Relational Bonds and Loyalty: The Bonds that Tie

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Abstract

This paper explores the effect of financial, social and structural bonds on the loyalty of Arabic five star hotel guests. Three different measures of loyalty are used; attitudinal, behavioural and combined to identify how the three relational bonds affect loyalty. The results show that social and structural bonds increase all types of loyalty whereas financial bonds only increase attitudinal and combined loyalty. It is also found that bonds are perceived to be more important for high-loyal consumers as compared to low-loyal consumers. This all suggests that firms seeking to increase loyalty may need different strategies depending on the consumers being targeted.

Introduction

The importance of the concept of relational bonds in relationship marketing has been well established. There have been a variety of relational bonds that are deemed necessary to exist between a service provider and customer. (Liljindar and Strandivik, 1995; Wilson and Mummelaneni, 1986). Lin, Weng and Hsieh (2003) conclude that businesses can build customer relationships by developing one or several types of bonds. In the main, three types of relational bonds; financial, social and structural are considered to be important in securing customer loyalty (Berry and Parsuraman, 1991; Berry, 1995; De Wulf, Odekerken-Schröder and Iacobucci, 2001; Hsieh, Chiu and Chiang, 2005; Liang and Wang, 2005; Lin, Weng and Hsieh, 2003). While previous studies have attempted to explore which bonds contribute to levels of loyalty for different types of services (i.e. Hsieh, Chiu and Chiang, 2005), little attention has been paid to the impact of each type of relational bonds on different types of loyalty. This paper examines the role of these three bonds for customers who purchase high value services in terms of Arab customers, i.e. five-star hotel accommodation. In this paper, we explored one cultural group as it is assumed they will view consumer–business relationships in a similar way. Controlling for culture is important as Sheth and Partivayar (1995) and Arnold and Bianchi, (2001), have both suggested that different cultural contexts may affect how consumers view relationships. The three relational bonds are now explained.

Financial bonds are usually referred to as frequency marketing or retention marketing, where the service provider uses economic benefits such as price, discounts and other financial incentives to regular customers to secure their loyalty (Berry and Parsuraman, 1991; Berry, 1995; Hsieh, Chiu and Chiang, 2005; Lin, Weng and Hsieh, 2003). Further to this, non-monetary time saving processes have also been proposed under this type of bond (Lin, Weng and Hsieh, 2003). Berry and Parsuraman (1991) and Berry (1995) referred to financial bonds as “Level One” and are considered the weakest or the lowest level of relationship marketing building.

Social bonds are another type of bond that is widely proposed in the literature and are also used in this study. Han (1991, p.61) describe social bonds as “the degree to which certain ties link and hold a buyer and seller together closely in a personal (emotional sense). Such bonds.
consist of many aspects including familiarity, friendship, social support, staying in touch, self-disclosure, or any interpersonal interaction. Berry and Parasuraman (1991) and Berry (1995) referred to social bonds as “Level Two” representing an intermediate level of relationship marketing in securing customer loyalty.

Structural bonds are the final relational bond used in this study. Structural bonds exist when a 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 (Lin, Weng and Hsieh, 2003; Sheth and Parvatiyar, 2000). Structural bonds are necessary for services such as hotels, because they provide embedded value-adding services for customers that are not readily copied by a competitor (Berry and Parasuraman, 1991). Berry and Parasuraman (1991) and Berry (1995) consider these bonds to be at the highest level of relationship marketing; “Level Three”. This is because companies can consolidate their relationships with customer through adding structural ties beyond the financial and social. Previous research has emphasised that customer loyalty increases as one moves from financial to social, and then to structural bonds (Peltier and Westfall, 2000).

Customer loyalty is in itself a complex area, within the literature. It has been defined using three approaches; behavioural loyalty (i.e., Liljander and Strandvik, 1993); attitudinal loyalty (i.e., Zeithaml, Berry and Parasuraman, 1996); and a composite approach of behavioural and attitudinal loyalty (i.e., Dick and Basu, 1994).

The behavioural perspective is generally defined in terms of purchase measures over a defined period of time. These measures include purchasing frequency (i.e., Liljander and Strandvik, 1993), proportion of purchases (i.e., Backman and Crompton, 1991), purchase sequence (i.e., Kahn, Kalwani, and Morrison, 1986), and probability of purchase. Attitudinal loyalty is mainly operationalised as customer loyalty in terms of customer preferences to a brand measured by: repeat purchase intention (i.e., Cronin and Taylor, 1992); advocacy to others, referring to intention by word-of-mouth (WOM) and willingness to recommend a service provider (i.e., Zeithaml, Berry and Parasuraman, 1996); and tendency to resist switching to an alternate service provider (i.e., Crosby and Taylor, 1993). Finally, other authors have suggested using a two-dimensional construct of behavioural and attitudinal as a composite approach (i.e., Day, 1969; Dick and Basu, 1994; Jacoby and Kyner, 1973; Jacoby and Chestnut, 1978; Jones and Farquhar, 2003). There is no agreement among scholars however on the most appropriate measure of customer loyalty. Within this study we use measures of all three approaches and explore how relational bonds affect each type, to empirically explore the following three hypotheses:

H1: Relational bonds (financial, social and structural) will positively affect behavioural loyalty.
H2: Relational bonds (financial, social and structural) will positively affect attitudinal loyalty.
H3: Relational bonds (financial, social and structural) will positively affect customer loyalty (combining behavioural and attitudinal).

