Exploring the Links between Relational Bonds and Customer Loyalty: The Case of loyal Arabic Guests at Five-Star hotels

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Abstract

Relationship marketing aims to build and maintain relationships between customers and organizations. While building strong bonds is a key objective of relationship marketing, limited empirical attention has been paid to the role of relational bonds on enhancing loyalty. This study explores the impact of financial, social and structural bonds on consumer loyalty, using a sample of loyal Arabic hotel guests. The results of this study suggest that structural bonds increase loyalty, although financial and social bonds were not found to have a significant impact on loyalty.

Introduction

Relationship marketing is of considerable interest both to academics and practitioners (Garbarino and Johnson, 1999; Gummesson, 2004; Payen, 2000). The term ‘relationship marketing’ was introduced in the context of professional services by Berry (1983) and has become an accepted paradigm for evaluating marketing interactions (i.e., Crosby, Evans, and Cowles, 1990; Gummesson, 1994; Gummesson, 1995; Grönroos, 1994; Morgan and Hunt, 1994; Sheth and Parvatiyar, 1995). A relationship perspective changes the focus of marketing from short-term set of transactions to a long-term relationship (Dwyer, Schur, and Oh, 1987; Kotler, 1992; Palmer, 1994). The shift in emphasis means that organisations are not simply concerned with acquiring new customers, but that organisations view customers as partners in the creation of value. As such organisations need to focus on developing lasting exchange relationships, which translate into increased levels of profit as well as customer loyalty (Gronroos, 1996; Bowen and Shoemaker; 1998; Too, Souchon, and Thirkell, 2001).

In a range of competitive industries, including the hospitality and tourism sector, relationship management is seen as a sustainable competitive advantage that allows organisations to operate more effectively (i.e. Bowen and Shoemaker, 1998; Kim and Cha, 2002). Having a strong relationship with customers enhances profitability and customer value.

There has been a suggestion in the literature that relational bonds are a key aspect of the relationship management (Arantola, 2002). However, there has not been extensive exploration of the empirical effect of relationship bonds on enhancing customer loyalty (Smith, 1998). It is posited that increased bonds would strengthen relationships and loyalty. This study investigates how relational bonds impact on consumer loyalty Arabic hotel guests.

Literature Review

Within the relationship marketing literature, relational bonds including financial, social, and structural have been treated as focal components in buyer-seller relationships (i.e., Arantola 2002; Håkansson, 1982; Liang and Wang, 2005; Lin, Weng, and Hsieh, 2003). Bonds have been defined as “psychological, emotional, economic, or physical attachments in a
relationship that are fostered by association and interaction and serve to bind parties together under relational exchange” (Smith, 1998, p. 78). We will briefly overview these three types of bonds, before moving to a discussion of outcomes of increased relational bonds.

Financial bonds are referred to as frequency marketing or retention marketing, where the service provider uses economic benefits to secure customer loyalty (Berry and Parsuraman, 1991; Berry, 1995) and have been regarded as the first level of securing customer loyalty. Researchers agree that one motivation for consumers to engage in relationships with service providers is to save money (Peltier and Westfall, 2000). Non-monetary, time savings are also proposed as ‘financial’ bonds, even though no money is involved (Lin, Weng, and Hsieh, 2003). An example of financial bonds is a hotel chain providing free or discounted travel services to frequent guests through loyalty programs (Berry and Parsuraman, 1991).

Social bonds represent personal ties between the consumer and organisation, i.e. interpersonal interactions, friendships and identifications. Berry and Parasuraman (1991) and Berry (1995) referred to social bonds as intermediate level relationship marketing in securing customer loyalty, where the service provider goes further than price incentives to build lasting relationships with the customer, building social bridges. Customer selectivity in terms of who they develop social bonds mans that customer relationship management programs can be used to adapt relationships with customers based on their needs (Sheth and Parvatiyar, 1995). For example, hotel chains may have regular communication with frequent guests.

Structural bonds are present when business enhances customer relationships by offering solutions to customer problems in the form of service-delivery systems, rather than remaining dependent upon the relationship building skills of individual service providers (Sheth and Parvatiyar, 2000; Lin, Weng, and Hsieh, 2003). Structural bonds are considered the highest level of relationship marketing as companies can consolidate their relationships with customers through adding structural bridges in addition to the financial and social bridges (Berry and Parasuraman, 1991, Berry, 1995). For example, the Scandic hotel chain introduced WAP-based technologies (i.e. web based communication) to improve communication with their customers (Louveris, Driver, and Powell-Perry, 2003). Frequent guests were provided with a WAP-enabled device, on which to access reservation and other information, which provided value-adding services for customers that were not readily available elsewhere.

