

# RELATIONSHIP QUALITY AS ANTECEDENT OF CUSTOMER RELATIONSHIP PRONENESS: A CROSS-CULTURAL STUDY BETWEEN SPAIN AND MEXICO

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## ABSTRACT

*Some factors such as the globalization and the development of information technologies are changing the dynamics of the relationship marketing bases. The new competitive framework defined by the relevance of online channels have caused the way of approaching relationship management with consumers to change. In this context, relationship quality (RQ) allows to understand the proneness of consumers to keep their commercial relations alive. Several are the studies that analyse RQ antecedents, but none has used a comprehensive management approach that includes resources and capabilities (such as market orientation or knowledge management), as perceived by customers, that a company has available for management in order to enhance said RQ in an online context. This work-in-progress aims to analyse the effect of said perceived quality on the consumer's proneness to maintain the relationship under a cross-cultural context, considering the perceptions of Spanish and Mexican users of online banking services.*

## Keywords:

Relationship quality, customer relationship proneness, online channel, cross-cultural effects.

## 1. Introduction

Researchers agree that Relationship Marketing (RM) is a form of customer-centric marketing, which emphasizes understanding and satisfaction of needs and wants of individual consumers rather than those of mass markets (Khan, 2014). However, it is not sufficient to offer better goods and services to satisfy customers' needs in order to maintain such long-term relationships. In order to survive in today's competitive market, firms must attempt to connect emotionally with clients by offering better experiences as a differentiating strategy (Berry and Carbone, 2007; Bolton et al., 2014). The issue of November 2015 of Harvard Business Review refers to the importance of having an emotional management and the business profit opportunity when implementing a system of emotional metrics.

To this respect, the development of new technologies, internet in particular, deems a huge opportunity for those firms which are capable of creating those emotional connections and safeguard the level of consumer loyalty as they are capable to compare and contrast competing products and services with minimal expenditure of personal time and effort (Liang, 2008). A study by Forrester (2015) suggests that the best corporate investments are those in relation to a digital customer experience. Another important aspect to consider is that due to the increasing globalization and market saturation, firms have developed e-commerce internalization processes that deal with cultural differences among countries (Belanche-Gracia et al., 2015). Culture is the widest influence in many aspects of human behavior (Soares et al., 2007) and its impact on consumer behavior is preeminent in international marketing (De Mooij and Hofstede, 2002). Culture as such refers to the pattern of values, norms and beliefs that affect the way people assess information; it leads to differential processes and evaluations of environmental information (Hofstede, 1991). Hence, it should also influence how people interpret and respond to RM activities (Samaha, 2014).

A salient literature identifies an important limitation about whether and how RM strategies should be adapted in different countries (Ghemawat 2011; Samaha, 2014; Steenkamp 2005) and how perception of relationship benefits – those benefits which consumers receive beyond the basic product/ service, may foster relationships (Wei et al., 2015). However, in today's global market, research into the potential variations in consumer perceptions due to culture is becoming increasingly important (Morgeson et al., 2015) as the differentiating expressions of both values and behaviors linked to culture continue to intensify (Medina-Molina et al., 2011; Hsieh and Tsai, 2009; De Mooij, 2001).

Although the consumption of Internet and e-commerce has experienced an unprecedented growth in recent years, most RM studies focusing on an off-line context barely discuss the integration of Internet technology with the concept of customer loyalty (Liang, 2008; Wirtz & Lihotzky, 2003). Moreover, there is yet no evidence from previous studies to suggest the cross-cultural effects in on-line relational frameworks. To fill this gap, this research attempts to explore the possible implications that cultural differences may affect customer predisposition to maintain the relationship in an on-line context, carrying out a cross-cultural study between Spain and Mexico.

This paper is organized as follows: we first review relevant literature and present the model and the hypotheses which form the basis of the empirical study. Next, we present the fieldwork and summarize a set of potential contributions.

## 2. Conceptual framework

### 2.1. *Relationship Marketing, Customer Relationship Proneness and Culture*

Relationship marketing (RM) is a process to attract, retain and strengthen customer relationships (Grönroos, 2000) and has the potential to increase customer retention by building long-term customer relationships (Wang and Head, 2005). Through a strong customer-firm relationship, firms may gain invaluable information on how to best serve and prevent customers from being diverted to competing companies (Ndubisi, 2004). Thus, by creating customer relationships, firms create mutual rewards (Rapp and Collins, 1990). Numerous studies have empirically demonstrated that these firms enhance profits (Samaha, 2014; Liang et al., 2008; Palmatier et al., 2006, Morgan and Hunt, 1994)

The RM concept has been useful in developing new definitions of concepts such as *Relationship Quality* (RQ) - the degree of appropriateness of a relationship to fulfill the needs of the customer associated with the relationship (Henning-Thurau and Klee, 1997) and *Customer Relationship Proneness* (CRP) - conscious tendency to engage in relationships with retailers of a particular product category (De Wulf et al., 2001).

