Relationship Value and Relationship Quality: An Exploration of Its Antecedents on Customer Loyalty

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Abstract

The aim of this study is to examine relationship value and relationship quality, and its effect on customer loyalty in the context of relationship marketing. Four key relationship value variables of economic value, service value, relational value and social value are examined in this study. The study focuses on the Malaysian telecommunication industry and based on the business-to-customer environment. The structural equation modelling technique is used to empirically test the proposed hypotheses using a sample of 350 customers collected by a questionnaire survey. The results showed that three relationship value variables of economic value, service value, and social value have significantly influenced relationship quality. Customer loyalty is significantly affected by relationship quality. There is no significant effect of relational value and relationship quality. The contribution of this paper is twofold. From a theoretical perspective, the social exchange theory is used to explain and conceptualize relationship marketing paradigms. It offers both a conceptual foundation and empirical-based evaluation of customer loyalty through the context of relationship value and relationship quality. The relationship value dimensions of economic value, service value, and social value is the antecedent to relationship quality, which lead to customer loyalty. In the practical perspective, the findings proposed that the telecommunication service providers should focus on relationship value through providing better value for money packages, innovation of services and improve social interaction with customers to build stronger relationship quality and achieve customer loyalty.

Keywords: relationship value, relationship quality, customer loyalty, relationship marketing

1. Introduction

Over the last few decades, relationship marketing has emerged in response to the challenging and competitive contemporary business environment. The focus of relationship marketing is to build, maintain, and expand customer relationships and to preserve corporate profit levels (Grönroos, 2017a). Relationship marketing is widely practice across many business-to-consumer contexts and it has contributed to diverse organisational benefits in the aspects of greater profitability (San Martin, Jimenez & Lopez-Catalan, 2016), customer loyalty (Evans & Laskin, 2008; Marzo-Navarro, Pedraja-Iglesias & Rivera-Torres, 2004), and competitive advantage (Catalina, 2013). Researchers have coined the term “relationship value” and “relationship quality” to explain the effectiveness of relationship marketing in the context of business-to-customer relationships. According to Ravald and Grönroos (1996), relationship value is an important constituent of relationship marketing. Relationship value is an antecedent to relationship quality and consumer behavioural outcomes in relationship marketing (Ulaga & Eggert, 2006). Furthermore, relationship quality is the antecedent of customer loyalty and successful relationship marketing (Prince, Pallihawanada, Davies, Winsor, 2016; Jin, Line & Goh, 2013).

The telecommunication industry is one of the fastest growing industries in Malaysia. Malaysia Communications and Multimedia Commission (MCMC, 2016) reported that the total cellular telephone subscribers in Malaysia have reached 43.9 million at the end third quarter of 2016. The strong consumer base in the telecommunication industry has resulted in the increasing focus to build effective relationship marketing by the service providers to achieve customer loyalty. However, competition between the key telecommunication service providers, such as Telekom Malaysia, Maxis, DiGi, Celcom, and U Mobile, has been intensively strong in the recent years. In the first quarter of 2017, Maxis, DiGi and Celcom faced the situation of declining number of subscribers, and this has resulted in their revenue contraction. The ongoing price wars between the service providers to defend their respective market share have suppressed margins (The Star, 2017). The intense price wars between the service providers have caused consumers to opt for better value packages at a lower price, as well as other value benefits. With that, the effectiveness of the telecommunication service providers to achieve customer loyalty is highly questionable.

Past studies have found that relationship value leads to higher customer commitment and loyalty (Geiger, Durand, Saah Kleinaltenkamp, 2012; Sun Pan, Wu & Kuo, 2014). Furthermore, many scholars also found that customer loyalty
is highly influenced by relationship quality perceived by the consumers (Bojei and Alwie, 2016; Jin et al., 2013; Huang, 2001). However, there is a paucity of literature addressing relationship value and frameworks depicting value constructs (Rootman, Tait & Sharp, 2011), and relationship value antecedents on relationship quality and consumer behavioral outcomes (Uлага & Eggert, 2004).

