

**AN EMPIRICAL STUDY ON RELATIONSHIP
MARKETING AND ITS EFFECT ON
CUSTOMER SATISFACTION**

NUR HARYANI BINTI MD ARSHAD

Universiti Utara Malaysia

2011

103
2011/12/12
103

**AN EMPIRICAL STUDY ON
RELATIONSHIP MARKETING AND ITS EFFECT
ON CUSTOMER SATISFACTION**



**A thesis submitted to the College of Business in partial fulfillment to the
requirements for the degree**

Master of Science Management

Universiti Utara Malaysia

By:

Nur Haryani binti Md Arshad

Permission to Use

In representing this thesis in partial fulfillment of the requirement for a postgraduate degree from Universiti Utara Malaysia, I agree that the University Library may take it freely available for inspection. I further agree that permission for copying of this thesis in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor or in their absence, by the Dean of the Graduate School. It is understood that any copying or publication or use of this thesis or parts of it thereof for financial gain not to be allowed without my written permission. Furthermore, due to recognition will be given to me and the Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Request for permission to copy or to make other use of materials in the thesis, in whole or in part, should be addressed to:

Othman Yeop Abdullah

Graduate School of Business

Universiti Utara Malaysia

June 2011

Abstract

The intense competition among firms in the new global environment has made it inevitable for firms to seek ways to create and maintain quality relationship with customers, and Malaysia banks sector are no exception. However, little is understood from empirical viewpoint about the antecedents of relationship quality specifically. In fact, the actual influence of overall customer satisfaction will be assessed by its indicators (Trust, Communication, Competence, Commitment and Cooperation). In this study, we tend to examine the effects of relationship marketing on customer satisfactions. Based on data collected from 237 customers which consisted of university students of UUM, various data-analytic tools will be used in this study. These tools are used to analyze the data such as test of differences, reliability analysis, factor analysis, and multiple regression analysis. Findings of this study suggest that if companies want to gain customers satisfaction, issues related to trust, communication, competence, commitment and cooperation must be addressed.

Abstrak

Persaingan yang kompetitif di antara syarikat-syarikat di persekitaran global yang baru telah mendorong syarikat-syarikat mencari kaedah baru dalam mewujudkan dan mengekalkan kualiti hubungan dengan pelanggan. Ini termasuklah sektor perbankan di Malaysia. Akan tetapi, hanya segelintir yang memahami dari sudut pandangan realistik tentang latar belakang kualiti hubungan secara khususnya. Malah, kecenderungan sebenar dalam menilai kepuasan pelanggan akan dinilai melalui pembolehubah hubungan pemasaran (kepercayaan, komunikasi, kebolehan, komitmen dan kerjasama). Di dalam kajian ini, kita akan mendalami kesan di antara hubungan pemasaran terhadap kepuasan pelanggan bank. Daripada data yang dikumpul, iaitu seramai 237 orang pelanggan yang terdiri daripada pelajar-pelajar Universiti Utara Malaysia (UUM), kepelbagaian kaedah analisis digunakan di dalam kajian ini. Kaedah-kaedah ini digunakan untuk menganalisis data seperti ujian perbezaan faktor, analisis keseragaman, analisis factor dan beberapa analisis pembalikan. Hasil kajian ini telah membuktikan para pelanggan boleh mencapai tahap kepuasan perkhidmatan dengan memfokuskan isu pembolehubah itu sendiri iaitu kepercayaan, komunikasi, kebolehan, komitmen dan kerjasama.

Acknowledgment

First of all, I would like to express my deepest gratitude to Almighty Allah, for His uncountable provisions, mercy and guidance, and may be peace upon our Prophet Muhammad (S.A.W), his family and companions.

I am heartily thankful to my supervisor, Haji Mohamad Zainol Abidin bin Adam, Senior Lecturer, College of Business, Universiti Utara Malaysia, who has always been there to provide me with valuable guidance, advices, patience, and generous amount of time and support in guiding me throughout the duration of preparing this thesis.

My words of thanks are also extended to Associate Professor Hoe Chee Hee for his comments, guidance and support during the process of writing this thesis. Additionally, I would like to thank all respondents of this thesis, who made great effort in answering the questions in the questionnaire form.

