

RELATIONSHIP QUALITY AND CUSTOMER LOYALTY OF MALAYSIAN NATIONAL CARMAKERS

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ABSTRACT

Business organizations are losing customers and unable to attract new customers for various reasons. Studies have proven that the organizations with the unique competitive advantage are having benefit to retain the customer as well as attracting the new customer over the competitors. Relationship quality was identified as the intangible source of competitive advantage that ensures customer return for the long-term beneficial relationship. However, the difference in the context of study needs different measures of relationship quality to make up such quality that could bring different results to the level of customer loyalty. Therefore, the objective of this study is to investigate the influence of the relationship quality with industry-specific dimension on the level of customer loyalty in the context of Malaysian automotive industry. The systematic sampling using intercept survey design will be used. The sample of the study consists of the present individual customers of Malaysian national carmakers.

Field of Research: *Relationship quality, customer loyalty, systematic sampling, Malaysian national carmakers.*

1. Introduction

Loyal customer ensures the long-term survival of any business organizations. Without the customer, it is less likely that the organizations are going to succeed (Abdullateef, Mohd Mokhtar, & Yusoff, 2011). Several strategies have been attempted to retain the customers, and as emphasized, the intangible element of relationship may result in higher level of customer loyalty (Crosby, Evans, & Cowles, 1990). However, the attention given by researchers on the concept of relationship quality especially in Malaysian national carmakers is considered very scant and inadequate. As such, this current study is looking at the quality of the relationship between the car manufacturer and their existing and potential customer and its impact on customer loyalty, especially towards national carmakers. The car manufacturer is not only looking for immediate benefit from the core product transaction but they are also emphasizing on the long-term seller-buyer relationship for cost reduction and customer retention. Purchase of a new-vehicle involves a very complex process when it starts with product presentation, price negotiation, motor insurance and financing, vehicle delivery and after delivery follow up calls. All of this process requires personal interaction between the customer and the employees (sales advisor, administrative staff, and managerial level).

Other than selling the vehicle, the seller also engaged in servicing the customer's needs which nowadays becomes more and more complex and savvy. The interaction between the buyer and the seller to complete the multifaceted transaction has established and developed something that we called relationship. From the perspective of relationship quality, the satisfied customers return for a longer term of high-quality relationship in which along with the relationship, they develop trust towards the organization and subsequently being committed to staying loyal to the existing organization (Zineldin, 2000). In order to be a market leader or at least at par with the local players in the Malaysian automotive market, the national carmakers need a unique bullet beyond the price, product quality, technology or stylish design. It is of which less tangible and less easy-to-imitate by the competitors such as the intangible element of relationship that often result in sustainable competitive advantage (Bloemer, Ruyter, & Peeters, 1998; Hunt, Arnett, & Madhavaram, 2006; Lacey, 2003).

The buoyant consumer demand resulting from the rapid economic growth and high purchasing power of Malaysian have made Malaysia as the largest passenger vehicle market in Asean. As such, it is not surprising when several of the international automotive companies are taking advantage by setting up operations and sells non-national vehicles in the local market. Apparently, their existence has jeopardized the position of national carmakers as the last two years local vehicle market shares are controlled by the non-nationals (Malaysian Automotive Association, 2015). Apart from that, the growth recorded by the non-nationals also indicates the local consumer choice for owning a vehicle is more towards foreign makes (Raja Sabaradin, 2013) and that was very alarming for the sustainability of the national carmakers. As demonstrated in the Malaysian vehicles market share below (Figure 1), the trend shows that the national carmakers are facing the issue of losing their market shares to the non-nationals and that further indicates the customers are not loyal to the national brand.

