensions in Australia and US respectively; whereas, Bos *et al.* (2010) and John *et al.* (2011) each tested one dimension in US. LTO was tested separately in the context of US (Yu *et al.*, 2011), Korea (Park *et al.*, 2013), EU countries (Hassan *et al.*, 2011) and Latin America and Asia (Bearden *et al.*, 2006). Thus, it is recommended that LTO should be validated further in the African context (Bearden *et al.*, 2006; Hassan *et al.*, 2011; Hwang *et al.*, 2013). Furthermore, Nigerian people have a long history of thrift (one of the foundations of long-term orientation). Taken together, it is logical to verify the possible contingent effect of LTO on customer behavioural loyalty in the context of Nigerian HES where no such study exists.

In the context of the present study, long term orientation is defined as the cultural value of viewing time holistically, valuing both the past and the future, rather than deeming

actions important only for their effects in the here and now or the short term (Bearden *et al.*, 2006).

Table 4.10  
*LTO Measurement items used in the Study*

Variable	Conceptual definition	Measurement Items	No. of Items	Source (s)
Long-term Orientation	The cultural value of viewing time holistically, valuing both the past and the future, rather than deeming actions important only for their effects in the here and now or the short term (Bearden <i>et al.</i> 2006).	I have respect for tradition I plan for long-term Family heritage is important to me I value a strong link to my past I work hard for success in the future I do not mind giving up today's enjoyment for success in the future Traditional values are important to me Persistence (in spite of difficulty is important to me	8	Bearden <i>et al.</i> (2006).

Source: The Researcher

Table 4.10 above shows that the present study adopts eight measurement items from Bearden *et al.* (2006) to measure LTO, using five point Likert-type scale anchored by 1= strongly disagree and 5= strongly agree.

#### 4.7.7 Customer Loyalty

Empirical studies demonstrate three different approaches to measuring customer loyalty that are used by researchers consistently. These are behavioural measurements, attitudinal measurements and composite measurements (Zeithaml *et al.*, 1996; Oliver, 1997; Bowen & Chen, 2001). Consistent, repetitive purchase behaviour represents the focus of behavioural measurements. However, the shortcomings of this scales is that repeat buying which is the foundation of the scales is not always the outcome of psychological commitment to a brand (Morgan & Hunt, 1994). For example, a student may stay with a university for a long time, not out of trust and confidence in the system but for the sake of convenience. These measures relate to the sense of loyalty, pledge and allegiance. A customer may hold a favourable attitude towards an organisation and even recommend it to others without he himself ever patronized it, perhaps because to him it is too expensive to patronize.

The third approach, composite loyalty, combines the two previous dimensions to measure customer loyalty by customers' preferences, tendency of brand switching, frequency of purchase and word-of-mouth advertising (Zeithaml *et al.*, 1996). The use of both behavioural and attitudinal measures of customer loyalty increases the predictive power of loyalty and as such composite measures have been used extensively in previous customer loyalty studies (e.g., Caceres & Paparoidamis, 2007; Ehigie, 2006; Han & Hyun, 2012; Hennig-Thurau *et al.*, 2001; Kiyani, Kumunda & Osarenkhoe, 2012; Leverin & Liljander, 2006; Moore & Bowden-Everson, 2012; Morgan & Hunt, 1994; Niazi, Rizvi & Khan, 2012; Zeithaml *et al.*, 1996).



Empirical researches that used composite loyalty measures used four dimensions of loyalty to extract their measurement items. These dimensions are expressing preferences for a service provider, doing more business with the firm, generating positive word of mouth (WOM) and accepting price increases (Caceres & Paparoidamis, 2007; Beerli *et al.*, 2004; Fornell *et al.*, 1996; Kitapci & Dotryol, 2009; Kumunda & Osarenkhoe, 2012; Ndubisi & Wah, 2005; Ndubisi *et al.*, 2007; Oliver, 1997; Zeithaml *et al.*, 1996). Some studies have reported little variation in their measures of customer loyalty (e.g. Fornell *et al.*, 1996; Beerli *et al.*, 2004; Leverin & Liljander, 2006; Han & Hyun, 2001).

Specifically, Beerli *et al.* (2004) used three items (i.e. resistance to switching, individual's loyalty attitude, and WOM recommendation) to measure the degree of customers' commitment to the company and their intention to maintain relationship. In their four stage loyalty model research, Han and Hyun (2012) used three customer loyalty measures. Conversely, Leverin and Liljander (2006) adopted the four dimension and four item scales of Zeithaml *et al.* (1996) to measure customer loyalty. In his RM applied to HES study, Bowden (2011) adapted measures of customer loyalty from Zeithaml *et al.* (1996).

In this study, customer loyalty is defined as a deeply held commitment to a service product or brand such that the customer desires to patronize and buy the service product or brand consistently in the future without consideration to factors that may cause switching behaviour such as situational factors and marketing efforts (Oliver, 1999). Applied to HES, customer loyalty refers to student loyalty to the university which extend beyond the period in which a student is formally registered as student to include

social participation, word-of-mouth recommendation, alumni membership, and donation after graduation (Hennig-Thurau *et al.*, 2001).

Table 4.11  
*Customer Loyalty Measurement items used in the Study*

Variable	Conceptual definition	Measurement Items	No. of Items	Source (s)
Customer Loyalty	A deeply held commitment to a product or brand such that the customer wishes to patronize and rebuy the product / brand consistently in the future without recourse to factors that may cause switching behaviour (Oliver, 1997).	<p>I conduct all my educational affairs with my university</p> <p>I never considered changing university</p> <p>I would recommend my university to friends and relatives who seek my advice</p> <p>I prefer to pay higher school fees/tuition in my university than leave for another institution</p> <p>I like to say positive things about my university to other people</p> <p>I will consider my university as my first choice in future studies</p>	6	Caruana, 2002; Moore & Bowden-Everson, 2012

Source: The Researcher

Table 4.11 above shows the items used to measure the construct of customer loyalty in the current study. All the items were adapted from Moore and Bowden-Everson (2012) except item (vi) which was adapted from caruana (2002). Specifically, this study adapts composite measures of customer loyalty using five points Likert-type scale anchored by 1= strongly disagree and 5= strongly agree.

Noteworthy, all the measures adapted have initially recorded Cronbach's alpha consistent with Nunnally (1978) criteria. The next section discusses the measurement scale used in the current study and its justification.

#### **4.8 Measurement Scale**

The Likert scale is a psychometric response scale primarily used in questionnaires to obtain participants' responses or degree of agreement with statements (Wakita, Ueshima & Noguchi, 2012). The authors further posit that Likert scaling techniques are non-comparable and uni-dimensional because they naturally measure a single trait, and are commonly seen as a 5-point scale (Wakita *et al.*, 2012). Extant literature argue that over the last four decades, Likert scales have been used increasingly and successfully by marketing researchers, sociologists and psychologists in their questionnaire design (Baruana, 2013; Edmonds, Edwards & Boyer, 2012; Kim, Das, Chen & Warren, 2009). A content analysis of 251 articles that appeared in the Journal of Marketing using Likert scales reveal that metric statistical measures are frequently applied to data emanating from ordinal scales such as the Likert scales (Comporo & Comporo, 2013; Edmonds *et al.*, 2012). The popularity of the Likert scales steamed from its practical flexibility and simplicity in design, administration and coding, its shortcomings notwithstanding (Comparo & Comparo, 2013).

Contrary to some criticisms of the Likert scales being ordinal and as such does not mathematically suite parametric statistics, it has been argued substantially by scholars that parametric statistics could be used for ordinal Likert scales data without fear

(Comparo & Comparo, 2013; Norman, 2010). Scholars further argued that the interval scale used in business research, through the Likert rating scales, is strictly speaking an ordinal scale since the responses can be ordered in terms of strength of agreement and the numbers on the interval scale poses both the properties of nominal and ordinal scales and permit the use of sophisticated calculations (Cavana *et al.*, 2001; Comparo & Comparo, 2013; Cooper & Schindler, 2006; Edmonds *et al.*, 2012; Hair *et al.*, 2007).

As stated earlier, all items in the adapted questionnaire will be answered using a 5- point Likert scale (see Appendix A). The use of 5-Likert scale is considered most appropriate because it has the property to enhance the reliability of measures (Alreck & Settle, 1995; Miller, 1991). According to Krosnick & Fabrigar (1997), a range of scales between 5 and 7 is established to be more reliable than otherwise because the scales enable the respondents to express their opinions precisely and comfortably and also permits the researcher to make more subtle distinction among the attitude of various individuals regarding a particular phenomenon.

The choice of 5-point Likert type scale and not 7-point is in consideration of the need to save the respondent's time and effort in feeling the questionnaire and to make sure they are not annoyed or confused in the process (Frery, 1996a, 1996b). Furthermore, previous studies have successfully implemented 5-point Likert scale (e.g., Caruana, 2002; Ehiobucher & Khan, 2012; Evanschitzky & Wunderlich, 2006; Frost *et al.*, 2010; Kiyani *et al.*, 2012; Kumunda & Osarenkhoe, 2012; Leverin & Liljander, 2006; Liu *et al.*, 2011; Narteh *et al.*, 2013; Ndubisi *et al.*, 2011).

The next sections describe the pilot study conducted by the researcher prior to the main study which was followed by the discussion on the method of data collection and analysis employed in the present study.

#### **4.9 Pilot study**

A pilot study is a small scale initial examination carried out to assess feasibility, time and cost of survey so as to predict the correct sample size and improve upon the research design before conducting the main study (Hulley, 2007). One importance of pilot study is its ability to uncover shortcomings in a proposed survey design before resources are committed in a large scale (Doug *et al.*, 2006). Specifically, the goals of a pilot study include determination of validity and reliability of items in the questionnaire, items wordings, phrases and constructions so as to secure accurate results. Validity of a questionnaire connotes the extent to which it measures what it's actually expected to measure; whereas reliability refers to the extent to which a questionnaire is free from error and the results collected from it are consistent and stable over time and space (Sekaran & Bougie, 2010).

Prior to the pilot study, the face validity of the instrument was tested. Face validity is defined as the extent to which a survey instrument covers the meanings imbedded in specific concepts (Babbie, 1990) and the procedure involves consulting a small number of potential respondents or panel of experts to seek their opinion over the questionnaire items, wordings and phrases (Hair *et al.*, 2007).

In compliance with the laid down procedure, the original draft of the adapted instrument used in this study was given to five experts, one Associate professor and two senior lecturers from Universiti Utara Malaysia and two professors from two Nigerian public universities who are deemed very familiar with the constructs. Consequently, because the instruments were mostly adopted from prior studies conducted in western countries and in contexts other than HE and on the basis of the experts' advice, some words were reworded to make them clearer. After the scrutiny of the instruments by the experts, and in realisation of the fact that the measures were validated in prior studies, they are considered robust and appropriate for the current study.

Normally, the sample size for a pilot study is smaller, between 15 to 30 elements, but it can be increased substantially subject to particular situations (Malhotra, 1999). However, in accordance with Diamandopoulos & Siguaw's (2012) guidelines, a total of 100 questionnaires were administered to university students in Nigeria for preliminary study. However, only 95 questionnaires were returned completed and only 90 were retained as usable instruments after 5 of them have been discarded because of various errors, achieving a response rate of 90 per cent.

The pilot study was conducted early February, 2013 and it lasted 10 days. However, it is to be noted that the pilot study participants were not considered in the main study. After data collection, a PLS path modelling (Wold, 1985) was used to assess internal consistency reliability. Different reliability tests were carried out, though the common method employed by researchers is internal reliability test, construed as the extent to which items of a particular construct converge together, are independently capable of measuring the same construct and are correlated with each other (Litwin, 1995).

Cronbach's alpha coefficient and composite reliability coefficients are the most commonly used estimators of internal consistency reliability of an instrument in organisational research (Bacon, Sauer & Young, 1995; Kurtz, Yamagata & Terraciano, 2011).

In the pilot study, however, composite reliability coefficient measure of internal consistency and reliability was selected and applied. Scholars have argued that composite reliability coefficient provides a much less biased estimate of reliability than Cronbach's alpha coefficient (Barclay, Higgins & Thomson, 1995; Gotz, Liehr-Gobbers, & Krafft, 2010) and that Cronbach's alpha has tendency to under- estimate or over-estimate the reliability of scale (Gotz, Liehr-Gobbers & Krafft, 2010). However, the interpretation of internal consistency reliability using composite reliability coefficient was based on the rule of thumb provided by Bagozzi and Yi (1988) as well as Hair, Ringle and Sarstedt (2011) who suggest that composite reliability coefficient should be at least .70.

As shown on Table 4.13 below, the composite reliability coefficient for the entire latent constructs ranged between 0.75 and 0.82. Thus, the results of the pilot study demonstrated that all measures achieved adequate reliability coefficient.

Table 4.12  
*Summary of Pilot Test of Reliability Results*

Construct	Composite Reliability
Customer Loyalty	0.76
Bonding	0.76
Communication	0.75
Personalization	0.77
Customer Satisfaction	0.76
Trust	0.82
Long Term Orientation	0.80

Source: The Researcher

**4.10 Data Collection Procedure**

The actual data collection for this study started February 28<sup>th</sup>, 2013, after the proposal defence and lasted four months as a result of the university lecturers' strike that destabilised the Nigerian University Academic calendar. The data was collected personally by the researcher through a self-administered questionnaire (Appendix A) with the assistance of twelve research assistants (two in each university) to facilitate administration and collection of responses. An official letter, collected from UUM, assisted the researcher in getting the support of the Universities management.

According to Sekaran and Bougie (2010), to administer questionnaire to a large population at the same time is less expensive than interviewing. Theories, such as SET (Lambe *et al.*, 2001) explain that giving incentives to prospective respondents up front can be effective and ethical if all potential survey participants are given the incentives.



Against this background, a survey package of a full-scarp size envelope with the questionnaire and a pen bearing UUM logo was handed over to each survey participant as a motivation. Questionnaires were distributed during students' gatherings by way of choosing any fifth student that entered the hall to ensure that equal chance is even to students and to avoid feeling of discrimination on the part of students who may not receive the questionnaire. Follow ups through physical contacts and telephone calls to student union leaders and deans of student affairs were undertaken to ensure timely completion and return of completed questionnaire by respondents.

