

Relationship Marketing Orientation and Customer Satisfaction: Evidence from Vietnam

Liem Viet Ngo, The University of New South Wales, liem.ngo@unsw.edu.au
Hau Nguyen Le, HoChiMinh City University of Technology, lnhau@sim.hcmut.edu.vn
Jenny Ji-Yeon Lee, The University of New South Wales, jylee@unsw.edu.au

Abstract

To what extent does relationship marketing orientation (RMO) impact on customer satisfaction? Is customer satisfaction equally impacted by each of the components of RMO? We attempt to answer these questions in the context of an emerging economy by collecting data from 174 firms in Vietnam. Our findings show that among key components of RMO, trust, bonding, shared value, and reciprocity are positively associated with customer satisfaction while communication and empathy are not. Interestingly, trust and bonding are better than shared value and reciprocity in satisfying customers.

Keywords: relationship marketing orientation, customer satisfaction, Vietnam

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Introduction

The concept of relationship marketing has received considerable research attention from marketing scholars over the last two decades (Morgan and Hunt 1994; Palmatier et al. 2006; Palmatier et al. 2009). A fundamental benefit of pursuing relationship marketing orientation (RMO) is purported to be the creation of stronger customer relationships that enhance performance outcomes, including sales growth, market share, profits, and customer satisfaction (Crosby, Evans, and Cowles 1990; Morgan and Hunt 1994). However, the empirical evidence remains equivocal (Palmatier et al. 2006). Several studies have found support for the fundamental RMO-performance relationship (Crosby, Evans, and Cowles 1990; Gordon, Pires and Stanton 2008; Sin et al. 2005a; Sin et al. 2005b). Others have shown that in certain situations, RMO may have negative impact on performance outcomes (De Wulf, Odekerken-Schröder, and Iacobucci 2001; Hibbard et al. 2001).

Furthermore, as most extant research has been undertaken in developed economies, the role of RMO in transitional economies such as Vietnam is still unclear. While having a low per-capita income compared to five other diverse Asian countries (Deshpande, Farley and Bowman 2004), Vietnam is an emerging economy with a stable and high growth rate of 9% over the last decade that has placed Vietnam as the second-highest growth economy in the Asia Pacific region, after China (Ngo and O’Cass 2009). However, unlike developed economies in Asia such as Hong Kong (Sin et al. 2002), Vietnam is undergoing a transition from central planning to a form of market socialism (Farley et al. 2008). Such a transitional economy may experience unprecedented changes in social, legal, and economic institutions that may raise serious strategic problems for firms (Zhou et al. 2005). Consequently, there is increased need for marketing to demonstrate productivity of marketing activities in economies transitioning from command structures to market-driven ones (Farley et al. 2008).

To fill out the above research gap, we take advantage of Vietnam’s transitional status to answer two key research questions in this study. First, to what extent does RMO impact on customer satisfaction? Second, is perceived customer satisfaction equally impacted by each of the components of RMO? In answering these questions, we collected data from 174 firms in Vietnam. Our findings highlight the distinct roles of trust, bonding, shared value, and reciprocity in achieving superiority in customer satisfaction. In contrast, communication and empathy have no effect on customer satisfaction. The findings also show that trust and bonding are relatively more important than shared value and reciprocity in affecting customer satisfaction. We organise the rest of the paper as follows: The next section presents a review of prior research on RMO, followed by hypotheses. We then provide a description of empirical methods, discuss the results, and present our conclusions.

Theoretical Background and Hypotheses

Most marketing research and practice assumes that customer satisfaction is a key factor in determining long-term business success (Crosby, Evans and Cowles 1990; Gaski and Nevin 1985; Hennig-Thurau, Gwinner and Gremler 2002; Palmatier et al. 2006). Customer satisfaction refers to the focal organization’s (a buyer’s) overall evaluation based on the total

purchase and consumption experience with a product or service of another party (a supplier) (Andaleeb 1996; Anderson, Fornell and Lehmann 1994; Garbarino and Johnson 1999). Leading firms place their emphasis on relationship marketing efforts to achieve superior customer satisfaction (Garbarino and Johnson 1999; Palmatier et al. 2006).

The RMO refers to “the implementation of the relationship marketing concept” (Sin et al. 2005, p. 186). In particular, the RMO encompasses six components: trust, bonding, communication, shared value, empathy, and reciprocity. First, trust, an essential component for successful relationship (Berry 1995), refers to a willingness to rely on an exchange partner in whom one has confidence and reliability (Moorman, Deshpande and Zaltman 1993; Morgan and Hunt 1994). When the focal organization trusts its partner it will feel secure based on an implicit belief that the relationship with the partner will result in positive outcomes (Andaleeb 1996).