The primary objectives of this exploratory study are: 1) to investigate the effect of economic value, service value, relational value and social value on relationship quality and 2) to analyse the influence of relationship quality on customer loyalty. The findings of this research will contribute to managerial and theoretical implications. In the aspect of managerial implications, the research findings will provide valuable information to the telecommunication service providers in developing more effective relationship marketing strategies to build better relationship value, relationship quality and customer loyalty. In the theoretical perspective, the social exchange theory (SET) is used to explain and conceptualise relationship marketing paradigms. It will draw the interrelationships between relationship value, relationship quality and customer loyalty.

2. Literature Review and Hypotheses Development

2.1 Social Exchange Theory (SET)

SET has been used extensively by scholars to analyse the business-to-customer relational exchange. SET is developed to understand the social behavior of humans in economic situations (Homans, 1958). SET investigates the processes of establishing and maintaining reciprocity in social relations, or the mutual gratifications between the parties (Lee, Mohamad and Ramayah, 2010). Individuals evaluate their reward to cost ratio when deciding whether or not to maintain a relationship (Helm, Rolfes and Günter, 2006). Individuals direct their reciprocation efforts toward the source from which benefits are received. The more valuable a response a person receives, the more likely that person will respond with an activity which will further elicit that rewarding activity (Homans, 1961). Relationships between the parties are prolonged as long as they are satisfied with the evaluation of transaction costs and benefits from the exchange. The relationship between firm and customers is a reciprocal process. Hence, in this study SET is applied to investigate consumers’ evaluation on their benefits to costs represented by relationship value and relationship quality, and their decision to stay loyal with the service providers.

2.2 Relationship Value

Relationship value referring to consumer perceived value on a relationship with a business entity based on cumulative worth of all the tangible and intangible benefits that they derive from it (Hogan, 2001). Wilson and Jantrania (1996) conceptualise three dimensions of relationship value – economic, strategic and behavioural (psychological). Uлага and Eggert (2005) proposes five key dimensions of relationship value – product benefits, service benefits, know-how benefits, time-to time-to-market benefits and social benefits. Uлага and Eggert (2006) further describes it as, firstly that the relationship value involves perception where different customers has different values to seek in the same product and secondly, involve judgements between what the products offerings as oppose to the benefits they obtained from the usage. Anderson, Thomson and Wynstra (2000) uses four benefit dimensions of relationship value – economic benefits, technical benefits, service benefits and social benefits. Lapiere (2000) clusters relationship value or benefit into product-related, service-related and relational-related. Ravald and Grönroos (1996) examined the relationship value in two fold, episode benefits and relationship benefits. Despite complex propositions of past researches on real meaning of value including associated costs and benefits within relationship value (Uлага and Eggert, 2006; Morgan and Hunt, 1994; Terpend, Tyler, Krause and Handfield (2008); Anderson and Naran (1990), it can be implied rather that it is a competing factor (while applying the SET), which many industries relying upon to establish a competitive advantage over their customers.

After reviewing the past literature, this study focuses on economic value, service value, relational value and social value as the key dimensions of relationship value. Hence, this study aim to bridge the research gaps by investigating these four main dimensions of relationship value which were not adequately covered by the past literature, and its relationship with relationship quality and customer loyalty in the context of Malaysian telecommunication industry.

Substantial research has been found on the relationship between relationship quality and customer loyalty; suggests that relationship value has significant contributions towards customer loyalty in various industry environment. Badenhorst-Weiss and Tolmay (2016) affirms in their study on the role of relationship value (Tolmay and Venter, 2017) along with the trust, one of the dimension in research quality as identified by Myhal, Kang and Murphy (2008) in South African automotive industry that both are paramount important in retaining the suppliers by customers and eventually strengthen the supply chain and business relationships in growing competitions globally. This valuable relationship is essential in elimination of non-value added activities and further promote value benefits such as improved financial returns, rectification of operational inefficiencies and notably effective business communication (Naude, Ambe, and Kling, 2013) than unpredictable costs (Sun et al., 2014). Relationship value is hence establishes long-term relationships (Yaqub and Hussain, 2013; Chopra and Meindl, 2013) with customers in return it increases the organisational performance. Uлага and Eggert (2006) examined United States (US) manufacturing companies and the findings suggest that relationship value is an antecedent to relationship quality. In a study conducted in Taiwan’s telecommunications services industry, the relationship value has significant mediating role between brand equity (brand and company images) – relational quality and customer loyalty (Chen and Myagmarsuren, 2011). Therefore, the
literature suggests the current research to investigate the role of relationship value towards the customer loyalty within
the telecommunication industry settings in Malaysia.