Furthermore, I would like to express my deepest gratitude to my beloved parents, Haji Md Arshad bin Said and Hajjah Siti Zubaidah binti Abdullah and all my family for their love, encouragement, advices, and understandings.

Finally, I offer my regards and blessings to my fiancée, Hasnan Firdaus bin Rosli, my friends and all of those who supported me in any respect during the completion of the project.

Table of Content

CONTENT	PAGE
PERMISSION TO USE :: :: :: :: :: :: :: :: ::	i
ABSTRACT :: :: :: :: :: :: :: :: ::	ii
ABSTRAK :: :: :: :: :: :: :: :: ::	iii
ACKNOWLEDGMENT :: :: :: :: :: :: :: :: ::	iv
LIST OF TABLES :: :: :: :: :: :: :: :: ::	ix
LIST OF FIGURES :: :: :: :: :: :: :: :: ::	xi
 CHAPTER 1: INTRODUCTION	
1.0 CHAPTER INTRODUCTION :: :: :: :: :: :: :: :: ::	1
1.1 BACKGROUND OF THE STUDY :: :: :: :: :: :: :: :: ::	2
1.2 PROBLEM STATEMENT :: :: :: :: :: :: :: :: ::	5
1.3 OBJECTIVES OF THE STUDY :: :: :: :: :: :: :: :: ::	6
1.3.1 Main Objective :: :: :: :: :: :: :: :: ::	6
1.3.2 Specific Objectives :: :: :: :: :: :: :: :: ::	6
1.4 RESEARCH QUESTIONS :: :: :: :: :: :: :: :: ::	7
1.5 THEORETICAL FRAMEWORK :: :: :: :: :: :: :: :: ::	7
1.5.1 Dependent Variable :: :: :: :: :: :: :: :: ::	8
1.5.2 Independent Variables :: :: :: :: :: :: :: :: ::	8
1.6 SIGNIFICANCE OF THE STUDY :: :: :: :: :: :: :: :: ::	10
1.7 LIMITATIONS OF THE STUDY :: :: :: :: :: :: :: :: ::	10

CHAPTER 2: LITERATURE REVIEW

2.0	CHAPTER INTRODUCTION	::	::	::	::	::	::	11
2.1	RELATIONSHIP MARKETING	::	::	::	::	::	::	12
2.2	TRUST	::	::	::	::	::	::	15
	2.2.1 Relationship between Trust and Customer Satisfaction						::	17
2.3	COMMUNICATION	::	::	::	::	::	::	19
	2.3.1 Relationship between Communication and Customer Satisfaction	::	::	::	::	::	::	20
2.4	COMPETENCE	::	::	::	::	::	::	21
	2.4.1 Relationship between Competence and Customer Satisfaction			::	::	::	::	24
2.5	COMMITMENT	::	::	::	::	::	::	25
	2.5.1 Relationship between Commitment and Customer Satisfaction			::	::	::	::	26
2.6	COOPERATION	::	::	::	::	::	::	27
	2.6.1 Relationship between Cooperation and Customer Satisfaction			::	::	::	::	29
2.7	CUSTOMER SATISFACTION	::	::	::	::	::	::	29
	2.7.1 Relationship between Relationship Marketing and Customer Satisfaction			::	::	::	::	32

CHAPTER 3: METHODOLOGY

3.0	CHAPTER INTRODUCTION	::	::	::	::	::	::	35
3.1	QUESTIONNAIRE DESIGN AND SURVEY INSTRUMENT	::	::					36
3.2	SAMPLE AND DATA COLLECTION	::	::	::	::	::	::	40
3.3	HYPOTHESES	::	::	::	::	::	::	40
3.4	PILOT TEST	::	::	::	::	::	::	42
3.5	RELIABILITY COEFFICIENT	::	::	::	::	::	::	42

CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.0	CHAPTER INTRODUCTION	::	::	::	::	::	::	45
4.1	SAMPLE CHARACTERISTICS	::	::	::	::	::	::	46
4.2	DESCRIPTIVE STATISTICS OF DATA	::	::	::	::	::	::	48
	4.2.1 Gender of Respondents	::	::	::	::	::	::	48
	4.2.2 Age of Respondents	:	::	::	::	::	::	49
	4.2.3 State of Origin (Local Students) and Country of Origin (Foreign Students)			::	::	::	::	50
	4.2.4 Race of Respondents	::	::	::	::	::	::	52
	4.2.5 Religion of Respondents	::	::	::	::	::	::	53
	4.2.6 Education Level of Respondents	::	::	::	::	::	::	54
	4.2.7 College of Respondents	::	::	::	::	::	::	55
	4.2.8 Residential Hall of Respondents	::	::	::	::	::	::	56
	4.2.9 Transaction Banking of Respondents			::	::	::	::	58
4.3	MEAN AND STANDARD DEVIATION	::	::	::	::	::	::	59
	4.3.1 Trust	::	::	::	::	::	::	62
	4.3.2 Communication	::	::	::	::	::	::	63
	4.3.3 Competence	::	::	::	::	::	::	65
	4.3.4 Commitment	::	::	::	::	::	::	66
	4.3.5 Cooperation	::	::	::	::	::	::	67
	4.3.6 Customer Satisfaction	::	::	::	::	::	::	69
4.4	T-TEST OF DATA COLLECTION	::	::	::	::	::	::	71
	4.4.1 Gender and Customer Satisfaction	::	::	::	::	::	::	72
4.5	ONE-WAY ANOVA ANALYSIS	::	::	::	::	::	::	73
4.6	CORRELATION ANALYSIS	::	::	::	::	::	::	76
	4.6.1 Hypotheses Testing	::	::	::	::	::	::	77
4.7	REGRESSION ANALYSIS	::	::	::	::	::	::	83
	4.7.1 Regression Analysis on Coefficient of Determination (R^2)			::	::	::	::	83
	4.7.2 Regression Analysis on Durbin-Watson Test					::	::	84

4.7.3	Regression Analysis of ANOVA Test	::	::	::	::	::	::	85
4.7.4	Regression Analysis of Coefficient	::	::	::	::	::	::	86
4.8	SUMMARY	::	::	::	::	::	::	88

CHAPTER 5: DISCUSSION, RECOMMENDATIONS AND CONCLUSION

5.0	CHAPTER INTRODUCTION	::	::	::	::	::	::	89
5.1	DISCUSSION	::	::	::	::	::	::	90
	5.1.1 Discussion on Research Hypotheses	::	::	::	::	::	::	91
	5.1.2 Relationship between Trust and Customer Satisfaction	::						91
	5.1.3 Relationship between Communication and Customer Satisfaction	::	::	::	::	::	::	92
	5.1.4 Relationship between Competence and Customer Satisfaction	::	::	::	::	::	::	93
	5.1.5 Relationship between Commitment and Customer Satisfaction	::	::	::	::	::	::	93
	5.1.6 Relationship between Cooperation and Customer Satisfaction	::	::	::	::	::	::	94
5.2	MANAGERIAL IMPLICATIONS	::	::	::	::	::	::	95
5.3	RECOMMENDATIONS FOR FUTURE RESEARCH	::	::	::	::	::	::	95
5.4	CONCLUSION	::	::	::	::	::	::	97
	REFERENCES	::	::	::	::	::	::	99
	APPENDICES	::	::	::	::	::	::	108

List of Tables

TABLES							PAGE
3.1	Summary of the Questionnaire Design	::	::	::	::	::	39
3.2	Reliability Statistics for the Pilot Test	::	::	::	::	::	43
4.1	Response Rate	::	::	::	::	::	47
4.2	Gender of Respondents	::	::	::	::	::	48
4.3	Age of respondents	::	::	::	::	::	49
4.4	State of Origin (Local Students)/ Country of Origin (Foreign Students)	::	::	::	::	::	51
4.5	Race of Respondents	::	::	::	::	::	52
4.6	Religion of Respondents	::	::	::	::	::	53
4.7	Education Level (Course) of Respondents	::	::	::	::	::	54
4.8	Academic College of Respondents	::	::	::	::	::	55
4.9	Residential Hall of Respondents	::	::	::	::	::	57
4.10	Banking transactions of Respondents	::	::	::	::	::	58
4.11	Descriptive (Mean and S. Deviation) Analysis of the Variables	::	::				61
4.12	Means and Standard Deviation of Trust Items	::	::	::	::		62
4.13	Means and Standard Deviation of Communication Items	::	::	::	::		64
4.14	Means and Standard Deviation of Competence Items	::	::	::	::		65

