

# Investigate the Impact of Relationship Marketing Orientation on Customer Loyalty: The Customer's Perspective

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## Abstract

In today's high competitive and globalize banking context, increasing Customer loyalty emerges as the most important challenges faced by marketers. Cultivating loyal customers is frequently argued to be the single most important driver of organizations' long-term financial performance, which can lead to increased sales and customer share, lower costs, and higher prices. Therefore marketing scholars emphasize the influence of relationship marketing as a strategically important tool from which customer loyalty can be secured and, as a result, the attainment of higher competitiveness and enhanced customer satisfaction can be achieved. The purpose of this study is to empirically investigate the impact of relationship marketing orientation on customer loyalty. The study also aims to test the impact of demographic variables, in association with relationship marketing dimensions, on customer loyalty. The study was carried out in 2008 on a convenience sample of 450 respondents through the distribution of structured questionnaires to bank customers within the area of Amman, Jordan. The data were factor analyzed to determine the key dimensions of relationship marketing orientation measurement scale. Results confirm that the five dimensions scale (Bonding, trust, communication, satisfaction and commitment) possess adequate reliability and internal consistency as well as convergent validity. Results of regression analysis show that relationship marketing orientation is significant in explaining the variation in customer loyalty. In addition, sex and income displayed a significant impact on the relationship marketing-customer loyalty relationship. The findings contribute to understanding the relationships between different dimensions of relationship marketing orientation, customer loyalty and demographic variables; provide critical implications for bank managers; and highlight directions for future research.

**Keywords:** Relationship Marketing, Bank customer, Jordan, Customer loyalty

## 1. Introduction

The marketplace today is very dynamic, vibrant and competitive. The customers are smarter, more informed, and have an access to many channels and choices which they take little time to exercise. Customer can easily defect to competitors who promise better offerings at lower prices (Bhardwaj, 2007).

Present day business environments are characterized by increasingly saturated markets, caused by changes in the nature of competition and an ever-growing imperative to attain a comprehensive appreciation of customer needs. Matching the growing complexity of the business environment has led to an ever-more diversified and demanding customer base. (Barnes et al., 2004)

In an ever expanding and rapidly changing environment, companies cannot maintain attitudes characterized by attracting customers or expanding in new markets. The key success factor to survive in mature markets relies on sustaining long-term relationships with stakeholders (De madariaga and Valor, 2007). The challenge all marketers face today is in finding ways of increasing customer loyalty and retention. Transforming indifferent customers into loyal ones and establishing a long term relationship with customers is critical for organizational success. (Bhardwaj, 2007).

Increased customer loyalty is frequently argued to be the single most important driver of organizations' long-term financial performance. Eisingerich & Bell (2007) find empirical support that customer loyalty emerges as the dominant, significant, direct determinant of repurchase intention. Globalization of banking service market and the appearance of new leading parties are both the result of technological developments and the loosening of administrative and monetary interventions, and have led to stronger competition and the risk of reducing market shares for each banking institution. Therefore, in this competitive and globalize banking era, the customers of each bank constitute one of the most important assets that a banking institution should preserve and continuously expand. As customers are of significant importance, it is essential for the banks to satisfy their needs and wants (Mylonakis, 2009).

Over the past years the interest in retaining customers increased considerably. Marketing attention shifted gradually but definitely from mutually independent transactions to loyalty based repeat purchases and cross-sell opportunities [e.g. Berry, 1995; Blattberg and Dayton, 1996; DeWulf et al., 2001; Fournier, 1998; Gruen et al., 2000; Lemon et al., 2002; Peterson, 1995; Winer, 2001]. Berry (1983) perceived relationship marketing as a tool from which customer loyalty can be secured and, as a result, the attainment of higher competitiveness and enhanced customer satisfaction can be achieved. The empirical findings of Eisingerich and Bell, (2006) study suggest that, in managing client relationships, financial institutions should consider the relative effectiveness of individual relationship building strategies in fostering customer loyalty. Studies of financial services markets suggest that the use of relationship marketing can generate higher returns from customers. (Greenbaum et al., 1989). Chaston et al.'s (2003) find empirical supported that the adoption of a relationship versus a transactional marketing orientation has influence on the market performance of small accountancy practices .Parvatiyar and Sheth (2000) consider relationship marketing to be the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-use customers to create or enhance mutual economic value at reduced cost.”

Relationship marketing theory suggests that successful relationship marketing results from certain aspects of cooperative relationships that characterize successful relational exchanges. Although according to Arnett and Badrinarayanan(2005) studies suggest numerous factors that influence relationship marketing success, three factors consistently identified as important are trust (Dwyer et al., 1987; Morgan and Hunt 1994; Sivadas and Dwyer 2000; Smith and Barclay 1997; Wilson 1995), relationship commitment (Anderson and Weitz 1992; Day 1995; Geysken, et al., 1999; Moorman et al., 1992), and communication (Mohr and Nevin 1996; Mohr et al., 1996). Successful relationship marketing efforts improve customer loyalty and firm performance through stronger relational bonds (e.g., De Wulf, Odekerken-Schröder, and Iacobucci, 2001; Sirdeshmukh, Singh, and Sabol, 2002), but as mentioned above , the literature offers varied perspectives on which relational constructs mediate the effects of relationship marketing efforts on outcomes. In addition to commitment, trust, and communications, satisfaction, bonding, shared value, empathy,dependence and reciprocity have been considered as important components of relationship marketing orientation (sin et al., 2002; Wetzels et al., 1998; sin et al., 2005; Eisingerich and Bell, 2006). According to Palmatier and his colleagues (2006), these different relational mediators have been linked empirically too many antecedents and outcomes, which lead to the critical question: How does the relational mediated model vary across different relational perspectives?