2.3 Relationship Quality

Relationship quality is a consumer’s evaluation of the strength of his or her relationship with the service provider
(Crosby, Evans and Cowles, 1990). Relationship quality is far more advanced than service quality as a key source of
superior organisational performance and competitive advantage. The focus of relationship quality is long-term
customer relationships rather than short-term basis transactions.

Researchers have provided multi-dimensions on the concept of relationship quality. Hon and Grunig (1999) proposed
the six dimensions of trust, control mutuality, satisfaction, commitment, exchange relationships, and communal
relationships. Hennig-Thurau, Gwinner and Gremler (2002), Ulaga and Eggert (2006) and Caceres and Paparoidamis
(2007) conceptualises relationship quality as trust, commitment, and satisfaction. Furthermore, Myhal et al. (2008)
assert that relationship quality comprises six dimensions of trust, commitment, satisfaction, minimal opportunism,
conflict, and communication.

Many studies have suggested the connotation of relationship quality based on trust, satisfaction and commitment (Hon
and Grunig, 1999; Caceres and Paparoidamis, 2007; Myhal et al., 2008). This study focuses on trust, satisfaction and
commitment as the basis of formation of the measurement items for relationship quality. The synthesis of these three
dimensions in relationship quality assists us in analysing the capabilities of telecommunication services to achieve
effective customer relationship and loyalty.

2.4 Economic Value

Economic value refers to measurable monetary costs and benefits. The importance to connect value based on
benefits-costs evaluation by focusing more on the influencing factors which lead to the consequences of relationships
rather than simply to transaction exchanged between firm and customers. Many authors have concluded that
customer’s economic value involves a trade-off between benefits and costs (Rintamäki, Kausela, and Mitronen, 2007;
Ruiz, Gremler, Washburn, and Carrión, 2008; Ulaga and Chacour, 2001). However, a few authors have provided different
dimensions of economic value as they believed it is beyond the evaluation of costs and benefits. According to
Holbrook (1999), economic value is a bi-dimensional construct composed of two dimensions – efficiency and quality.
Efficiency is closely related to the trade-off of benefits and costs perspective. Efficiency is determined through
comparison of what is obtained in an exchange relationship (i.e., products, services, knowledge, and other benefits)
with what is given for the purchase (i.e., money, time, effort, and other costs). Quality dimension refers to reactive
appreciation of the potential ability of an object or experience to accomplish a goal or to perform a function (Holbrook,
and concurrent engineering.

Ho, Moon, Kim and Yoon (2012) conducted a study on customer perceived value on luxury brands, and they
concluded that customers who perceive high symbolic, economic and functional values of the products are more
likely to develop a positive relationship with the brands. This implies that better relationship quality strength is
build when economic value is strong. Barry and Doney (2011) found that relationship quality is impacted by
perceived economic value in the global industrial services context. The positive relationship between economic value
and relationship quality is achieved through value generated from transactional benefits and costs, and they further
suggested for superior deals at the buyer-seller transaction level to improve relationship quality (Barry and Doney,
2011).

In contrast, Ngelambong, Nor, Omar and Kibal (2016) investigated the interrelationship between relationship value
and relationship satisfaction in hospitality brand social networking sites, and they have encountered that economic
benefits had no significant effect on relationship satisfaction. Relationship satisfaction is an important components of
relationship quality as it represent the strength of relationship between seller and buyer (Kim, Lee and Yoo, 2006). As a
result, the following hypothesis is developed:

H1: Economic value has a positive effect on relationship quality.

