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RELATIONSHIP QUALITY BETWEEN CUSTOMER AND PROVIDER IN THE SERVICE SECTOR

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The relationship quality can be used to assess the effectiveness of relationship marketing (Hennig-Thurau, et al., 2002). By adopting Nordic approach, relationship quality in this study consists of two levels of interaction, i.e. interpersonal and organizational levels. In addition, since the relationship quality is not tied down to any standardized dimension, the study aims to investigate the dimensions of relationship quality in services sector, using two types of services, i.e. credence and experience services.

The data was collected using personal interview on the selected residents of Putrajaya. For this purpose, two sets of questionnaire were developed for the two services studied (credence & experience services). The study gathered 421 completed questionnaires. The data were then analyzed using factor analysis, multiple regression and discriminant analysis to fulfil the research objectives.

The findings showed that both levels were empirically important for service sector. However, the findings tend to differ slightly according to the type of service. At interpersonal level, closeness factor was significant for credence services but not for experience services. Communication and special care were significant for both service types, whereas a new dimension (communication quality), that emerged from the study, was not significant for both service types. At organizational level, trust was significant for experience services but not for credence services. Nonetheless, commitment and satisfaction showed significant findings for both service types.

Based on the study, it is recommended that credence service firms can exploit ‘closeness’ through friendliness, trustworthiness, responsiveness, competency, and empathy in service to build relationship with customers. Contrary to that of credence service firms, experience service firms might focus on developing customers trust on the organization by delivering highly skilled services along with strong support from the organization.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

KUALITI HUBUNGAN ANTARA PELANGGAN DAN PENYEDIA PERKHIDMATAN DALAM SEKTOR PERKHIDMATAN

Oleh

ARYATY BINTI ALWIE

Oktober 2008

Pengerusi: **Profesor Madya Jamil Bojei, PhD**

Fakulti: **Sekolah Pengajian Siswazah Pengurusan**

Kualiti hubungan boleh digunakan untuk menilai keberkesanan pemasaran hubungan (Hennig-Thurau, et al., 2002). Dengan menggunakan pendekatan *Nordic*, kualiti hubungan dalam kajian ini terdiri dari dua peringkat, iaitu peringkat antara perorangan dan peringkat organisasi. Oleh kerana kualiti hubungan tidak terikat dengan mana-mana dimensi yang standard untuk kualiti hubungan, maka tujuan kajian ini ialah untuk mengkaji dimensi kualiti hubungan dalam sektor perkhidmatan dengan menggunakan dua kategori perkhidmatan digunakan, iaitu perkhidmatan kreden dan perkhidmatan pengalaman.

Data telah dikumpulkan dengan menggunakan temubual perorangan dikalangan penduduk terpilih di kawasan Putrajaya. Untuk tujuan ini, dua set borang soal selidik telah dibentuk untuk dua jenis perkhidmatan yang dikaji (perkhidmatan kreden dan perkhidmatan pengalaman). Kajian ini telah

mengumpul 421 set soal selidik yang telah dilengkapkan. Data kajian kemudiannya dianalisa menggunakan analisis faktor, regresi berbilang dan analisis diskriminan untuk menjawab objektif penyelidikan.

Hasil kajian menunjukkan bahawa kedua-dua peringkat secara impirikalnya adalah penting untuk sektor perkhidmatan. Walau bagaimanapun, hasilan menunjukkan terdapatnya sedikit perbezaan berdasarkan jenis perkhidmatan. Di peringkat antara perorangan, factor kedekatan adalah signifikan untuk perkhidmatan kreden tetapi tidak untuk perkhidmatan pengalaman. Komunikasi dan perhatian istimewa adalah signifikan untuk kedua-dua jenis perkhidmatan tersebut, manakala dimensi baru (kualiti komunikasi), yang terhasil dari kajian, adalah tidak signifikan untuk kedua-dua jenis perkhidmatan. Di peringkat organisasi, kepercayaan hanyalah signifikan untuk perkhidmatan pengalaman dan tidak singnifikan untuk perkhidmatan kreden. Akan tetapi, komitmen dan kepuasan, menunjukkan hasil yang signifikan untuk kedua-dua jenis perkhidmatan.

Berdasarkan kajian, adalah dicadangkan agar firma perkhidmantan kreden mengeksploitasikan kedekatan melalui keramahan, kebolehpercayaan, keresponsifan, kecekapan dan empati dalam perkhidmatan mereka untuk membina hubungan dengan pelanggan. Berbeza dengan firma perkhidmatan kreden, firma perkhidmatan pengalaman mungkin perlu menfokuskan ke atas membangunkan kepercayaan pelanggan terhadap organisasi dengan memberi perkhidmatan berkemahiran tinggi disamping sokongan padu dari organisasi.

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AGFI	Adjusted Goodness-of-fit Index
AMOS	A covariance-based SEM, developedby Dr. Arbuckle, Published by SmallWaters and marketed by SPSS. Details are available at http://www.spss.com/amos/
B2B	Business-to-business
B2C	Business-to-customer
BMRs	Business Marketing Relationships
C2C	Customer-to-customer
C2E	Customer-to-employee
CFI	Comparative Fit Index
CNE	One category represents both credence services and experience services.
CR	Construct reliability or composite reliability is an indicator of convergent validity. It can be calculated using squared sum of standard loading for each dimension and the sum of the error variance terms for a construct.
EQS	A covariance-based SEM developed by Dr. Bentler and sold by Multivariate Software, Inc. Details are available at http;//www.smallwaters.com/
GDP	Gross Domestic Product
GFI	Goodness-of-fit Index
ICRs	Interpersonal Commercial Relationships
IFI	Incremental Fit Index