Second, bonding refers to the development of an emotional relationship between the two partners acting in a unified manner toward a desired goal (Callaghan et al. 1995). Customers having a stronger relationship with their partners through such bonding are more satisfied than those who do not have one (Guttek et al. 1999). Third, communication refers to formal and informal exchanging and sharing of meaningful and timely information between buyers and sellers (Sin et al. 2005). Effective communication fosters positive interaction and enhances customer satisfaction.

Fourth, shared value refers to the extent to which partners have beliefs in common about the propriety and importance of behaviors, goals and policies (Morgan and Hunt, 1994). The greater the enhancement of relationship via shared value, the more satisfied customers are likely to be. Fifth, empathy is defined as seeking to understand the desires and goals of somebody else (Sin et al. 2005). Firms that better understand what customers desire are better able to satisfy customers.

Finally, “reciprocity refers to the processes that enable customers to interact and share information with the firm and that enable the firm to respond to customers” (Jayachandran et al. 2005, p. 178). Reciprocity occurs when actions taken by one exchange partner are matched by the other (De Wulf et al. 2001). Without the established reciprocal communications, a firm may have lower customer satisfaction as customers are unable to communicate their needs and problems to the firm (Jayachandran et al. 2005). Given the above discussion, we hypothesize that:

Hypothesis 1: Each component of RMO has a positive association with customer satisfaction.

Hypothesis 2: Components of RMO carry distinct weights relative to their association with customer satisfaction.

Method

Sample characteristics and data collection

In this study, we identified potential respondents from a commercially available list of business executives in business-to-business companies, who held senior- and top-level management positions. We followed a convenience sample approach to ensure that

respondents were chosen on the basis of their knowledge of marketing activities. To enhance the generalizability of our findings, respondents came from a broad cross section of business-to-business industries.

A total of 300 potential respondents representing 300 firms were contacted via mail or email with a request to complete and return the attached questionnaire. Two weeks after the questionnaires were dispatched, a reminder was sent to remind participants and to thank those already completed and returned the survey. To encourage participation in the study, potential respondents were informed that they would receive a summary of the research findings soon after the completion of fieldworks and also were promised that the result of the research will help improving their performance in the business.

We received 174 useable responses, producing a response rate of 58%. Of the 174 firms, joint-stock companies accounted for 35%, wholly foreign-owned 26%, private 25%, state-owned 7%, and international joint venture 7%. This business ownership structure has shown the result of reconstructing ownership of enterprises in the past ten years in Vietnam. Regarding respondents, purchasing manager accounted for 63% of the sample, managing director 16%, vice director 8%, and unclassified 13%.

Measures and validity

Drawing on Sin et al. (2002), we measured six components of RMO using twenty two items. Responses were made on a seven-point Likert scale, ranging from *strongly disagree* (1) to *strongly agree* (7). These measures show satisfactory reliability properties with composite reliability values range from 0.89 to 0.94. *Customer satisfaction* was measured with seven items adapted from Gaski and Nevin (1985). Responses were made on a seven-point Likert scale, ranging from *strongly disagree* (1) to *strongly agree* (7). The measure also shows a satisfactory reliability property with the composite reliability value being 0.97.

Convergent validity was satisfactory as internal consistency values for all constructs (ranging from 0.89 to 0.97) were above the threshold of .70 (Fornell and Larcker, 1981; Nunnally, 1978). *Discriminant validity* is also exhibited as the square roots of the AVE values are consistently greater than the off-diagonal correlations (Fornell and Larcker, 1981) and no individual correlations (0.44 to 0.79) were higher than their respective reliabilities (0.89 to 0.97).

To assess the model fit for both outer-measurement and inner-structural models, we calculated the goodness-of-fit index (GoF) using the formula suggested by Tenenhaus et al. (2005). In particular, the GoF was computed by taking the square root of the product of the average communality of all constructs and the average R^2 value of the endogenous constructs as:

$GoF = \sqrt{\overline{communality} \times \overline{R^2}}$. The computed GoF for the model was 0.71, which indicates good fit of the model to the data (e.g. Schepers, 2005). In addition, the predictive relevance of the model (Q^2) was also calculated. Using omissions distances between 5 and 15 the Q^2 value for the model was 0.51, indicating satisfactory predictive relevance of the model.

Hypothesis Testing and Results

In hypothesis 1, we expected that each component of RMO has a positive association with customer satisfaction (CS). The results shown in Table 1 indicate that trust (TR-CS: $\beta=.32$, $t=3.85$), bonding (BO-CS: $\beta=.22$, $t=2.26$), shared value (SV-CS: $\beta=.19$, $t=2.34$) and reciprocity (RE-CS: $\beta=.12$, $t=1.96$) are significantly associated with customer satisfaction, while communication (CO-CS: $\beta=.03$, $t=0.33$) and empathy (EM-CS: $\beta=.09$, $t=0.86$) are not.

