

# Impact of Relational Value Dimensions to Word of Mouth Communication and Repurchase Intention: Role of Relationship Quality

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## **Abstract**

The study of customer value becomes significantly important, both in research and practice. Understanding the way customers' judge value of service or product is crucial in achieving competitive advantage. A great deal of research on value has been devoted however the empirical evidence to date is quite limited and ambiguous. This research therefore proposes to explore the dimension of relational value and also investigate the role of relationship quality between relational value dimensions and relational outcomes i.e. word of mouth and repurchase intention. A sample of 472 respondents was obtained through survey questionnaire. The finding revealed that customers access the relational value in terms of confidence and communication. Further explained relationship quality fully mediates the relationship between relational communication and word of mouth. The study provides a significant contribution to relationship marketing theory and improves academic understanding on the nature of relational value. It specifically improves bank managers understanding in value from customer perspectives and customer attitudes to improve the relationship quality and produce the desirable behaviour of word of mouth and repurchase intention.

**Keywords:** Relational values, relationship quality, word of mouth, repurchase intention

## **Introduction**

The fundamental issue to be addressed in every marketing activity is the concept of value (Holbrook, 1999). Despite this wide interest, the concept of 'value' has become one of the most overused and misused concepts in the social sciences (Khalifa, 2004). The majority of existing empirical research on customer value is based on traditional services, or consumption/experiences of goods (Cronin, Brady and Hult, 2000). Improving the value of intangible service will not be easily achieved with higher investment but with careful measurement in customer value (Reichheld and Sasser, 1990) as the value is a subjective construct in nature (Alix et al., 2009).

Most of the earlier authors measured value as a uni-dimensional construct (Zeithaml, 1988); however, some authors have argued that value should be measured as a multi-dimensional construct (Mathwick, et al. 2002, Jukka et al. 2017). The former construct is insufficient in

measuring the value as it is based on the overall trade off between benefits and sacrifices and it lacks validity (Petrick, 2004). There is a lack of agreement among scholars with respect to the number of value dimensions (Sanchez-Garcia et al., 2007, Vanhanen, 2015). Most researches neglect the relational dimensions of value (Dwyer & Tanner, 1999) although it is the relationship that creates the value of the service (Kandampully and Duddy, 1999).

Relational value is the most noticeable aspect and an important factor of long-term relationship in business transactions (Chien et al., 2012). Measuring the value of relationship is still ambiguous and no one so far has confirmed the dimensions of relational value (Ulaga and Eggert, 2006). Hence, there is broad necessity for researchers to consider in-depth how to conceptualize value of relationship (Baxter, 2009). Some studies have argued that value has a direct effect on loyalty (Whittaker, Ledden and Kalafatis, 2007) but other studies have challenged that relationship quality is the key driver of consumer loyalty (Hennig-Thurau, et al., 2002) and also a key driver in the generation of positive customer word-of-mouth behaviour (Lee et al., 2007). Hence, the objectives of the study are to identify the dimensions of relational value and to assess the association among relational value, relationship quality and relational outcomes i.e. word of mouth and repurchase intention. Researchers and practitioners would find this study useful as it considers dimensions of relational value in building the relationship quality and finally leads to word of mouth communication and repurchase intention.

### **Literature Review**

Customers have multiple simultaneous relationships with various service providers and obtaining loyal customers is the challenging task for the banks (Bjork, 2015). Previous research has shown that customers who have frequent transactions in one particular bank are less likely to switch and more likely to be loyal and (Baumann et al., 2005). To be able to capture the complete loyal customer, a strategic change around the value perceived by the customer is necessary within the firm (Zeithaml et al., 2001). The models such as mean-end chain model, value hierarchy model, social exchange theory and relationship marketing theory are underlined to discuss the relationship among value, relationship quality and relationship outcomes.