Researchers have suggested that these Components are merely indicators of the global mediator relationship quality, which is an overall assessment of the strength of a relationship” and is conceptualized as a multidimensional construct that captures the many different facets of an exchange relationship (De Wulf et al., 2001). Its structure and underlying dimensions vary across empirical studies, but central to the conceptualization is the belief that no single dimension or relational construct can fully define the overall depth or climate” of an exchange relationship (Johnson 1999).

There is little agreement among researchers as to which individual or composite relational mediator best captures the key aspects of a relationship that most affect customer loyalty or performance (Palmatier et al., 2006). To address this issue empirically, our framework compares the relative effect of the different perspectives by analyzing relational mediators (components) separately and as a group. Therefore basic assumption of our research is that relationship marketing orientation can help banks achieve customer retention. For this reason, and because relationship marketing is considered strategically important in the contemporary financial sector (Berry, 1995; Dibb and Meadows, 2001; Winer, 2002), this study aims to empirically investigate the impact of relationship marketing orientation on customer loyalty. At the same time, this study also aims to investigate the impact of various demographic variables: sex, income and education, in association with relationship marketing variables, on customer loyalty.

### *1.1 Significance of the study*

The significance of this study is further highlighted when one considers the substantial costs involved in relationship marketing and the increasing managerial focus on maximizing customers' value in more cooperative and long-lasting relationships. Customer loyalty and customer retention are the most important challenges faced by most of the Chief Executive Officers across the world (Ball, 2004). At the same time, it is also found that effective relationship marketing strategy helps the organization to understand customers' needs, so that organizations can serve their customers better than their competitors, which finally leads to cost reduction and customer loyalty (Gaurav, 2008). Cultivating loyal customers can lead to increased sales and customer share, lower costs, and higher prices (Zeithaml, Berry, and Parasuraman 1996). According to Reichheld (1996) a 5% improvement in company's customer attrition rate can push company's profits 75% higher. This study certainly strengthens the existing body of knowledge by providing some empirically tested insight in the Jordanian banking context.

## **2. Theoretical review**

### *2.1 Conceptualization of Relationship Marketing*

Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relationship exchanges (Mishra & Liy, 2008). After a comprehensive review of 26 definitions of relationship marketing, Harker (1999) proposes the following description: "An organization engaged in proactively creating, developing, and maintaining committed, interactive, and profitable exchanges with selected customers (partners) over time is engaged in relationship marketing" (Sin et al., 2005). Grönroos (1990), states that the purpose of relationship marketing is to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met" and that this is done by a mutual exchange and fulfillment of promises" Relationship marketing theory suggests that successful relationship marketing results from certain aspects of cooperative relationships that characterize successful relational exchanges (Hunt, Arnett, and Madhavaram 2005). Arnett and Badrinarayanan (2005) conceptualize a relationship marketing competence as a firm's ability to identify, develop, and manage cooperative relationships with key customers characterized by trust, relationship commitment, and communication.

### *2.2 Customer loyalty*

The main theme in customer relationship marketing is 'to get and keep customers' (Grönroos, 1995). Peng and Wang (2006) define relationship marketing as all marketing activities directed towards building customer loyalty (keeping and winning customers) by providing value to all the parties involved in the relational exchanges". Customer loyalty is defined by Oliver (1999) as a deeply held commitment to re buy or re patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior " (Yim et al., 2008). Loyalty may mean quite a passive improvement of situation. One hopes that bad things will change for the better in the future. A loyal customer has tolerance to approve for a while also inconvenient situation, for example bad price-quality relations. Fornell (1992) thinks that loyalty is the function of satisfaction, switching barriers and voice. Loyal customers may not be always satisfied, but satisfied customers are apt to be loyal (Fornell, 1992). Bitner (1990) describes loyalty as a process. At the end of the process, satisfaction has effects to perceived quality, which could cause loyalty and intention to certain behavior.

### *2.3 Impact of relationship marketing on customer loyalty*

A number of empirical studies have provided evidence on the impact of relationship marketing on behavioural loyalty which affects customer retention (Bolton, et al., 2000; De Wulf et al., 2001; Verhoef, 2003). Loyal customer relationships have been found to increase profitability for a firm over time (Reichheld, 2001; Mishra & Li, 2008). Some scholars have highlighted the importance of RMO for firms to compete effectively (Perrien, Filiatrault, and Richard, 1992). Sin and colleagues (2005) find that relationship marketing orientation yields a significant impact on the determination of the firms' performance. Successful relationship marketing efforts improve customer loyalty and firm performance through stronger relational bonds (e.g., De Wulf, Odekerken-Schröder, and Iacobucci, 2001; Sirdeshmukh, Singh, and Sabol, 2002).