In hypothesis 2, we expected that components of RMO carry distinct weights relative to their associations with customer satisfaction. We tested this hypothesis by undertaking a Hotelling–Williams test to compare non-independent correlations (TR-CS, BO-CS, CO-CS, SV-CS, EM-CS, and RE-CS) that share a variable (Steiger, 1980). Significant differences between the strengths of effects of trust, reciprocity, bonding, shared value on customer satisfaction were found. Specifically, the results of the test in Table 1 indicate that trust is stronger than reciprocity in contributing to customer satisfaction ($t_{(TR-CS \text{ vs. } RE-CS)} = 2.25$); bonding is stronger than shared value and reciprocity in contributing to customer satisfaction ($t_{(BO-CS \text{ vs. } SV-CS)} = 1.69$ and $t_{(BO-CS \text{ vs. } RE-CS)} = 3.12$). The predictive relevance of the model was examined via the average variance accounted for (AVA) that was of acceptable magnitude at 0.77 as shown in Table 1.

Table 1

Partial least squares results for the theoretical model

Predictor variables	Predicted variables	Path weights	Variance due to path	R ²	Critical ratio
<i>Hypothesis 1: Each component of RMO has a positive association with customer satisfaction (CS)</i>					
Trust (TR)	Customer satisfaction	.32	0.23		3.85 ^a
Bonding (BO)	Customer satisfaction	.22	0.16		2.26 ^a
Communication (CO)	Customer satisfaction	.03	0.02		0.33
Shared value (SV)	Customer satisfaction	.19	0.12		2.34 ^a
Empathy (EM)	Customer satisfaction	.09	0.06		0.86
Reciprocity (RE)	Customer satisfaction	.12	0.07	0.66	1.96 ^a
			AVA	0.77	
<i>Hypothesis 2: Components of RMO carry distinct weights relative to their association with customer satisfaction</i>					
▪ <i>Test of differences between correlations of TR-CS, BO-CS, CO-CS, SV-CS, EM-CS, and RE-CS</i>					
$t_{(TR-CS \text{ vs. } BO-CS)} -0.53$; $t_{(TR-CS \text{ vs. } SV-CS)} 1.16$; $t_{(TR-CS \text{ vs. } RE-CS)} 2.25^{**}$; $t_{(BO-CS \text{ vs. } SV-CS)} 1.69^*$; $t_{(BO-CS \text{ vs. } RE-CS)} 3.12^{**}$;					
$t_{(SV-CS \text{ vs. } RE-CS)} 1.27$					

Note: ^a exceeds minimum acceptable level 1.96, $p < .01$; $t^* > 1.65$; $t^{**} > 1.96$

Contributions

The primary goal of this paper is to examine how relationship marketing orientation contributes to customer satisfaction in the context of Vietnamese business-to-business firms. Our findings contribute to the literature in two ways. First, our study provides an indication to the relative importance of each component of the relationship marketing orientation, so managers do not jeopardise relationship marketing orientation by mistakenly focusing on relatively less important individual components. In particular, our findings show that trust, bonding, shared value, and reciprocity are key drivers of customer satisfaction, while communication and empathy are not. Previous studies indicate that in the context of developed economies, the six components of the relationship marketing orientation are drivers of firm performance (Sin et al. 2002; Sin et al. 2005a; Sin et al. 2005b; Gordon, Pires and Stanton 2008). Our finding extends previous studies by showing that in the context of a

transitional economy, managers may not pay much attention on communication and empathy but trust, bonding, shared value and reciprocity.

Second, our study advises managers in transitional economies that trust, bonding, shared value and reciprocity are not equally weighted contributors of customer satisfaction. Instead, managers should place more emphasis on trust and bonding compared to shared value and reciprocity.

Limitation and Future Research

While the study has provided interesting insights to our understanding of RMO practice in the context of a developing economy like Vietnam, to some extent findings are limited with cross-sectional data. Indeed, using cross-sectional data does not enable us to interpret the time sequence of the relationships among RMO components and customer satisfaction. The findings, therefore, might not be interpreted as proof of a causal relationship. The development of a time-series database and the testing of the RMO association with customer satisfaction in a longitudinal framework would provide more insight into research result.

This study on RMO, a well-known research topic in developed economies, is quite new for Vietnamese companies in a transitional economy. Based on our findings on the relative importance of RMO components in contributing to customer satisfaction, further studies in this field are encouraged to help Vietnamese companies enhance their effectiveness in satisfying customers, growing with them, and reducing risks in doing business when entering a global market.

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