

Abstract

Objectives – Service industry in Indonesia is growing at a very rapid rate. While the growth of the industry represents an attractive proposition to service companies, a concerted effort and emphasis on relationship marketing remains to be seen. Customer retention is key to sustainable growth, especially in service industries, where having a close relationship is essential in maintaining old customers and transforming new customers into repeat purchasers. This research is intended to determine whether the level of consumer personal involvement does indeed have a direct linear effect on the perceived relational benefits and the subsequent relational response behaviors (loyalty, word-of-mouth, satisfaction) in the minds of Indonesian consumers.

Method – The author distributed printed questionnaires to 225 respondents using convenient sampling; Cronbach Alpha was used to check the reliability of the findings; Confirmatory Factorial Analysis was used to check the validity of the findings; MANOVA and multiple regression analysis were used for hypothesis testing.

Results – The findings indicate that service characteristics and personal involvement do have direct linear effect on perceived benefits received and the subsequent relational response behaviors.

Conclusions – Relationship marketing is most suited for high contact customized (hairdresser) and service firms are better off by increasing customer's level of involvement as high involvement customers are more likely to perceive relational benefits and as such, there is greater likelihood of them displaying relational response behaviors (loyalty, word-of-mouth, satisfaction level).

Keywords – Relationship marketing, personal involvement, service characteristics, perceived relational benefits, relational response behaviors