**Underpinning Theories** -Nowadays in a hypercompetitive environment, product and service attributes are easily imitated by competitors. The only way to survive is to be committed to customer value. In the service industry, it is difficult to define value and to identify what customers value most. The first model that introduces conceptual value is means-end chain model (Gutman, 1982). The model allows understanding on how consumers perceive the self-relevant outcomes of product use and consumption. In the means-end chain model, products are not preferred and purchased for their characteristics, but rather for the meaning they create in the mind of prospects. The Mean-End Chain model was originally intended to describe how customers organize information about products in memory (Gutman, 1982); however it cannot capture the changing nature of value.

In response to that, Woodruff and Gardial (1996) developed Value Hierarchy model that can be adapted to capture the essence of customer value. However, customer values are different depending upon, time, place, and use (Miles, 1961) and it is the underlying motive for consumer behaviour (Holbrook, 1994). Thus, Ravald and Gronroos (1996) suggested value should be created based on the relationship in order to understand what customers actually want. Social exchange theory regards many aspects of our lives can be viewed as a series of interactions in which people struggle to minimize costs and maximize rewards and as a result desirable outcomes will generate (Thibaut and Kelley, 1959). Relationship marketing theory draws attention to the importance of relationships and identifies the fundamental relations between the drivers and outcomes. Reviews of the current literature add a new driver to the relationship quality which is based on the assumption that customer loyalty is largely determined by a limited number of constructs reflecting “the degree of appropriateness of a relationship” (Hennig-Thurau and Alexander 1997).

**Relational Value-** It is the essential value that organizes and guides us in relationships (Paananen, and Seppanen, 2013) and improves the competitive capabilities of the partners (Lapierre, 2000). According to relationship theories, customer creates value together with the producer. Firms must observe all the interactions that create value in any given customer relationship (Grönroos, 2006). The main disagreement is fundamental interest in the concept of relationship, usually service provider perceived that customer look for the value in terms of product/service; however actually customers search for additional value which is through the relationship (Lindgreen and Wynstra 2005). Based on past researchers recommendations, relational value is proposed to compose of reputation (Fombrun et al., 2000), conflict (Anderson and Narus, 1990), communication (Duncan and Moriarty, 1998), interdependence (Kim and Hsieh, 2003), trust (Sirdeshmukh et al., 2002), and solidarity (Gundlach et al., 1995).

**Relationship Quality** – Researchers have been incorporating affective as a key element in the formation of attitudes (Ajzen, 2001). Hennig-Thurau et al., (2002) established a fundamental aspect of the formation of attitude towards behaviour, which is the relationship quality and consists of three dimensions; satisfaction, trust and commitment (De Wulf et al., 2001). Several studies such as Sánchez-García et al., (2007) agree on the key variables underlying relationship quality and link relationship quality (satisfaction, trust, commitment) with loyalty (De Canniere, De Pelsmacker and Geuens 2010).

Although previous researchers such as McDonald (1981) argue the fact that trust should be considered as one of the components of attitude in relationship quality (Scanzoni, 1979), others have referred to social exchange theory and argue that there are only two components of relationship quality i.e. satisfaction and relationship commitment (Cater and Zabkar, 2008). Furthermore, researchers such as Hennig-Thurau, (2002); William and John, (2003) supported that trust is less important compared to satisfaction and commitment in affecting customer behavior, predominantly in high regulating service industries like banking sector (Helen, 2001).

Hence, relationship quality is proposed to compose of satisfaction and relationship commitment.

**Relationship Outcomes** – Customer loyalty includes both behavioural and attitudinal aspects (Oliver, 1999). The actions of customers such as word-of-mouth communication or degree of repeat purchase of a product/ service are said to reflect behavioral loyalty (Chaudhuri and Holbrook, 2001). Pura (2005) recommended that considering direct influence of several value dimensions on customer loyalty is essential in differentiating how to enhance loyal behaviour.