Bove and Johnson (2000) have suggested that loyalty is one outcome of improved relational bonds. They argued that, “customer loyalty is a primary goal for most businesses today. This has led to an explosion in the use of different types of bonds (i.e., economic or structural) which bind the customer to the firm through high switching costs” (p. 491). Pullman and Gross (2004) maintain that loyal customers are key to the success of many services, particularly those in the hospitality setting. Thus understanding the link between bonds and loyalty is critical to understanding relationship marketing.

Loyalty has been defined as a multidimensional concept comprising both behavioural and attitudinal components (Dick and Basu; 1991; Day, 1969; Jacopy and Kyner, 1973; Too, Souchon and Thirkell, 2001). The attitudinal dimension reflects a customer’s attitude towards the firm, while the behavioural dimension is likely to reflect things such as frequent purchase, proportion of purchases, purchase sequence and probability of purchase (Dick and Basu; 1991). Loyalty is important, as maintaining a customer is more profitable than wining a new one because; a) the costs of serving loyal customer are less, b) loyal customers are less price sensitive, and c) loyal customers spend more with the company (Dowling and Uncle, 1997;
Relational bonds are widely considered as cornerstones for keeping customers loyal (Parasuraman 1991, Berry 1995). Zeithaml and Bitner (1996) maintain that firms usually use bonds to tie customers more closely and build loyalty. This view is supported by a range of authors who suggest that bonds of various types improve relationship strength and quality, leading to increased consumer loyalty (Lin, Weng, and Hsieh 2003, Liljindar and Strandivik, 1995; Wilson and Mummilaneni, 1986). In addition, Sheth and Parvtiyar (1995) also suggest that any relationship that creates customer value will create bonding between consumers and the organisation. Thus, in situation of strong bonds customers will be more committed in the relationship and less likely to switch to competitors. Given the significance of relational bonds on firm-consumer relationships, are exploring the impact of the three types of bonds on customer loyalty and propose the following hypotheses:

**H1** A higher perceived level of financial bonds leads to a higher perceived level of customer loyalty.

**H2** A higher perceived level of social bonds leads to a higher perceived customer loyalty.

**H3** A higher perceived level of structural bonds leads to a higher perceived level of customer loyalty.

![Conceptual Framework](image)

**Methodology**

A self-administered survey questionnaire was used to collect the data to empirically examine the hypotheses. The questionnaire was developed using 7-point likert type scale, ranging from \(1 = \text{strongly disagree}\) to \(7 = \text{strongly agree}\). Because participants are non-English speakers, translation and back-translation the instrument was undertaken (Brislin, 1973; Malhorta et al., 1996). A total of 24 items (i.e., five items for financial bonds, six items for social bonds, five items for structural bonds, five items for attitudinal loyalty, and three items for behavioural loyalty) were adapted from previously tested scales. The 16-items measuring relational bonds came from Lin, Weng, and Hsieh (2003), while the 8-items of loyalty were taken from Too, Souchon, and Thirkell (2001). The instrument was pre-tested to ensure that the questions were clearly understood and there was no ambiguity in questions.

The sample of this study was purposively chosen as loyal (defined as staying more than 10 nights in one chain) Arabic guests at 15 five-star hotel chains in Jordan. Loyal guests only considered for this study, because the aim of practicing relational bonds is to maintain the...
customers who are loyal already to the organization. Future research can explore the impact of building bonds with non-loyal consumers. The 5-star hotel market was examined as previous research indicates these organisations use relationship-marketing practices frequently (Kim and Cha, 2002). The survey was distributed by front desk staff to 1500 guests in 15 hotels (100 questionnaires in each hotel) and guests returned the completed questionnaires at check out. The useable response rate for loyal Arabic guests was 18.06% (i.e. 271 usable responses) and is consistent to similar surveys (Bowen and Shoemaker, 1998).

To test the hypotheses of this study, structural equation modelling (SEM) using AMOS 5.0 program was conducted. SEM is a multivariate statistics technique often used to confirm the causal relations among latent variables. As a requirement of using the estimation methods of SEM (i.e., maximum likelihood and test of model fit), the sample size should be large enough and 200 respondents is suggested as the minimum sample size for SEM (Hair et al., 1995). As part of the analysis, validity and reliability of the constructs were examined.

### Analysis

Before testing the structural model, following Anderson and Gerbing’s work (1988), measurement models were tested to ensure stability of the scales used and to improve fit. Determining whether each indicator’s estimated pattern coefficient for its proposed underlying construct was significant assessed convergent validity. An examination of the indicator loadings indicated that all factor loadings for were significant. Constructs reliability was also confirmed by testing Cronbach’s alphas for all composite constructs (Nunnally, 1978) - financial bonds, 0.83; social bonds, 0.83; structural bonds, 0.79; and loyalty, 0.77.