2.5 Service Value

Zeithaml (1988) conceptualise service value as consumers weigh their perceptions of service quality against the
necessary sacrifices made to acquire the service. The constructs of service quality and sacrifice was further tested by
other scholars, to indicate its relationship with service value. A cross-sectional investigation on the conceptualisation of
service value was conducted by Cronin, Brady, Brand, Hightower and Shemwell (1997), they claimed that service
quality and sacrifice constructs are linked to service value in consumer’s purchase intention. The investigation on
service value construct is quite apparent in the service industries (Brady and Robertson, 1999). Lapierre (2000)
proposed four dimensions of service value – responsiveness, flexibility, reliability, and technical competence. Lapierre
(2000) clusters service value into responsiveness, flexibility, reliability, and technical competence. Ponnam and Paul
(2016) conducted a study on the Indian retail banking industry, and derived six dimensions for service value. The
dimensions are customer intimacy, product leadership, service equity, perceived sacrifice, service quality, and
operational excellence.
Lee (2016) found the interrelationship between relationship quality and service value. Kim and Han (2010) conducted a consumer behavioral study in the medical service industry at South Korea, and found that service value had a significant and positive relationship with relationship quality. Kim and Han (2010) further proposed that differentiation strategies and improvement in service reliability contributed to better relationship quality between the service providers and customers. This leads to the second research hypothesis.

H2: Service value has a positive effect on relationship quality.

2.6 Relational Value

Relational value refers to an outcome from a collaborative relationship that enhances the competitive abilities of partners (Lapierre, 2000). Relational value emerged through customers' assessment of the benefits and effectiveness of the relationships (Ulaga, 2003). Scholars have provided different perspectives on relational value construct and they classified it as intimacy (Kim and Trail, 2011), image (Lapierre, 2000), reputation (Hansen, Samuelsen and Silseth, 2008), conflict (Rusbult, Farrell, Rogers and Mainous, 1988, Lapierre, 2000), solidarity (Heide and John, 1992; Lapierre, 2000), interdependence (Dash, Bruning and Guin, 2006), length or duration of relationship (Roslin and Melewar, 2004) and trust (Lapierre, 2000).

Past studies have explored the dimensions of relational value and even tested on relationship quality construct and also linked to consumer behavioral outcomes. Hansen et al. (2008) stated that reputation is an important aspect of value and enhances relationship value. Substantially customer remains loyal to a firm with good reputation (Nyugen, Leclerc and LeBlanc, 2013). In the context of business-to-customer relationship, the nature of conflict is unavoidable in any relational exchanges (Anderson and Narus, 1990). Ndubisi and Wah (2005) affirm that conflicts played an important role in building consumer trust and relationship quality. Relationship value is built upon interdependence in relational exchange and it has a causal link to the achievement of relationship quality (Dash et al., 2006). A service provider that has achieved a level of customer intimacy with a specific customer segment, the value sharing will evolve the relationship to longer term partnership. In a study conducted in Thailand’s housing estate industry, relational value has a significant relationship with customer satisfaction (a dimension of relationship quality), and customer loyalty (Sunthorncheewin, Panichpathom, Ngarmyarn and Ratanaprichavej, 2013). Sunthorncheewin et al. (2013) reported that relational value is the most important factor influencing customer satisfaction, compared to other values such as functional, social and emotional. Strong relational values in the aspect of customer intimacy, reputation of the real estate developers and trust are important in consumer decision making when purchasing real estate property. The following hypothesis is formed:

H3: Relational value has a positive effect on relationship quality.

2.7 Social Value

Social value is determined by the utility perceived through customer identification with reference groups (Sheth, Newman and Gross, 1991). Social value is related to affective value and an element that manage customer relationship value in service context (Gale, 1994). Wilson and Jantrania (1996) assert that social value is a component of behavioural dimension which includes social bonding, trust and culture. Sherrouse, Clement and Semmens (2011) and Brown (2013) conceptualise social value based on non-monetary related values such as spiritual, aesthetic and subsistence.

In a study conducted in Spain’s retail banking industry, social value has no significant relationship with customer satisfaction (Roig, Guillén, Coll, and Saumell, 2013). Customer satisfaction is a dimension of relationship quality (Myhal et al., 2008; Caceres and Paparoidamis, 2007). However, Roig et al. (2013) reported that social value had a direct positive significant relationship with customer loyalty. Therefore, maintaining a good social reputation by the service provider is important to create and enhance customer’s social value.

