

## **Measuring Relationship Quality in a Membership Association**

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### **Abstract**

This study examines whether the relationship marketing mediators of *commitment*, *trust*, and *satisfaction* come together to comprise a global measure of *relationship quality* and to test if the overall measure of *relationship quality* is related to outcome measures of *expectation of continuity*, *seller performance* and positive *word-of-mouth*. Results suggest that *relationship quality* can be measured as a second order latent variable which has a strong influence on the *expectation of continuity* and positive *word of mouth* as well as a weaker influence on *seller performance*.

### **Introduction**

Relationship marketing (RM) is conducted on the premise that RM strategies and activities encourage stronger relationships between organizations and customers, which enhance the organization's performance (Anderson and Narus 1991; Palmatier, Dant, Grewal and Evans 2006). Results and conclusions on overall RM effectiveness are quite varied, though empirical support exists for RM generating positive outcomes for the seller, including: a sustainable competitive advantage over competitors, trust and commitment (Morgan and Hunt 1994), sales growth, market share, satisfaction, positive word of mouth, loyalty (Reynolds and Beatty 1999), relationship quality and future sales opportunities (Crosby, Evans and Cowles 1990). RM strategies do not always achieve the expected results (Grayson and Ambler 1999). Hibbard, Brunel, Dant and Iacobucci (2001) have shown that some benefits created by RM diminish over time and may even have a negative effect on business performance.

These inconsistencies in performance indicate that RM may be more effective in certain situations. Results from a meta-analysis (Palmatier et al. 2006) suggest that RM effectiveness depends on the strategy in question and the context in which the exchange is occurring. RM is more effective in exchange contexts where relationships are more critical to the customer; such as service compared to a product context, channel rather than a direct context and in business compared to consumer markets. RM also has stronger effects when the relationship is between individuals, rather than an individual and an organization. Despite positive results for RM effectiveness in particular contexts, RM remains important for the majority of organizations and this includes those organizations that operate in a context where a relationship with the organization is deemed to be less critical by the customer. One context in which RM is difficult to implement and considered less effective is in membership associations.

### **Membership Associations**

Membership associations exist across a large range of contexts operating in a wide variety of formats: product (CD/book clubs) and service contexts (gymnasiums, financial institutions), professional and business markets (industry bodies), profit and not for profit formats (museums, charities). Gruen, Summers and Acito (2000)

stressed the fact that relationships between membership associations and their members are distinctly different from other contexts where RM has been studied. Management in business-to-business exchange contexts focus on the maintenance of individual relationships as losing a single customer has a discernable impact on the organization. In contrast, membership associations deal with hundreds and thousands of members which make it difficult and unviable to develop individual relationships. The loss of a single member typically does not have a large impact on the association. As such, managers are interested in aggregate rates of retention and defection. Yet, membership associations do require ongoing patronage to survive and successful RM aid membership associations to grow and become profitable as maintaining existing members is more cost efficient than searching for and acquiring new members (Berry 1995; Reicheld and Sasser 1990; Rosenberg and Czepiel 1984).

Results from current RM studies create an ominous scenario for management of membership associations and the successful development of RM within such organizations. If RM is less effective in membership contexts, then management faces a difficult, yet essential, task. Initial research on membership associations looked at membership characteristics, such as membership level and duration (Battacharya 1998), with other studies focused on the issue of member identification (Ahearne, Bhattacharya and Gruen 2005; Battacharya, Hayagreeva and Glynn 1995; Battacharya and Sen 2003). In their study on professional associations, Gruen et al. (2000) examined affective, continuance and normative commitment and their influence on retention rates. Recent, related work on customer-company relationships combines the RM factors of commitment and trust with customer gratitude to test their impact on several performance indicators (Palmatier, Jarvis, Bechkoff and Kardes 2009).

While extensive RM research exists within business-to-business contexts and increasingly more studies are looking at individual customer-company relationships, further work is needed within membership associations. Unlike prior research contexts (museums and professional associations), the current study focuses on a wine association which is a for-profit service exchange delivering complex, indulgence products directly to individual customers' homes. Our aim is twofold: 1) to determine the extent to which the RM mediators of *trust*, *commitment* and *satisfaction* come together to create a global measure of *relationship quality* and 2) to test whether an overall measure of *relationship quality* is related to the behavioural outcome measures of *expectation of continuity*, *seller performance* and *positive word-of-mouth*.

### **Relationship Quality**

Successful RM strategies result in increased loyalty by the customer towards the organization as well as an increase in performance by the organization (De-Wulf, Oderkerken-Schroder and Iacobucci 2001). Current literature offers a wide range of variables that potentially mediate the relationship between RM antecedents and behavioural outcomes. Mediators commonly include commitment, trust, satisfaction or a combination of these to create an overall measure of relationship quality. There is, however, little agreement as to which variable is the most critical for mediating the relationship between RM antecedents and behavioural outcomes or how relational mediators are measured and related to each other (Palmatier et al. 2006).

