

An Industry Analysis on Causal Variables in Determining Relational Outcomes

Discipline: Business

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ABSTRACT:

Marketing literature purports the importance of developing and maintaining enduring relationships with customers of businesses. All strategies and initiatives carried out by firms in doing these activities are encapsulated in what is termed as relationship marketing (RM).

Relationship marketing is anchored on two constructs or aims; customer loyalty and (positive) word of mouth (Thurau, 2000). In this research, these two constructs are termed as relational outcomes and discovering what factors really affects customer loyalty and word of mouth is a must for Philippine industries so that they can realign their operations and service delivery to yield more from their customers. This research, which expounds Thurau, Gwimmer and Gremler's research on relationship quality paradigm aims to find out the causal variables that affect relational outcomes.

Specifically, it is aimed at these objectives; determine the extent of relational outcomes, as measured by customer loyalty and word of mouth engagement across different industry types, determine the level of importance respondents give to relational demography across the different industry types, test significant relationship between relationship benefits and relational outcomes and conceptualize a model of relationship marketing which will be generally applicable to service industries in the Philippines.

Based on the findings of the research, it appears that relational outcomes are better achieved when service establishments provide confidence benefits to their clients or customers. The study indicates that service establishments often provide confidence and social benefits to their customers who are correlated with customer loyalty and word of mouth. However, although there is also a statistical correlation between special treatment benefits and relational outcomes, it is still a rarity that business establishments provide special treatment benefits to their customers. This proves that the human element in service delivery is the center of cultivating these relationship benefits. Service providers need to be experts in their fields for them to effectively provide confidence benefits to their customers. The study

proposed an Integrative Model for Relationship Marketing for Service Business Establishments in the Philippines.

KEYWORDS: industry analysis, casual variables, relational outcomes

INTRODUCTION

Marketing literature purports the importance of developing and maintaining enduring relationships with customers of businesses. All strategies and initiatives carried out by firms in doing these activities are encapsulated in what is termed as relationship marketing (RM). Since Berry (1983) coined this mantra, numerous studies have been conducted about it, all to find out numerous and to some extent multi-directional if not contradicting results. However, though there are still a lot of ambiguity in the area of RM, it has gained acceptance as an effective tool in customer management if not a cure-all for ensuring business success and obtaining its bottom line target i.e. profitability.

Relationship marketing is anchored on two constructs or aims; customer loyalty and (positive) word of mouth (Thurau, 2000). In this research, these two constructs are termed as relational outcomes. These outcomes are generally used as metrics to evaluate the effectiveness of relationship marketing efforts, the two being described in marketing literature as key relationship marketing constructs.

For two decades or so, several paradigms have been proposed to determine what drives or strengthens these relational outcomes. Earlier paradigms or models are classified as univariate wherein only one construct is described as a driver of relational outcomes, while recent models classified as multivariate uses several constructs to determine relational outcomes. While there may be plurality in relational outcome paradigms, Thurao, Gwimmer and Gremler's study employing the relationship quality paradigm is a breakthrough for it has established a model that encapsulates most of the previous paradigms that were presented about the subject. Their study has proven that certain benefits derived from the customer-buyer relationships are directly linked to trust and commitment which further elicits loyalty and word of mouth. These benefits are termed as confidence benefits, social benefits and special treatment benefits.

This model is adopted in this study and applied it in the Philippine industry setting. However, the present study took Thurao's, Gwimmer's and Gremler's study further by adding two more variables. These variables are relational demography and industry type. Taking the context of industries in the Philippines, the author is interested in finding out if the same relationship benefits yield the same relational outcomes. Aside from this, the author also presupposes that there might be variations in results in different types of industries. Moreover, it is also hypothesized that relational demography, which literature defines as the similarity of certain demographic variables between two persons affect customer relationships particularly in building loyalty and engaging them to positive word of mouth.