Prestige brands are related to customer perceived high social value (Ho et al., 2012). Chen and Myagmarsuren (2011) assert that customer prioritised on the telecommunication service providers’ brand and company images when engaging them. They found that brand and company images significantly influenced relationship quality, and also existed interrelationship between relationship quality and relationship value. Therefore, in the context of telecommunication services, customer relates brand and company images with the excellent service by the providers. Although Sunthorncheewin et al. (2013) found exist significant relationship between social value and customer satisfaction (a dimension of relationship quality), but the correlation strength is weak. Choo, Moon, Kim and Yoon (2012) investigated customer value in luxury brands in South Korea, and they concluded that high symbolic, social and economic values of luxury brands contributed to positive relationship quality between consumers and suppliers. Considering all the above explanations, the following hypothesis is developed:

H4: Social value has a positive effect on relationship quality.

2.8 Customer Loyalty

Customer loyalty is defined as “a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brandset purchasing, despite situational influences and marketing efforts have the potential to cause switching behaviour” (Oliver, 1999). Henning-Thurau et al. (2002) assert that customer loyalty is the “primary goal” of relationship marketing. Bojei and Alwie (2010) reported
that relationship quality positively influenced the customer loyalty was mainly due strong commitment given by the service provider to the customers. Ruswanti and Lectari (2016) also indicated significant positive relationship between relationship quality and customer loyalty. The service providers have delivered good services which met customer’s expectation and goal, and satisfying, subsequently leads to good relational quality and customer loyalty. Jin et al. (2012) conducted a study in the full-service restaurant in US, and they found that relationship quality positively influenced customer loyalty. Jin et al. (2012) further assert that trust and satisfaction are the important dimensions of relationship quality enabling emotional attachment and customer loyalty.

In contrast, Chen and Myagmarsuren (2011) found that direct relationship does not exist between relationship quality and customer loyalty in the telecommunication services. They concluded that relationship quality affect customer loyalty was mediated by relationship value. Hence, the following hypothesis is developed:

\[ H_2: \text{Relationship quality has a positive effect on customer loyalty.} \]

Figure 1. Conceptual framework

3. Research Methodology

3.1 Research Design, Sampling and Measurement

The quantitative research emphasizes on the production of precise and generalizable statistical findings (Rubin and Babbie, 2009). Quantitative method involved large number of samples that need to be studied for the purpose of testing hypotheses, for example, “how many” people have “similar characteristics and views” (Pellissier, 2007). Quantitative approach was selected to facilitate the requirements of this study where its goals to be objective, to effectively test the hypotheses and use the statistical models to explain what was observed. Large sample size of consumers from the industry, for example over 300, is required to measure consumers’ behaviour in order to yield meaningful responses and precision (Permer, 2011). This paper is based on data collected from a survey on the existing customers of local telecommunication service providers, namely Maxis, Digi and Celcom, in Selangor, Malaysia. A sample size of 350 was determined and non-probability convenience sampling method was adopted for this study. Self-administered questionnaires were distributed to the respondents who present at the selected outlets of Maxis, Digi and Celcom.

Measurement is defined as “assignment of numbers to observations according to some set of rules” (Neelankavil, 2007). Appropriate rating scale is required to convert respondent’s views, feelings, opinions and other subjective characteristics onto a continuum of intensity. Through the collection of quantifiable data, data analysis can be performed. According to Linstone and Turoff (2011), the survey instrument usually adopted an interval scale. Interval scales are often used to measure attitude, perceptions, satisfaction level and other related aspects (Brace, 2008). Therefore, in this study, interval scale was adopted because of its suitability for quantitative study through survey that measures range of attitudes and opinions of the respondents (Cavana, Delahaye and Sekaran, 2001). Likert scale of six-points have been frequently used by most studies (Richardson, Moore and Gwernan-Jones, 2015). Through interval scale, 27 items are measured using six-point Likert scales based on agreement response choices with 1 representing ‘strongly disagree’ to the range of 6 representing ‘strongly agree’.

SPSS software is widely used for quantitative data analysis (Greasley, 2008). The Statistical Package for Social Sciences (SPSS) version 22 was used to perform descriptive analysis, validity and reliability analysis. Followed by, SPSS AMOS version 21 was used to perform the Structural Equation Modelling (SEM) analysis to test the hypotheses. SEM has the function of analysing multiple regression models simultaneously (Awang, 2014), and it could facilitate the required analysis to achieve the objectives of this study.