IMP	Industrial or International Marketing and Purchasing
IMP	Industrial Master Plan
IMP2	Second Industrial Master Plan
IMP3	Third Industrial Master Plan
KMV	Key Mediating Variables
LISREL	A procedure for the analysis of **LI**near **S**tructural **REL**ations among one or more sets of variables and variates
NGS	Non-government Services
PLS	Partial Least Squares. A second generation regression model that combines a factor analysis with linear regressions, making only minimal distribution assumptions.
PPE	Perceived performance Excellence
RBV	Resource Based View
RCI	Relationship Closeness Inventory
RMSEA	Root Mean Square Error of Approximation
SE	Service employee
SERVQUAL	Service Quality
TLI	Tucker Lewis Index
AVE	Average variance extracted is a summary indicator of convergence. This value can be calculated using standard loading for all items in one dimension.
WOM	Word-of-mouth

CHAPTER 1

INTRODUCTION TO THE STUDY

1.0 Introduction

This chapter covers the background of study and the problems faced by service marketers to compete in highly competitive markets. This chapter also outlines the research objectives, the research questions, the scope and significance of the study, finally the organization of this thesis.

1.1 Background of the Study

In Malaysia, the service sector is experiencing an increasingly important role in the economy. In 2004, the service sector grew by 6.7% and made up 57.4% of Gross Domestic Product (GDP) (MITI, 2005a). In terms of export of services, Malaysia ranked as the 29^{th} largest exporter in 2004, with a total export of US$18 billion (0.90% of total global exports) as compared to US$13.5 billion (0.75% of the total global exports) in 2003 (MITI, 2005b). By the end of 2020, the service sector is expected to contribute to 60% of GDP (IMP3, 2006).

Even though Malaysia experiences an increase in the amount of export of services, at the same time Malaysia still has to import a huge amount of services. The total amount of service imports for Malaysia in 2004 increased to US$19.2 billion (0.90% of global imports) from US$17.3 billion (0.97% of global imports) in 2003. Malaysia became the 28^{th} largest importer in 2004 (MITI, 2005a; MITI 2005b). Although the amount of imports exceeds the amount of exports in terms of global percentages, the imports reduced from 0.97% in 2003 to 0.90% in 2004. It shows that Malaysia tries to reduce the amount of imports for services and, at the same time, tries to increase the export of services in global market. Therefore, Malaysia has to focus on how to develop and improve its service sector if it wants to be a significant player in the global economy.

Furthermore in 2005, service sectors (including government services) grew by 6.5%, slower than the previous year. In 2004, the service sectors grew by 6.8% (DOSM, 2006a). However, the service sector is still the biggest contributor to GDP with the forecast amount of 57.8% in 2005 as compared to 57.4% in 2004 (DOSM, 2006b). The Central Bank of Malaysia has predicted a positive growth for service sectors predicting an increase of 6% for the year 2006 (MITI, 2006).

As Malaysia strives to become a major player in the service sector, competition in business, as usual, is something that cannot be avoided by any firms around the globe or within Malaysia itself. With globalization, competitors could be from within or outside Malaysia. How successful a firm is depends on how the firm reacts to this and how fast it changes to adapt to the current scenario.

As competition increases, core products or services become more homogeneous and it is difficult for the firms to differentiate themselves from others. This is because they know that providing customers with the core products or services is not enough in today's business. Nowadays, customers have a lot of choices. For that reason, the firms should not only offer the core products or services but offer augmented services as well (beyond the core products or services). The uniqueness of the service will make it difficult for any competitor to duplicate (Sharma & Patterson, 1999). However, providing extra services to the customers is not enough if these customers keep changing over time and the firms have to invest a lot of money and resources to attract new customers to use their products or services. Therefore, the firm should find a way to retain them all the time.

In the 1980s, when Berry introduced the term "Relationship Marketing," the idea in his mind is to encourage the firms to change their effort from getting new customers to an effort to retain them. The reason for his suggestion is that the costs to attract the new customers are higher than retaining the existing ones (Anderson & Fornell, 1994; Reichheld & Sasser, 1990). According to Bauer, Grether & Leach (2002), to win a new customer can be up to five times more expensive than maintaining existing customer relationships (Harrison-Walker & Neeley, 2004). In the long term, a series of studies shows that the longer the relationship with the customer, the higher the profit gained by the firm (Gummesson, 2002). Furthermore, the firms should devote all their resources and energy to maintain their current customers besides getting the new ones. In addition to that, with the new era of globalisation and information, competition becomes more intense. If firms fail to react according to these changes, it will make them lose their current and potential customers. In other words, the success of the firm depends on how well they adopt new marketing approaches based on the situation and trying to hold the current customers rather than trying to get new ones.

Previously, service industries including airlines, banks, telecommunication, etc, were slow to adopt marketing concepts because they thought that they were in monopolistic industry where it would be difficult for new firm to enter. However, the situation has changed dramatically in the last few years with new firms joining the competition. For example, MAS is facing competition from low fare carrier, AirAsia, for certain domestic routes. To survive in this competition, the firms should understand their customers very well before offering any service. With the emergence of information technology, current customers are more knowledgeable and know what they want. In the case of AirAsia, they introduced on-line ticketing system, which is very convenient especially for the young or Internet savvy customers. This kind of technology gives customers more options to select the best service to fulfil their needs.

Furthermore, these service companies have to offer more than ordinary services to their customers in line with their needs and wants, by using either personal interaction (e.g., financial advisors, customer relations) or non-personal interaction (e.g., automatic teller machine (ATM), Internet), or both. All of these interactions are meant to attract and retain the customers. Therefore, the concept of relationship marketing becomes very important nowadays. The firm tries to build long-term relationship with their customers by understanding them, serving them, and making them loyal customers.