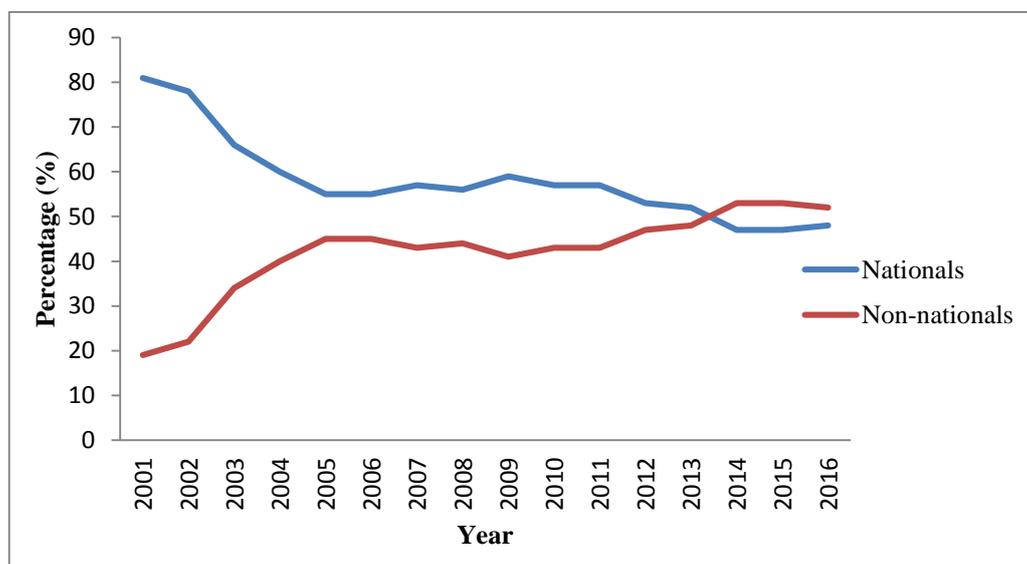


Figure 1: Malaysian Vehicles Market Share from 2001 to 2016

Source: Malaysian Automotive Association (MAA)

Further to that, the high quality of customer-service provider relationship opens a wide opportunity for customer retention which generates more sales of national brands as a result of good publicity and

positive word-of-mouth recommendation by the loyal customer (Ndubisi, Wah, & Ndubisi, 2007; Prasad & Aryasri, 2008). Drawing on the issue of declining trend of loyalty and the importance of high-quality customer relationship in generating publicity to generate long-term beneficial relationship which resulted of higher loyalty towards the national brands, the next section of this paper discusses the research context and conceptual framework in relation to the existing literature on customer loyalty and relationship quality. The last section is in discussion and conclusion.

2. Literature Review

2.1 Customer Loyalty

The important of the loyal customer to a business organization has attracted the attention of many researchers and so as the market practitioners. The intention to be the first choice among the rival competitor has seriously been addressed by the Malaysian national carmakers as expressed in their vision statement. For the market practitioners, all their effort in developing strategy and decision making must be centered on the bottom line which is profit. Any changes internally or externally must be considered in company's strategy and strategic decision making due to its impact on loyalty level, for example, Michael Porter has characterized government's policy as one of the factors that influence customer loyalty (Mannering, 1991). National carmakers as part of the participants in Malaysian automotive industry will also impact the changes in the latest government policy. This current development is an interesting topic to explore especially on the issue of loyalty towards national carmakers pre and post implementation of National Automotive Policy (NAP).

Even though loyalty is an interesting subject that has received sufficient consideration by researchers, the complexities of its definition, concept, and dimension has made it a fresh topic to receive further research attention especially in the latest phenomena in Malaysian automotive industry. The review of literature showing that loyalty is a multi-dimensional concept and this scenario has opened for debate among researchers on the number of dimensions for its measurement (Jones & Taylor, 2007). Research in the early days prefers to measure loyalty in association to tangible products related to a brand (Cunningham, 1956: as cited in Donnelly, Holden, & Lynch, 2009) and focus more on behavioural loyalty rather than customer aspect (Tucker, 1964: as cited in Donnelly et al., 2009). Behavioural loyalty as described by Jones & Taylor (2005) refer to action and situation such as intention to repurchase, intention to switch to the competitor and exclusive buying. Most of the recent marketing literature suggests two additional dimensions called attitudinal and cognitive dimension and resulting in the total of three dimensions of loyalty; behavioural, attitudinal and composite loyalty (Jones & Taylor, 2007). According to Jones and Taylor, psychology researchers have combined attitudinal and cognitive loyalty into one and used only two dimensions; attitudinal/cognitive and behavioural loyalty. They also described attitudinal loyalty as the degree of preference, truly genuine support and including self-sacrifice and refer cognitive loyalty to the willingness to pay a premium price and high-class consideration to purchase (Jones & Taylor, 2007).

Other than inconsistencies in the number of dimensions to measure loyalty, researchers also failed to achieve consensus in defining loyalty (Dick & Basu, 1994). Review of existing literature shows that researchers define loyalty by relating it to loyalty dimension which consists of behavioural, attitudinal and cognitive loyalty. The trend can be seen in the definition by Dick & Basu (1994) who refers loyalty based on the strength of the relationship between the two dimensions which are consumer's comparative attitude (attitudinal) and repeat patronage (behavioural). In their study, loyalty is segmented into four; true, latent, spurious and the last segment called zero loyalty (Dick & Basu, 1994). The researcher such as East, Gendall, Hammond, & Lomax (2005) suggests loyalty as a single concept if it relates to only one loyalty dimension; either behavioural or attitudinal. The complex definition of loyalty which shows the combination of concepts can be seen in definition proposed by Jacoby and Chestnut which involved

up to six components including behavioural and attitudinal loyalty (Jacoby and Chestnut, 1978; as cited in East et al., 2005). Other than the two dimensions, Jacoby and Chestnut also relates loyalty to the concept of cognitive, affective and conative and then based on these three elements and as a modification of his earlier loyalty definition developed in 1997, Oliver (1999) further develop loyalty definition as “a deeply held commitment to consistently repurchase or re-patronize preferred product/services consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and competing marketing efforts that caused switching behaviour”.