4.15	Means and Standard Deviation of Commitment Items	::	::	::	::	67
4.16	Means and Standard Deviation of Cooperation Items	::	::	::	::	68
4.17	Means and Standard Deviation of Customer Satisfaction Items	::	::	::	::	70
4.18	Independent T-Test between Gender and Customer Satisfaction	::	::	::	::	72
4.19	One-Way ANOVA between Race, College and Customer Satisfaction in Banking Sector	::	::	::	::	75
4.20	Pearson's Correlation Scale	::	::	::	::	76
4.21	Correlation between Customer Satisfaction and Trust	::	::	::	::	77
4.22	Correlation between Customer Satisfaction and Communication	::	::	::	::	79
4.23	Correlation between Customer Satisfaction and Competence	::	::	::	::	80
4.24	Correlation between Customer Satisfaction and Commitment	::	::	::	::	81
4.25	Correlation between Cooperation and Customer Satisfaction	::	::	::	::	82
4.26	Model Summary of Durbin-Watson	::	::	::	::	84
4.27	Model Summary of Durbin-Watson	::	::	::	::	85
4.28	Regression Analysis of ANOVA Test	::	::	::	::	86
4.29	Coefficients (a)	::	::	::	::	87
4.30	Summary Result of Hypotheses Testing	::	::	::	::	88

List of Figures

FIGURES							PAGE
Figure 1.1	Theoretical Framework	::	::	::	::	::	9

1

INTRODUCTION

1.0 CHAPTER INTRODUCTION

This study investigates the effect of relationship marketing on customer satisfaction in banking services. In particular, it will discuss the effect of trust, communication, competence, commitment, and cooperation towards customer satisfaction. These five elements are the dimension of relationship marketing. This chapter contains seven parts as follows: (1) Background of the study; (2) Problem statement; (3) Objective of the study; (4) Research question; (5) Theoretical framework; (6) Significance of the study; (7) Limitations of the study.

The contents of
the thesis is for
internal user
only

References

- Anderson, E.W. and Sullivan, M.W. (1993), "The antecedents and consequences of customer satisfaction for firms", *Marketing Science*, Vol. 12, Spring, pp. 125-43.
- Anderson, E.W. and Weitz, B. (1992), "The use of pledges to build and sustain commitment in distribution channels", *Journal of Marketing Research*, Vol. 29, February, pp. 18-34.
- Anderson, E.W., Fornell, C. and Lehmann, D.R. (1994), "Customer satisfaction, market share, and profitability: findings from Sweden", *Journal of Marketing*, Vol. 58 No. 3, pp. 53-66.
- Anderson, J.C. and Narus, J.A. (1990), "A model of distributor firm and working partnerships", *Journal of Marketing*, Vol. 54 No. 1, pp. 42-58.
- Anderson, J.C. and Narus, J.A. (1990), "A model of the distributor's perspective of distributor-manufacturer working relationship", *Journal of Marketing*, Vol. 48 No. 1, pp. 62-74.
- Becker, H.S. (1960), "Notes on the concept of commitment", *American Journal of Sociology*, Vol. 66 No. 1, pp. 32-40.
- Bejou, D., Ennew, C.T. and Palmer, A. (1998), "Trust, ethics and relationship satisfaction", *International Journal of Bank Marketing*, Vol. 16 No. 4, pp. 170-5.