#### **4.11 Data Analysis**

Sequel to completion of data collection, descriptive and inferential statistics was employed to analyse the data. The PLS-SEM approach was used in the analysis of data collected for this study. Specifically, the statistical package for social sciences (SPSS) version 20, two main PLS-SEM software applications, SmartPLS (Ringle *et al.*, 2005) and PLS-Graph (Chin, 2003) along with descriptive statistics were applied for the analysis and presentation of results. Descriptive statistics, as argued by Babbie (1990), provide a means of reducing large data to manageable summaries to allow easy comprehension and interpretation.

##### **4.11.1 Partial Least Squares (PLS) Technique**

PLS-SEM, popularly considered a second generation structural equation modelling technique (Osborne, 2010) is a good and flexible tool for statistical model building and prediction (Ringle, Wende & Will, 2010). The relatively new technique works well with

SEM models that contain latent variables and a host of cause-and-effect relationships (Gustafsson & Johnson, 2004). The PLS technique was chosen for analysis in this study on account of a number of justifications. First, structural equation models have been shown to be superior in making estimations for assessing mediation and moderation effects as compared to regressions (Brown, 1997; Preacher & Hayes, 2004; Saldanha & Deng, 2007). In addition, PLS-SEM is observed to account for measurement error and provide more accurate estimates of moderation and mediation effects (Chin, 1998a). In addition, for most social science studies, data tend to have problem of normality (Osborne, 2010) and PLS path modelling does not necessarily require normality of data because the technique treats non-normality relatively well (Chine, 1998a). Furthermore, PLS-SEM relatively offers more clear and valid results, while other methods often lead to less clear conclusions and would require the researcher to undergo several separate analyses (Bollen, 1989).

Arguably, PLS path modelling provides more appropriate system for real world applications and is more advantageous to employ where models are complex, comprising of seven constructs and above (Fornell & Bookstein, 1982; Hulland, 1999 ; Hair *et al.*, 2010) because of its soft modelling assumptions which gives PLS its power of estimating large/complex models simultaneously (Akter, 2010). This explains the PLS approach's popularity in marketing strategy and marketing management studies for the last two decades (Henseler *et al.*, 2009) because the technique is conducive for testing complex multivariate models, involving direct, indirect and interaction effects (Hair *et al.*, 2014). Although, PLS is traditionally associated with studies involving small sample size (Preacher & Hyes, 2004), the technique is also employed to make

inferences about parameters in studies involving large samples (Starkweather, 2011). In fact, PLS technique can enhance prediction in studies involving large samples (Hair *et al.*, 2014) similar to the current study.

The current study examined relationships among seven variables (i.e. bonding, communication, personalization, customer satisfaction, trust, LTO & customer loyalty) within the structural model and thus, using PLS-SEM techniques was considered appropriate for better prediction especially given that the moderating role of LTO on the association between relational mediators and customer loyalty is being explored for the first time (Hair, Sartedt, Pieper & Ringle, 2012).

#### **4.12 Summary of Chapter**

This chapter describes the methodology used in the study. Specifically, it describes the research philosophy, research design and population of the study, the unit of analysis, measurement and operationalization of variables as well as sampling procedure. The chapter also reports the outcome of the pilot study conducted, the data collection procedure followed and the data analysis technique utilised.

## **CHAPTER FIVE**

### **RESULTS**

#### **5.1 Introduction**

The preceding chapter explained the method and procedures followed in conducting the current study and also documented the outcome of the pilot study conducted. In this chapter, the results of the main study, including results of factor analysis of the major constructs of the study, namely customer loyalty, bonding, communication, personalization, customer satisfaction, trust and LTO are reported. Using the PLS approach, the chapter analysed the measurement model or goodness of measures through construct validity and reliability analysis of measures used. In addition, based on the data gathered from the questionnaire survey, this chapter analyses the structural model-relationships between the four exogenous constructs of bonding, communication, personalization and long-term orientation and the three endogenous constructs of customer satisfaction, trust and customer loyalty.

#### **5.2 Response Rate**

In compliance with data collection requirements, 535 questionnaires were administered to university students in Nigeria. To achieve acceptable response rate, many phone calls (Salim, Silver, Smith, & Bammer, 2002) and SMS (Sekaran & Bougie, 2010) were sent to respondents who were yet to return their responses after three weeks via group emails and notice boards (Dillman, 2000). Consequently, a total number of 480 respondents from six federal universities that represented the six geo-political zones of Nigeria filled

and returned the survey instruments administered to them, giving a response rate of 89 per cent going by Jobber's (1989) conceptualization of response rate. But as shown on Table 5.1, out of the 480 questionnaires returned by the respondents, only 416 were finally retained for analysis.

Specifically, after the data collection, a total of 64 questionnaires were discarded from analysis on two major grounds. Firstly, 20 questionnaires were excluded from analysis because they were incomplete as several missing data per case has been observed. Secondly, 44 multivariate outliers were detected and excluded from further analysis as well. Removing these numbers of questionnaires from analysis is imperative as they do not represent the sample (Hair, *et al.*, 2010).

Eventually, the sample for this study is made up of a total number of 416 effective responses, which gave a valid response rate of 77 per cent, spread over five student categories, namely PhD/Postdoctoral, Masters, Bachelor's degree, Diploma, National Certificate in Education and Certificate. Arguably, an acceptable response rate should be between 5-10 times the number of variables in a survey (Bartlett, Kotrlik & Higgins, 2001; Hair, Black, Babin & Anderson, 2010). Accordingly, a sample of 70 is adequate for analysis in this study given that the number of variables in the current study is seven.

In addition, PLS technique requires a minimum of only 30 responses (Chin, 1998b). Therefore, a total of 416 responses is greatly sufficient for analysis in this study. Furthermore, in addition to its ability to take care of small sample size, the PLS- SEM technique's predictive power is enhanced with higher sample size (Hair, Hult, Ringle, & Sarstedt, 2014). The response rate of 77 per cent achieved in this study is therefore,

acceptable in view of Sekaran’s (2003) suggestion that not less than 30 per cent response rate is acceptable in a survey research.

Table 5.1  
*Response Rate of the Questionnaires*

<i>Response</i>	<i>Frequency/Rate</i>
Number of questionnaires distributed	535
Number of returned questionnaires	480
Number of returned/usable questionnaire	416
Number of excluded questionnaires	64
Questionnaires not returned	55
Response rate	89%
Valid response rate	77%

Source: The Researcher

Table 5.1 above shows the response rate obtained from the survey. From the table above, 489 questionnaires were returned by respondents while 64 questionnaires were excluded from analysis on account of missing data and outliers. Accordingly, the number of questionnaires used in the final analysis was 416 and the response rate achieved was 77 per cent.

### 5.3 Data Screening and Preliminary Analysis

To screen data at the very beginning of analysis is critically important particularly in multivariate analysis, as this helps researchers identify any possible violations of the important assumptions regarding the application of multivariate techniques of data

analysis (Hair *et al.*, 2007). Furthermore, initial data screening helps researchers have better understanding of the data collected for further analysis.

Before the initial data screening, all the 480 returned and usable questionnaires were coded and entered into the SPSS. Following the data coding and entry, the following preliminary data analyses were performed: (1) missing value analysis, (2) assessment of outliers, (3) normality test, and (4) multicollinearity test (Hair, Black, Babin & Anderson, 2010; Tabachnick & Fidell, 2007).

### **5.3.1 Missing Values**

Missing values, also referred to as missing data, construed as a situation where valid values on one or more variables are absent for analysis (Hair *et al.*, 2010), is normal in multivariate analysis. In view of the negative effect of missing values, the researcher took initial precautionary measure right from the field by asking the research assistants to check for missing data right at the point of questionnaire retrieval from respondents and request that respondents kindly provide for observed missing data. Perhaps this approach has assisted in reducing the number of missing values.

After running preliminary descriptive statistics in the SPSS, out of the 15,808 data points, 127 were randomly missed, accounting for 0.80 per cent (total no. of missing values divide by total no. of data points multiplied by 100 per cent). Specifically, bonding recorded 9 missing values, communication recorded 15, personalization recorded 11, customer satisfaction recorded 18, trust recorded 13, and LTO recorded 39 while customer loyalty recorded 22 missing values. However, the demographics

recorded no missing values. Scholars have generally agreed that missing value rate of 5 per cent and below are non-significant (Hair *et al.*, 2010; Hair *et al.*, 2014; Tabachnick & Fidell, 2007). Thus, the missing value rate of 0.80 per cent recorded in the present research is concluded as non-significant. Again, researchers have argued in favour of mean substitution as the most convenient way of treating missing data provided the total percentage of the missing data is 5 per cent or less (Hair *et al.*, 2014; Little & Rubin, 1987; Raymond, 1986; Tabachnick & Fidell, 2007). To this end, the current study used the mean substitution method to replace the randomly missing values.

### **5.3.2 Assessment of Outliers**

Barnett and Lewis (1994) defined outliers as as observations or subsets of observations which appear to be inconsistent with the remainder of the data. In a regression-based analysis, outliers are capable of leading to unreliable results (Verardi & Croux, 2008) by significantly distorting the estimates of regression coefficients in the data set (Verardi & Croux, 2008). To detect observations which were outside the expected range, mahalanobis distances ( $D^2$ ) were employed to detect multivariate outliers (Tabachnick & Fidell, 2007). Using this procedure, 44 multivariate outliers were detected and excluded from the analysis, leaving a final data set of 416.

### **5.3.3 Normality test**

Traditionally, it is assumed that PLS-SEM offer accurate model estimation in situations of extremely non-normal data (Cassel, Hackl & Westlund, 1999; Haenlein & Henseler, 2009). However, this assumption may be misleading in view of the recent suggestion by



Hair, Sarstedt, Ringle and Mena (2012) that researchers should perform normality test on data. This argument is based on the fact that highly skewed or kurtotic data can inflate the bootstrapped standard error estimates (Chernick, 2008) which in turn underestimate the statistical significance of the path coefficients (Dijkstra, 1983; Ringle, Sarstedt & Straub, 2012b) (see Appendix c). Against this backdrop, the current study utilized a graphical method to check for the normality of the data collected. Field (2009) have argued that for a sample size of 200 and above, its more appropriate to look at the shape of the distribution graphically than to look at the value of the skewness and kurtosis statistics. In line with the Field's (2009) suggestion, a histogram and normal probability plots were examined, in the present study, to make sure that normality assumptions were not violated.

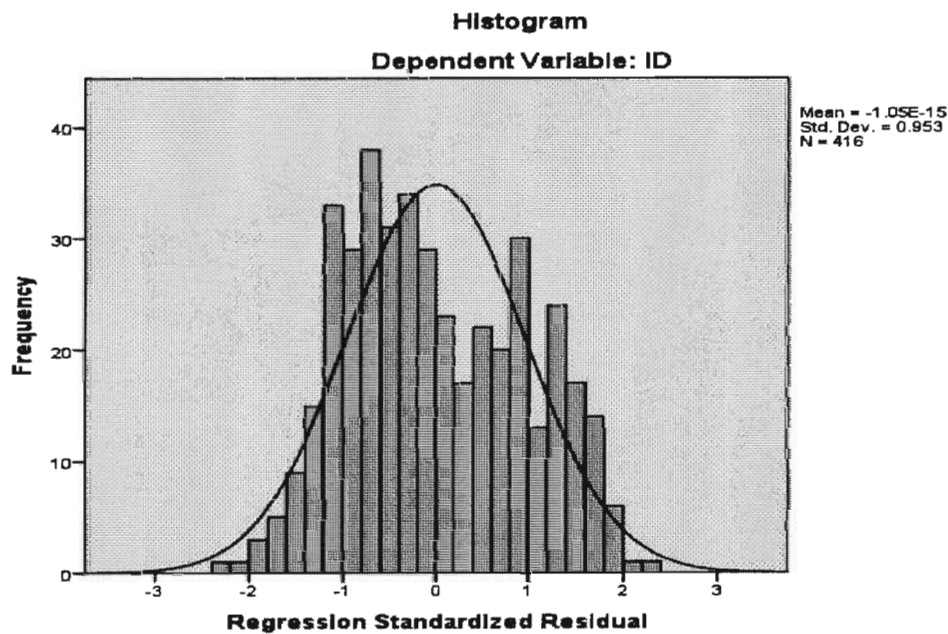


Figure 5.1  
*Histogram showing data distribution in the present study*

Figure 5.1 above described the data collected for the current study as following normal pattern since all the bars on the histogram were closed to a normal curve. Thus, normality assumptions were not violated in the present study.

#### **5.3.4 Multicollinearity**

Multicollinearity is a situation in which two or more exogenous latent constructs become highly correlated (Hair, Black, Babin, Anderson & Tatham, 2006). Extant literature argues that the presence of multicollinearity among the exogenous latent constructs can substantially distort the estimates of regression coefficients and their statistical significance tests (Chatterjee & Yilmaz, 1992). In specific terms, multicollinearity increases standard errors of coefficients, thereby rendering the coefficients statistically insignificant (Tabacknick & Fidell, 2007).

In the current study, multicollinearity was examined through the correlation matrix of the exogenous latent variables (Peng & Lai, 2012). According to Hair *et al.* (2010), a correlation coefficient of 0.90 and above suggests multicollinearity between exogenous latent constructs. For this study, the correlation matrixes of all the exogenous latent variables are exhibited in the table next page.

Table 5.2  
*Correlation Matrix of the Exogenous Variable*

	BON	CLOY	COM	CS	LTO	PER	TR
Bonding	<b>.765</b>						
Customer loyalty	.420	<b>.749</b>					
Communication	.532	.413	<b>.794</b>				
Customer Satisfaction	.500	.621	.516	<b>.749</b>			
Long-term Orientation	.308	.353	.185	.282	<b>.740</b>		
Personalization	.459	.417	.438	.561	.191	<b>.781</b>	
Trust	.589	.583	.580	.648	.334	.532	<b>.754</b>

Source: SmartPLS

As shown in table 5.2 above, the correlations between the exogenous latent variables fall between .740 and .794 which were sufficiently below the suggested benchmark values of 0.90 and above, suggesting that the exogenous latent constructs were independent and not in any way highly correlated.

### 5.3.5 Test for Non-response Bias

Non-response bias has been construed as the differences in the answers between non-respondents and respondents (Lambert & Harrington, 1990). To assess the possibility of non-response bias, Armstrong and Overton (1977) suggested a time-trend extrapolation system, which involves comparing the early and late respondents (i.e., non-respondents). The authors argue that late respondents share similar characteristics with non-respondents. Meanwhile, to further minimize the problem of non-response bias, Lindner and Wingenbach (2002) recommended that a minimum response rate of 50 per cent

should be achieved. Following Armstrong and Overton's (1977) approach, the present study divided the respondents into two main groups: those who responded to the survey before 31<sup>st</sup> May, 2013 (early respondents) and those who responded on 31<sup>st</sup> May, 2013, and after (late respondents).