Among all the various definition found in the literature, there is one definition given by Reichheld who described loyalty in relation to the relationship between firm and customer. According to Reichheld, loyalty is achieved when a customer believe on the relationship value that curtails him to switch to the rival competitor and willing to stay with the existing company as the preferred provider of goods and services (Reichheld, 2003: as cited in Riscinto-Kozub, 2008). The most interesting definition of loyalty as described by Prasad and Aryasri (2008) is not only concern on the possibility of the customer to return but it also expressed as positive word of mouth, recommendation, referral and the most important thing is publicity. Since the argument comes from the assumption that it will take a very long time for a loyal customer to purchase another vehicle to contribute to company’s profit, the above loyalty description is suitable to prove that the loyal customer can also generate more and more customer by their loyalty action. The high-quality service develops from the interaction pre and post-sales will give a good publicity to the car manufacturer and subsequently generate more loyal customers.

2.2 Relationship Quality

The focus of the business organization has revolved from transactional to relational marketing where relationship quality serves as the focal point and source of competitive advantage (Caceres & Paparoidamis, 2007; Doaei, Rezaei, & Khajei, 2011; Vieira, 2013). The word quality used in this study on relationship quality is not referred to quality defined in the study on total quality management, service quality, product quality or any quality issues. Relationship quality refers to the study on the strength of the relationship between parties involved in a relationship or relational exchange. Particularly, quality is observed in relation to interaction in the relationship between buyer and seller. The study on relationship quality initiated by Dwyer and Oh in 1987 which involved business-to-business research and in 1990 Crosby *et al.* has further established the study on retail settings (Athanasopoulou, 2009). Their early research works have created plenty of publications on relationship quality and the importance of this construct has received major attention by researchers whose their study mostly appeared in highest ranking marketing papers (Athanasopoulou, 2009).

Albeit of its importance and plentiful of publications, the definition of relationship quality is still inconsistency and as a result, there is no universal model to fully describe relationship quality and considered as underexplored (Athanasopoulou, 2013; Ndubisi, 2007). As a result of the non-consensuses, these researchers such as Athanasopoulou (2013), Dant et al.(2013), Clark et al.(2013), Han and Hyun (2012), Ali and Ndubisi (2011), Auruskeviciene et al.(2010) and Hyun (2010) have continuously tried to determine the dimensions, including antecedents and its consequences in various contexts. In a study involved services context, Crosby considers customer satisfaction combining with trust and excludes commitment as a dimension of relationship quality for the salesperson (Crosby *et al.*, 1990: as cited in Athanasopoulou, 2013). In a study on quality of the relationship between market research firm and its customers, Moorman et al. measure relationship quality through researchers involvement, perceived quality of interaction as well as the commitment of both parties to the relationship (Moorman, 1992: as cited in Athanasopoulou, 2013). For a bank and their corporate customers, Zineldin examines the relationship based on environment and interaction process only and never consider trust, customer satisfaction or commitment (Zineldin, 1995: as cited in Athanasopoulou,

2013). In a study between the customer and their fitness center by Athanasopoulou and Mylonakis identified a large number of dimensions up to six which consists of trust, satisfaction, commitment, bonds, cooperation and adaptation (Athanasopoulou and Mylonakis, 2009: as cited in Athanasopoulou, 2013).

In relation to that, the nature of the relationship between customer and the sales advisor in car purchase or automotive context also requires an industry-specific measure of relationship quality. Accordingly, besides considering the three established dimensions of relationship quality of satisfaction, trust and commitment (Athanasopoulou, 2013; Barry & Doney, 2011). Car purchase involves a very complex process and the high investment is required to make the purchase decision for such a high priced product. The expert's advice on product and services, the purchase process, as well as financial information might give a major influence on the quality of the relationship along the sales process. Hence, on top of the three established dimensions of relationship quality widely used in the previous study, the current study is intended to add in the expertise of the sales advisor as an automotive industry dimension to measure the quality of the relationship that may influence the association with customer loyalty. This is in line with the prominent study of relationship quality that emphasized on the ability to generate more sales opportunities would depend mostly on the quality of relationship where the seller's expertise is one of the important elements (Crosby et al., 1990).