Relationship marketing represents a strategic response by firms to gain competitive advantage (Takala and Uusitalo, 1996). This response is based on the theory that appreciation of the interdependence of market players, and mutual effort based on trust and commitment, would allow firms to remain competitive (Veloutsou et al., 2002). In an ever expanding and rapidly changing environment, companies cannot maintain attitudes

characterized by attracting customers or expanding in new markets. The key success factor to survive in mature markets relies on sustaining long-term relationships with stakeholders (De madariaga and Valor, 2007). Relationship marketing has been found to be successful at building trust and commitment with external stakeholders to create those loyal customer relationships (Morgan & Hunt, 1994). Several studies in the past decade have indicated that relationship marketing has a positive impact on firms' business performance. For example, Smith (1991) studies direct marketing in the insurance sector and finds that relationship marketing helps maximize long-term profitability. -Using firms in China, Sin and colleagues (2005) develop and validate a scale made up of six subscales—bonding, communication, shared value, empathy, reciprocity, and trust—and find that relationship marketing orientation yields a significant impact on the determination of the firms' performance." Sin et al. (2005) suggest that the benefits of relationship marketing are many (Arnett and Badrinarayanan, 2005), including improvements in competitive advantages in the marketplace (Barclay and Smith 1997; Day 2000; Hunt 1997), superior financial performance (Boles et al., 2000; Kalwani and Narayandas, 1995; Walter and Gemuenden, 2000), and increased levels of customer satisfaction (Abdul-Muhmin, 2002).

Relationship marketing structure and underlying dimensions vary across empirical studies, but central to the conceptualization is the belief that no single dimension or relational construct can fully define the overall depth or climate" of an exchange relationship. Therefore, there is little agreement among researchers as to which individual or composite relational mediator best captures the key aspects of a relationship that most affect outcomes (Palmatier et al., 2006). Morgan and Hunt (1984) were among the first to propose that building trust and commitment with customers and other stakeholders should be the reason for relationship marketing. Garbarino and Johnson (1999) examined the different roles of satisfaction, trust, and commitment in customer relationships and identified a continuum of customer relationships from transactional to relational. They found that relational customers want trust and commitment from the firms they interact with, but transactional customers seek satisfaction from their interaction.

#### *2.4 The role of customer demographic variables in relationship marketing*

According to his empirical study, Fry et al. (1973) found that male customers had a higher probability of remaining loyal than female customers. He cited marriage as the reason for the change in the preferences of the female customers. Ndubisi (2006), on the basis of his research on Malaysian bank customers, argued that the measurement of the 'underpinnings' of relationship marketing can predict customer loyalty. At the same time, he also found significant gender difference in the trust loyalty relationship and concluded that women are significantly more loyal than men at higher levels of trust (Gaurav, 2008).

### **3. Conceptual framework and hypotheses development**

#### *3.1 Dimensional structure of relationship marketing orientation*

Relationship marketing orientation measures the extent to which a company engages in developing a long term relationship with its customers. In this study, we hypothesize relationship marketing orientation as a multi-dimensional constructs consisting of five behavioral components: Trust; Commitment; Communications; Bonding, and Satisfaction. For a bank to maximize its long-term performance in such aspects as customer retention and loyalty, it must according to Sin et al.(2002) build, maintain and enhance long-term and mutually beneficial relationships with its target customers. We will discuss each component and then describe our methodology along with the findings from our analysis.

##### **3.1.1 Trust**

Trust, which exists when one party has confidence in an exchange partner's reliability and integrity," is a central component in all relational exchanges (Morgan and Hunt, 1994). As Dwyer, Schurr, and Oh (1987) argue, trust is important because it provides a basis for future collaborations. Once trust is established, firms learn that coordinated, joint efforts will lead to outcomes that exceed what the firm would achieve if it acted solely in its own best interests" (Anderson and Narus 1990) Trust is also defined as one party's belief that its needs will be fulfilled in the future by actions undertaken by the other party (Anderson and Weitz, 1989). In social psychology a consensus emerges that trust consists of two essential elements, trust in the partner's honesty and trust in the partner's benevolence. Honesty is the belief that one's partner stands by its word. Benevolence is the belief that one's partner is interested in the company's welfare and will not take unexpected actions which will negatively impact the company (Geyskens and Steenkamp, 1995). It seems that if partners in a relationship trust each other more they are more emotionally involved and less consciously weighing the benefits against the costs of that relationship (Wetzls et al., 1998). Kramer (1999) posited that trust has both thinking and feeling aspects to it and that trust is socially oriented. He defined trust as the rational choice based on recognizing the motivations of

others. Mishra (1996) posited that there are four dimensions of trust (i.e., reliability, openness, competence, and concern) and found that communication is critical for demonstrating all aspects of trust (Mishra et al., 2008).

### 3.1.2 Commitment

Relationship commitment is also an important component of relational exchanges. It is defined as an enduring desire to maintain a valued relationship” (Moorman, Zaltman, and Deshpandé, 1992). Research suggests that relationship commitment is at the core of all successful working relationships and that it is an essential ingredient in successful long-term relationships, including supplier–buyer relationships (Anderson and Narus, 1998). In the relationship marketing literature the concept of commitment plays a central role, as it is a major characteristic of relationship marketing models (Scanzoni, 1979). Commitment refers to an implicit or explicit pledge of the continuity of a relationship between exchange partners (Dwyer et al. 1987). As Scanzoni (1979) stated commitment is the most advanced phase of partners’ interdependence”.