Method

Data was collected from Arabic hotel guests staying at fifteen 5-star hotels in Jordan that were members of international hotel chains. The surveys were distributed to guests when they
checked in and they were asked to return them when they checked out. Surveys were available in English or Arabic. Data was collected over three months in 2005 and 451 usable Arabic guest responses were received from the 1500 surveys distributed. The sample comprised 451 respondents, where the modal age was 35-44. The majority were male (68.3%). Respondents were asked why they had stayed in the past year, 48% indicated that the primary reason was leisure, 37% business and 15% conferences. In this time most of the respondents (60%) had stayed more than ten nights with the same hotel chain (60.0%). Kim and Cha (2002) have suggested that staying more than ten nights a year in the same hotel chain is an indication of loyalty.

The study used Lin, Weng and Hsieh’s (2003) measure of the three types of bonds. This comprised five items to measure financial bonds, six items to measure social bonds and eight items to measure structural bonds, all using seven-point Likert scales. These measures were also used by Hsieh, Chiu and Chiang (2005). The reliability of the three bond measures using Cronbach alpha’s were all found to be acceptable; financial bonds (α = .85), social bonds (α = .82), and structural bonds (α = .87). In this study Too, Souchon and Thirkell’s (2001) 12-item measure of loyalty was used, measured on a seven-point likert scale. Too, Souchon and Thirkell’s (2001) measure incorporates both dimensions of loyalty; attitudinal (nine items) and behavioural (three items). The reliability of these two measures was tested as well as a combined loyalty measure, and each was found to have an acceptable alpha; attitudinal (α = .83), behavioural (α = .76), and combined (α = .88).

The hypotheses were tested using multiple regression analysis, which was designed to examine whether the independent variables (i.e. the three bonds) affected loyalty. As was discussed in the literature section it was hypothesised that all three bonds would increase the dependent variable loyalty, on the three different loyalty measures - combined, attitudinal and behavioural. Comparisons of the mean values of the three bonds were also examined for high and low loyal consumers using the mean loyalty level to split the sample into two groups (high and low). It was hypothesised that the bonds would be statistically significantly higher for the high loyal group. Lastly, we explored whether there were differences in perceived importance of bond types as suggested by Berry and Parasuraman (1991) and Berry (1995). This was done in two ways. We undertook paired t-tests to identify whether there were differences in the mean value of each bond and we also explored the ranking of the bonds in terms of mean importance using nonparametric tests.

Results

The results of the three regressions are provided in Table 1. When exploring the combined measure of loyalty, the regression explains 65% of the variance in loyalty. All three types of bonds were found to statistically influence the combined measure of loyalty. The question of whether the three bonds impact on each of the two sub-components of loyalty is explored in the two other regressions. It is found that all three types of bonds are found to have a statistically significantly positive impact on attitudinal loyalty (R square = 65%). This is consistent with the regression where loyalty is measured using behavioural and attitudinal measures combined.

When examining the effect of the three types of bonds on behavioural loyalty however, it is found that financial bonds do not enhance loyalty (beta= 0.098; p<0.079), whereas social and structural bonds do statistically significantly improve behavioural loyalty. The F statistic
indicates that the regression appropriately fits the data. The R-squared indicates that 50 percent of the variance in the data is explained by the regression, which is the lowest variance explained across the three regressions. The results therefore suggest that while bonds are important in developing loyalty overall, there may be differing impacts for financial bonds depending on the type of loyalty, i.e. combined, attitudinal or behavioural.

Table 1: Regression Analysis for the Three Bonds on Loyalty

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Constant Beta (sig)</th>
<th>Financial bonds Beta (sig)</th>
<th>Social Bonds Beta (sig)</th>
<th>Structural bonds Beta (sig)</th>
<th>F (sig)</th>
<th>R-square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined Loyalty</td>
<td>1.05 (.000)</td>
<td>0.08 (0.40)</td>
<td>0.33 (.000)</td>
<td>0.37 (.000)</td>
<td>212.80 (.000)</td>
<td>.65</td>
</tr>
<tr>
<td>Attitudinal Loyalty</td>
<td>1.05 (.000)</td>
<td>0.095 (0.014)</td>
<td>0.30 (.000)</td>
<td>0.37 (.000)</td>
<td>218.29 (.000)</td>
<td>.65</td>
</tr>
<tr>
<td>Behavioural Loyalty</td>
<td>1.06 (.000)</td>
<td>0.10 (.079)</td>
<td>0.34 (.000)</td>
<td>0.38 (.000)</td>
<td>102.82 (.000)</td>
<td>.50</td>
</tr>
</tbody>
</table>

The second phase of the analysis involved examining whether the means of the three bonds differed based on whether consumers were classified as having high or low loyalty (see Table 2). High and low loyalty dichotomies were derived by a mean split for each of the three loyalty measures (combined, attitudinal and behavioural).