A slightly different approach suggests that the most accurate method of determining the success of RM is a universal measure of the strength of a relationship through relationship quality (DeWulf, Oderkerken-Schroder and Iacobucci 2001; Dorsch, Swanson and Kelley 1998). Relationship quality has been conceptualised as consisting of a wide variety of variables; however, analysis has commonly combined trust, satisfaction and commitment. Research shows members who trust the partner organization appear much happier with their membership and enjoy it more (Garbarino and Johnson 1999; Morgan and Hunt 1994). Of the three types of commitment identified in the literature, affective commitment has been shown to have the strongest relationship with participation (Gruen et al. 2000) and retention (Bansal et al. 2004). Members also enjoy their membership more if they are satisfied that their membership meets their needs and expectations. Moreover, a number of studies have found a fairly strong interrelationship between trust and satisfaction (Bansal, et al. 2004; Garbarino and Johnson 1999) Based on this, we propose:

H1: *Satisfaction, trust and affective commitment are strong indicators of overall relationship quality.*

### **Behavioural Outcomes**

*Expectation of continuity* is an important RM outcome (Morgan and Hunt 1994) and a key measure of organizational performance (Gruen et al. 2000). There is strong support that expectation of continuity is influenced by trust (Anderson and Weitz 1989; Ganesan 1994; Doney and Cannon 1997), commitment (Fullerton 2005; Bansal et al. 2004; Garbarino and Johnson 1999), satisfaction, as well as by relationship quality (Palmatier et al. 2006; Crosby et al. 1990). A strong positive link between relationship quality and expectation of continuity suggests that relationship quality may encourage long term relationships by assuring customers that the organization will continue to meet their expectations. Following this, we propose:

H2: *Relationship Quality* has a positive impact on *expectation of continuity*.

*Seller performance* represents a measurable impact of strong relationships to an organization's bottom line. Trust, commitment, satisfaction and relationship quality all have a positive effect on seller performance with the greatest effect caused by relationship quality (Palmatier et al. 2006). Customers who develop a strong relationship with positive emotional bonds to an organization are the most profitable customers, as they tend to trust the organization and consume more of its products and services (Zeithaml, Berry and Parasuraman 1996; Parasuraman, Berry and Zeithaml 1991; Sigauw, Simpson and Baker 1998). As such, we argue:

H3: *Relationship Quality* has a positive impact on *seller performance*.

*Word of mouth* (WOM) recommendations can be very influential in any purchase decision (Gremler, Gwinner and Brown 2001). Only customers who have found cause to develop a strong relationship with an organization would risk their own reputation by providing a referral of the seller (Palmatier et al. 2006). WOM recommendations are also important for organizations as they are a valuable method of advertising products and services (Gremler et al. 2001), particularly when the exchange involves the delivery of a service that entails a high risk to the customer (Sheth, Mittal and Newman 1999). Substantial support exists for the positive relationship between the

relational mediators of relationship quality, trust, commitment and satisfaction and WOM (Palmatier et al. 2006; Reynolds and Beatty 1999). As such, we hypothesise:

H4: *Relationship Quality* will have a positive influence on *word of mouth*

### Method

Data were collected through an un-incentivised mail questionnaire. Participants were recruited from the largest, independent wine club in Australia with a membership base of more than 78,000 members. In all, 3000 members were sent the questionnaire and 580 members responded with 554 usable surveys obtained after missing data and outlier analyses. Response bias was minimal as comparison of early and late responses showed no significant differences in key study variables ( $p > .05$ ).

The majority of constructs in the model were measured with multiple items on 7 point likert scales, adapted from existing empirical studies. Five items each for *affective* and *continuance commitment* and four items for *normative commitment* were taken from Gruen et al. (2000). *Satisfaction* and *trust* were measured with five items each from Bansal et al. (2004). Four items were used for *expectation of continuity* from Fullerton (2005) and Zeithaml et al. (1996). *Word-of-mouth* with three items was from Zeithaml et al. (1996). *Seller performance* was an observed variable, from the association's database, indicating total spend on product above standard membership payments.

### Results

To determine reliability and validity of individual constructs, an initial analysis was performed. Each construct had a satisfactory level of construct reliability, Cronbach's Alpha ranging from .77 to .94 (Nunnally & Bernstein, 1994). Confirmatory factor analysis showed that a number of constructs contained a redundant item. Removal of the items resulted in stronger, more robust constructs. Table 1 presents the statistics.