In marketing-practice and research it is agreed that mutual commitment among partners in business relationships produces significant benefits for companies (Wetzels et al., 1998; Farrelly & Quester, 2003). Commitment has served as the dependent variable in several relationship marketing models including those describing buyer-seller relationships and channel behavior (Kumar et al., 1995). Commitment is a good indicator of long-term relationships (Morgan and Hunt, 1994; Shamdasani and Sheth, 1995) and is thought to represent the peak in relational bonding (Dwyer et al., 1987). Commitment is important to the study of relationships because it not only signals enduring stability at the conceptual level, but also serves as a reliable surrogate measure of long-term relationships at the operational and empirical level (Farrelly & Quester, 2003)

### 3.1.3 Communications

Communication is also considered an important aspect of successful relationships (Morgan and Hunt, 1994). Anderson and Narus (1990) describe communication as formal as well as informal sharing of meaningful and timely information between firms”. Empirical evidence suggests that communication increases the level of trust between partners (Anderson and Narus, 1990; Anderson and Weitz, 1992; Morgan and Hunt, 1994). In general, communication helps build trust by providing partners with a mechanism that can be used to resolve disputes. In addition, it improves partners’ ability to align their expectations and perceptions.

Communication is an indispensable attribute in successful alliances and has thus been described as a core competence in alliance building (Rule and Keown, 1998). Hutt et al. (2000) noted that communication among boundary-spanning personnel produces a shared interpretation of expectations and goals, and a common understanding of the processes and responsibilities necessary to achieve those goals. Communication, as conceptualized by Mohr et al. (1996), comprises a combination of relationship building communication attributes. These include communication frequency, bi-directionality, formality, and influence activities. By highlighting shared interests and common goals, collaborative communication can generate volitional compliance between partners and thus bolster relationship performance (Mohr et al., 1996; Farrelly & Quester, 2003).

### 3.1.4 Bonding

Bonding is defined as the dimension of business relationship that results in two parties (buyer and seller) acting in a unified manner toward a desired goal (Callaghan et al., 1995). According to Wilson (1995), bonding can be classified into two categories: social bond and structural bond. Social bond has a number of dimensions including social interaction, closeness, and friendship and performance satisfaction. The dimension of bonding as it applies to relationship marketing consists of developing and enhancing customer loyalty, which results directly in feelings of affection, a sense of belonging to the relationship, and indirectly in a sense of belonging to the organization (Sin et al., 2002). Wilson and Mummalaneni (1986) find that stronger personal bonds among buyers and sellers lead to a greater commitment to maintain the relationship (Yim et al., 2008).

### 3.1.5 Satisfaction

Another relationship mediator, relationship satisfaction, is a customer’s affective or emotional state toward a relationship. Relationship satisfaction reflects exclusively the customer’s satisfaction with the relationship and differs from the customer’s satisfaction with the overall exchange (Palmatier et al., 2006.). Other researchers have suggested that these mediators are merely indicators of the global mediator relationship quality, which is an overall assessment of the strength of a relationship” and is conceptualized as a multidimensional construct that captures the many different facets of an exchange relationship (De Wulf, Odekerken- Schröder, and Iacobucci, 2001) Satisfaction has been defined as a consumer’s evaluative judgment related to the pleasurable level of

consumption-related fulfillment (Oliver, 1996). Similarly, perceived service quality has been conceptualized as the comparison of service expectations with actual performance expectations.

Especially in recent years, the relationship between service quality and customer satisfaction has received a lot of attention. A focal point of discussion is the causal ordering between service quality and satisfaction. Also there is considerable debate about the conceptual distinctness of these two concepts. The predominant view is that quality influences satisfaction. Quality is the logical predecessor to satisfaction (Iacobucci et al., 1996). Cronin and Taylor (1992) found empirical support that service quality is an antecedent of consumer satisfaction (Wetzls et al., 1998). Therefore, we propose that trust, commitment, communications, bonding and satisfaction are major dimensions of relationship marketing orientation.

### 3.2 Conceptual framework

The proposed conceptual model guiding this research is depicted in Figure 1. As can be seen in the figure, the relationship marketing orientation as multi-dimensional construct consists of the following five components: trust; commitment; bonding; communication; and satisfaction. Then, we propose Relationship marketing orientation to be significant determinant of customer loyalty in banking industry. Thereafter, we hypothesize that customer demographic characteristics (sex, education, and income) affect the relationship between relationship marketing and customer loyalty.

### 3.3 Research Hypotheses

Therefore, to examine these relationships we developed two research hypotheses:

H1: Relationship marketing orientation has significant positive effect on customer loyalty.

H2: There is significant impact of demographic variable (sex, education and income) on relationship marketing—customer loyalty relationship.

## Figure 1

## 4. Research Methodology

This study is exploratory quantitative in nature, aiming to develop a better understanding of the bank marketing philosophy of relationship marketing, based on banks relationship marketing orientation and customer loyalty from the customer point of view.

### 4.1 Selection of sample and respondents demographics.

The study is empirical based on the primary data collected from bank customers in Amman – Jordan. The study was carried out in 2008 on a convenience sample of 450 respondents, through distribution of structured questionnaires to bank customers within the area of Amman. A total of 400 usable questionnaires were collected giving response rate 88.8% (Al-Nazer, 2009) a rate that is regarded as good.

The questionnaire was compiled in such a way that extensive information was collected on the demographic characteristics of the respondents, and also contained abundant information regarding customers' views on bank relationship marketing orientation and customer loyalty. The questionnaires were filled out through personal interviews or were distributed via bank managers.

A majority of bank customers (59.5%) were male.. As to the educational qualification, 44.8% had obtained a university degree, 13% had finished high school studies, 15.5% held diploma degree and 24.5% held a postgraduate degree. A majority of the participants were in trade and investment business (41%), education (19.5) public employees (8%), and others (31%). The monthly family income of the sample was 42.5% for less than 500 JD, (26.5%) between JD 500-1000, (12%) for 2000 JD and above.

