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The Influence of Relationship Marketing Orientation (RMO) on Customer Retention in Travel Agency Services

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Abstract
The advancement in information technology had influenced customer attitude, behavior, and lifestyle in purchasing holiday and travel services. There are significant shift from utilizing travel agency to online travel agents. These change had pressured, travel agency to consider on refining their strategy to focus more on relationship marketing orientation (RMO) to achieve customer retention. The impact of RMO on the business or firm performance has been widely studied by previous literature in the organizational contexts. However, the empirical research from the customer perspective is rather limited. Therefore, this conceptual paper is proposed to fill in the RMO literature gap by focusing on the relationship between RMO and customer retention from the customer perspective. Academically, this study contributes to the literature of RM in business-to-customer context specifically from customer point of view and practically to the travel agency in comprehending RMO in enhancing their services in the travel agency sector.

Keywords: Relationship Marketing Orientation, Customer Retention, Travel Agency Services, Customer Perspective, Business-to-Customer
Introduction

The tourism sector has been identified as one of the economic sectors that will contribute to Malaysian economic development in the future (Malaysian Investment Development Authority (MIDA), 2016). MIDA stated that, this sector would strive to achieve approximately RM168 billion by the year 2020, thus this sector will experience tremendous changes in strategy due to an increasing number of the travel agency targeting the same target market. This increasing numbers of the travel agency will lead to greater competition, which urged them to work harder in order to attract and retain customers.

In addition, the advancement of information technology has added another pressure to travel agency since it has enabled consumers to do-it-yourself their holiday and travel instead of using travel agency services. Although travel agency services provide one-stop center and online travel agents (i.e. Agoda.com, Trivago.com, Airbnb) only provide the platform for holidays and travel planning, the user-friendly technology interface has made it simpler, and easier for customers to do-it-yourself their holiday and travel planning. This is supported by Lang (2000) who said that these changes have pressured travel agency services to change their strategy in order to remain competitive in the marketplace. These online travel agents offer money saving for customers where, they are free to choose from a wide variety of accommodation, flight tickets, and tour promotions according to their budgets. These online travel agents are also convenience to customers since all transactions are done online. In contrast, travel agency requires customers to meet them to discuss their holiday and travel, this indirectly incur travel and time costs to customers. Nevertheless, customers will also need to pay extra for all the services provided by this travel agency. Overall, online travel agents provide more benefits compared to travel agency services, especially for budget customers who are looking for more value for every single cents that they spent.

Given the competitive marketplace, travel agencies in Malaysia are facing a massive challenge from online travel agents. Zare & Chukwunonso (2015) suggested that travel agency should possess strategic plan specifically in customer relationship management in order to stay competitive in the marketplace. Customer relationship is constituted of Relationship Marketing (RM), in which RM is focusing on enhancing the employee-customer relationship through Relationship Marketing Orientation (RMO). Where, RMO strategy will provide competitive advantage to the firm. This is supported by Bataineh et al. (2015) who found that the company needs to practice high relationship quality with the customer in order to achieve sustainable competitive advantage.

The question now is that, to what extent RMO will influence customer retention? Previous research regarding this issue is still scarce. Thus, there is an opportunity for the current research to further discover RMO. This research will shade-light about the importance of RMO in relation to customer retention in travel agency services. Given the limited attention on the study involving business to customer context in RMO and customer retention, this study will narrow the existing research gap in the relationship marketing (RM) literature. The following section will explore the literature and explain the theoretical foundations of the current research.
Review of the literature

Relationship marketing orientation (RMO)

Building relationship with customers is the key factor to attract and retain them (Tamuliene & Gabryte, 2014). Hence, applying RMO in the service industry is a possible way to gain competitive advantage, in which RMO will enhance customer retention. The term RM was first coined by Berry, 1995 who defined it as “attracting, maintaining and in-multi-service organizations enhancing customer relationship”. In addition, RM is further defined as to produce quality improvement in order to generate customer’s satisfaction that leads to customer retention (East, Hammond & Gendall 2006).