3.2 Reliability and Validity Assessment

The pilot study results indicated the factor loading for all the 27 proposed items is above 0.3 and thereby will be retained (Hair, Black, Babin and Anderson, 2010). The Confirmatory Factor Analysis (CFA) for each item in the construct,
reliability test, composite reliability (CR) and average variance extracted (AVE) results are shown in Table 1. The reliability assessment for the measurement model is conducted based on the internal reliability and CR. Internal reliability is achieved when the Cronbach's Alpha value is greater than 0.7 which indicated a high level of internal consistency in the data (Pallant, 2007). For this study, the Cronbach's Alpha values indicated as 0.927 (Economic Value), 0.853 (Service Value), 0.902 (Relational Value), 0.834 (Social Value), 0.899 (Relationship Quality) and 0.869 (Customer Loyalty). CR of 0.7 or higher is considered good (Malhotra and Dash, 2011; Nunnally and Bernstein, 1994). Each dimensions CR are between 0.841 and 0.927, higher than the threshold level of 0.7.

Validity refers to the ability of instruments to measure what it supposed to be measured for a construct. The convergent validity is achieved through computation of the AVE for every construct and the acceptable value of AVE is 0.5 or higher (Fornell and Larcker, 1981). In this study, each dimensions AVE are between 0.570 and 0.899, higher than the required standard of 0.5. All AVE above 0.5 which indicates significant degrees. Overall, there is a significant confidence of the survey instrument quality based on the reliability and validity analyses.

Table 1. CFA, Cronbach’s Alpha, CR and AVE results for the measurement model

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>Statement</th>
<th>Factor Loading</th>
<th>Cronbach’s Alpha</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Value</td>
<td>V1</td>
<td>Satisfied with the price offered by my service provider.</td>
<td>.831</td>
<td>.927</td>
<td>0.927</td>
<td>0.899</td>
</tr>
<tr>
<td></td>
<td>V2</td>
<td>Value for money service packages.</td>
<td>.895</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>V3</td>
<td>Frequent attractive promotions provided to customers.</td>
<td>.903</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>V4</td>
<td>Effective functional value of the services.</td>
<td>.841</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>V5</td>
<td>Overall, more benefits than costs received from the services.</td>
<td>.763</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Value</td>
<td>C1</td>
<td>Excellent customer service provided.</td>
<td>.673</td>
<td>.853</td>
<td>0.856</td>
<td>0.679</td>
</tr>
<tr>
<td></td>
<td>C2</td>
<td>Services offered meet my expectations.</td>
<td>.750</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>C3</td>
<td>Flexible service packages that meet my needs.</td>
<td>.755</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>C4</td>
<td>Efficient in solving customer enquiries/ problems.</td>
<td>.816</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>C5</td>
<td>My service provider fulfils its obligations to customer.</td>
<td>.683</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relational Value</td>
<td>T1</td>
<td>Respect and take into consideration of customer’s feedback.</td>
<td>.762</td>
<td>.902</td>
<td>0.905</td>
<td>0.707</td>
</tr>
<tr>
<td></td>
<td>T2</td>
<td>Good involvement of customers in social responsibility activities.</td>
<td>.870</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>T3</td>
<td>Prioritised on good relationship with customers.</td>
<td>.931</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>T4</td>
<td>Good involvement of customers in service innovation/ development.</td>
<td>.789</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Value</td>
<td>S1</td>
<td>Improved my social status.</td>
<td>.709</td>
<td>.834</td>
<td>0.841</td>
<td>0.570</td>
</tr>
<tr>
<td></td>
<td>S2</td>
<td>Improved my lifestyle.</td>
<td>.806</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>S3</td>
<td>Improved my interpersonal relationships.</td>
<td>.811</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>S4</td>
<td>Improved my general knowledge.</td>
<td>.686</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship Quality</td>
<td>Q1</td>
<td>Overall, satisfied with my service provider.</td>
<td>.744</td>
<td>.899</td>
<td>0.894</td>
<td>0.787</td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>High level of trust towards my service provider.</td>
<td>.786</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>Good commitment given by my service provider to customer.</td>
<td>.863</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>Higher satisfaction of my service provider than other service provider(s).</td>
<td>.891</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q5</td>
<td>Provided timely and trustworthy information to customer.</td>
<td>.661</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>L1</td>
<td>Maintained loyal to current service provider.</td>
<td>.810</td>
<td>.869</td>
<td>0.870</td>
<td>0.626</td>
</tr>
<tr>
<td></td>
<td>L2</td>
<td>Preferred my service provider than other service providers.</td>
<td>.786</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>L3</td>
<td>Intention to purchase extra other service or package from my current service provider.</td>
<td>.797</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>L4</td>
<td>Intention to recommend my current service provider to others.</td>
<td>.770</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Results
4.1 Demographic Profile of the Respondents
From the total of 350 respondents, majority respondents are female (58.3%), followed by male (41.7%). As for the respondents’ monthly income, 5.1 percent earned less than RM1500, 13.7 percent of the respondents have an income between RM1500– RM3000. Furthermore, 42.3 percent of the respondents have an income between
RM3000-RM6000 and 30.9 percent of the respondents belong to the income group of RM6000-RM10000. Respondents with an income above RM 10000 comprises 8.0 percent. Majority respondents are Chinese respondents (48.6%), followed by Malay (30%), Indian (14.9%) and others (6.6%). As for the respondents’ age, 8.3 percent belong to the age group of 18-20, followed by 24.9 percent under the age group between 21 -38. Majority of 50.3 percent of the respondents under the age group of 39-49, and 16.6 percent belong to age group of 50 and above.