### 4.2 Data analysis

The statistical package SPSS (version 17.0) was used for data analysis. A two-step detailed statistical analysis of data was involved. First, factor analysis was performed to extract the underlying factor of relationship marketing; second, multiple regression analysis was performed to understand the relationship marketing-customer loyalty relationship and investigate the impact of demographic variable on relationship marketing-customer loyalty relationship.

### 4.3 Scale and Measurement

As discussed in the above section, we have identified relationship marketing orientation to be multidimensional construct consisting of five behavioral components: trust; commitment; communications; bonding; and satisfaction.

Each of the components should be measured reliably with a multi-item scale. To measure relationship marketing orientation and customer loyalty we used a five point likert scale (1 = strongly disagree” and 5 = strongly agree”) for the 35 statement/ items of the five dimensions of the scale.

We used existing measures whenever possible to develop items for each dimension of the relationship marketing orientation and customer loyalty. We developed initial items based on the work of leo Y.M.Sin et al, 2002; Callaghan et al., 1995; Morgan and Hunt, 1994; Wilson, 1995; Yau et al., 2000; Halinen, 1994; Wilson, 1990; Moorman et al., 1995; Cater and Zabkar, 2008; Kumar et al., 1994; Kumar et al., 1995; Zeithaml et al., 1996; Mylonakis, 2009; Sanzo et al., 2003; Nilson, 1998; Gaurav, 2008; Sharma and patterson, 1999; Gounaris and Ventis, 2002; Yim et al., 2008; Palmatier et al., 2007; Ashur, 2006; Palmatier et al., 2006; Garbarino and Johnson, 1999 ; Arnett and Badrinarayanan, 2005; Wetzls et al., 1998; Jones and Taylor, 2007).

We developed 35 items for relationship marketing orientation and five items for customer loyalty. Items were pre tested for relevance, face validity, interpretation and readability with marketing academics and bank managers and bank customer. Therefore some modifications and slight changes in wording were required to fit the banking services context.

#### *4.4 Measure reliability*

The first stage focused on the specification of dimensions for the verification of the 35-items scale, its reliability and validity, analyzing the elements and dimensions which determine the relationship marketing orientation construct in banking services. Anderson and Gerbing’s (1988) two-step procedure was followed. First, different analyses of the correlations between the initial scale items were carried out for this purpose, as well as examinations of scale reliability. The correlation matrix contained many high correlations. The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) was 0.861 (comfortability above the 0.60 benchmark) and the Bartlett's test of sphericity was significant at  $p < 0.001$  (Pallant, 2005). According to Bagozzi and Philips (1991) and Bagozzi and Youjae (1988), in order to purify the measurement scale for relationship marketing, items that correlate negatively with one another or do not correlate strongly with the sum of the remaining items were removed. Therefore five items were dropped.

The next step was an exploratory factor analysis to initially assess the psychometric properties of the scale. Factor analysis was used to allow the grouping of variables and therefore, simplify data for possible interpretation. The statistical purpose of factor analysis was to determine whether there were linear combinations of variables that will assist in summarizing the data and identifying underlying relationships (Hair et al., 1998). Exploratory factoring was based upon a principal components analysis as the extraction method using Varimax rotation with Kaiser Normalization of the thirty remaining items that described the relationship marketing orientation suggested by literature. The scale items were purified through an iterative process. Items that did not load heavily on the primary factor (i.e., 0.4) and items that had significant cross loadings were removed. This resulted in a removal of three more items. The remaining twenty seven items were factor analyzed again. The analysis produced a five-factor solution, which accounts for 59.25% of the variation in the data, according to the criteria developed by Kaiser (1958). As can be seen in Table 1, these factors are: bonding, trust, communications, satisfaction and commitment. We will discuss briefly each component (factor) later. Table 1 provides the descriptive output for each factor.

#### **Insert table 1 here**

A reliability analysis was conducted on the summated scale of these constructs using reliability coefficients. The internal consistency was assessed by means of the Cronbach’s alpha coefficient. Tables 1 and 2 report the reliability of the multi-item scale which using Cronbach’s coefficient alpha. The overall coefficient alpha for the scale is 0.907 which is greater than the recommended cut-off level of 0.70 (Nunnally, 1994) and of 0.60 according to Sekaran (1996) and Melewar and Saunders (1999). With regard to individual subscales, the reliability coefficient of all the five components: bonding (0.866), trust (0.831), communications (0.797), satisfaction (0.768) and commitment (0.607) met the standard. Therefore, these indicated high reliability estimates since reliability figures less than 0.60 are generally considered to be poor, those in the range of 0.70 to be acceptable, while those above 0.80 to be good (Sekaran, 1996; Melewar and Saunders, 1999; Hair et al., 1998).acceptable, suggesting that scale is a reliable for the instrument used for measuring relationship marketing orientation. As can be seen in Table 2, these Cronbach alphas indicate that the scales used in the questionnaire satisfactorily measured the constructs.

#### **Insert table 2 here**

#### 4.5 Construct validity

According to Cronbach (1970), evidence of construct validity exists when the pattern of correlation among variables conforms to what is predicted by theory. Therefore convergent and nomological validities are examined.

4.5.1 Convergent validity refers to the degree of agreement in two or more measures of the same construct. Evidence of convergent validity was provided by the fact that all measurement items were loaded on the appropriate constructs. Evidence of convergent validity in the relationship marketing scale was examined through simple correlations among the five components of the relationship marketing scale.