**Table 1. Descriptive Statistics and Confirmatory Factor Analysis**

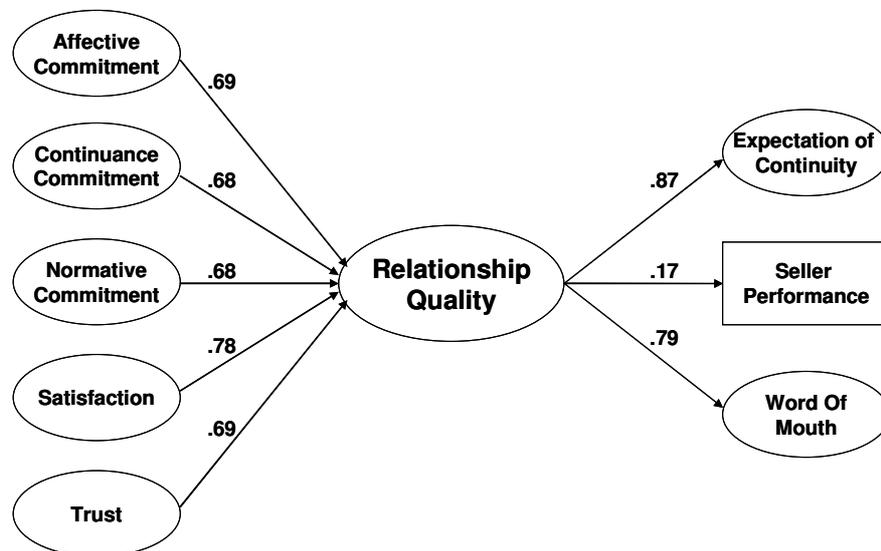
	Items	Mean	Std Dev	CR**	AVE*
Affective Commitment	3	9.63	3.86	.854	.668
Normative Commitment	3	10.88	3.63	.771	.524
Continuance Commitment	4	11.80	5.23	.858	.606
Satisfaction	4	22.82	3.77	.940	.801
Trust	4	20.76	3.49	.823	.558
Relationship Quality	14	75.89	15.30	.917	.576
Expectation of continuity	3	15.97	3.23	.789	.666
Word of Mouth	3	15.91	3.29	.861	.687
Seller performance	1	2602.51			
**CR = Construct Reliability (Bacon, Sauer & Young, 1995)					
* AVE = Average Variance Extracted (Fornell & Larker, 1981)					

Relationship quality was developed as a second order latent construct, consisting of affective, continuance and normative commitment, trust and satisfaction. Behavioural outcomes were added to the structural model, with each outcome linked directly to relationship quality. This model had a relatively good fit (GFI = .86, RMSEA = .07). Relationship quality, was strongly related to expectation of continuity and word of mouth, but only weakly related to performance. An alternate model excluding

relationship quality was constructed. Each outcome was linked directly to the independent constructs of affective, continuance and normative commitment, trust and satisfaction. This highly-linked version, where all mediators were linked to all outcomes, was much more complicated and was not a better fit (GFI = .87, RMSEA = .08). In the alternate model, affective and continuance commitment were not related to any of the outcomes. Normative commitment linked with expectation of continuity, and satisfaction and trust linked with word of mouth and expectation of continuity.

A simplified representation of the structural model that positions relationship quality as a second order construct with the manifest variables and error terms removed for clarity is shown in Figure 1. Relationship quality is a strong indicator of expectation of continuity ( $\beta = .87$ ) and word of mouth outcomes ( $\beta = .79$ ). Although statistically significant, relationship quality was a weak indicator of seller performance ( $\beta = .17$ ). All relational mediators had similar significant links with Relationship Quality.

**FIGURE 1: SEM of Relationship Quality and Behavioural Outcomes**



## Discussion

Results demonstrated that *relationship quality* can be established as a second order variable comprised of *affective commitment*, *normative commitment*, *continuance commitment*, *trust* and *satisfaction*. The real value comes with linking the measures to behavioural outcomes. *Relationship quality* was strongly related to both *expectation of continuity* and *positive word-of-mouth*. Plus, it was the only significant link to *seller performance*, which is a major finding since *seller performance* is an independent, observed measure. Interestingly, a number of the individual mediators were also significantly related to outcome measures. *Satisfaction*, *trust* and *normative commitment* were related to *word-of-mouth* and *trust* and *satisfaction* to *expectation of continuity*. As such, these mediators individually cannot be ignored. Results indicate to membership association management the value of having a strong relationship with its members as well as the type and level of behaviour members will engage in as a result of a strong relationship. It also allows management to understand how the relational mediators contribute towards a strong relationship and this will assist in the development and implementation of marketing strategies designed to influence the

mediators in an attempt to increase the strength of the relationship with members and reap the associated benefits. Future testing needs to be done incorporating antecedents into the model with multiple measurement methods and longitudinal data.

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