**Proposed Framework**

A firm’s relational value offering consist of six components which are reputation, conflict, communication, interdependence, trust, and solidarity. Using the value offerings, firms must create the relational value that builds the relationship quality and then leads to word of mouth communication and repurchase intention. Diagram 1 illustrates the author’s proposed framework of relational value to relational outcomes through relationship quality.

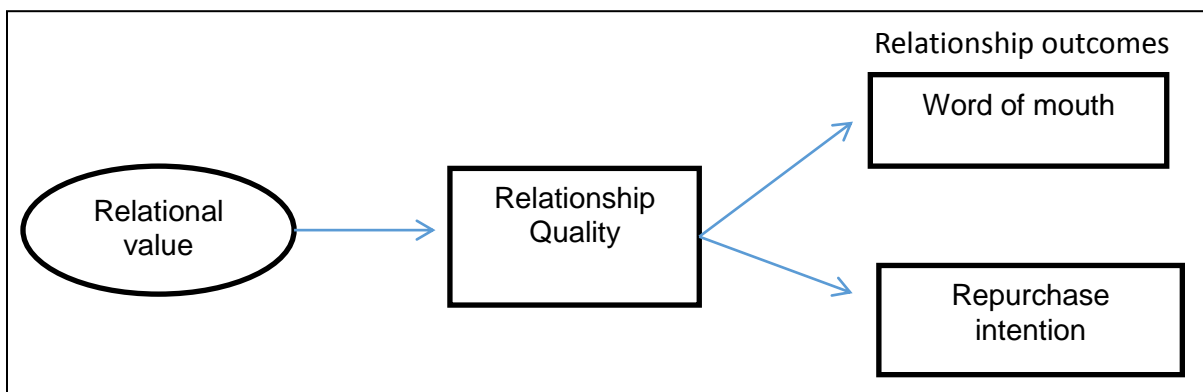


Diagram 1: Proposed framework

**Research Methodology**

The targeted population of this study refers to individuals who are current users of local banks in Malaysia, particularly those located in the Klang Valley, Malaysia. The reason for selecting Klang Valley as the representative geographical area is that most of the local banks’ headquarters are located in that area and a large population of bank users are concentrated in Klang Valley. According to previous studies (for instance: Roig et al. 2009), convenience sampling method is widely used in areas of banking research. Total of 472 responses were received and attained a response rate of 78 percent.

**Findings**

Relational value construct which consists of 6 dimensions (trust, solidarity, communication, conflict, reputation, interdependence) were measured by 22 items. An inspection from factor analysis revealed that the relational value (RV) is divided into two factors. The first factor extracted with 62.77 percent, measured by six items reflects the extent to which customer has

confidence in the way banks solve the problems/carry out the transactions and thus it is termed as relational confidence. The second factor extracted with 65.05 percent, measured by four items, focuses on the extent to which banks have ability to communicate through personal service/constantly inform and thus it is termed as relational communication. Hence, the study concludes that relational value has 2 dimensions, which are relational confidence and relational communication. Table 1 explains the findings from the factor loading.

Table 1: Relational Value (RV) Two-factor Varimax Rotated Results

Items	Relational confidence (RCOF)	Relational communication(RCOM)
COF1	0.651	
COF2	0.718	
COF3	0.788	
COF4	0.786	
COF5	0.803	
COF6	0.736	
COM1		0.764
COM2		0.787
COM3		0.835
COM4		0.657

A total of thirteen items were used to measure the relationship quality which consists of two dimensions i.e. satisfaction and commitment as suggested by the previous literature. Factor analysis however states the presence of one component with eigenvalue exceeding one with factor explaining 66.39 percent and therefore is termed relationship quality. Total of 6 items are used to measure the relationship outcomes which consist of two dimensions i.e. word of mouth and repurchase intention. Factor analysis revealed that the first factor extracted with 64.08 percent, measured by 3 items and termed as word of mouth and the second factor extracted with 63.08 percent, measured by 3 items and terms as repurchase intention.