Table 2 show that correlation matrix contained most correlations above 0.30 and all correlations are significant at  $p < 0.01$ ; furthermore, each of the components also highly correlated (0.64 and above) with the overall measure of relationship marketing.

The pattern of correlations indicates that components of relationship marketing orientation scale converge on a common construct, thereby providing evidence of convergent validity.

Further, Table 2 illustrates that the comparison of the alpha coefficients with their correlation coefficients confirmed that discriminant validity was in support of all constructs (Carmines and Zeller, 1979; Gerbing and James, 1988)

4.5.2 Nomological validity shows the ability of a scale to behave as expected with respect to some other constructs to which it is related (Churchill, 1995). As we mentioned above, Successful relationship marketing efforts can improve customer loyalty. Therefore nomological validity would be demonstrated if the scale were positively and significantly correlated with customer loyalty. As stated in Table 2, all correlation coefficients between the components of relationship marketing and customer loyalty are positive and significant (at  $p < 0.01$ ). Thus nomological validity of the scale is demonstrated.

### 5. Results

The data analysis was conducted in two steps. First, an exploratory factor analysis with varimax rotation was performed to determine the underlying dimensions of Relationship marketing orientation construct and testing of the measurement model for relationship marketing orientation construct in order to determine if the extracted dimensions in step 1 offered a good fit to the data. Finally, we examined the two hypothesized relationships. These steps are discussed in the following subsections.

#### 5.1 Factor Analysis

The five factors shown in Table 1 relate to elements of relationship marketing in existing literature and collectively, these retained factors account for 59.25 percent of the total variance in the 27 variables. Based on the items loading on each factor, the factors were, respectively, labeled as bonding, trust, communications, satisfaction and commitment.

##### Factor 1 Bonding

Nine items loading on this factor relates very directly to bonding dimension of relationship marketing. The respondents felt that relational bonds which include social bonds, special treatment, interaction and cooperation are a very important aspect of relationship marketing. This factor accounted for 16.7% of variance and its reliability was 0.866.

##### Factor 2 Trust

Five out of six items loading on this factor relate to 'trust' dimension of relationship marketing. The respondents felt that trust is a very important aspect of relationship marketing. At the same time, one item related to bonding is also significantly loaded on this factor. This factor accounted for 14.5% of variance and its reliability was 0.831.

##### Factor 3 Communication

All the four items loading on this factor relate to different aspects of communication. The respondents felt that if an organization wanted to build and maintain long-term relationship with the customers, it should provide timely and trustworthy information to them. This factor accounted for 11.2 % of variance and its reliability was 0.797.

##### Factor 4 Satisfaction

Four out of five items loading on this factor relate to satisfaction dimension of relationship marketing. The respondents felt that if an organization wanted to build and maintain long-term relationship with the customers, it should cultivate customer satisfaction. This factor accounted for 10.1 % of variance and its reliability was 0.768.

#### Factor 5 Commitment

All the three items loading on this factor relate to different aspects of commitment dimension of relationship marketing. The respondents felt that if an organization wanted build and maintain long-term relationship with the customers, it should cultivate mutual commitment. This factor accounted for 6.7 percent of variance and its reliability was 0.607.

### 5.2 Test of Hypotheses

#### 5.2.1 Hypothesis 1

**H1** postulates that relationship marketing orientation has significant positive effect on customer loyalty. In order to test this hypothesis, we conducted a multiple regression analysis using customer loyalty as the dependent variable, and the various components of relationship marketing orientation (bonding, trust, communication, satisfaction and commitment) as the predicting variables. Thus, we can identify the relative importance of relationship marketing components in explaining the variation in the customer loyalty levels. However, since the five components of relationship marketing orientation are closely related, multicollinearity may exist. Therefore, to remove this impact, a two -stage analysis was conducted. First, the 27 items of the relationship marketing orientation were factor analyzed into five factors. Then the factor scores of the five dimensions were used as independent variables for the regression analysis (see Sin et al. 2002). Table 3 present the regression results of the variables.

#### Insert table 3 here

Table 3 shows that relationship marketing orientation has a significant positive association with customer loyalty. As can be seen from the table, many interesting findings emerge. First, the regression model achieve a high degree of fit, as reflected by an R2 of 0.56 ( F = 101.9; p <0.001). Second , only four out five relationship dimensions (bonding, trust, communication, satisfaction ) demonstrate a positive and significant association with customer loyalty. These are generally expected results .Third, bonding is found to be the most dominant relational dimension in determining the variation in customer loyalty (standardized Beta coefficients 0.422). Fourth, commitment, a key construct identified by previous relationship marketing research (Wetzels et al., 1998; Cater & Zabcar, 2008; Garbarino & Johnson, 1999; Verhoef, 2003; Priluck, 2003) is found to have no significant effect on customer loyalty. This is an interesting and unexpected finding of this study. Moreover, as can be seen from Table 3, the positive sign of all the five estimates (beta coefficients) shows that the greater the extent of these relationship marketing variables, the higher the level of customer loyalty. Therefore, on the basis of the analysis made, it can be said that successful relationship marketing efforts of the Jordanian bank can improve customer loyalty.

Finally, the first hypothesis that there is a significant positive relationship between relationship marketing variables and customer loyalty has been accepted.

#### 5.2.2 Hypothesis 2

As we mentioned above hypothesis 2 postulates that customer demographic characteristics (sex, education, and income) affect the relationship between relationship marketing and customer loyalty.