Accordingly, Morgan & Hunt (1994) suggested RM as a focus on all marketing activities directed to establishing, developing, and maintaining successful relational exchanges. Sheth & Parvatiyar (1995) described RM as an integrated involvement of customers, suppliers, and industry partners into a firm marketing activity and development. Whereas, Grönroos (1996) extended the definition of RM as the activities to identify, establish, maintain, and enhance the relationship with customers and other stakeholders to achieve all parties’ objectives and profits through mutual exchange. Consequently, Gummesson (1997) in his study extended the definition in terms of marketing as building relationships, networking, and interaction in RM perspective.

On the one hand, RM is much more efficient to create long-term relationship with customers (Palmatier, 2008) and RM has been proven to be a useful tool in improving relationship quality (Vyas & Raitani, 2015) as well as enhancing competitive advantage (Zinkhan, 2002) that will lead to customer retention (Berry, 1995). Furthermore, RM is also seen as a successful relational exchange that will enhance financial performance, satisfaction, learning, propensity to stay, acquiescence and decrease uncertainty (Hunt, Arnett & Madhavaram 2006).

Most of the previous studies on RM had applied trust-commitment and RM theory (e.g. Anabila, Narteh & Tweneboah-koduah 2012; Bataineh et al. 2015; Hau & Viet Ngo 2012; Miquel-Romero, Caplliure-Giner & Adame-Sánchez 2014; Palmatier et al. 2009; Soimo & Wagoki 2015). Most previous RM models were studied in both forms of final customer (Chiu, Hsieh, Li, & Lee, 2005; Kanti & Dixit, 2014; C.-J. Liang, Chen, & Wang, 2008; Miquel-Romero et al., 2014; Yoganathan, Jebarajkirthy, & Thaichon, 2015) and management staff (Anabila et al., 2012; Sin, Tse, Yau, Chow, Lee, et al., 2005a; Soimo & Wagoki, 2015). However, there are also previous study on business-to-business (e.g. Bataineh et al., 2015; Hau & Viet Ngo, 2012; Soimo & Wagoki, 2015).

Furthermore, RMO was also referred to as a relationship involving employee and customer through service delivery. Based on previous studies, there are several dimensions of RM orientation adapted in different context of research. Sin et al. (2005) has developed RMO scale based on the importance of the RMO dimension. Six dimensions were suggested namely trust, bonding, communication, shared value, empathy, and reciprocity. Furthermore, these six dimensions are shown to have a substantial association with firm business performance. These six dimensions and scales developed by Sin et al. (2005) were adapted by other recent scholars to investigate its consequences on company performance (Kucukkancabas, Akyol, & Ataman, 2009), customer satisfaction (Hau & Viet Ngo, 2012), banking performance effectiveness
(Wongsansukcharoen, Trimetsoontorn & Fongsuwan, 2015), brand equity (Yoganathan et al., 2015) and marketing effectiveness (Ghani, Othman, Ibrahim, & Ismail, 2016). In contrast, a recent study by Kwan & Carlson (2016) focuses on RMO in influencing firm performance using different dimensions of RM consisting of bonding, communication, empathy, harmonious conflict resolution, shared value, trust, and reciprocity. However, these studies focus on business-to-business setting instead of business to consumer setting.

Customer Retention
In today’s business landscape with intense competition, customer retention is seen as one of the success factors for firm’s sustainability. The marketplace is full of challenges in both macro and micro environment, which leads to constant changes in customer behavior, attitude, and lifestyle. Therefore, in order to survive and remain competitive in the marketplace, the firms cannot rely only on attracting new customers but they need to retain existing ones. This is supported by, Al-Hersh, Aburoub, and Saaty, 2014 and Farquhar (2005) who emphasized that retaining customers will increase company’s profitability and decrease acquisition costs.

Customer retention can be defined as an activity of converting new customer to regular customer by providing excellent customer service that enhances long-term customer satisfaction (Kotler & Armstrong, 2013). Meanwhile, Jeng & Bailey (2012) further defined customer retention as a process in which customer involvement in formal and/or non-formal relationship with the firm in a long term basis as well as re-patronizing the firm’s product and/or services.