Table 5.3 below shows the independent samples t-test conducted to detect any possible non-response bias on the main study variables including bonding, communication, personalization, customer satisfaction, trust, long-term orientation and customer loyalty. According to Field (2009) and Pallant (2010), the threshold for Levene's test of significance for the quality of variances should be a value greater than 0.05.

Table 5.3  
*Result of the Independent-Samples T-test for Non-Response Bias*

Variables	Group	N	Mean	Std. Deviation	Std. Error Mean	Levene's Test for Equality of Variances	
						F	Sig.
Bonding	Early responses	300	-.061	1.006	.058	.912	.340
	Late responses	116	.159	.975	.091		
Customer loyalty	Early responses	300	.004	1.005	.058	.264	.607
	Late responses	116	-.011	.995	.092		
Communication	Early responses	300	.011	1.031	.060	3.306	.070
	Late responses	116	-.027	.923	.086		
Customer satisfaction	Early responses	300	.000	1.010	.058	1.405	.237
	Late responses	116	-.001	.982	.091		
Long-term orientation	Late responses	300	.000	.972	.056	.209	.648
	Late responses	116	.001	1.078	.100		
Personalization	Early responses	300	.036	1.018	.059	1.081	.299
	Late responses	116	-.092	.955	.089		
Trust	Early responses	300	.021	1.026	.059	3.662	.056
	Late responses	116	-.053	.937	.087		

Source: The Researcher

From table 5.3 above, the results of the independent-samples t-test demonstrate that the equal variance significance values for each of the seven main study constructs were above the 0.05 significance level. Thus, the assumption of equality of variance between the early and late respondents has not been violated. Furthermore, the present study has attained a 77 per cent response rate which is quite above the 50 per cent minimum response rate suggested by Lindner and Wingenbach (2002) for the absence of non-response bias. Therefore, this study seeks to conclude that there is no non-response bias capable of affecting the ability of this research to generalize its findings. Thus, the foregoing result has given this study the opportunity to utilize the entire 416 responses in the data analysis.

#### **5.3.6 Common Method Bias**

Statistical literature have demonstrated common method bias as a major source through which measurement errors could occur and substantially have negative effect on the observed relationships that exist among measured variables (Nunnally & Bernstein, 1994). Common method variance (CMV), as a potential problem in behavioural studies, refers to the variance that is invariably attributable to the measurement procedure rather than to the actual constructs the measures represent (Podsakoff, Mackenzie, Lee & Podsakoff, 2003).

As a potential source of measurement error in behavioural sciences research, increasing scholarly attention is being paid to the means by which common method bias can be reduced or eliminated. In the context of this study, self-reported data from five student categories in the Nigerian universities was collected, which creates potential for CMV.

The current study employed a number of procedural methods to reduce the effect of CMV. These steps include elimination of ambiguity in the wording of indicators and making them clear and concise and informing respondents that the answers they provide through the questionnaire shall remain confidential (Mackenzie & Podsakoff, 2012). In addition, the present study adopted Harman's single factor test suggested by Podsakoff and Organ (1986) to examine common method variance. The main assumption of Harman's (1967) single factor test is that if a substantial amount of common variance is present, then either a single factor may emerge, or one general factor would account for most of the covariance in the predictor and criterion variables (Podsakoff & Organ, 1986).

In accordance with Podsakoff and Organ (1986), all indicators in the current study were subjected to a principal component factor analysis. The outcome of this analysis yielded six factors, which account for 78 per cent of the variance. Again, the results showed that no single factor was responsible for the majority of covariance in the predictor and criterion variables (Podsakoff *et al.*, 2012), suggesting that common method bias is not a significant issue and is not likely to inflate the link between the variables measured in the present study.

#### **5.4 Demographic Profiles of the Respondents**

Table 5.4 in the next page demonstrates the demographic profiles of the respondents in the sample. The demographic features examined in the current study are gender, age, programme of study, ethnic group and marital status which are measured on nominal and ordinal scale.

Table 5.4  
*Demographic Characteristics of Respondents*

Demographic variable	Frequency	Percentage
<b>Gender</b>		
Male	247	59.40
Female	169	40.60
<b>Age</b>		
18-25 years	243	58.40
26-35 years	120	28.80
36-45 years	35	8.40
46-55b years	16	3.80
Above 55 years	2	0.50
<b>Ethnic Group</b>		
Hausa	141	33.90
Igbo	62	14.90
Yoruba	96	23.10
Others	117	28.10
<b>Programme</b>		
PhD/Post-Doctoral	20	4.80
Master's Degree	72	17.30
Bachelor's Degree	244	58.70
Diploma	62	14.90
NCE	11	2.60
Certificate	7	1.70
<b>Marital Status</b>		
Married	91	21.90
Separated	15	3.60
Single	310	74.50

Source: The Researcher

Table 5.4 above indicates that the respondents were mostly males, who constituted 59.4 per cent while the remaining 40.6 per cent were females. The male dominance is accounted for by the structure of Nigerian population in which males account for 60% of the population (UNICEF, 2013). A more cogent reason is the gender disparity between males and females in university enrolment in Nigeria. It is reported that males represent 56 per cent of university enrolment in Nigeria as against 44 per cent for females (UNICEF, 2013). As for the respondents' age, Table 5.4 depicts that majority of the respondents (58.40 per cent) are within the age range of 18- 25 years, while the lowest are those respondents whose age is above 55 years (representing 0.50 per cent). Related to age is the respondents' programme about which majority are on Bachelor's degree programme (representing 58.70 per cent), followed by Master's degree (representing 17.30 per cent).

The descriptive statistics for age and programme depicted above is consistent with the goal of the study which is to predict customer loyalty to the organization since those students in the age group 18-25 years (58.40 per cent) and those on Bachelor's degree programme (58.70 per cent) are the more likely to have the intention to go back to the university for higher degree programmes in the future. On the ethnic composition of the respondents, majority of them are Hausa (33.9 per cent), followed by other tribes (28.1 per cent) which are consistent with the structure of the Nigerian ethnic groups. Of the 250 ethnic groups in Nigeria, the Hausa-Fulani as they are also referred to, account for 29 per cent of the population, Igbo 18 per cent, Yoruba, 21 per cent and the remaining 247 ethnic groups account for the remaining 32 per cent (National Geographic Society, 2014). The statistics for the marital status of the respondents according to table 5.4 above shows that



most of the respondents are singles (74. 50 per cent) followed by the married respondents who account for 21.90 per cent.

### 5.5 Descriptive Analysis of the Latent Constructs

In the current study, descriptive statistics is employed to give a general description of the constructs used in the research. Statistical values of means, standard deviation, minimum and maximum were computed for the independent, mediating, moderating and the dependent variables. Table 5.5 below shows the results of statistical values obtained. All the latent variables used in the present study were measured on a five point scale anchored on 1 = strongly disagree and 5= strongly agree.

Table 5.5  
*Descriptive Statistics of Latent Variables*

Latent Variable	Number of Items	Mean	Std. Deviation
Bonding	4	3.499	.867
Communication	4	3.806	.766
Personalization	4	3.375	.881
Customer satisfaction	6	3.746	.776
Trust	6	3.958	.702
Long-term orientation	8	4.228	.603
Customer loyalty	6	3.859	.857

Source: The Researcher

## 5.6 Assessment of PLS-SEM Path Model Results

It is worth mentioning here that in a recent research, Henseler and Sarstedt (2013) argued that goodness-of-fit (GoF) index is not suitable for validation of models in PLS (see also Hair *et al.*, 2014). The authors demonstrated that in using PLS path models with simulated data, goodness-of-fit index is not appropriate for model validation because it cannot separate valid models from invalid ones (Hair, Ringle & Sarstedt, 2012). In the light of the preceding development, the present study used a two-step procedure of PLS to evaluate and report the outcome of PLS-SEM path as recommended by Henseler, Ringle and Sinkovics (2009). These two steps are (1) assessment of outer (measurement) model and (2) assessment of the inner (structural) model.

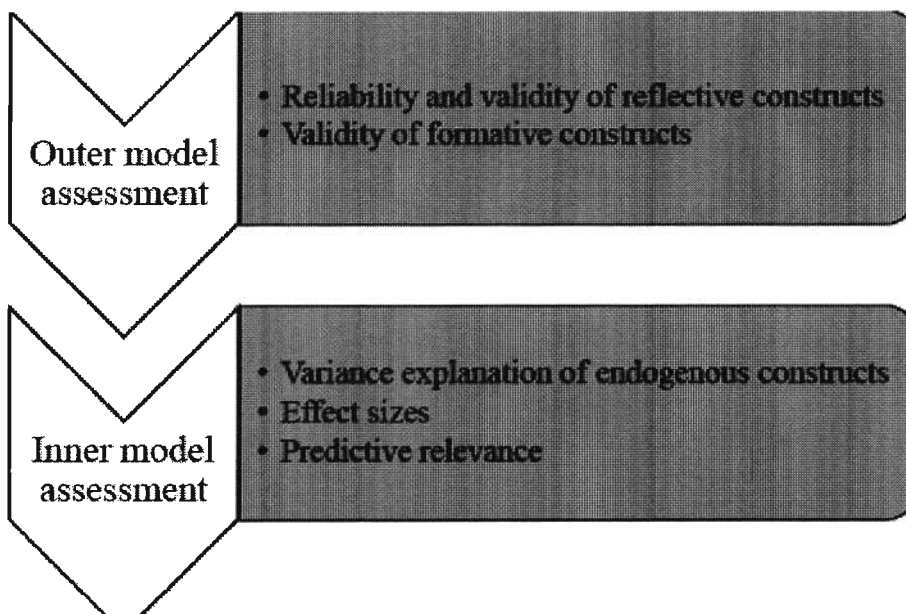


Figure 5.2  
*A Two Step Process of PLS Path Model Assessment*  
Source: Adopted from Henseler *et al.* (2009)

## **5.7 Assessment of the Measurement Model**

To estimate the theoretical model, this study employed PLS structural equation modeling using the software application SmartPLS (Ringle, Wende, & Will, 2010). PLS SEM is based on two significant multivariate techniques including factor analysis and multiple regressions (Hair *et al.* 2010). PLS is applied throughout the analysis of the main, mediating and moderating results for the study. The first step in analysis using PLS is to assess the measurement model, otherwise known as the outer model. This measurement is aimed at determining the goodness of measures which is done through validity and reliability tests (Ramayah, Lee, & In, 2011). Reliability test determines how consistently a measurement instrument measures the concept it is expected to measure. Validity test, on the other hand, tries to find out how well a particular instrument measures a given concept that it is designed to measure (Sekaran & Bougie, 2010). In a more detail way, the outer model is assessed by the individual item reliability, construct internal consistency and construct validity. In this study, the reliability, convergent and discriminant validity of the instruments used in this study are evaluated through the approaches developed for PLS context by Fornell and Larcker (1981).

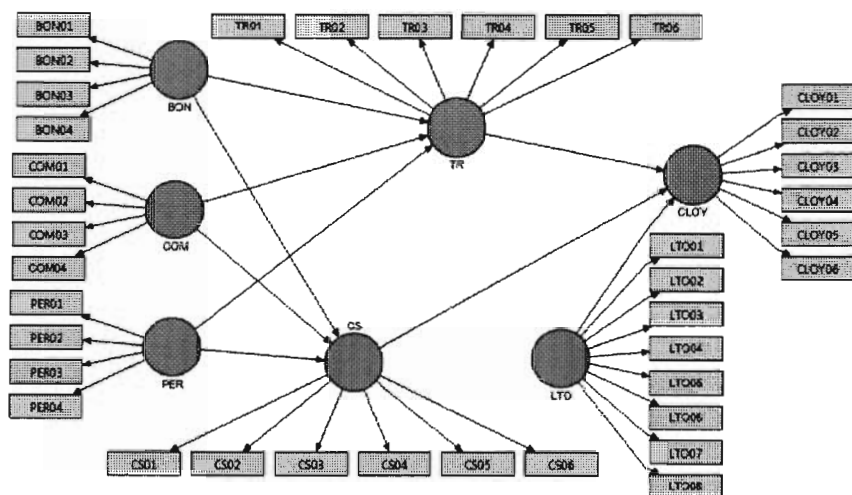


Figure 5.3  
*Measurement Model*

### 5.7.1 Individual Items Reliability

In the present study, individual item reliability was measured by assessing the outer loadings of each construct measure consistent with PLS-SEM procedure (Duarte & Raposo, 2010; Hair *et al.* 2014; Hulland, 1999). The rule of thumb is to retain measurement items with loadings between .40 and .70 (Hair *et al.*, 2014). However, the best practice is to retain item loadings that do not fall below .70 (Hair *et al.*, 2007; Hair *et al.* 2014; Henseler *et al.*, 2009). Following this suggestion, it was found out that out of the 38 measurement items in the current study, a total of 7 items' outer loadings fall below .70 and were deleted accordingly. Thus, 31 items were retained in the model as they had loadings between 0.709 and 0.813 (Table 5.6).

### 5.7.2 Internal Consistency Reliability

Internal consistency reliability means the extent to which all items on a particular (sub) scale are measuring the same concept (Bijttebier *et al.*, 2000; Sun *et al.*, 2007). Cronbach's alpha coefficient and composite reliability coefficient are the most commonly applied assessors of the internal consistency reliability of instruments in organizational research (Bacon, Sauer & Young, 1995; McCrae, Kurtz, Yamagata & Terracciano, 2011).

In this study, however, composite reliability coefficient measure of internal consistency and reliability was selected and applied. Scholars have argued that composite reliability coefficient provides a much less biased estimate of reliability than Cronbach's alpha coefficient because the later assumes all items contribute equally to its constructs without considering the actual contribution of individual loadings (Barclay, Higgins, & Thomson, 1995; Gotz, Liehr-Gobbers & Krafft, 2010). A second rationale for preferring composite reliability to Cronbach's alpha is the fact that the later has tendency to underestimate or over-estimate the reliability of scale (Gotz, Liehr-Gobbers & Krafft, 2010). The composite reliability takes into account the different loadings of indicators while at the same it can be interpreted in the same way as Cronbach's alpha (that is, no matter which particular reliability coefficient is used, an internal consistency reliability value above .70 is regarded as satisfactory for an adequate model, whereas a value below .60 indicates lack of reliability), though Hair *et al.* (2010) have recommended a minimum value of .60.