3. Conceptual Framework

The above literature and the objective of this study lend support for the development of the conceptual model that evaluates the association between relationship quality comprise of satisfaction, trust, commitment, and expertise on customer loyalty in the context of Malaysian automotive industry especially national carmakers (see Figure 2).

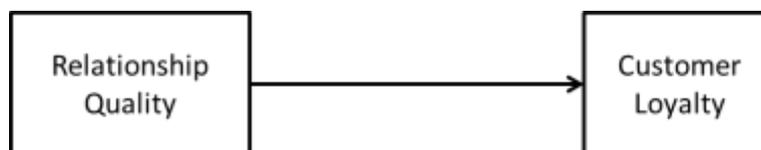


Figure 2: Conceptual Framework

4. Methodology

This study uses both descriptive and explanatory survey design. Accordingly, the study will seek to describe the characteristic of customer loyalty and also explain the customer loyalty as influenced by high-quality customer-sales advisor relationship. As such, to this end, hypothesis testing will be employed. The population of this study comprises of the individual customers of the Malaysian national carmakers who visit the service center of the national carmakers for vehicle service, maintenance, and repair. In an attempt to achieve the required response, this study employs a systematic sampling approach using intercept survey method (Gates & Solomon, 1982; Hornik & Ellis, 1988). This is apparent considering the unknown exact population of daily customer turn up for vehicle service where the selection of samples is a business outlet that cannot be easily listed. A self-administrated questionnaire consisting of closed-ended multiple choices questions will be distributed to the selected customers.

Considering the objective of this study which is to explore on the industry-specific dimension of relationship quality and its influence on customer loyalty of Malaysian national carmakers, the partial least squares structural equation modeling (PLS-SEM) is employed for data analysis. PLS-SEM is one of the most superior statistical tools that offer an alternative to theory testing, specifically the extension of social exchange theory.

5. Conclusion

Notably, traditional marketing which is more transaction-oriented is just concern on customer acquisition and immediate profit. In a highly competitive environment with fierce global competition, organizations are more concern about cost reduction and revenue maximization. Alternatively, they have shifted from the traditional way of doing business and employing relationship marketing strategy which concerns on long-term customer relationship management. To understand the nature of relationship marketing theory, one must able to differentiate between a discrete transaction which refers to transactional marketing concerning on immediate profit and relational exchange which concern on the long-term successful relationship which results in not only customer acquisition but also customer retention. Automotive seller is looking for the competitive advantage by offering service to augment the product sold. The sale does not end by the times the vehicle delivered to the customer but there is continuous relationship develop and maintain such as customer loyalty program. The sales of a vehicle involve a complex process that needs high customer involvement in making the purchase decision. It requires a close interaction between highly knowledgeable sales advisor and the customer. The high-quality service rendered will not only retain the customer for the next purchase but the loyal customer can influence many more potential customers around them through their positive word of mouth, recommendation, and publicity. Loyal customers can disseminate the delighted relationship experience to the whole public and consequently bring more and more loyal customers.

The importance of customer relationship and its contribution to rising customer loyalty and long-term sustainability has been widely accepted by both researchers and market practitioners. Therefore, business organizations have shifted from traditional marketing based on 4 Ps to new marketing which focusing on customer relationship based or relationship marketing. Looking at the researchers' previous work on relationship quality, it is obviously noted that the study on relationship quality was normally concern on a dyadic relationship in B2B which examined the relationship between known parties involved in business such as supplier-retailer, supplier-manufacturer, manufacturer-dealers and including professional sales representative. Alternatively, in B2C, the researchers normally taking the service sector such as banks, insurance, professional service, healthcare center, fitness center and et cetera to examine the customer relationship and its influence on customer loyalty. Arguably, there are suggestions that vehicle purchase by a customer is a one-off transaction and lack of relationship element to impact loyalty and another issue highlighted is the study on relationship quality in B2C is only applicable to the service industry. Based on the evidence explain above, it is proven that the arguments are all based on logical thinking which lack of detail consideration on the nature of business in automotive sales and theory of relationship marketing. Furthermore, to the knowledge of the researcher, only one study done on automotive industry from B2C context which examines customer relationship management based on customer loyalty program and its impact on customer loyalty (Hjälte & Larsson, 2004). However, that study is not examining customer relationship based on relationship quality construct with industry specific dimension and its impact on increasing customer loyalty level. Therefore, this current study is interested to fill in the gap in the literature and contribute to the content of research in relationship marketing.

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