Previous study had suggested several antecedents of customer retention. Bojei et al. (2011) who studied customer retention in retail setting indicated that customer service, loyalty or rewards program, store community, personalization, and customization influenced customer retention in the retail store. Another study in the mobile telecommunication context, showed that customer retains to specific mobile telecommunication provider because of satisfaction on the services provided, the quality of relationship and the switching costs (Tamuliene & Gabryte, 2014). In a business-to-business setting the antecedents such as perceived value, reputation, trust and switching cost have positive influence on customer retention in the healthcare service context. This proved that by focusing on customer satisfaction in services, it would lead to customer retention not only in the business-to-customer relationship but also in the business-to-business relationship.

In addition, there are also past researches, which suggested RM elements as antecedents of customer retention. These RM elements are communication, knowledgeability, empowerment, personalization, ethical behavior, fees and technology (Rootman, Tait, & Sharp, 2011), and customer trust (Soimo & Wagoki, 2015). The entire RM element in both research were proven to influence customer retention in the banking industry.

Relationship Marketing Orientation and Customer Retention
Theoretically, the relationship between RMO and customer retention can be explained through stakeholder theory (Jones et al., 2010). Stakeholder theory implies that manager should possess value creation or excellent product and/or services among the stakeholders (i.e. customers,
communities, employees, suppliers, financiers and other stakeholder groups) which will influence the business performance (Freeman, Wicks, & Parmar, 2004). Furthermore, business performance consists of sales growth, market share, customer retention and return on investment. Thus, the value and relationship with stakeholder is a critical part for the manager to consider for ongoing success. This stakeholder theory clearly explains that RM is one of the value creation elements where manager tries to perform in order to fulfill the stakeholders’ needs and wants that lead to competitive advantage (Jones, 1995). Thus, value creation is conducted using RM elements in the employee-customer relationship, in which the RM elements will influence customer to retain with the firm. The stakeholder theory (Jones et al., 2010) also suggested that customer will retain with the organization when they experience positive value of RMO through employee-customer relationship.

Another common theory used to explain RMO is social exchange theory (Emerson, 1976). This theory explains that the exchange process takes place between two parties and there are mutual agreement in the transaction and/or exchange. Moreover, Cropanzano & Mitchell (2005), stated that social exchange theory applied reciprocity rules in the exchange, where there is a need to give something for the purpose of getting something in return. Among previous studies that applied social exchange theory in RM are Yoganathan et al. (2015), Brun, Durif, & Ricard (2014) and Sheth & Parvatiyar (1995).

Past studies have suggested several elements of RM as the antecedents of customer retention. These elements include RM factors (communication, expertise of seller, comparison level of alternatives, cooperation and dependence on seller) (Bataineh et al., 2015), online RM (financial bonding, social bonding, structural bonding) (C. Liang, Chen, & Wang, 2008), customer trust (Soimo & Wagoki, 2015) and RM (communication, empowerment, personalization, ethical behavior, fees and technology). In addition, there are also previous studies that investigated RM in terms of other consequences such as customer satisfaction (Hau & Viet Ngo, 2012), customer loyalty (Anabila et al., 2012)(Chiu et al., 2005), performance (Kanti & Dixit, 2014) and repeat purchase intentions (Mpinganjira, 2014).

Earlier study focusing on RMO by Sin et al. (2002) provided the important dimension of RMO and their measurement scale in the service context. Additionally, Sin et al. (2005) adopted these scales to investigate the influence of RMO on business performance in two different cultures namely China and Hong Kong. This study indicated that RMO has direct relationship on business performance (sales growth, market share, and customer retention). Recent studies of RMO by Wongsansukcharoen et al. (2015) and Kwan & Carlson (2016) who adapted the same scale to investigate performance, in which this performance also consists of customer retention. Thus, it can be concluded that the studies done by Sin et al. (2005), Wongsansukcharoen et al. (2015) and Kwan & Carlson (2016) proved that RMO leads to customer retention. Table 1 provides a summary of previous researches, which studied the links between relationship marketing and customer retention. Consequently, based on the discussion and rationale of the link between RMO and customer retention, the following research proposition is suggested:

P1: There is relationship between relationship marketing orientation and customer retention.
Table 1: Summary of previous researches between Relationship Marketing – Customer Retention