- Berry, L.L. (1983), "Relationship Marketing", *Emerging Perspectives on Services Marketing*, American Marketing Association, Chicago, IL, pp. 25-28.
- Berry, L.L. (1995), "Relationship Marketing of service growing interest, emerging perspectives", *Journal of the Academy of Marketing Science*, Vol. 23 No. 4, pp. 236-245
- Bitner, M.J., Booms, B.H. and Tetreault, M.S. (1990), "The service encounter: diagnosing favorable and unfavorable incidents", *Journal of Marketing*, Vol. 54, pp. 71-84.
- Booms, B.H. and Nyquist, J. (1981), "Analyzing the customer/firm communication component of the services marketing mix", in Donnelly, J. and George, W. (Eds), *Marketing of Services*, American Marketing Association, Chicago, IL, pp. 172-7.
- Boshoff, C. and Tait, M. (1996), "Quality perceptions in the financial services sector: The potential impact of internal marketing", *International Journal of Service Industry Management*, Vol.17 No.5, pp.5-31
- Bowden, J. and Masters, G. (1993), *Implications for Higher Education of a Competency-Based Approach to Education and Training*, AGPS, Canberra.
- Boyatzis, R. (1982), *The Competent Manager ± A Model for Effective Performance*, John Wiley & Sons, New York, NY.
- Burgoyne, J. (1993), "The competence movement: issues, stakeholders and prospects", *Personnel Review*, Vol. 22 No. 6, pp. 6-13.
- Coakes, S.J. & Steed, L. (2007). *SPSS version 14.0 for windows: Analysis without anguish*. Milton: Qld Wiley.

- Crosby, L.A., Evans, K.E. and Cowles, D. (1990), "Relationship quality in services selling: an interpersonal influence perspective", *Journal of Marketing*, Vol. 54, July, pp. 68-81.
- Danaher, P.J., Conroy, D.M. and McColl-Kennedy, J. (2008), "Who wants a relationship anyway? Conditions when consumers expect a relationship with their service provider", *Journal of Service Research*, Vol. 11 No. 1, pp. 43-62.
- Doney, P.M. and Cannon, J.P. (1997), "An examination of the nature of trust in buyer-supplier relationships", *Journal of Marketing*, Vol. 61, April, pp. 35-51.
- Dwyer, F.R., Schurr, P.H. and Oh, S. (1987), "Developing buyer-seller relationships", *Journal of Marketing*, Vol. 51 No. 2, pp. 11-27.
- Eriksson, K., Kerem, K. and Nilsson, D. (2005), "Customer acceptance of internet banking in Estonia", *International Journal of Bank Marketing*, Vol. 23 No. 2, pp. 200-16.
- Farh, J.L., Tsui, A.S., Xin, K.R. and Cheng, B.S. (1998), "The influence of relational-demography and Guanxi: The Chinese case", *Organization Science*, Vol.9, pp. 471-488.
- Geyskens, I., Steenkamp, J.E.M. and Kumar, N. (1999), "A meta-analysis of satisfaction in marketing channel relationships", *Journal of Marketing Research*, Vol. 36, May, pp. 223-38.
- Gronroos, C. (1995), "Relationship Marketing: The strategy continuum", *Journal of the Academy of Marketing Science*, Vol. 23 No. 4, pp. 252-254.

- Groonroos, C. (1990), *Service Management and Marketing*, Lexington Books, Toronto.
- Gundlach, G.T., Achrol, R.S. and Mentzer, J.T. (1995), "The structure of commitment in exchange", *Journal of Marketing*, Vol. 59 No. 1, pp. 78-93.
- Hart, C.W. and Johnson, M.D. (1999), "Growing the trust relationship", *Marketing Management*, Vol. 8 (Spring), pp. 8-19.
- Hartline, M.D. and Jones, K.C. (1996), "Employee performance cues in a hotel service environment: influence on perceived service quality, value, and word-of-mouth intentions", *Journal of Business Research*, Vol. 35, pp. 205-17.
- Hennig-Thurau, T., Gwinner, K.P. and Gremler, D.D. (2002), "Understanding relationship marketing outcomes: an integration of relational benefits and relationship quality", *Journal of Service Research*, Vol. 4 No. 3, pp. 230-47.
- Huntley, J.K. (2006), "Conceptualization and measurement of relationship quality: linking relationship quality to actual sales and recommendation intention", *Industrial Marketing Management*, Vol. 35 No. 6, pp. 703-14.
- Johnson, B. & Christensen, L.B. (2000). *Educational Research: Qualitative and Quantitative Approaches*. Allyn & Bacon.
- Johnson, M.D. and Selnes, F. (2004), "Customer portfolio management: towards a dynamic theory of exchange relationships", *Journal of Marketing*, Vol. 68, April, pp. 1-17.
- Kiesler, C.A. (1971), *The Psychology of Commitment*, Academic Press, New York, NY.