OBJECTIVES OF THE STUDY

This research, which expounds Thurao, Gwimmer and Gremler’s research on relationship quality paradigm aims to find out the causal variables that affect relational outcomes. Specifically, it is aimed at these objectives;

1. Determine the extent of relational outcomes, as measured by
 - 1.1 Customer loyalty
 - 1.2 Word of mouth engagement across different industry types.
2. Rate how service industries are perceived by customers in providing relationship benefits, to wit;
 - 2.1 Confidence benefits
 - 2.2 Social benefits
 - 2.3 Special treatment benefits
3. Determine the level of importance respondents give to relational demography across the different industry types
4. Determine whether there is a significant relationship between relationship benefits and relational outcomes.
5. Determine whether there is a significant relationship between relational demography and relational outcomes.
6. Determine whether there is a significant difference in relational outcomes across industry types.
7. Conceptualize a model of relationship marketing which will be generally applicable to service industries in the Philippines.

Conceptual Framework

The present research will be guided by the simulacrum presented in Figure 1.

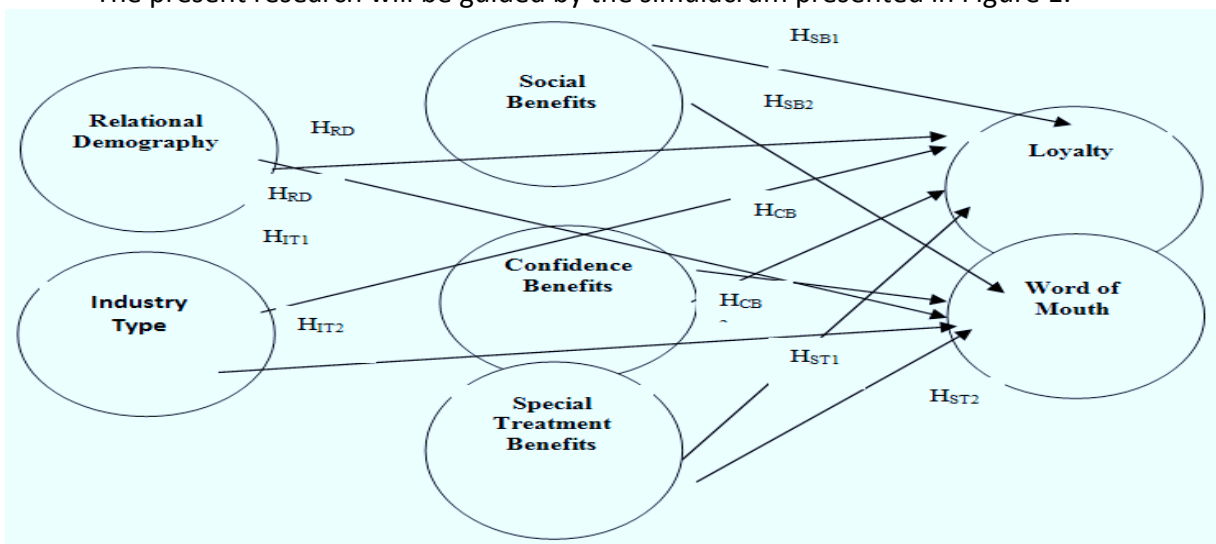


FIGURE 1

An Integrative Model of Causal Variables Determining Relational Outcomes

The model presented in Figure 1 illustrates the interplay of variables particularly, relational demography, industry types and relationship benefits i.e. social benefits, confidence benefits and special treatment benefits, collectively called causal variables that determines relational outcomes i.e. customer loyalty and word of mouth.

In this model, it is hypothesized that each of the five causal variables are individually but directly linked to the two relational outcomes. Thus, although the relationship benefits are categorized as three, each of these variables affects relational outcomes separately and independently as what previous studies have cited.

It was found out in the study of Thurau that the abovementioned relationship benefits have a direct correlation with customer loyalty and word of mouth. The present research adopts this theory in the case of Philippine service industries, in all of its classifications. These hypotheses are presented by HST1, HST2, HCB1, HCB2, and HSB1 and HSB2.

Taken separately, the researcher also presupposes that similarities and differences among demographic characteristics such as age, sex and educational attainment affects the degree of loyalty a customer has for a particular service provider much so the customer will engage in word of mouth in favor of or against the same service provider. This is illustrated by H_{RD1} and H_{RD2} respectively.

On the other hand H_{ST1} and H_{ST2} hypothesize that relational outcomes may differ depending on industry type following Bowen's classification of industries.

Lastly it is noted that the intersection of lines do not depict or imply interrelationships between and among the variables used in the study.