Confirmatory factor analysis (CFA) of the three relational bonds, and loyalty was used to test the adequacy of the measurement models. The results shown in Table 1 indicate a reasonable overall fit between the model and the observed data for the relational bonds (exogenous constructs) model and the loyalty model (endogenous construct). The chi-squares ($\chi^2$) are significant ($p < .05$), a finding not unusual with large sample sizes (Doney and Cannon, 1997). The ratios of chi-square to degrees of freedom (df) were both less than 3, thus within the acceptable range of 2 to 5 (Marsh and Hovecar, 1985). The values for CFI, TLI, and root mean square error of approximation (RMSEA) were also acceptable (Hair et al., 1995).

### Table 1: Fit Statistics for Measurement Models

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<thead>
<tr>
<th></th>
<th>$\chi^2$</th>
<th>$\chi^2$/df</th>
<th>CFI</th>
<th>TLI</th>
<th>RMSEA</th>
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<tbody>
<tr>
<td>Relational</td>
<td>238.42</td>
<td>2.36</td>
<td>.92</td>
<td>.91</td>
<td>.07</td>
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<td>Measurement</td>
<td>p &lt; .05</td>
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<td>Model Bonds</td>
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<td>Loyalty Model</td>
<td>45.57</td>
<td>2.13</td>
<td>.97</td>
<td>.96</td>
<td>.06</td>
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<td></td>
<td>p &lt; .05</td>
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The results of the hypothesised structural model shown in Table 1, demonstrated that the data reasonably fit the model; $\chi^2 = 495.97$, df = 246, $\chi^2$/df = 2.02, CFI = .91, TLI = .90, RMSEA = .06. The Beta coefficients for the path between each of three bond types and loyalty were – financial $\beta = .17$ (p > .05); social $\beta = .13$ (p > .05); structural $\beta = .61$ (p < .05). While in all cases the directions of relationships were in the hypothesised direction, only structural bonds were identified to have a statistically significant positive impact on loyalty. As such H1 and H2 were rejected and only H3 was accepted.
Discussion

While past research recognizes the importance of building strong bonds as a key objective of relationship marketing, the direct impact of these bonds on customer loyalty is remain neglected. This study empirically developed our understanding regarding the importance of relational bonds, particularly structural bonds as crucial in maintaining customers’ loyalty in the five-star hotel industry. Our findings confirmed a strong positive relationship between structural bonds and loyalty. These results were in agreement with Berry’s (1995) and Liang and Wang’s (2005), argument that structural bonds represent the most affective way to secure customer loyalty. These bonds are not easy for competitors to imitate, and are difficult and expensive for customers to provide for themselves.

A potential explanation for the lack of other relationships between financial bonds and loyalty might be identified in the past literature. In regards to H1, financial bonds were identified as the most basic type of bonds. Loyal guests in five-star hotels would possibly therefore rely more on the higher order structural bonds and discount financial bonds. DeWulf, Odekerken-Schröder and Iacobucci (2003), suggest that while there is some appeal in focusing on economic benefits (i.e. financial bonds), any real benefit might decrease as competitors copy these bonds. In addition, the fact that respondents were already loyal might mean that relationships do not vary within the group and thus no relationship was found. Future research on a cross section of guests might identify the role of these other bonds. Given that all five star hotels have some type of consumer relationship management program, developing financial bonds might not add additional value for highly loyal consumers, although it should most likely be maintained to ensure relationships are ongoing.

The lack of statistically significant results in regards to H2, i.e. Social bonds, might partly also relate to the hotel industry. While we did not intentionally focus on business travellers, it might have been the case that our sample had a greater proportion of loyal business travellers (44.06%). These individuals frequently do not make their own hotel bookings and in some cases firms have policies specify where people stay. As such, there might not be a relationship between the consumer and the hotel. Finally the findings of this study might only reflect loyal Arab perspectives and thus differ when other cultural groups are considered.

Future Research

A number of issues need to be explored in the future. A broadening of samples to include more cultures could be undertaken to explore if the relationships identified are generalisable for loyal hotel guests. Other service contexts could also be studies to identify the generalisability of the findings across service settings. It would also be possible to broaden the sample to explore the degree to which relationships exist as one considers highly loyal and those that have low levels of loyalty. Thus, are there significant benefits in developing bonds with non-loyal consumers?

Lastly, the outcomes of developing bonds could be expanded. Within this study we focused on loyalty (behavioural and attitudinal). Service literature has identifies that a range of other consumer outcomes (relationship quality or service satisfaction, etc.) and relationships between bonds and other outcomes might be explored.
References