<table>
<thead>
<tr>
<th>Author</th>
<th>Dimension of Relationship Marketing</th>
<th>Outcome</th>
<th>Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii. Sin et al. (2005)</td>
<td>Trust, Bonding, Communication, Shared Value, Empathy and Reciprocity</td>
<td>Business Performance</td>
<td>RMO has significant impact on business performance (i.e. customer retention).</td>
</tr>
<tr>
<td>iv. Kucukkancas, Akyol &amp; Ataman (2009)</td>
<td>Trust, Bonding, Communication, Shared Value, Empathy and Reciprocity</td>
<td>Company Performance</td>
<td>All suggested RM dimension enhances the company performance (i.e. customer retention) except reciprocity, communication and trust.</td>
</tr>
<tr>
<td>v. Rootman, Tait &amp; Sharp (2011)</td>
<td>Communication, knowledgeability, empowerment, personalization, ethical behavior, fees and technology</td>
<td>Customer Retention</td>
<td>Six identified independent variables require adjustments to have a positive influence on the RM and customer retention.</td>
</tr>
<tr>
<td>viii. Kanti &amp; Dixit (2014)</td>
<td>Service quality, trust, price perceptions, complaint handling and customer satisfaction</td>
<td>Performance</td>
<td>All variables have significant effects on the performance (i.e. customer retention).</td>
</tr>
</tbody>
</table>
Conceptual Framework
RMO is proposed to have a relationship on customer retention. Figure 1 presents the illustration of the framework. The six dimensions of RMO were adapted from Sin et al. (2005) since these dimensions have been proven to influence performance (i.e. customer retention). Recently, these dimensions were also adapted by Ghani et al. (2016) and Yoganathan et al. (2015) to investigate marketing effectiveness and brand equity. The results of both studies indicated that these six dimensions had significantly affects the dependent variables. Thus, the current study proposed to investigate the effects of RMO on customer retention from customer’s point of views.

<table>
<thead>
<tr>
<th></th>
<th>Author(s)</th>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>x</td>
<td>Bataineh et al. (2015)</td>
<td>Communication, Expertise of seller, Comparison level of alternatives, Cooperation and Dependence on seller</td>
<td>Customer Retention</td>
</tr>
<tr>
<td>xi</td>
<td>Wongsansuk charonet al. (2015)</td>
<td>Trust, Bonding, Communication, Shared Value, Empathy and Reciprocity</td>
<td>Banking Performance Effectiveness</td>
</tr>
<tr>
<td>xii</td>
<td>Kwan &amp; Carlson 2016</td>
<td>Bonding, communication, empathy, harmonious conflict resolution, shared value, trust, and reciprocity</td>
<td>Firm Performance</td>
</tr>
</tbody>
</table>

Trust is key in RM which affects customer retention.
RM has an effect on relationship quality and customer retention.
RM has indirect influence on banking performance effectiveness (i.e. customer retention).
RMO leads to a direct positive impact on firm performance (i.e. customer retention).

Conclusion
The review of the past and recent literature on RMO provides an overview and some suggestions that need to be further investigated. Consequently, this paper reviews the pinnacle of most common RM elements that were tested in previous studies and their common consequences. Since most of previous researches concentrated on business-to-business, future research should concentrate more on business-to-customer aspect to gain deeper insight and comprehend RM in firm-customer relationship. Given the new challenges such as information technology
advancement, changes in customer attitude, behavior, lifestyle and intense competition, the effectiveness of RMO in service context should be investigated further to give a clearer picture for the service organization to adopt RMO. Large amount of previous researches on the effects of RMO on performance tend to concentrates more on employees’ perspective in an organization. Therefore, future research in RMO should emphasize on final customer’s perspective to further enrich the RM literature.

Overall, customer retention is a necessity for every firm to make sure customers are satisfied and stay with the firm while spreading positive word mouth-to-mouth (Carter, 2010). RMO is one of the important key success factors in retaining customers as well as in achieving competitive advantage. Therefore, travel agency management should stress more on giving RMO training to their sales people so that they are equipped with the necessary relationship management skills and thus RMO dimension thrive in any business dealing involving employee-customer relationship.

This research wills open-up manager’s eyes on the importance of RMO in influencing customer retention especially for travel agency services. It will also provide guidelines for researchers to develop new research model through past empirical literature reviews In short, RMO can facilitate excellent employee-customer relationship in the realization of RM in travel agency services. This research also corroborates RMO as an important topic for future research.

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