However, the interpretation of internal consistency reliability using composite reliability coefficient was based on the rule of thumb provided by Bagozzi and Yi (1988) as well as Hair, Ringle & Sarstedt (2011) who suggest the composite reliability coefficient should be at least 0.7.

Table 5.6

*Item Loading, Internal Consistency, Average Variance Extracted and R Square*

Construct	Indicator	Loadings	Composite reliability	AVE	Cronbach's Alpha	R Square
Bonding	BON01	.728	.849	.585	.763	
	BON02	.791				
	BON03	.781				
	BON04	.757				
Customer Loyalty	CLOY02	.749	.865	.561	.804	.461
	CLOY03	.799				
	CLOY04	.734				
	CLOY05	.709				
	CLOY06	.752				
Communication	COM01	.769	.837	.631	.708	
	COM02	.813				
	COM03	.800				
Customer satisfaction	CS01	.789	.885	.562	.844	.432
	CS02	.721				
	CS03	.746				
	CS04	.754				
	CS05	.733				
	CS06	.752				
Long-term orientation	LTO01	.769	.829	.548	.728	
	LTO02	.730				
	LTO03	.726				
	LTO07	.734				
Personalization	PER01	.754	.862	.611	.788	
	PER02	.808				
	PER03	.788				
	PER04	.775				
Trust	TR02	.753	.868	.569	.810	.494
	TR03	.750				
	TR04	.772				

TR05	.772
TR06	.723

Source: SmartPLS

Table 5.6 above shows the composite reliability coefficient of each latent construct. As exhibited on the table, the composite reliability coefficient of the entire latent constructs ranged from 0.829 to 0.885, with each exceeding the minimum suggested level of 0.70, indicating adequate internal consistency reliability of the measures used in the present study (Bagozzi & Yi, 1988; Hair *et al.*, 2011) [see Appendix D].

**5.7.3 Convergent Validity**

Convergent validity is construed as the extent to which indicators actually represent the intended latent variables and indeed correlate with other indicators of the same latent variable (Hair, *et al.*, 2007). Based on the recommendations by Fornell and Larcker (1981), the present study ascertained convergent validity by examining the Average Variance Extracted (AVE) of each latent construct. AVE is computed as the mean of variance extracted for the items loading on a construct.

Meanwhile, to achieve adequate convergent validity, Chin (1998) recommended that the AVE of each latent variable should not be less than .50. Consistent with Chin (1998), all AVE values in the current study exhibited higher loadings (> .50) on their respective constructs, showing adequate convergent validity (see Appendix G).

#### 5.7.4 Discriminant Validity

Concisely defined, discriminant validity is the extent to which a particular latent construct is different from other latent constructs (Duarte & Raposo, 2010). The current study assessed discriminant validity using AVE as suggested by Fornell and Larcker (1981). This was done by comparing the correlations among the latent constructs with square roots of average variance extracted (Fornell & Larcker, 1981). Furthermore, discriminant validity was determined using Chin's (1998) benchmark by comparing the indicator loadings with other reflective indicators in the cross loadings. First, as a rule of thumb for evaluating discriminant validity, Fornell and Larcker (1981) recommended the use of AVE with a score of .50 and above. To realize adequate discriminant validity, Fornell and Larcker (1981) further suggested that the square root of the AVE should be higher than the correlations among latent constructs.

Table 5.7  
*Latent Variables Correlations and Square Roots of Average Variance Extracted*

	BON	CLOY	COM	CS	LTO	PER	TR
Bonding	<b>.765</b>						
Customer loyalty	.420	<b>.749</b>					
Communication	.532	.413	<b>.794</b>				
Customer satisfaction	.500	.621	.516	<b>.749</b>			
Long-term orientation	.308	.353	.185	.282	<b>.740</b>		
Personalization	.459	.417	.438	.561	.191	<b>.781</b>	
Trust	.589	.583	.580	.648	.334	.532	<b>.754</b>

Note: Entries shown in bold face represent the square root of the average variance extracted.

Source: SmartPLS



As demonstrated in table 5.6, the values of the average variance extracted range between 0.548 and 0.631 suggesting acceptable values. In table 5.7 above, the correlations among the latent variables were compared with the square root of the AVE (values in bold face). Table 5.7 also indicated that the square root of the average variance extracted were all above the correlations among latent constructs, suggesting adequate discriminant validity (Fornell & Larcker, 1981).

In addition, as mentioned earlier, discriminant validity can also be assessed by comparing the indicator loadings with the cross loadings. This comparison was shown in table 5.8. All indicator loadings were higher than the cross loadings, indicating adequate discriminant validity paving way for further analysis. However, the initial model did not fit as seven items (1 item each from the construct of CLOY, TR & COM; 4 items from LTO) were found to possess loadings below the threshold of 0.7 and were therefore deleted, leaving a total of 31 items reflected on the revised model (Figure 5.4).

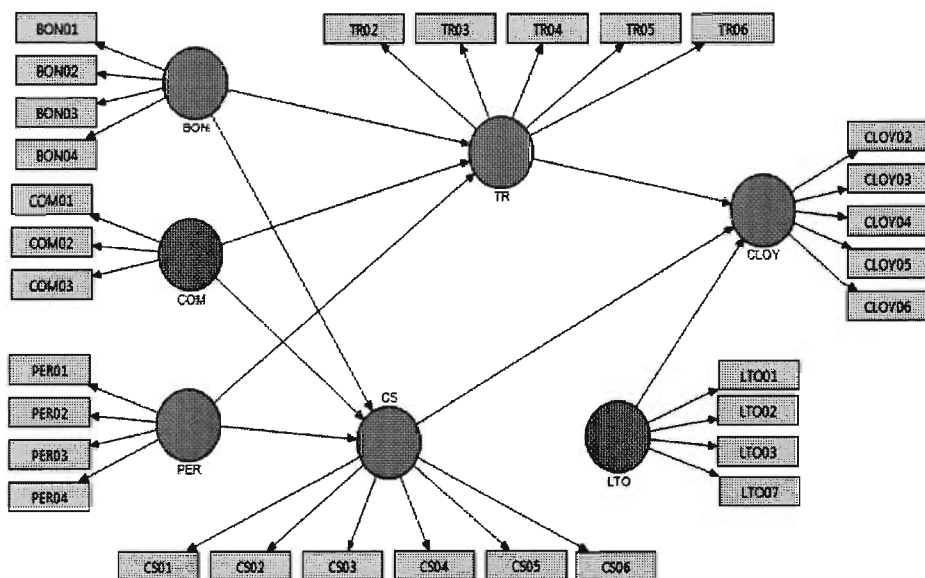


Figure 5.4  
Revised Model

Table 5.8  
Cross Loadings

Indicators	BON	CLOY	COM	CS	LTO	PER	TR
BON01	.728	.305	.304	.349	.244	.309	.464
BON02	.791	.315	.451	.417	.224	.307	.445
BON03	.781	.335	.460	.402	.242	.391	.464
BON04	.757	.330	.407	.361	.231	.399	.427
CLOY02	.325	.749	.330	.441	.289	.323	.443
CLOY03	.334	.799	.324	.486	.302	.325	.497
CLOY04	.289	.734	.249	.447	.202	.323	.389
CLOY05	.309	.709	.295	.416	.290	.264	.402
CLOY06	.314	.752	.343	.528	.239	.326	.444
COM01	.410	.278	.769	.363	.120	.263	.447
COM02	.452	.367	.813	.454	.127	.429	.480
COM03	.403	.334	.800	.406	.196	.342	.453
CS01	.400	.493	.447	.789	.197	.530	.598
CS02	.299	.437	.381	.721	.200	.456	.440
CS03	.396	.452	.352	.746	.125	.479	.452

CS04	.377	.446	.365	<b>.754</b>	.247	.331	.463
CS05	.423	.481	.381	<b>.733</b>	.258	.331	.487
CS06	.352	.480	.387	<b>.752</b>	.251	.378	.460
LTO01	.275	.302	.214	.278	<b>.769</b>	.116	.303
LTO02	.206	.285	.107	.238	<b>.730</b>	.194	.229
LTO03	.249	.198	.125	.135	<b>.726</b>	.172	.249
LTO07	.177	.238	.088	.150	<b>.734</b>	.087	.200
PER01	.311	.289	.368	.395	.098	<b>.754</b>	.379
PER02	.382	.377	.391	.457	.175	<b>.808</b>	.452
PER03	.387	.323	.296	.422	.172	<b>.788</b>	.398
PER04	.352	.311	.315	.475	.149	<b>.775</b>	.427
TR02	.460	.422	.466	.468	.304	.365	<b>.753</b>
TR03	.397	.414	.484	.511	.139	.460	<b>.750</b>
TR04	.426	.491	.411	.529	.312	.426	<b>.772</b>
TR05	.452	.431	.449	.452	.262	.375	<b>.772</b>
TR06	.488	.440	.377	.484	.243	.378	<b>.723</b>

Source: SmartPLS

## 5.8 Assessment of Significance of the Structural Model

After ascertaining the measurement model, the next stage was assessment of the structural model. The present study applied the standard bootstrapping procedure with 500 bootstrap samples and 416 data cases to examine the significance of the path coefficients as suggested by Chin (2010). In Figure 5.6 (moderation plot chart) and table 5.9 (structural model assessment) the estimates for the full structural model, which includes mediating and moderating variables are shown.

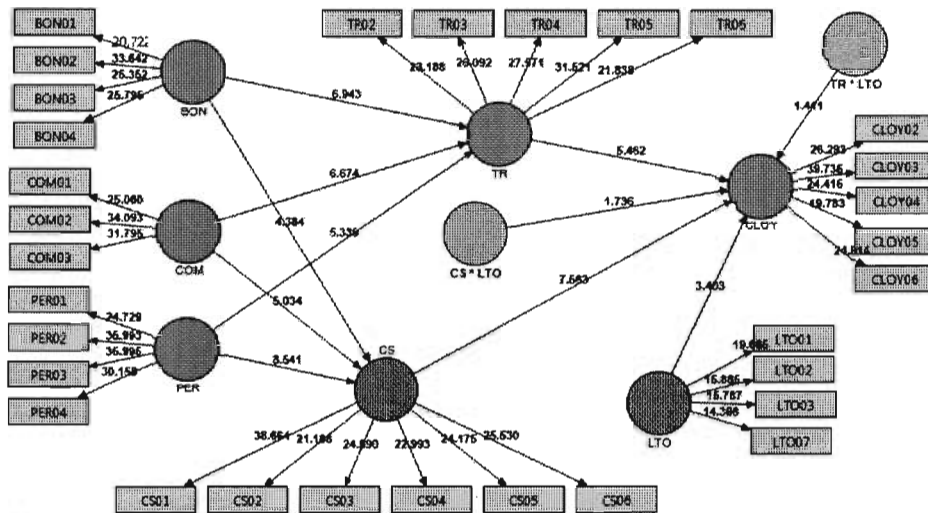


Figure 5. 5  
Structural Model with Moderator (Full Model)

At the onset, hypothesis 1 predicted that bonding has a significant relationship with customer satisfaction. Results demonstrated on Table 5.9 and Figure 5.5, revealed a significant positive relationship between bonding and customer satisfaction ( $\beta = 0.202$ ,  $t = 4.354$ ,  $p < 0.000$ ) supporting hypothesis 1. Hypothesis 2 predicted that bonding has a significant relationship with trust. Result (Table 5.9 and Figure 5.5) indicated that bonding indeed has significant influence on trust ( $\beta = 0.310$ ,  $t = 7.017$ ,  $p < 0.000$ ) supporting hypothesis 2. In examining the postulated influence of communication on customer satisfaction, results show that communication has a significant relationship with customer satisfaction ( $\beta = 0.251$ ,  $t = 4.923$ ,  $p < 0.000$ ) yielding support for hypothesis 3. Similarly, in examining the association between communication and trust, results revealed that communication has significant positive relationship with trust ( $\beta = 0.302$ ,  $t = 6.468$ ,  $p < 0.000$ ), indicating support for hypothesis 4.

As for the predicted significant relationship between customer satisfaction and customer loyalty in hypothesis 5, result ( $\beta = 0.402$ ,  $t = 7.841$ ,  $p < 0.000$ ) demonstrated support for the hypothesis. Hypothesis 6 postulated that personalization has a significant relationship with customer satisfaction. Results (Table 5.9, Figure 5.5) demonstrated that personalization has significant association with customer satisfaction ( $\beta = 0.359$ ,  $t = 7.851$ ,  $p < 0.000$ ) indicated support for the hypothesis. Personalization was also predicted to have a significant relationship with trust (hypothesis 7). Results showed a significant association between personalization and trust ( $\beta = 0.257$ ,  $t = 5.512$ ,  $p < 0.000$ ). Thus, hypothesis 7 was fully supported. With respect to hypothesis 8 which predicted significant relationship between trust and customer loyalty, results (Table 5.9, Figure 5.5) demonstrated a significant correlation between trust and customer loyalty ( $\beta = 0.273$ ,  $t = 4.932$ ,  $p < 0.000$ ), thus, hypothesis 8 was supported.

Table 5.9  
*Structural Model Assessment with Mediators and Moderator (Full Model)*

No.	Hypotheses path	Path Coefficients	Standard Error	T value	P Value	Decision
H1	BON -> CS	.202	.047	4.354	.000	supported
H2	BON -> TR	.310	.044	7.017	.000	supported
H3	COM -> CS	.251	.051	4.923	.000	supported
H4	COM -> TR	.302	.047	6.468	.000	supported
H5	CS -> CLOY	.402	.051	7.841	.000	supported
H6	PER -> CS	.359	.046	7.851	.000	supported
H7	PER -> TR	.257	.047	5.512	.000	supported
H8	TR -> CLOY	.273	.055	4.932	.000	supported
H9	BON -> CS -> CLOY	.081	.022	3.691	.000	supported
H10	COM -> CS -> CLOY	.101	.025	4.036	.000	supported
H11	PER -> CS -> CLOY	.144	.026	5.551	.000	supported
H12	BON -> TR -> CLOY	.085	.021	4.030	.000	supported
H13	COM -> TR -> CLOY	.082	.021	3.926	.000	supported

	CLOY					
	PER -> TR ->					
H14	CLOY	.070	.020	3.508	.000	supported
H15	CS * LTO -> CLOY	-.127	.073	1.736	.042	supported
H16	TR * LTO -> CLOY	.101	.071	1.411	.079	Not supported

\*\*\*:  $p < 0.001$ ; \*\* $p < 0.01$ ; \* $p < 0.05$

Source: SmartPLS

### 5.8.1 Assessment of Variance Explained in the Endogenous Latent Variables

An important criterion for the evaluation of the structural model in PLS-SEM is the coefficient of determination, popularly referred to as the R-squared value (Hair *et al.*, 2011; Hair *et al.*, 2012; Henseler *et al.*, 2009). The coefficient of determination is given by the proportion of variance in the criterion variable(s) that can be explained by one or more predictor variable (Elliott & Woodward, 2007; Hair *et al.*, 2010). Even though the acceptable level of  $R^2$  value varies with research context, research gurus propose an  $R^2$  value of 0.10 as the minimum acceptable level (Falk & Miller, 1992; Hair *et al.*, 2010).