##### 5.2.2.1 Impact of Sex

In order to study the impact of sex difference on relationship marketing-customer loyalty relationship, dummy variables were introduced, where male is categorized as 0 and female is categorized as 1.

Table 4 presents the regression results of the variables. As can seen from the table, significant impact of sex on the relationship marketing-customer loyalty relationship is observed. Therefore, on the basis of analysis, it can be said that there is a significant impact of sex difference on relationship marketing-customer loyalty relationship in the context of the Jordanian bank customers.

#### Insert table 4 here

##### 5.2.2.2 Impact of education

In order to study the impact of education on customer loyalty, education level is considered one of the independent variables in this model.

Table 5 presents the regression results of the variables. The results in Table 5 show that, although the relationship between relationship marketing variable and customer loyalty is significant, no significant impact of education on the customer loyalty is observed. On the basis of the analysis, it can be said that there is no significant impact of education on relationship marketing-customer loyalty relationship in the context of the Jordanian bank customers.

**Insert table 5 here**

#### 5.2.2.3 Impact of income

In order to study the impact of income on customer loyalty, education level is considered as one of the independent variables in this model.

Table 6 presents the regression results of the variables.

The results in Table 6 show that, there is a significant impact of income on relationship marketing-customer loyalty relationship in the context of the Jordanian bank customers.

Finally, the second hypothesis that there is significant impact of demographic variable on relationship marketing-customer loyalty relationship has been accepted, particularly for sex and income.

**Insert table 6 here**

## 6. Conclusions and implications

### 6.1 Discussion

This study provides initial empirical evidence of the relationship marketing orientation on customer loyalty. The results of the regression analyses provide support for the two hypothesized relationships. Consistent with H 1, that relationship marketing orientation has significant positive effect on customer loyalty.

In accordance with H 2, there is significant impact of demographic variable on relationship marketing—customer loyalty relationship. Both sex and income displayed a significant impact on the relationship marketing—customer loyalty relationship. This research has verified that the measurement of relationship marketing variables can predict customer loyalty very well in the case of Jordanian banking customers. Therefore, top managements of banks in Jordan, while designing strategies aimed to build the customer loyalty, should pay close attention to relationship marketing variables like bonding, trust, communication and satisfaction, though Gaurav (2008) argued that there is no significant impact of gender differences on relationship marketing-customer loyalty relationship, and that income does not have a significant impact on relationship marketing-customer loyalty.

This research reveals that there is significant impact of sex differences on relationship marketing-customer loyalty relationship, and that income has a significant impact on relationship marketing-customer loyalty. This result is consistent with some previous research (e.g. Kahraman and Ndubisi (2005)) which argued that women tended to be more loyal, as Fry et al. (1973) confirmed that males have a higher probability of remaining loyal. As far as the relative impact of an individual component of relationship marketing orientation on customer loyalty is concerned, our finding revealed that, Bonding is found to be the most dominant relational dimension in determining the variation in customer loyalty. This result is consistent with some previous research and support their findings (e.g. Sin et al., 2002; Wilson & Mummalaneni, 1986). Finally, an unexpected finding of our study is that commitment tend to have no impact on customer loyalty in Jordanian banking service, may be Surprising as compared with the results of some previous studies (Wetzels et al., 1998; Cater & Zabcar, 2008; Garbarino & Johnson, 1999; Verhoef, 2003). This inconsistent but interesting finding has to be further examined in future studies.

### 6.2 Managerial Implications

There are several factors management of banking service providers can use to improve their specific service delivery process and to establish long-lasting relationships with their customers. Relationship marketing orientation is one of key strategic issues for managers of Banking institutions for establishing and maintaining long-term relationships with their clients.

(1) To remain competitive and obtain competitive advantages, the bank managers can try to increase relationship and thus customer loyalty by managing each dimension of relationship marketing orientation in the context with the Jordanian bank customers.

(2) Relationship bonding is found to be one of key strategic issues for bank managers for establishing and maintaining long-term relationships with their customers therefore bank managers need to monitor their behaviors and internal processes.

(3) The five dimensions of the relationship marketing orientation scale may serve training needs for bank staff to develop appropriate training programs that can help to improve their understanding of the activities involved in developing relationship marketing.

### 6.3 Directions for future research

This study also opens some additional avenues for future research in the context of Jordanian banking services. Thus further research should focus on the following issues:

First, future research should examine the effect of relationship marketing orientation on business performance as multidimensional construct.

Second, future research should investigate the antecedents and consequences of the dimensions of relationship marketing orientation.

Third, Future research should examine the impact of commitment as multi-attribute measure, which includes all three components of commitment: affective, calculative and normative.

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**Table 1. Result of exploratory factor analysis of relationship marketing orientation (Scale Reliability)**