Some authors such as Nakhleh (2012) consider that RM is a strategy designed to foster customer loyalty, interaction and long-term engagement. In this sense, long-term and close customer relationships allow the company to obtain useful information from consumers and, with the adequate management, enable them to deliver superior value as a source of competitive advantage (Ndubisi, 2004) thus, improving the relationship quality, which in turn, will lead to a greater willingness of the client to maintain such relationship.

Under a RM approach, with today's rapid globalizing processes, it is essential to study technological changes and cultural developments (Matusitz and Musambira, 2013). In this sense, new technologies play an essential role, as they facilitate not only customer interactions, but also the possibility to offer experiences in different channels. Thus, the development of internet, App's, and social networks have become contact points with consumers - complementary to traditional channels. This is the case, for example, of the banking sector, where the trend is to provide customers with better experiences through an all-around service (Cambra-Fierro et al., 2016).

The existence of cultural differences between countries has been widely documented (Hofstede, 1980, 1991 and 2001; Hampden-Turner and Trompenaars, 2004; Leaptrott, 1996). Culture has been defined as the "*collective programming of the mind which distinguishes the members of one group or category from those of another*" and argues that the culture of each national group affects the behavior of individuals of such society as well as the behavior of those companies which serve them. In others words, the culture of a country is a key environmental force that shapes the perceptions, dispositions and behaviors of its people (Samaha, 2014).

According to some authors, the usefulness of the concept of culture to explain cultural differences lies in the ability to decompress and identify its components (Soares et al., 2007). In this sense, although many authors have investigated the most appropriate way to conceptualize and operationalize culture (Steenkamp, 2001; Keillor and Hult 1999; Smith et al, 1996; Schwartz, 1994) the proposal by Hofstede (2001) is the most commonly used in international marketing studies (Engelen y Bretell, 2011; Taras et al, 2010; Soares et al, 2007; Kirkman et al., 2006; Sivakumar and Nakata, 2001; Dawar et al, 1996) and it will be used in our research.

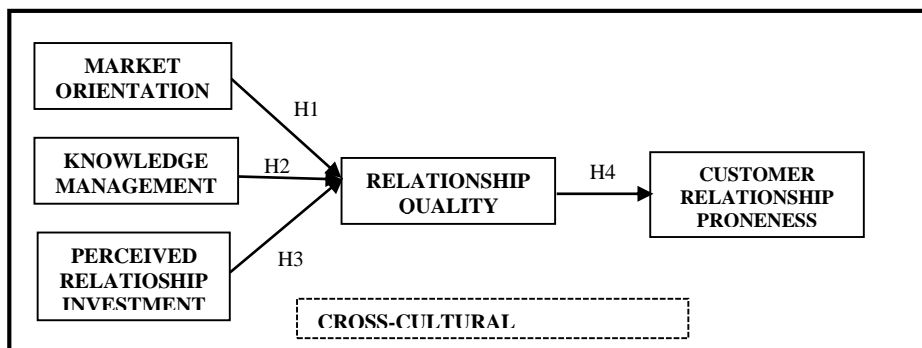
The dimensions are measured in general by index scales from 0 to 100. The six dimensions are labelled as follows:

1. *Power Distance Index (PDI)*. This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally.
2. *Individualism versus Collectivism (IDV)*. Individualism–collectivism describes the relationships individuals have in each culture (“I” vs “we”).
3. *Masculinity versus Femininity (MAS)*. The Masculinity side of this dimension involves a society in which the dominant values are achievement, competition, heroism, assertiveness and success, whereas in feminine countries the dominant values are caring for others and quality of life.
4. *Uncertainty Avoidance Index (UAI)*. The Uncertainty Avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity.
5. *Long Term Orientation versus Short Term Normative Orientation (LTO)*. This dimension describes how every society has to maintain some links with its own past while dealing with the challenges of the present and future.