Meanwhile, Chin (1998) broadly suggest that in PLS-SEM, coefficients of determination of values of 0.67, 0.33, and 0.19 can be regarded as substantial, moderate and weak respectively. In the present research, the  $R^2$  values of the three endogenous variables (customer satisfaction, trust and customer loyalty) are within the acceptable ranges as shown in table 5.10. A number of relevant studies have achieved similar levels of coefficients of determination in the past (e.g., casielles, *et al.*, 2005; Ehigie & Taylor, 2009; Hwang *et al.*, 2013; Liu *et al.*, 2011; Rodriguez & Wilson, 2002; Selnes, 1998).

Table 5.10  
*R-Squared Values for the Latent Endogenous Variables*

Endogenous Latent Variable	R – Squared Value
Customer Satisfaction	0.43
Trust	0.49
Customer Loyalty	0.46

Source: The Researcher

**5.8.2 Assessment of Effect Size (*f*<sup>2</sup>)**

Apart from the assessment of coefficients of determination for endogenous variables, the changes in the R<sup>2</sup> values when a particular exogenous construct is omitted from the research model can be employed to estimate whether the omitted construct has a significant effect on the endogenous construct (s). This degree is called *f*<sup>2</sup> effect size. Put differently, effect size is the relative effect of particular exogenous latent variable on endogenous latent variable (s) by means of changes in the coefficient of determination (Chin, 1998). It is computed as the increase in R-squared of the latent variable to which the path is connected, in relation to the proportion of the latent construct’s unexplained variance (Chin, 1998).

According to Cohen’s (1988) argument, *f*<sup>2</sup> values of 0.02, 0.15 and 0.35 are described as having weak, moderate and strong effects respectively. The respective effect sizes of the latent variables of the structural model are shown in table 5.11 below.

Table 5.11  
*Effect Sizes of the Latent Variables on Cohen's (1988) Recommendation*

Variables	R <sup>2</sup> Included	R <sup>2</sup> Excluded	f-squared	Effect size
<b>Customer loyalty</b>				
Trust	0.461	0.42	0.08	Small
Customer satisfaction	0.461	0.37	0.17	Medium
Long-term orientation	0.461	0.442	0.04	Small
<b>Trust</b>				
Bonding	0.494	0.433	0.12	Small
Communication	0.494	0.434	0.12	Small
Personalization	0.494	0.446	0.09	Small
<b>Customer satisfaction</b>				
Bonding	0.432	0.406	0.05	Small
Communication	0.432	0.39	0.07	Small
Personalization	0.432	0.338	0.17	Medium

Source: The Researcher

As demonstrated in table 5.11, the effect sizes for trust, customer satisfaction, and LTO were 0.08, 0.17 and 0.04 respectively. Thus, going by Cohen's (1988) criterion, the effect sizes of these three exogenous latent variables on customer loyalty can be considered as small, medium, and small respectively. In addition, table 5.11 demonstrated that the effect sizes for bonding, communication and personalization on trust were 1.12, 1.12 and 0.09 respectively. Similarly, on the basis of Cohen's (1988) guideline for the interpretation of effect size, the result suggest that the effect sizes of these three exogenous latent variables on trust can be described as small, small, and small. In the same vein, consistent with Cohen's (1988) criterion, the effect sizes of three exogenous latent variables of bonding, communication and personalization (0.05, 0.07 & 0.17) on the endogenous latent variable of customer satisfaction can be interpreted as small, small and medium respectively.





### 5.8.3 Assessment of Predictive Relevance

In addition to assessing the coefficient of determination as a criterion of predictive accuracy, researchers are expected to evaluate the model's predictive relevance ( $Q^2$ ). The present study utilized the Stone-Geisser test of predictive relevance by applying blindfolding procedures (Geisser, 1974; Stone, 1974). The Stone-Geisser test of predictive relevance is normally employed as a complementary assessment of goodness-of-fit in partial least squares structural equation modeling (Duarte & Raposo, 2010). The utilization of blindfolding to determine the predictive relevance of the research model notwithstanding, scholars have pointed out that blindfolding procedure is applied only to endogenous latent variables that are reflective in nature (Sattler, Volckner, Riediger and Ringle, 2010). Reflective measurement model specifies that a latent or unobserved concept causes discrepancy in a set of observable indicators (McMillan & Conner, 2003). Consequently, a blindfolding procedure was utilized in the present study because all the endogenous latent variables were reflective in nature.

Specifically, a cross-validated redundancy measure ( $Q^2$ ) was used to determine the predictive relevance of the research model (Chin, 2010; Geisser, 1974; Hair *et al.*, 2013; Ringle, Sarstedt & Straub, 2012b; Stone, 1974). The  $Q^2$  is a measure of how well a model predicts the data of omitted cases (Chin, 1998; Hair *et al.*, 2014). Henseler, *et al.* (2009) has argued that a research model with  $Q^2$  statistic (s) greater than zero is regarded to have predictive relevance. Furthermore, a research model with higher  $Q^2$  values implies higher predictive relevance (Henseler, *et al.*, 2009). The result of the cross-validated redundancy test is summarized in Table 5.12 below.

Table 5.12  
*Constructs Cross-validated Redundancy*

Total	SSO	SSE	1-SSE/SSO
Customer loyalty	2080	1544.3945	0.2575
Trust	2080	1499.1917	0.2792
Customer satisfaction	2496	1900.4712	0.2386

Source: The Researcher

As exhibited on table 5.12 above, the cross-validation redundancy measure  $Q^2$  for the three endogenous latent variables of the research model were above zero, suggesting predictive relevance of the research model (Chin, 1998; Henseler, *et al.*, 2009).

#### 5.8.4 Testing Mediation Effects

The goal of mediation test is to determine if a mediator variable can significantly carry the effect of an independent variable to a dependent variable (Ramayah, Lee & In, 2011). Put differently, mediation test assesses the indirect effect of the exogenous latent variable on the endogenous latent variable through an intervening variable.

Hayes and Preacher (2010) observe that in multivariate analysis, mediation analysis can be achieved through several techniques, including: (1) simple techniques which comprise of the causal steps approach (Baron & Kenny, 1986) or the Sobel test (Sobel, 1982); (2) newer techniques that require more realistic statistical assumptions. These include product distribution technique (Mackinnon, Lockwood & Williams, 2004) and

re-sampling approaches like bootstrapping (Bollen & Stine, 1990; Preacher & Hyes, 2004; Shrout, Patrick & Bolger, 2002).

Re-sampling approach through bootstrapping which remains the central procedure used in PLS context represents the mediation approach employed in the current study. Although, the sobel test is still in use for mediation analysis, the Baron and Kenney's (1986) causal steps approach to mediation analysis is losing popularity nowadays because it is found to be unscientific and inconsistent with the basic assumptions of inferential statistics (see Hayes, 2013; Zhao, Lynch Jr & Chen, 2010).

Specifically, the mediation test employed in the current study was based on the PLS approach. In effect, the hypotheses for this study were tested via the partial least squares (PLS) structural equation modeling (SEM) technique (Wold, 1985). The PLS procedure for test of mediation effect is a single step test of the indirect effect of the independent variable (s) on the dependent variable (s) (Zhao *et al.*, 2010). The PLS popularity in marketing strategy and related studies has multiplied in the last two decades (Henseler *et al.*, 2009) because the technique is appropriate for testing complex multivariate models, involving direct, indirect and interaction effects (Hair *et al.*, 2014). Although, PLS is usually associated with studies involving small sample size (Preacher & Hyes, 2004), PLS is also employed to make inferences about parameters in studies involving large samples (Starkweather, 2011). It is argued that PLS technique can enhance prediction in studies involving large samples (Hair *et al.*, 2014) similar to the current study.

Most importantly, the PLS procedure used in the current study to test the proposed mediation effects by evaluating the significance of relevant path coefficients was

bootstrap which remains the most exact in calculating measures (Chin, 2010). Research scholars have argued that PLS-SEM technique is particularly well suited for mediation and moderation studies (Bontis *et al.*, 2007; Chin, 1998b; Hair *et al.*, 2013; Hyes & Preacher, 2010; Lacobucci *et al.*, 2007). The actual mediation effect is examined by means of bootstrapping analysis in tandem along with formulated hypotheses (Hair *et al.*, 2013). Generally, the mediation test for this study were conducted to ascertain (1) if customer satisfaction could mediate the relationship between three exogenous latent variables (BON, COM, & PER) and one endogenous latent variable (CLOY); (2) if trust could mediate the relationship between the three exogenous latent variables (BON, COM & PER) and the endogenous latent variable (CLOY).

In specific terms, the result of the mediating effect of customer satisfaction on the association between bonding and customer loyalty is displayed in table 5.9 and figure 5.5. The result indicate significant indirect relationship between bonding and customer loyalty ( $\beta = 0.81$ ,  $t = 3.691$ ,  $p < 0.000$ ). Thus, hypothesis 9 which predicted the mediation effect of customer satisfaction on the relationship between bonding and customer loyalty was fully supported. As for hypothesis 10 which proposes the mediation effect of customer satisfaction on the link between communication and customer loyalty, the results (Table 5.9, Figure 5.5) demonstrate significant indirect relationship between communication and customer loyalty ( $\beta = 0.101$ ,  $t = 4.036$ ,  $p < 0.000$ ). Thus, hypothesis 10 was supported. Regarding hypothesis 11, which predicts the mediating effect of customer satisfaction on the association between personalization and customer loyalty, results (Table 5.9, Figure 5.5) indicated a significant indirect relationship between personalization and customer loyalty ( $\beta = 0.144$ ,  $t = 5.551$ ,  $p <$

0.000), thus, hypothesis 11 was fully supported. Meanwhile, hypothesis 12 predicted that trust mediate the relationship between bonding and customer loyalty. Results (5.9, Figure 5.5) show a significant indirect relationship between bonding and customer loyalty ( $\beta = 0.085$ ,  $t = 4.030$ ,  $p < 0.000$ ), thus, hypothesis 12 was fully supported.

Regarding hypothesis 13 which predicted that trust mediates the relationship between communication and customer loyalty, result (Table 5.9, Figure 5.5) reveal a significant indirect relationship between communication and customer loyalty ( $\beta = 0.082$ ,  $t = 3.926$ ,  $p < 0.000$ ), thus, hypothesis 13 was fully supported. Finally, hypothesis 14 proposed that trust mediates the association between personalization and customer loyalty. The results (Table 5.9, Figure 5.5) indicated that a significant indirect relationship exists between personalization and customer loyalty ( $\beta = 0.070$ ,  $t = 3.508$ ,  $p < 0.000$ ). Thus, hypothesis 14 is fully supported.

#### **5.8.5 Testing Moderation Effects**

In the current study, the product indicator approach, utilizing Partial Least Squares Structural Equation Modelling was employed to detect and also estimate the strength of the moderating effect of LTO on the relationships between customer satisfaction, trust and customer loyalty (Helm, Egger & Gernefeld, 2010; Henseler & Chin, 2010a; Henseler & Fassott, 2010b).

The choice of the product term approach for testing moderation is in consideration of the fact that the moderating variable in question is a continuous variable as suggested by scholars (Rigdon, Schumacker & Wothke, 1998). Again, Henseler and Fassott (2010b) have argued that given that the results of the product term approach are usually equal or

better than those of the group comparison approach, we recommend always using the product term approach. To employ the product term approach in testing the moderating effect of LTO on the relationships between customer satisfaction, trust and customer loyalty, the product terms between the indicators of the latent independent variables and the indicators of the latent moderator variable has to be created, hence, these product terms would be used as indicators of the interaction term in the structural model (Kenny & Judd, 1984). Meanwhile, to determine the strength of the moderating effects, the present study applied the Cohen's (1988) criteria for determining the effect size. Figure 5.6 and Table 5.9 therefore indicate the estimates after applying the product indicator approach to determine the moderating effect of LTO on the relationship between the exogenous and the endogenous latent variables.

Recall, hypothesis 15 predicted that LTO moderates the relationship between customer satisfaction and customer loyalty. This relationship is particularly stronger for individual customers high in LTO than for individual customers low in LTO. As expected, the results shown on (Table 5.9 & Figure 5.6) indicated the interaction terms representing customer satisfaction x LTO ( $\beta = -0.127$ ,  $t = 1.736$ ,  $p < 0.042$ ) as statistically significant. Thus, hypothesis 15 was fully supported. Information from the path coefficients was used to plot the moderating effect of LTO on the relationship between customer satisfaction and customer loyalty, following the method suggested by Dawson (2013). As shown on Figure 5.6, the relationship between customer satisfaction and customer loyalty is stronger for individual customers high in LTO than it is for individual customers low in LTO.