Further analysis was carried out to investigate the impact of dimensions of relational value (i.e. relational confidence and relational communication) on relationship outcomes (word of mouth and repurchase intention) through the mediator of relationship quality. According to Baron and Kenny (1986), to establish the mediation between independent and dependent variable, there are certain conditions that need to be demonstrated.

Firstly, relational value (relational confidence and relational communication) impact on relationship quality and word of mouth, results as shown on Table 2 indicates that relational confidence ( $\beta = 0.29$ ,  $t=7.09$ ,  $P < 0.001$ ) and relational communication ( $\beta = 0.53$ ,  $t=13.05$ ,  $P < 0.001$ ) have positive and significant effect on relationship quality. Results in Table 2 further

indicate that relational confidence ( $\beta = 0.31$ ,  $t=6.40$ ,  $P < 0.001$ ) and relational communication ( $\beta = 0.37$ ,  $t=7.47$ ,  $P < 0.001$ ) have positive and significant effect on word of mouth.

Table 2: Regression analysis

Dependent variable	Independent variable	Beta	t-value	significance
Relationship quality	Relational confidence	0.29	7.09	0.000
	Relational Communication	0.53	13.05	0.000
Word of mouth	Relational confidence	0.31	6.40	0.000
	Relational Communication	0.37	7.47	0.000
Repurchase intention	Relational confidence	0.27	5.63	0.000
	Relational Communication	0.41	8.47	0.000

Secondly, relational value (relational confidence and relational communication) impact on repurchase intention, results as shown on Table 2 indicates that relational confidence ( $\beta = 0.27$ ,  $t=5.63$ ,  $P < 0.001$ ) and relational communication ( $\beta = 0.41$ ,  $t=8.41$ ,  $P < 0.001$ ) have positive and significant effect on repurchase intention.

Table 3: Regression Analysis

Dependent variable	Independent variable	Beta	t-value	significance
Word of mouth	Relational confidence	0.14	3.09	0.002
	Relational communication	0.04	0.88	0.378
	Relationship quality	0.60	12.01	0.000
Repurchase intention	Relational confidence	0.12	2.57	0.10
	Relational communication	0.12	2.44	0.15
	Relationship quality	0.53	10.43	0.000

Finally when the relational confidence, relational communication and relationship quality were regressed onto the dependent variable i.e. word of mouth, the results from Table 3 indicates that introduction of relationship quality made relational communication statistically insignificant. It showed that relationship quality mediates the relationship between relational communication and word of mouth. However, the significant level of relational confidence to word of mouth has reduced due to the introduction of relationship quality. Thus, relationship quality partially mediates the relationship between relational confidence and word of mouth.

On the other hand, the relational confidence, relational communication and relationship quality were regressed onto the dependent variable i.e. repurchase intention, the results from



Table 3 indicates that the significance level of relational confidence and relational communication to word of mouth has reduced due to the introduction of relationship quality. Thus, relationship quality partially mediates the relationship between relational value (i.e. of confidence and communication) and repurchase intention.

### **Discussion and Managerial Implications**

The results of the study suggest bank customers evaluate the relational value in terms of relational confidence and communication. These findings provide empirical evidence to previous researchers' interest in detailed analysis of concept of relational value. Furthermore, findings of the study confirm that relational value of confidence and communication does improve relationship quality. Thus, banks should position the uniqueness of service in the form of personal communication and emphasis on value of confidence in order to build the relationship quality.

This study recommends bank managers to consider the practical implications of the multidimensional nature of relational value because these dimensions can be fundamental factors in improving customer behaviour of word of mouth communication and repurchase intention through the relationship quality. Overall, banks as service providers need to emphasize on certain value attributes in their promotions depending on type of customer either transaction type or relationship type of customer to encourage into favourable behaviour i.e. word of mouth behaviour and repurchase intention.

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