Table 2: Independent t-tests of Mean Bonds for the Three Types of High and Low Loyal Consumers: Means and (s.d).

<table>
<thead>
<tr>
<th></th>
<th>Behavioural</th>
<th>Attitudinal</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Financial</td>
<td>5.44 **</td>
<td>4.10 (1.35)</td>
<td>5.52 **</td>
</tr>
<tr>
<td>Social</td>
<td>5.53 **</td>
<td>4.20 (1.16)</td>
<td>5.52 **</td>
</tr>
<tr>
<td>Structural</td>
<td>5.63 **</td>
<td>4.34 (1.12)</td>
<td>5.72 **</td>
</tr>
</tbody>
</table>

** Significant difference between groups <. 001

In all instances there were statistically significant differences between the low and high loyal consumers in regards to the mean score associated with each of the three types of bonds, with the mean score being greater for consumers who were high on the given loyalty measure. This further confirms the fact that stronger bonds are related to higher levels of loyalty, as suggested in theory. However, as the regression results identify, the impact of these bonds differs depending on what type of loyalty is being considered.

Lastly in order to determine the overall differences in the mean bond scores across all types of loyalty, paired sample t-tests were conducted for each pair of bonds; Structural - Social (t = 3.00 p< .01); Structural - Financial, (t = 4.65, p< .000; Social - Financial (t = 2.15, p = .032). In all cases the mean bond values were significantly different and in the direction anticipated, i.e. Financial (mean = 4.79, std.=1.36) < Social (mean = 4.89, std.=1.20) < Structural (mean=5.00, std.=1.15). In addition the Friedman's test of the ranking was also statistically
significant (chi = 9.49, p<0.001) suggesting that Structural bonds rated highest (mean rank 2.11) followed by Social bonds (mean rank 1.97) and Financial bonds (mean rank 1.92).

**Discussion**

The results of this study provide important insights into the role of bonds and loyalty for Arab customers. Firstly the results identify that the impact of the three types of bonds on loyalty may vary based on the way that loyalty is measured. In the case of a combined and attitudinal measure of loyalty all three bonds increase loyalty. In case of behavioural loyalty, financial bonds are not significant. This might suggest that Arab customers of premium services (i.e. 5-star hotels) are less affected in terms of their behavioural responses to financial incentives. This could be explained if premium consumers are less price-sensitive (Sethuraman and Cole, 1999).

The results do however suggest that price incentives positively affect consumers’ attitudes and thus may still be a valuable tool for developing relationships. Thus financial bonds may improve how Arab customers think about 5-star hotels, but they do not necessarily increase patronage intentions. Marketers seeking to use financial bonds to increase visitations overall may therefore be unsuccessful in increasing usage rates (i.e. does not increase the nights spent at hotels), if this were to require additional travelling. Thus financial bonds don’t appear to grow the number of nights spent at hotels generally, but may increase the proportion of nights spent with an individual hotel. The results also identified that in all cases the bonds were more important for Arab customers who were loyal than those who were not loyal. This too is important from a practical perspective. To achieve the same results in loyalty, bonding strategies targeting ‘low-loyal’ consumers may need to be more significant than those targeting ‘high-loyal’ consumers. Thus the same bonding strategy would potentially appear to be more effective for high loyal consumers. Lastly, while not an explicit focus of this research, the results also all support the work of Berry (1995) in regards to the importance of various types of bonds. That is, the structural bonds have more influence on all types of loyalty, followed by social and financial bonds. Structural bonds were also statistically stronger, overall, followed by social and then financial bonds, suggesting that structural bonds are more important than social or financial bonds.

Future research can explore the role of bonds in developing loyalty in other service settings and other to see if indeed the results are generalisable across other premium services. Comparisons could also be undertaken to explore comparisons between premium and other services, as financial bonds may be more important when price is more integral to the purchase context, which might be a limitation of this work given the high proportion of business related travel. Lastly there needs to be more cross-cultural research on this issue, to identify if all premium consumers behave in the same way or there is something unique about Arabic consumers. The work of Sheth and Partivayar (1995) and Arnold and Bianchi, (2001), suggest that culture is an important issue in consumer-business relationships. This latter point is also important, especially for global services targeting a diverse range of consumers. Thus organisations need to be able to determine if different types of bonding strategies will have similar results with different segments and cultural groupings of consumers.
References