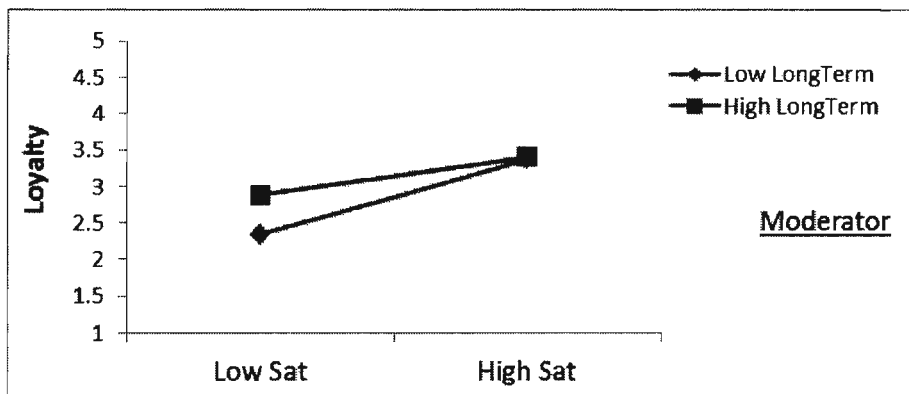


Figure 5.6  
*Interaction Effect of Customer satisfaction and LTO on customer loyalty*

Meanwhile, hypothesis 16 predicted that LTO moderates the relationship between trust and customer loyalty. Result (Table 5.9 & Figure 5.5) demonstrated that LTO has no moderating effect on the relationship between trust and customer loyalty ( $\beta = 0.101$ ,  $t = 1.411$ ,  $p < 0.079$ ). Thus, hypothesis 16 was not supported.

#### 5.8.6 Determining the Strength of the Moderating Effect

To examine the strength of the moderating role of LTO on the relationship between customer satisfaction and customer loyalty, Cohen's (1988) effect size was computed. In addition, the strength of the moderating role can be determined by comparing the coefficients of determination (R-squared value) of the main effect model with that of the full model which encompasses both exogenous latent variables, mediating and moderating variable (Henseler & Fassott, 2010a ; Wilden, Guderger, Nielsen & Lings, 2013). Consistent with Cohen (1988) and (Henseler & Fassott, 2010a) criteria, moderating effect sizes ( $f^2$ ) values of 0.02 are considered as weak, 0.15 as moderate while the effect sizes above 0.35 could be regarded as strong.

However, as argued by Chin *et al.* (2003) even a small moderating effect can be meaningful under extreme conditions if the resulting beta changes are meaningful, hence, it is important to take these conditions into account. Thus, a low effect size does not simply mean that the underlying moderating effect is insignificant.

The outcome of the strength of the moderating effect of LTO is demonstrated on table 5.13. In accordance with Henseler and Fassott’s (2010b) and Cohen’s (1988) rule of thumb for assessing the strength of moderating effects, table 5.13 below described the effect size for customer loyalty as 0.04, suggesting small moderating effect (c.f., Henseler, Wilson, Gotz & Hautvast, 2007; Wilden *et al.*, 2013).

Table 5.13  
*Strength of the Moderating Effect Based on Cohen’s (1988) and Henseler and Fassott’s (2010) Criteria*

Endogenous Latent Variables	R-squared			
	Included	Excluded	f-squared	Effect Size
Customer loyalty	0.461	4.442	0.04	Small

Source: The Researcher



## 5.9 Summary of Findings

Having presented the entire results including main, mediating and moderating effects in the preceding sections, the summary of the entire results of all the hypotheses tested is reproduced in table 5.14 below.

Table 5.14  
*Summary of Hypotheses Testing*

Hypothesis	Statement	Findings
H1:	Bonding has a significant positive relationship with customer satisfaction	Supported
H2:	Bonding has a significant positive relationship with trust	Supported
H3:	Communication has a significant positive relationship with customer satisfaction	Supported
H4:	Communication has a significant positive relationship with trust	Supported
H5:	Customer satisfaction has a significant relationship with customer loyalty	Supported
H6:	Personalization has a significant positive relationship with customer satisfaction	Supported
H7:	Personalization has a significant positive relationship with trust	Supported
H8:	Trust has a significant positive relationship with customer loyalty	Supported
H9:	Customer satisfaction mediates the relationship between bonding and customer loyalty	Supported
H10:	Customer satisfaction mediates the relationship between communication and customer loyalty	Supported
H11:	Customer satisfaction mediates the relationship between personalization and customer loyalty	Supported
H12:	Trust mediates the relationship between bonding and customer loyalty	Supported
H13:	Trust mediates the relationship between communication and customer loyalty	Supported
H14:	Trust mediates the relationship between personalization and customer loyalty	Supported
H15:	Long term orientation moderates the relationship between customer satisfaction and customer loyalty	Supported
H16:	Long term orientation moderates the relationship between trust and customer loyalty	Not Supported

Source: The Researcher

## 5.10 Summary

Generally, the data collection technique has provided meaningful support in examining the relationship between RM dynamics, customer loyalty and LTO. With a slight modification, the PLS confirmatory factor analysis (CFA) has confirmed the structural composition of the seven constructs (BON, COM, PER, CS, TR, LTO & CLOY). Evidence of predictive relevance and the important interaction effect of LTO has been validated via the PLS technique. Consequent upon the assessment of significance of the path coefficients which showed significant associations, the main findings of the study were presented.

Specifically, eight significant main effects have been supported: three main effects of (1) bonding (BON), (2) communication (COM) and (3) personalization (PER) on customer satisfaction were supported. Another three main effects of (1) bonding (BON), (2) communication (COM) and (3) personalization (PER) on trust were supported. Further, two main effects of (1) customer satisfaction (CS) and (2) trust (TR) on customer loyalty were also supported. Three indirect effects of customer satisfaction and three indirect effects of trust on the link between bonding, communication, personalization and customer loyalty were found to be significant, and thus, supported.

Importantly, the postulated moderating role of LTO on the path between the customer satisfaction and customer loyalty was supported as against the path between trust and customer loyalty. The subsequent and final chapter discusses the findings of the present study, its implications, limitations and suggestions for future research directions as well as conclusion.

## **CHAPTER SIX**

### **DISCUSSION**

#### **6.1 Introduction**

Findings of the present study are documented in the previous chapter. The objective of this final chapter is to discuss the findings of the study in relation to the research questions, research objectives, hypotheses and theoretical perspectives related to customer loyalty in the context of HES of Nigeria. Specifically, the remaining part of the chapter is organized as follows. Section two summarises the findings of the study. Section three discusses the findings of the study in relation to research question, objectives, hypotheses, past studies and the underpinning theories used in the study. Theoretical, methodological and practical implications of the study are addressed in section four. In section five, limitations of the study are presented along with suggestions for future research directions. The final section draws conclusion.

#### **6.2 Summary of Findings**

The main objectives of the present study were two: (i) to examine the moderating effect of long-term orientation on the relationship between customer satisfaction, trust and customer loyalty among students of Nigerian universities and (ii) investigate the effect of personalization on customer satisfaction and trust which in turn impact customer loyalty. Overall, this study has advanced the current understanding of the main

antecedents of customer loyalty in the context of HES by providing answers to the following research questions:

1. What are the effects of bonding, communication and personalization on customer satisfaction and trust?
2. What is the relationship between customer satisfaction and customer loyalty?
3. What is the relationship between trust and customer loyalty?
4. Do customer satisfaction and trust mediate the relationship between bonding, communication, personalization and customer loyalty?
5. Does LTO moderate the relationship between customer satisfaction, trust and customer loyalty?

With regards to the direct relationships between the exogenous latent variables and the endogenous latent variables of the study, the findings of the present study reveals that all the eight hypothesised relationships were supported. The outcome of the PLS path modelling shows that bonding (BON), communication (COM) and personalization (PER) have significant positive relationship with customer satisfaction (CS). Similarly, the three RM dynamics of bonding, communication and personalization were also found to have significant positive relationship with trust (TR). The findings of this study also reveal that customer satisfaction (CS) and trust (TR) have significant positive relationship with customer loyalty. The PLS path analysis further reveals that customer satisfaction (CS) and trust (TR) mediate the relationships between the RM dynamics of bonding, communication, personalization and customer loyalty. With regard to LTO as a moderator on the association between customer satisfaction, trust and customer loyalty, the outcome of the analysis, shows that LTO moderates the relationship between

customer satisfaction and customer loyalty. However, LTO does not moderate the relationship between trust and customer loyalty.

### **6.3 Discussion**

In this section, the findings of the present study are discussed in the context of research questions, research objectives, hypothesised relationships, theoretical framework and underpinning theories. The subheadings in this section are structured according to the research questions.

#### **6.3.1 Influence of Bonding, Communication and Personalization on Customer Satisfaction and Trust**

The first research question sought to find out whether RM dynamics of bonding, communication and personalization influence customer satisfaction and trust in the Nigerian HES. Sequel to this research question, the first objective of the present study was to examine the relationship between bonding, communication, personalization, customer satisfaction and trust. In this study, RM is conceptualised as all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges (Morgan & Hunt, 1994). In respect to RM dynamics of bonding, communication and personalization in the Nigerian HES, the present study discovered that the three exogenous latent variables have significant positive relationship with customer satisfaction and trust.

Bonding is defined as the development of strong attachment between two parties acting in a unified manner towards a common goal (Chattananon & Trimetsoontorn, 2009). Customer satisfaction refers to pleasurable fulfilment derived after the evaluation of

perceived discrepancy between what is expected and what is actually received (Abubakar, Mokhtar & Abdullateef, 2013a; Oliver, 1999). In the context of HES, the concept of satisfaction encompasses total positive experience of a student with teaching, instructional facilities and staff-student relationship. Trust exists where one party has confidence in the reliability and credibility of an exchange partner. In the HES, student's trust in the university bothers on the personal experience of a student with the faculty members and supporting staff: Were lectures and tutorials held at appointed time? Were exams fair in conduct and evaluation? Have announcements of future events turn out to be reliable? The first hypothesis state that bonding has a significant positive relationship with customer satisfaction while the second hypothesis states that bonding has a significant positive relationship with trust. As expected, the findings of the current study provide empirical support for the first and second hypotheses.

Long lasting relationships between customers and service providers implies creating relational bonds. Hence, for a university to achieve customer satisfaction and trust, it would require the use of relationship bonding activities. The bonds that connect a student to a university or college could include student-faculty interaction, student active participation in campus activities, alumni and decision making. Thus, a university that creates and sustains these bonding activities enhances student positive experience, satisfaction and trust. The findings of the present study on the relationships between bonding, customer satisfaction and trust are corroborated by prior studies (e.g., Bowden, 2013; Hau & Ngo, 2012; Liang & Wang, 2008; Rodriguez & Wilson, 2002).

Communication is conceptualized as the ability of the service firm to provide the customer with timely and trustworthy information (Morgan & Hunt, 1994). The term

encompasses verbal and written communication such as notices, letters, emails, telephone, university portal and web site. Communication is one of the most critical factors university managers should focus on because effective communication between the customer and the company affect all aspects of relationship. For instance, through good communication, the university would be able to advertise its reputation and standards of academic excellence to both local and international prospective students (Ramachandran, 2010). Through efficient, interactive and credible communication, the university enhances student positive experience and confidence.

Third hypothesis predict a significant positive relationship between communication and customer satisfaction, while the fourth hypothesis predict a significant positive relationship between communication and trust. Expectedly, the results of this study provide empirical supports for the two hypotheses. The findings in the present study corroborate with prior studies on the association between communication and customer satisfaction (Ball *et al.*, 2004; Ndubisi & Wah, 2005) and trust (Doney *et al.*, 2007; Ndubisi *et al.*, 2007).

Hypothesis five states that personalization has a significant positive relationship with customer satisfaction, while hypothesis six states that personalization has a significant positive relationship with trust.

In this study, personalization is operationally defined as the customisation of certain aspects of the service or its delivery, treating each customer as a unique individual with a unique set of requirements, thereby creating unique fits between customers and services. In the context of HES, students' preferential needs could be catered for through

the lecturer-student interaction, academic library web personalized features, guidance and counselling services, sporting facilities and a host of others.

As expected, the current research provides empirical support for the significant positive relationship between personalization and customer satisfaction and trust. This empirical evidence corroborates the findings of some prior studies (i.e., Bettencourt & Gwinner, 1996; Nguyen *et al.*, 2014; Wierich & Zielke, 2014).

Arguably, personalization enhances customer loyalty through a variety of ways. First, well executed personalization as in the case of meeting the specific needs of students, being flexible in the services provided to students and in attending to individual students with special needs should obviously improve student's satisfaction, which is a primary antecedent of student loyalty. Services that fit the customer personal needs better should naturally be more satisfactory than one-size-fits-all. In addition, personalized services whether educational, banking or retail services may encourage the customer to believe that the service provider is benevolent towards him or her (Ball *et al.*, 2006), thereby increasing trust, which is a primary antecedent of customer loyalty. Scientific evidence in the context of higher education has shown that student expectations have strong effect on the manner in which students perceived their first year experience and that first year students in particular expect the university to personalize and customize university activities to meet their needs.

Supportive of the preceding arguments is social exchange theory (Blau, 1965; Nevin, 1995) which postulates that relational exchanges are characterised by high levels of joint planning, mutual adaptation and cooperation which are properties of bonding,



communication and personalization between exchange partners. The three relational dynamics, namely bonding, communication and personalization produce emotional satisfaction, confidence and reliability (Homans, 1958). Thus, a combination of rapport, familiarity and adaptive interpersonal communication between staff and students, good communication between students and the university reinforce student satisfaction and trust in the academic system. Having discussed the interrelationships between bonding, communication, personalization and customer satisfaction and trust, the influence of customer satisfaction on customer loyalty is subsequently, addressed.

### **6.3.2 Relationship between Customer Satisfaction and Customer Loyalty**

The second research question attempted to find out the nature of the relationship between customer satisfaction and customer loyalty. Consistent with this research question, the second objective of the study was to investigate the relationship between customer satisfaction and customer loyalty. Towards this direction, the seventh hypothesis, customer satisfaction has a significant positive relationship with customer loyalty, was formulated. Customer satisfaction has already been conceptualised. Meanwhile, customer loyalty is defined in this study as a deeply held commitment to a product or brand such that the customer wish to patronise and buy the product consistently in the future without recourse to factors that may cause switching behaviour such as situational factors and marketing activities (Abubakar, Mokhtar & Abdullateef, 2014; Oliver, 1999). In the context of HES, customer loyalty refers to student loyalty to the university which extend beyond the period in which a student is formally registered

as student to include social participation, alumni membership, and donation after graduation and word of mouth recommendation (Hennig-Thurau *et al.*, 2001).

As expected, the PLS path analysis in the present study provides empirical support for the significant positive effect of customer satisfaction on customer loyalty. Customer satisfaction reflects the gap between the expected and the actual service performance as perceived by the customer. Students' expectations are their desired wants from the university. In effect, students have expectations regarding what services universities should provide and how they should be provided through such outlets as excellent lecturer attributes and state-of-the-art teaching and research facilities (Ehigie & Taylor, 2009). If the student's expectations are met by the university performance or the university performance surpassed student's expectations, student positive experience and satisfaction are guaranteed. This positive experience and satisfaction through repeated positive reinforcement derives re-patronage and generate positive word-of-mouth.