4.2 Model Compatibility Testing

SEM was applied to estimate the relationships between economic value, service value, relational value and social value, relationship quality, and customer loyalty using the maximum likelihood procedure. The research model has achieved a good fit as shown in Table 2. The Chi-Square value is 693.36 and according to Barrett (2007), chi square probability value greater than 0.05 indicates acceptable model fit. The ratio of $\chi^2/df$ was 2.215 which is lower than the value 3.0, as suggested by Byrne (2001). The absolute index with RMSEA of 0.059, achieved lower than 0.8 (Browne and Cudeck 1993). Incremental fit indices were greater than 0.9, with IFI of 0.935, CFI of 0.935 and TLI of 0.927.

Table 2. Goodness of Fit

<table>
<thead>
<tr>
<th>Index</th>
<th>Level of Acceptance</th>
<th>Result</th>
<th>Model Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>P&gt;0.05</td>
<td>693.36</td>
<td>Good</td>
</tr>
<tr>
<td>Chsq/df</td>
<td>Chi Square / df &lt;3.0</td>
<td>2.215</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>RMSEA &lt; 0.08</td>
<td>0.059</td>
<td>Good</td>
</tr>
<tr>
<td>IFI</td>
<td>IFI &gt; 0.9</td>
<td>0.935</td>
<td>Good</td>
</tr>
<tr>
<td>CFI</td>
<td>CFI &gt; 0.9</td>
<td>0.935</td>
<td>Good</td>
</tr>
<tr>
<td>TLI</td>
<td>TLI &gt; 0.9</td>
<td>0.927</td>
<td>Good</td>
</tr>
</tbody>
</table>

The normality assessment was performed and shown that the data is normally distributed with value of skewness between -1.0 and 1.0, and kurtosis of between -3.0 and 3.0. Finally, the estimated path coefficients were derived and the research hypotheses were examined.

4.3 Model Causality Testing

The final structural model is shown in Figure 2.

![Figure 2. Final Structural Model](image_url)

The regression weights and probability value which indicates its significance is shown in Table 3. The findings indicated that economic value has significant positive effect (0.266) on relationship quality and $H_1$ is accepted. The results have supported the previous study by Barry and Doney (2011). $H_2$ is accepted and service value has significant effect on relationship quality (0.397). In fact, the correlation coefficient value is the strong for the relationship between service value and relationship quality. Consumers believed that the service providers have performed well in the aspect of providing service quality and excellence. The findings obtained are consistent with the previous study conducted by Kim and Han (2010).