### 3. Hypotheses development

As we discussed above, in an environment characterized by the continuous development of new technologies and growing globalization, we focus our research on analyzing the impact that cultural differences may have on the customer's predisposition to maintain the relationship with the firm in an on-line context. To this respect, we propose a model that considers Market Orientation (MO), Knowledge Management (KM) and Perceived Relationship Investment (PRI) as a set of factors that if accumulated, combined and exploited, may influence the quality of the relation perceived by the customer and this, in turn, may affect the predisposition of the customer to maintain such relationship. Figure 1 shows the reference model that forms the basis for the development of our hypotheses.

FIGURE 1: Conceptual model.



To propose the specific hypotheses which consider the potential cross-cultural effects, we consider the dimensions of *Uncertainty Avoidance* and *Long-Term Orientation*, as they match with the objectives of our study. In both cases, Mexico presents lower indexes than Spain (82-86 and 24-48, respectively). The development of hypotheses will be available in an expanded version of the paper:

**H1:** *The association between Market Orientation and Relationship Quality will be stronger in Spain than in Mexico.*

**H2:** *The association between Knowledge Management and Relationship Quality will be stronger in Spain than in Mexico.*

**H3:** *The association between Perceived Relationship Investment and Relationship Quality will be stronger in Spain than in Mexico.*

**H4:** *The association between Relationship Quality and Customer Relationship Proneness will be stronger in Spain than in Mexico.*

#### **4. Methodology**

To test the proposed hypotheses, we are carrying out a study in the banking sector. In general, the financial sector is considered one of the main economic drivers, as it enables the financing of economic growth of a country and plays a decisive role in the process of channelling savings into investment. Besides, this sector is very active in the use of on-line multichannel strategies as means to interact with customers. The research focuses on data collected in Spain and Mexico. The two countries chosen for this work hold some significant differences. In the first place, Mexico is a new emerging economy compared to Spain, which is a mature one. Secondly, unlike Spain, Mexico did not suffer the crisis of 2008, since after a strong crisis in 1995, the banking sector underwent a deep restructuring and the adoption of new sectorial measures which a decade later, served to avoid the consequences of the greatest crisis that affected most first economies of the world. Finally, as we pointed earlier, there are some cultural differences between the two countries.

This study takes customer bank opinions as the reference. Respondents were contacted by an on-line survey. The sample size is 431 (225, 52.2% from Mexico; 206, 47.8% from Spain). In order to analyze the proposed model, a structural equation modelling technique will be employed using Partial Least Squares (PLS) (SmartPLS v. 2.0). This methodology has recently been advocated and used in the marketing literature (Reinartz et al., 2009). Authors such as Henseler et al. (2014) suggest that PLS allows to evaluate the measurement model as well as to test the significance of the hypotheses. PLS is appropriate for both exploratory and early stage research.

Regarding the measurement model, we note that all the constructs are measured with a battery of multi-item *reflective scales*. MO is considered a second-order construct composed of three factors: CO, CMO and IC, taking as a reference the proposal by Narver and Slater (1990). KM and PRI are also considered second-order constructs. KM is formed by two factors: the acquisition and application of knowledge and the dissemination of knowledge, based on the scale by Sin et al. (2005). PRI is based on the work by De Wulf et

al. (2001). Relationship Quality and Customer Relationship Proneness are first-order constructs and their scales are also based on De Wulf et al. (2001) research.

To make the cross-cultural analysis between Spain and Mexico we include a dichotomous demographic variable. As we have already commented, this research relies on the model proposed by Hofstede (Hofstede, 1991; Hofstede, 2001).

## 5. Results and conclusions

We have already checked the quality of data (individual reliability; reliability of the variables using Cronbach's Alpha and composite reliability; convergent validity using the average variance extracted (AVE); and discriminant validity). To test the hypotheses we will develop a two-steps procedure. First, we will perform a multi-sample analysis, following the guidelines of Chin and Frye (2003), which consist of comparing the  $\beta$  coefficients for each of the sub-samples. Second, to assess whether possible differences between subsamples are significant, we will perform an analysis based on the *T-test* (Chin and Frye, 2003; Keil et al., 2000). We anticipate we will be able to present the results of the empirical analysis in the congress as we are already working on the data analysis.

We expect differences between subsamples, which would indicate different patterns of behavior and perceptions depending on the country. In such case, relevant theoretical and practical implications will arise in relation to the management of on-line customer –firm interactions in a globalized context. Results will be of interest for internationalized firms and those interested in internationalizing their activity.

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