From the empirical evidence contained in the present study, the role of student satisfaction in gaining student loyalty to the university is incontestable. The findings in this study of the relationship between customer satisfaction and customer loyalty have been supported by past studies (i.e., Nasset & Helgesen, 2009; Serenko, 2011). Supportive of the foregoing argument is social exchange theory (Bagozzi, 1975; Thibaut & Kelley, 1959) which suggests that satisfied customers are likely to reciprocate the favorable treatment they received from the organization by repeat purchase, positive WOM and good ambassadorship. In other words, customers shall be motivated to make concerted efforts on behalf of their relationship with the company as a result of positive experiences with the company (Zeithaml, Berry, and Parasuraman, 1996). Thus, as a university succeeds

in meeting a student's expectations by providing desired standards in teaching and research, a student reciprocates by staying on the programme to graduation and may return to the university in future studies or even engage in referral in favour of the university. In the next paragraphs, the association between trust and customer loyalty in the context of Nigerian university students is discussed.

### **6.3.3 The Relationship between Trust and Customer Loyalty**

The third research question sought to find out whether trust is related to customer loyalty in the context of Nigerian HES. In response to this research question, the third research objective was set to investigate the relationship between trust and customer loyalty. Towards this objective, the eighth research hypothesis, trust has a significant positive relationship with customer loyalty, was formulated. As cited earlier, trust is said to exist when one party has confidence in the integrity and reliability of an exchange partner. In the HES, trust is construed as student's trust in the integrity and reliability of the university based on the student's personal and subjective experiences with the academic and non-academic staff with which the student interacts, teaching facilities and general campus life.

As expected, the findings of the present study provide empirical support for the significant positive relationship between trust and customer loyalty. This finding concurs with some previous research evidence such as Rodriguez and Wilson (2002) and Kantsperger and Kunz (2010). However, the result of the present study contradicts the findings of some prior RM studies in the context of HES (e.g., Bowden, 2011; Hennig-Thurau *et al.*, 2001; Moore & Bowden-Everson, 2012) which found insignificant

relationship between trust and customer loyalty. The researcher argues that trust should be significant and positive to student loyalty in the Nigerian context given the widespread mistrust and lack of confidence in public institutions by Nigerian citizens. It is very common in Nigeria for university students to protest lecture and examination schedule or even petition examination outcomes due to low confidence in the system.

Reliability and integrity describes the nature of the relationship between students and university where the university honours its obligations, commitments and promises to the students and in so doing instill confidence in students which derives student's loyalty to the institution. Supportive of the foregoing argument is social exchange theory (Homans, 1958) which stresses the central role of trust in fostering long-term relationship. SET holds that in extending benefit to an exchange partner (such as repeat buying and word-of-mouth recommendation), one must be confident that the other party will reciprocate. Furthermore, the SLT (Bandura, 1977; 1978) suggests that individuals learn from the outcome of their behavior, so they are likely to increase the frequency of a behavior that resulted in positive outcomes. Hence, students who received confidence benefits while on their academic programmes tend to come back to the same university in future studies.

#### **6.3.4 Mediation Effects of Customer Satisfaction and Trust on the Relationship between Bonding, Communication, Personalization and Customer Loyalty**

In response to the forth research question, Do customer satisfaction and trust mediate the relationship between bonding, communication, personalization and customer loyalty, the forth research objective sought to assess the mediating effects of customer satisfaction

and trust on the link between bonding, communication, personalization and customer loyalty in the context of Nigerian HES. In pursuance of this research objective, six indirect hypotheses (H9-H14) were formulated for testing, namely (H9) customer satisfaction mediates the relationship between bonding and customer loyalty, (H10) customer satisfaction mediates the relationship between communication and customer loyalty, (H11) customer satisfaction mediates the relationship between personalization and customer loyalty, (H12) trust mediates the relationship between bonding and customer loyalty, (H13) trust mediates the relationship the relationship between communication and customer loyalty, and (H14) trust mediates the relationship between personalization and customer loyalty. All the three exogenous variables and the two endogenous variables have been conceptualised earlier.

For the purpose of emphasis, customer satisfaction refers to the feeling of contentment arising from actual service experience in relation to what is expected while trust means belief in the integrity, reliability and benevolence of a relational partner. Bonding is emotional attachment between two parties acting in a unified manner towards the common objective of lasting relationship. Communication is construed as the ability of the service organization to provide a valued business partner with timely and trustworthy information. Meanwhile, personalization connotes customization of certain aspects of the service product or its delivery to suit the unique requirements of the user. As expected, the current research provides empirical support for the mediating effect of customer satisfaction and trust on the relationship between bonding, communication, personalization and customer loyalty consistent with past studies such as Abratt and

Rusell (1999), Casielles *et al.* (2005), Palmatier *et al.* (2006), Halimi *et al.* (2011) and Coelho and Henseler (2012).

Understandably, recruitment and admission should be the foundation step for an on-going relationship strengthening process, but they are not sufficient to warrant retention. Rather, an understanding of the benefits that first year student's perceive from their relationship with the university shall assist university management in spotting and targeting appropriate relationship bonds which are consistent with the institution's relational aspirations. Social bonds refer to the benefits that students receive from the emotional aspects of their relationship with the institution, including personal recognition, rapport, familiarity and service-related social friendships which promote the positive experience that is essential for student retention and loyalty to the institution (Bowden, 2013; Wang *et al.*, 2006). Where relational bonds, and by implication student positive experience and satisfaction are strong enough, they translate into student retention, positive word-of-mouth and good ambassadorship (Hennig-thurau *et al.*, 2001). Put differently, customer satisfaction serves as mediating variable on the relationship between bonding and customer loyalty.

Second, the effect of bonding activities on customer loyalty also passes through trust, particularly for customers in an existing relationship (Morgan & Hunt, 1994). Trust between relational parties is viewed as the machinery through which cooperation and coordination are facilitated to achieve commitment and loyalty (Rodriguez & Wilson, 2002). Empirical evidence consistently suggests a mediating model of the impact of RM dynamics on organizational performance, with trust as a critical intervening variable (Palmatier *et al.*, 2006). Bonding improves the customer's perception of reliability and

integrity of the service provider and thus, motivates the customer to be loyal. In particular, trust mediates the link between structural bonds, social bonds and student loyalty to the university.

Structural bonds refer to the institutional arrangements and policies that create social and psychological ties that make it difficult for students to dropout and also empower students to take part in decision making process, while social bonds reflect ongoing interpersonal interaction and communication with students in the wider context of student engagement. The emotional aspect of relationship such as personal recognition of customers by employees and friendship ties between customers and service employees promote trust by instilling personal confidence in the service provider which translates into customer loyalty (Ackerman & Schibrowsky, 2007; Dagger & O' Brien, 2010).

Empirical evidence shows that the effect of communication on customer loyalty in RM is mediated by customer satisfaction and trust (Rizan *et al.*, 2014; Selnes, 1998). Communication reflects formal as well as informal sharing of meaningful, timely and trustworthy information between relational parties. As expected, the present study, using PLS path analysis, provides empirical support for the mediating role of customer satisfaction and trust on the relationship between communication and customer loyalty. The results concur with prior research findings such as Selnes (1998), Ball *et al.* (2006) and Halimi *et al.* (2011).

An efficient mechanism for building customer satisfaction and trust in relationship is the establishment of direct, interactive two-way communication between service provider

and service user. The current study provides empirical evidence of how communication between university and students is positively related to the trust generation, and in turn, how this leads to loyalty. An extensive communication between the consumer and service provider contributes to a large extent in giving the consumer a perception of having a unique status and closeness to the service provider; both perceptions are good indicators of positive experience and trust (Doney *et al.*, 2007). Thus, the existence of good communication with the customer leads to a more positive evaluation of the organisation relative to competitors.

In the context of HES, communication through interpersonal, interactive communication between students and faculty members, personalised letters, direct mail, web site interactions, other machine-mediated communication systems lead to positive experience and student' confidence in the competencies of the staff which translates into loyalty to the academic institution. Supportive of the foregoing argument is social exchange theory (Thibaut & Kelley, 1959) which suggests that customers that are satisfied or confident in the service provider are likely to reciprocate favorable treatment by providing feedback and information that are beneficial to the organization and shall be willing to extend the relationship as a result of positive experiences with a firm.

Services marketing literature suggests that the effect of personalization on customer loyalty is also not all direct but rather mediated by customer satisfaction and trust. Personalization refers to the customization of certain aspects of the service or the way in which the service is delivered to reflect the distinct needs and requirements of the user which is consistent with the basic tenets of RM (Berry, 1983). Expectedly, the results of the PLS path analysis in the present study provides empirical support for the mediating



role of customer satisfaction and trust on the hypothesized relationship between personalization and customer loyalty. The present findings are consistent with previous studies (e.g., Ball *et al.*, 2006; Halimi *et al.*, 2011; Shen & Ball, 2009).

As largely assumed, personalization affects customer loyalty through the mediating effect of customer satisfaction and trust even though empirical validation of these connections is scarce (Deb & Lemo-David, 2013). Logically, personalization should produce a more satisfactory transaction, and in the long run, a more satisfactory relationship because a personalized service should simply be a better offer than a routine service that does not fit the distinct individual needs.

Apart from customer satisfaction, trust equally mediates the link between personalization and customer loyalty. The component of trust that is relevant here is benevolence; that is the belief in the service provider not taking advantage of the relationship to enrich himself at the expense of the customer and will not give the customer what is convenient to him but rather what the customer desires. Trust is a critical mediating construct that explains customer loyalty better (Razin *et al.*, 2014). Applied to HES, the rationale is that the perception of benevolence (trust) arising from personalization activities such attending to students with peculiar needs gives a student the feeling that the institution customizes its services out of kindness and strong interest in his welfare which enhances student trust in the institution.

### **6.3.5 Moderating Role of Long Term Orientation on the Relationship between Customer Satisfaction and Customer Loyalty**

According to social learning theory (Bandura, 1977, 1978) two types of learning exist: reinforcement learning and vicarious learning. The former aspect of learning suggests that individuals learn from the outcome of their behaviour; and so, they are likely to increase (decrease) the frequency of a behavior that has produced positive ( negative) outcomes which is also referred to as experiential learning (Akers, Krohn, Lanza-Kaduce & Rodosevich, 1979). The later aspect of learning proposes that individuals can participate in vicarious learning by observing and imitating others before engaging in a particular behavior because doing so enables them to avoid unnecessary and costly mistakes (Bandura 1978; Lam, Kraus & Ahearne, 2010). Social cognitive learning theory stresses the idea that much of human learning takes place in a social environment and that by observing models people acquire beliefs, attitudes and knowledge of rules (Akers *et al.*, 1979; Bandura, 1977).

Further, individuals learn about the importance, appropriateness and implications of particular behaviors by observing people they consider as models. The theory further explains that the individuals making observation of their models then act in accordance with their beliefs concerning the expected consequences of their actions (Lam *et al.*, 2010).

The vicarious aspect of learning is consistent with collectivist societies such as China, Korea and Japan that transmit Confucian values to the young generations through modelling (Bearden *et al.*, 2006; Hofstede, 1983; Hwang *et al.*, 2013). Thus, individual

customers who possess long-term orientation are products of a social environment that believes in and value planning, savings, respect for tradition and perseverance in the face of difficulty (Pack *et al.*, 2013) in the expectation that such orientation will pay back both economically and otherwise (Hwang *et al.*, 2013; Hofstede, 1980). This group of individuals are prone to relationship marketing as they would look for evidence (what SLT refers to as reinforcement) in support of going back to a particular service provider consistently in the future (Hassan *et al.*, 2011; Kueh & Voon, 2007).

Against the above background, the sixth and final research question bothers on whether LTO moderates the relationship between customer satisfaction, trust and customer loyalty. In response to this research question, the final research objective sought to explore the moderating role of LTO on the association between customer satisfaction, trust and customer loyalty in the Nigerian HES. In pursuance of this research objective, two hypotheses were formulated for testing, namely (H15) LTO moderate the relationship between customer satisfaction and customer loyalty and (H16) LTO moderate the relationship between trust and customer loyalty.

As expected, the PLS path analysis in the present study provides empirical support for the hypothesized significant positive moderating effect of LTO on the association between customer satisfaction and customer loyalty. This finding is not surprising because it is consistent with the SLT recapitulated above. Bearden *et al.* (2006) defined LTO as the cultural value of looking at time comprehensively, valuing both the past and the future, rather than considering actions important only for their effects in the here and now or the short term. Hence, individuals and organizations scoring higher in LTO value planning, hard work for future reward, tradition and perseverance.

Presumably, individual customers with LTO shall prefer stable and long lasting social relationships cognizance of the future social and economic reward as against individual customers who possess short term orientation (Abubakar, Mokhtar & Abdullateef, 2014). This choice is reflected in the inclination for long lasting relationships, established group norms and ongoing communication (Bearden *et al.*, 2006). LTO's emphasis on relationship stability which is predicated on politeness explains the motivational underpinnings of its contingent role on the relationship between customer satisfaction, trust, and customer loyalty in the context of university students.

Students high in LTO should have more propensities for staying on their academic programs to completion, accepting tuition increases and word-of-mouth recommendation as compared to students who are low in LTO that may resist upward review of tuition fee and may even involve in negative word-of-mouth campaign. Further, the social exchange theory also support the idea that relational exchanges reflect social behavior that could bring about material and non-material benefits, and that individuals join new and maintain existing partnerships in anticipation of reward (Homan, 1958; Thibaut & Kelley, 1959). Students with LTO are disposed to planning, perseverance and respect for norms in the strong belief that such an attitude will pay them back in the future, both as undergraduates and graduates.

Contrary to the initial presumption, hypothesis 16 which states that LTO moderate the relationship between trust and customer loyalty was not supported by the results of the PLS path analysis in this study. This result is not completely unexpected considering the fact that the path between trust and customer loyalty, even though significant, had lower beta and t-values ( $\beta = 0.273$ ,  $t = 4.932$ ) as compared to the path between customer

satisfaction and customer loyalty ( $\beta = 0.402$ ,  $t = 7.841$ ). A plausible explanation for the insignificant moderation effect relates to the characteristics of the sample used in the present study, that is university students which is homogeneous. The sample is homogenous in the sense that all the respondents are formally students, eventhough, the sample is hetrogenous given that the respondents are from various ethnic, religious and social backgrounds. Perhaps using a more heterogeneous sample, applying the same methodology, may change the result.