- Kotler, P. (2000), *Marketing Management*, Millennium ed., Prentice-Hall, Upper Saddle River, NJ.
- Lovelock, C.H., Patterson, P. and Walker, R.H. (1998), *Services Marketing*, Prentice-Hall Australia Pty Ltd, Sydney.
- Luo, X. and Homburg, C. (2007), "Neglected outcomes of customer satisfaction", *Journal of Marketing*, Vol. 71, pp. 133-49.
- Mitchell, A. (2002), "Consumers fall by wayside as CRM focuses on costs", *Marketing Week*, Vol. 25 No. 5, pp. 30-1.
- Moorman, C., Zaltman, G. and Deshpande, R. (1992), "Relationships between providers and users of market research: the dynamics of trust within and between organizations", *Journal of Marketing Research*, Vol. 29 No. 3, pp. 314-28.
- Morgan, R. and Hunt, S. (1994), "The commitment-trust theory of relationship marketing", *Journal of Marketing*, Vol. 58, pp. 20-38.
- Morgan, R.M. and Hunt, S.D. (1994), "The commitment-trust theory of relationship marketing", *Journal of Marketing*, Vol. 58, July, pp. 20-38.
- Morgan, R.M. and Hunt, S.D. (1994), "The commitment-trust theory of relationship marketing", *Journal of Marketing*, Vol. 58 No. 1, pp. 20-38.
- Mowday, R., Porter, L. and Steers, R. (1982), "Organizational linkages: the psychology of commitment", *Journal of Vocational Behavior*, Vol. 14 No. 4, pp. 224-47.

- Nicholson, C.Y., Compeau, L.D. and Sethi, R. (2001), "The role of interpersonal liking in building trust in long-term channel relationships", *Journal of the Academy of Marketing Science*, Vol. 29 No. 1, pp. 3-13.
- Norusis, M.J. (1999). *SPSS 9.0 Guide to Data Analysis*. Englewood Cliffs: Prentice
- Oliver, R.L. (1997), *Satisfaction: A Behavioral Perspective on the Consumer*, McGraw-Hill, New York, NY.
- Reichheld, F.F. and Schefter, P. (2000), "E-loyalty: your secret weapon on the web", *Harvard Business Review*, Vol. 78 No. 4, pp. 105-13.
- Rothwell, W. and Kazanas, H. (1992), *Mastering the Instructional Design Process*, Jossey-Bass, San Francisco, CA.
- Rousseau, D.M., Sitkin, S.B., Burt, R.S. and Camerer, C. (1998), "Not so different after all: a cross discipline view of trust", *Academy of Management Review*, Vol. 23 No. 3, pp. 393-404
- Selnes, F. (1998), "Antecedents and consequences of trust and satisfaction in buyer-seller relationships", *European Journal of Marketing*, Vol. 32 Nos 3/4, pp. 305-22.
- Smith, A.K., Bolton, R.N. and Wagner, J. (1999), "A model of customer satisfaction with service encounters involving failure and recovery", *Journal of Marketing Research*, Vol. XXXVI, pp. 356-72.
- Sternberg, R. and Kolligian Jr J. (1990), *Competence Considered*, Yale University Press, New Haven, CT.

Ulrich, D., Holbrook, R., Meder, D., Stuchlik, M. and Thorpe, S. (1991), "Employee and customer attachment: Synergies for competitive advantage", *Human Resource Planning*, Vol.14 No.2, pp. 89-103.

Wang, Y.S., Wang, Y.M., Lin, H.H. and Tang, T.I. (2003), "Determinants of user acceptance of internet banking: an empirical research", *International Journal of Bank Marketing*, Vol. 14 No. 5, pp. 501-19.

Winsted, K.F. (2000), "Service behaviors that lead to satisfied customers", *European Journal of Marketing*, Vol. 34 Nos 3/4, pp. 399-417

Wong, A. and Sohal, A. (2002), "An examination of the relationship between trust, commitment and relationship quality", *International Journal of Retail & Distribution Management*, Vol. 30 No. 1, pp. 34-50.