Constructs	Factor Loadings	Variance explained	Reliability Cronbach alpha
<b>Factor 1: Bonding</b>		<b>16.738</b>	<b>0.866</b>
1. Bank sends mail in occasions	0.533		
2. Employees show respect to customers	0.502		
3. Bank has well defined standards for customers contact	0.652		
4. Encourage customers' complaints	0.747		
5. Bank show a sincere interest in solving problem on time	0.563		
6. Try hard to understand customers needs constantly.	0.632		
7. Bank always search most reasonably priced solution for me	0.707		
8. Employees will search for the best services for me	0.749		
9. Bank has customers interest at heart	0.789		
<b>Factor 2: Trust</b>		<b>14.529</b>	<b>0.831</b>
10. Bank has high integrity.	0.618		
11. Work in close cooperation.	0.500		
12. Bank has good will reputation.	0.582		
13. Bank is trust worthy.	0.811		
14. Consistent in providing quality services.	0.770		
15. Bank is reliable in providing unique services.	0.652		
<b>Factor 3: Communications</b>		<b>11.241</b>	<b>0.797</b>
16. Bank communicate frequently.	0.772		
17. Bank executes public relation programs.	0.634		
18. Staff communicates in friendly manner.	0.790		
19. Information helps provide better prices.	0.706		
<b>Factor 4: Satisfaction</b>		<b>10.053</b>	<b>0.768</b>
20. Bank completely meets my expectations	0.583		
21. Bank show a sincere interest in solving complaints	0.553		
22. Employees work in a tidy professional way	0.707		
23. Satisfied with all services offered	0.811		
24. Bank try very hard to establish long term relationship	0.617		
<b>Factor 5: Commitment</b>		<b>6.689</b>	<b>0.607</b>
25. Remain a client to enjoy the relationship	0.713		
26. Feel Bank is looking out for my interests	0.759		
27. I have strong sense of loyalty towards bank.	0.589		
<b>-Relationship marketing orientation (Scale Reliability)</b>		<b>59.250</b>	<b>0.907</b>

**Table 2. Correlations, reliabilities and descriptive statistics (N =400)**

Constructs	1	2	3	4	5	6	7
1. Bonding	1.00						
2. Trust	0.469	1.00					
3. Communications	0.425	0.483	1.00				
4. Satisfaction	0.424	0.495	0.380	1.00			
5. Commitment	0.241	0.423	0.426	0.248	1.00		
6. Relationship Marketing	0.642	0.655	0.725	0.654	0.687	1.00	
7. Customer Loyalty	0.659	0.571	0.515	0.496	0.310	0.718	1.00
Mean	3.479	3.976	4.038	3.737	4.213	3.889	3.635
Standard deviation	0.72	0.57	0.58	0.70	0.49	0.70	0.61
Cronbach's alpha	0.866	0.831	0.797	0.768	0.607	0.907	0.849

Note: All correlations are significant at the 0.01% level, ( $p < 0.01$ )

**Table 3 Effect of relationship marketing orientation (bonding, trust, communication, satisfaction and commitment) on customer loyalty : estimated standardized regression coefficients**

Independent variable	Standardized B	t	Sig.
Bonding	<b>0.422</b>	<b>10.581</b>	<b>0.000</b>
Trust	<b>0.215</b>	<b>4.915</b>	<b>0.000</b>
Communications	<b>0.175</b>	<b>4.240</b>	<b>0.000</b>
Satisfaction	<b>0.142</b>	<b>3.557</b>	<b>0.000</b>
Commitment	<b>0.007</b>	<b>0.188</b>	<b>0.851</b>

Dependent variable : Customer loyalty  
 R2= 0.564      F 101.904   Sig. 000

**Table 4 Impact of Sex on the relationship between relationship marketing orientation (bonding, trust, communication, satisfaction and commitment) and customer loyalty : estimated standardized regression coefficients**

Independent variable	Standardized B	t	Sig.
<b>Sex</b>	<b>0.131</b>	<b>3.974</b>	<b>.0000</b>
Bonding	<b>0.431</b>	<b>10.977</b>	<b>.0000</b>
Trust	<b>0.229</b>	<b>5.293</b>	<b>.0000</b>
Communications	<b>0.176</b>	<b>4.348</b>	<b>.0000</b>
Satisfaction	<b>0.126</b>	<b>3.187</b>	<b>.0000</b>
Commitment	<b>0.009</b>	<b>0.237</b>	<b>.813</b>

Dependent variable : Customer loyalty  
 R2= 0.581      F 90.742   Sig. 000

**Table 5 Impact of education on the relationship between relationship marketing orientation (bonding, trust, communication, satisfaction and commitment) and customer loyalty : estimated standardized regression coefficients**

Independent variable	Standardized B	t	Sig.
Bonding	<b>.420</b>	<b>10.538</b>	<b>.000</b>
Trust	<b>.225</b>	<b>5.102</b>	<b>.000</b>
Communications	<b>.167</b>	<b>4.052</b>	<b>.000</b>
Satisfaction	<b>.138</b>	<b>3.420</b>	<b>.001</b>
Commitment	<b>.012</b>	<b>.314</b>	<b>.754</b>
Education	<b>-.042</b>	<b>-1.233</b>	<b>.218</b>

Dependent variable : Customer loyalty  
 R2= 0.566      F 85.345   Sig. 000

**Table 6 Impact of income on the relationship between relationship marketing orientation (bonding, trust, communication, satisfaction and commitment) and customer loyalty : estimated standardized regression coefficients**

Independent variable	Standardized B	t	Sig.
Bonding	<b>.434</b>	<b>10.954</b>	<b>.000</b>
Trust	<b>.229</b>	<b>5.263</b>	<b>.000</b>
Communications	<b>.184</b>	<b>4.511</b>	<b>.000</b>
Satisfaction	<b>.129</b>	<b>3.266</b>	<b>.001</b>
Commitment	<b>.000</b>	<b>-.009</b>	<b>.993</b>
Income	<b>-.106</b>	<b>-3.167</b>	<b>.002</b>

Dependent variable : Customer loyalty  
 R2= 0.575      F 88.538   Sig .000

**Figure 1 The Conceptual model**