The regression coefficient of the relationship between relational value and relationship quality is not significant (-0.001). As a result, $H_3$ is rejected. The regression coefficient of the relationship between social value and relationship...
quality is significant (0.181) and H₄ is accepted. Subsequently, relationship quality had positive effect (0.431) on customer loyalty, and H₅ is accepted. The results have supported the previous study by Ruswanti and Lectari (2016), Bojei and Alwie (2010), and Jin et al. (2012). The correlation coefficient value is the strongest for the relationship between relationship quality and customer loyalty.

<table>
<thead>
<tr>
<th>Paths</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Quality &lt;-- Economic Value</td>
<td>.266</td>
<td>.046</td>
<td>5.740</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Relationship Quality &lt;-- Service Value</td>
<td>.397</td>
<td>.081</td>
<td>4.872</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Relationship Quality &lt;-- Relational Value</td>
<td>-.001</td>
<td>.073</td>
<td>-0.015</td>
<td>.988</td>
<td>Rejected</td>
</tr>
<tr>
<td>Relationship Quality &lt;-- Social Value</td>
<td>.181</td>
<td>.092</td>
<td>1.975</td>
<td>.048</td>
<td>Supported</td>
</tr>
<tr>
<td>Customer Loyalty &lt;-- Relationship quality</td>
<td>.431</td>
<td>.051</td>
<td>8.422</td>
<td>***</td>
<td>Supported</td>
</tr>
</tbody>
</table>

5. Discussion and Conclusion

The application of SET in this study to investigate the processes of establishing and maintaining reciprocity in social relations between firm and customer has been affirmed. In the process of establishing reciprocity though consumers’ evaluation on their benefits and costs, relationship value dimensions of economic value, service value and social value have been found as important antecedents to achieve relationship quality. The findings concluded that consumers good strength of relationship with their service providers. Moreover, customers maintained reciprocity through their loyalty towards the telecommunication service providers.

The findings also shown that economic value has significant effect on relationship quality. We can conclude that customers are generally satisfied with their current service providers in providing value for money packages, functional value and pricing of the services. Often consumers relate sales promotional benefits with the economic value they received. Hence, attractive sales promotional activities, such as discounts on packaged service, loyalty programme and free premium items, should be carried out more intensively to build consumer loyalty. In the price sensitivity consumer market in Malaysia, frequent reward and promotional offers would increase consumers’ consumption level and loyalty. The service providers should be more focused in their segment-level strategies by offering different service packages to customers of different segments and value. Customers clearly prefer quality services with fair prices in the competitive market in order to meet their satisfaction and expectations.

The study also found that service value construct has strong correlation and positively correlated to relationship quality. Consumers acknowledged the excellent service provided by the firms. In view of stiff competitions between the local telecommunication service providers, significant and continuous improvement on service delivery are required through leveraging on social media to provide better customers’ enquiries or feedback. Consumers perceived that relational value is not adequately emphasized by the service providers as indicated by the hypothesis H₃ is rejected. The service providers are lacking in customer involvement in service innovation or development and other social activities. The intense competitions and organisational capabilities are the main drivers for innovation. According to Grönroos (2017b), customer should play the role of value creator through the platform of co-creation involving interactive, collaborative and dialogue, process, between the service provider and customer. In addition, service innovation should take into account of consumers’ changing needs and preferences. The findings revealed that for long-term relationship success, relationship quality should focus on increasing relational value through better engagement with customers in the aspect of service improvement based on customers’ feedback, better involvement of customers in social responsibilities activities and prioritising on loyal customers to enhance on service innovation or development. Shared value between the parties could be obtained through higher relational value. Customers closely relate brand of the service provider and with their social value. Brand enhancement initiatives through more effective brand investment strategies could provide maximum exposure of the brand.

This study is confined to Malaysian telecommunication industry, and focused on the important four dimensions of relationship value - economic value, service value, relational value and social value. Future studies should explore on other industries and other dimensions of relationship value, such as from the strategic perspective. Future research can also be more specific in their samples by targeting certain segment of consumers based on gender, ethnicity, generation and geographical location to provide more in-depth understanding on the purchasing behaviour of this specific group or segment of consumers. The dependent variables could be extended to other consumer behavioural outcomes, such as consumer satisfaction and consumer repurchase intention.

References


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