Heterogeneity of sample in the context of this study may be enhanced by involving former university students consistent with our conceptualization of student loyalty which transcends beyond the period when students are formally registered as students by the university. Negative result may also be considered as a contribution if the assertion by Berteau and Zait (2013) that failure to confirm a hypothesis is as important to science as knowing what is confirmed is anything to go by. In other words, revealing what is false is as important to science as revealing what is true. From the findings of this study, there are several important implications for theory development, HES management and research methodology which are discussed in the subsequent sections.

#### **6.3.6 Theoretical implications**

The conceptual framework of the current study was derived from past empirical evidences and theoretical gaps identified in the literature review. The framework was supported and explained from two main theoretical underpinnings, namely the social exchange theory (Blau, 1960, 1964; Bagozzi, 1975; Dwey *et al.*, 1987; Emerson, 1962;

Homans, 1958; Lambe *et al.*, 2001; Thibaut & Kelley, 1959) and the social learning theory (Ackers *et al.*, 1979; Bandura, 1977, 1978).

The present study bears a theoretical contribution through additional empirical evidence in the domain of social exchange theory. Rather than focusing on the relationship between customer loyalty and fragmented relational constructs such as effect of trust and trusting behavior on customer loyalty, the current study extended SET by investigating a broad range of fundamental RM dynamics. Similarly, instead of validating the research framework in popular contexts such as banking, retail business, hospitality, manufacturing, or restaurants, the study extend SET's application by empirically testing the model in the context of HE - a pivotal industry that has received scant research attention by RM researchers.

Prior empirical studies have not paid the desired attention to the validation of the construct of personalization perhaps due to the conceptual ambiguity associated with personalization (Ball *et al.*, 2006; Vasenen, 2007) and the difficulty in its practical implementation by service providers (Huang & Lin, 2005; Shen & Ball, 2009). Consequently, Coelho and Henseler (2012) and Deb and Lemo-David (2013) observed that sufficient measurement and estimation of personalization is lacking in the literature and thus, recommended that future studies should fill the gap. By incorporating the variable of personalization in its framework, the current study has made an important contribution to theory in respect to the antecedents of customer loyalty.

A major theoretical contribution to services marketing and RM literature by the present study is that it shed light onto the role of time orientation as reflected in the empirical

evidence of the moderating effect of long term orientation on the association between customer satisfaction and customer loyalty among Nigerian university students. While most of the past studies in the RM domain (e.g., Amin, 2012; Ball *et al.*, 2006; Bowden, 2011; Coelho & Henseler, 2012; Doney *et al.*, 2007; Ehiobucher & Khan, 2012; Halimi *et al.*, 2011; Kantsperger & Kunz, 2010; Narteh *et al.*, 2013; Ndubisi *et al.*, 2007) have mainly focused on the examination of the direct linkages between RM dynamics and customer loyalty, the current study has incorporated basic intervening and moderating mechanisms.

The incorporation of LTO into the present research framework is on account of three major reasons. Firstly, empirical evidence on the relationship between RM dynamics and customer loyalty as well as the direction of the relationships is contradictory, suggesting the need to introduce a moderator variable. Secondly, extant literature has shown that cultural variables have immense influence on customer perception and behavioural loyalty (Hofstede, 1991; Kueh & Voon, 2007; Mazhari *et al.*, 2012; Palmatier *et al.*, 2009; Patterson *et al.*, 2006). Further, the meaning and efficacy of RM dynamics are contingent on cultural and social environment (Palmer as cited in Narteh *et al.*, 2013). Thirdly, literature has shown that individual customers with LTO are predisposed to long term business relationship and respect for tradition. In other words, Individual customers who possess LTO are inclined to future planning, perseverance and respect for norms and therefore able to make sacrifice for the future as against individual customers who possess short term orientation, that are concerned with immediate reward (Hassan *et al.*, 2011; Hwang *et al.*, 2013). Against this background, LTO was presumed to moderate the relationship between customer satisfaction, trust and customer loyalty.

The empirical evidence of the moderating role of LTO in the current study shows that apart from RM dynamics, LTO at the level of individual students positively influence students' loyalty to university. Taken together, the current study provides additional evidence in the body of knowledge of services marketing in general and the RM literature in particular and the outcome of this study could be a foundation for future research on RM dynamics, LTO and customer loyalty in the context of higher education sector and beyond.

#### **6.3.7 Practical Implications**

From the findings of this research, several practical implications in respect of RM dynamics in the context of HES abound. Firstly, the results infer that to secure students' satisfaction with the university services, university management should institute appropriate bonds between students and the university. This is because from the findings of this study any organization that wish to retain its customers must get closer to them and this is true for a university campus as it is for a restaurant or a bank. To achieve this, the university management, through the academic and supporting staff, should as a matter of policy initiative know who their students are, what they want and what their expectations are by spending some time with them outside traditional functions. First year students in particular expect a lot of support and assistance from faculty members. The rationale is that RM is built on the tenets of learning anything relevant about the customer and then using that information to serve the customer better.

The findings of this study vividly implies that to achieve student satisfaction and trust which are prerequisites to student loyalty, the university focus on bonding as a strategy



for strengthening ties with students should include interpersonal communication with students, rapport, alumni activities and students participation in decision making roles. Taken together, the university management should invest in service development initiatives that target the development of bonds. Specifically, university management should enhance student-university ties through the development of social bonds based on familiarity, competence, rapport, care and confidence.

The findings of the present study equally implies that to ensure students satisfaction and trust, university management should institutionalize good communication at all levels. Good communication implies that only relevant, credible and timely information is passed on to students. Of particular interest is the interpersonal communication between students and staff which give perception of competence and reliability that are critical in building sustainable relationship. Further, the empirical evidence of the significant positive relationship between communication and satisfaction and trust implies that through persuasive communication, the university can promote its image and reputation of academic excellence to current and prospective students, both local and international, using information technology. Effective use of the university portal system for information dissemination and social integration should receive the desired attention of the management.

Moreover, the findings of the present study suggest a significant positive relationship between personalization, customer satisfaction and trust which in turn predict customer loyalty. Put differently, customization of certain aspects of the university services enhances students' satisfaction, trust and finally loyalty to the institution. A practical implication of this result is to be reflected in the manner Nigerian universities identify

the unique needs of certain groups of students, like the physically challenged students and then offer them specialized services. Flexibility in serving students could entail Nigerian universities coming up with part time programs and professional certificate courses that suits students who run in-service studies.

Meanwhile, the findings of this study suggest that customer satisfaction and trust have significant positive relationship with customer loyalty in the context of higher education. Satisfaction measures the extent to which students' expectations are confirmed, exceeded or disconfirmed by the university services. Hence, it's imperative for the university and other HEIs to ensure that they have a comprehensive understanding of students' expectations prior to enrolling at the institution. Understandably, students' expectations shift remarkably as students progress through their academic programs and as they acquire more experience. The realization of students' expectations at the institutional, personal and social levels would tremendously assist the university management in the process of value creation. The significant positive relationship between student trust and student loyalty as revealed by the current study implies that university management, particularly in Nigeria, should as a matter of policy, endeavour to instil confidence and trust in their students through quality assurance and reliability and integrity of staff. This can be attained through excellent teacher and supporting staff attributes as well as state-of-the-art teaching and research facilities.

A compelling finding of the present study is the significant positive moderating role of LTO on the relationship between customer satisfaction and customer loyalty which has important managerial implications.

The increasing globalisation of higher education services market with foreign students now crossing international boundaries coupled with the embedded nature of individual student LTO presents a compelling reason for understanding the cultural context of students' behaviour. Findings of the present study already demonstrate that students' loyalty to the university is significantly and positively affected by the interaction of students' satisfaction and LTO. In other words, a student's expectations, perceptions, and desire for long term relationship depends on his or her time orientation. Prior scientific evidence has shown that LTO has massive impact on ethical conduct, moral virtues, (Bearden *et al.*, 2006; Nevins, Bearden & Money, 2007) and interdependence among relational partners (Ganesan, 1994).

Hence, managers responsible for the recruitment of international students should be wary and expect different reactions from actual and prospective students of different cultural backgrounds. University students are not likely to respond uniformly to university adverts, appeals and incentives. While acknowledging the fact that it will be difficult for university management to discern the differences in individual student's time orientation, it is managerially safer to provide both short term and long term incentives to students in the quest for students' retention and loyalty, corresponding to individual students with LTO and individual students with short term orientation, respectively. But, given the sophisticated CRM system available nowadays, and the instant access to student profile on line, a university that invests high in information technology should be able to capture students' LTO through students' satisfaction survey, for instance. With this type of information available, the university management

may conveniently segment students along desirable lines, anticipate students' expectations and handle students' complaints more effectively.

#### **6.3.8 Methodological Implications**

Apart from the foregoing managerial implications, the present study also bears a methodological contribution from different perspectives. Firstly, the measurement scales used in the study were adapted from different sources, mostly outside the context of the current study. Of particular reference here are the measurement scales for bonding, communication, personalization and LTO which to the sincere knowledge of the researcher, were not previously validated in the HES. Hence, the need to purify and cross-validate these measurement scales to re-establish their validity and reliability. Therefore, the current study contributes methodologically by empirically validating the adapted measures in the context of Nigern HES.

Another contribution from the methodology perspective is related to the employment of PLS path modelling to determine the psychometric properties of the latent variables used in the present study. To this end, latent constructs' composite reliability, Cronbach's Alpha reliability, convergent validity and discriminant validity were all computed and found to be above the suggested minimum thresholds. Convergent validity was assessed by examining the AVE value for each latent construct, while discriminant validity was determined by comparing the correlations among latent constructs with the square roots of AVE. Cross-loadings matrix results were assessed to find support for discriminant validity of the the conceptual framework. Therefore, this study has managed to apply one of the robust approaches (PLS path modelling) to examine the psychometric

properties of latent constructs as described in the research model and test the predictive power of the tool in a study that explores the relationships between RM dynamics and customer loyalty in a scantily validated context.

### **6.3.9 Limitations and Future Research Directions**

Notwithstanding the many insightful findings of the present study, the results need to be interpreted with consideration to a number of limitations. Firstly, the study adopted a cross-sectional survey instead of using a longitudinal approach of data collection which will cover a long period of time given the fact that the variables investigated in the present study, such as customer satisfaction, trust, and customer loyalty, change over time in most cases. A change in management policy, administration or economic condition could have an impact on the variables. The choice of a cross-sectional research design in this study was born out of the need to complete the study within the three years study leave granted the researcher and as such a longer period of data collection was not feasible. Future longitudinal research may explore the likely shift in students' relationship outcome over time. For example, students' satisfaction may be measured each session students progress in their studies to see whether any variations could be found. A worthwhile future research direction may be to look at the non-academic factors that influence student satisfaction such as hostel accommodation, sport facilities, cafeteria services and the like.

In view of the above, it is suggested that future studies may employ a longitudinal design to assess the link between RM dynamics and customer loyalty. Specifically future

studies may adopt qualitative interview approach to examine causality and minimise common method variance as recommended by Schwab (2005).

Secondly, data for this study was collected only from the Nigerian universities to the exclusion of other HEIs like polytechnics, mono-technics and colleges of education which are constituent parts of the Nigerian HES. Therefore, the results of the current study may not be generalised to the entire sector. To this end, future studies may wish to collect data across the entire spectrum of the HES and compare their results with the present findings. A meaningful future research direction could be an attempt to compare results from the different components of the HES to see whether variations could exist.

Thirdly, the research framework presented in this study is inadequate in scope to investigate all factors that could predict customer loyalty in the context of Nigerian HES. The variances of 43 per cent, 49 per cent and 46 per cent for customer satisfaction, trust and loyalty respectively explained by RM dynamics through the moderating effect of LTO are statistical evidences that other variables also account for customer loyalty as expected. However, the coefficients of determination obtained are statistically adequate and acceptable (Cohen, 1988; Falk & Miller, 1992). Prior studies that have recorded similar coefficients of determination in related context include Selnes (1998), Caceres and Paparoidamis (2007), Ehigie and Taylor (2009), and Coelho & Henseler (2012).

Thus, the present study has empirically demonstrated the predictive validity of its model. However, future studies may come in to improve the variances recorded in this study. Future studies may also consider different conditions under which RM dynamics are more or less effective. For instance, the role of such less common RM dynamics like

reciprocity, conflict handling and competence in HES may be investigated by future research. Fourthly, many of the scales used in the current study were adapted from prior studies conducted in contexts other than higher education. Thus, future studies in the context of HES are needed to revalidate these measurement scales.

Fifthly, future studies should use a more heterogeneous sample that involves former university students to see whether the result may change. A worthwhile future research direction is to explore the moderating role of other cultural value orientations like uncertainty avoidance or individualism/collectivism on the link between customer satisfaction, trust and customer loyalty in HES or other industries to enhance the generalizability of the current findings.

#### **6.4 Conclusion**

The present study demonstrates that it will be in the best interest of universities in particular, and HEIs as a whole, to apply an RM approach in the delivery of their educational services in view of the student loyalty challenges facing the sector. Through specific bonding programs, good, relevant and timely communication with students and personalization of selected university services, management would be able to secure student satisfaction and trust in the academic system which in turn promotes student loyalty even after graduation. To this end, managers of HEIs would benefit tremendously from insights regarding drivers of student loyalty through enhancement of value for student, in addition to improving the institutions' financial performance. In effect, a customer loyalty model for the HES was developed and tested in the current study.

Taken together, results of the present study lend empirical support to the main theoretical presumptions. Specifically, the current research has succeeded in answering all the research questions and objectives, in spite of its limitations. While several studies abound on the link between RM dynamics and customer loyalty, the present study, however addresses theoretical gaps by testing the relative impact of personalization, incorporating the significant moderating role of LTO and expanding the theoretical horizons of social exchange theory and social learning theory. The study has succeeded in evaluating the moderating role of LTO on the relationship between customer satisfaction and customer loyalty in the scarcely validated context of HES.

Apart from theoretical contributions, the findings of this study provide important managerial implications, particularly for HES. In response to the limitations of this study, several suggestions for future research were made with a view to filling the gaps in the present research. In conclusion, the present study has provided valuable theoretical, practical and methodological contributions to the expanding body of knowledge in the domain of services marketing in general and RM dynamics in particular.



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