METHODS

For clarity purposes, the researcher classified the industry participants to the research into three. These three classifications are based on Bowen's Taxonomy of Industry Types. Type A pertains those services directed at people and characterized by high customer contact with individually customized service solutions (e.g., financial consulting, medical care, travel agency, and hair care services); (b) services directed at an individual's property, in which moderate to low customer contact is the norm and the service can be customized only slightly (e.g., shoe repair, retail banking, pest control, and pool maintenance); and (c) services typically directed at people that provide standardized service solutions and have moderate customer contact (e.g., airlines, movie theaters, cafeterias, and grocery stores). A total of 500 participants coming from the different parts of the country were taken as respondents.

The data needed were obtained using a questionnaire adopted from the previous works of researchers on the field of RM. Some of these instruments include the customer loyalty and word of- mouth communication items which are based on the work of Kalafatis, Berry, and Parasuraman (1996).

The questionnaires were fielded via two ways. Personal administration of the questionnaires was the main method that will be used to solicit answers from targeted respondents. For respondents who were hard to reach through personal administration, online copies of the questionnaire were be provided. The questionnaire was made available via email and through social network facilities online.

Upon data collection, the data were interpreted statistically by deriving weighted means of responses. To determine the existence of relationship among the variables used in the study a test of correlation was conducted using the Pearson-R correlation coefficient.

RESULTS AND DISCUSSION

Extent of Relational Outcomes across Industry Types. Relational outcomes are measured through the extent of loyalty that the customer has for a particular establishment and through the extent they engage in positive word of mouth. The results are presented in tables 1.1.1 to 1.2.3.

Table 1.1.1
Extent of Customer Loyalty in People Directed Service Establishments

Items	Weighted Mean	Verbal Interpretation	Rank
1. I repeatedly and continuously purchase/transact from/with this establishment because there are no other available choices	2.79	Moderately Agree	7
2. I repeatedly and continuously purchase/transact from/with this establishment because I do not want to exert effort looking for alternatives	2.91	Moderately Agree	6
3. I repeatedly and continuously purchase/transact from/with this because the location of this establishment is convenient for me.	3.65	Agree	1
4. I repeatedly and continuously purchase/transact from/with this establishment because it offers the lowest price	3.33	Moderately Agree	3.5
5. I repeatedly and continuously purchase/transact from/with this establishment because I gain benefits here such as loyalty reward programs and the like.	3.00	Moderately Agree	5
6. I repeatedly and continuously purchase/transact from/with this establishment because I have already developed an emotional attachment to it.	3.33	Moderately Agree	3.5
7. I am loyal to this establishment	3.56	Agree	2

Composite Mean	3.22	Moderately Agree
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People directed services are characterized by high customer contact with individually customized service solutions. Hair and body services such as salons, barbershops, massage parlors and spa as well as medical clinics belong to this type.

It can be gleaned from the table that in the case of people directed service establishments customer loyalty is tied up to the convenience of the location of the establishment. They are also driven partially by the price of the service as well as the emotional attachment that they have developed with the same establishment. It can be seen further that, the customers' loyalty is just moderately caused by the reward programs that the establishments give their customers. This is particularly because, these establishments rarely or do not provide loyalty or reward programs at all.

However, the respondents also indicated that their loyalty is not that much caused by the lack of alternatives neither their lack of interest to look for other alternatives. But what is more interesting to note at is the fact that although the respondents agree that they are loyal to these establishments, their extent of loyalty is quite low, garnering a weighted mean of 3.56. This low strength of loyalty is indicative of the unremarkable relationship benefits that people directed service establishments give their customers.

During the survey, some respondents lamented on the poor quality of service that these establishments provide. This result did not come as a surprise given the difficulty of the challenge presented to people directed services relative to the other types of industries. Bitner and Zeithaml (2008) explains that for such kind of businesses where customer contact is frequent, meeting customer expectations is extremely difficult. Issues of consistent service delivery are always present and are further complicated by the fact that service delivery is affected by a lot of factors. Although some of these factors are controllable e.g. room temperature, room cleanliness, employee behavior and rapport, some other factors like customer mood and attitude are beyond the establishment's control. And since, the customer plays a role in the delivery of service, his negative mood or attitude will affect his perception of how the service will be delivered and how he felt it was delivered.

Table 1.1.2
Extent of Customer Loyalty in Property Directed Service Establishments

Items	Weighted Mean	Verbal Interpretation	Rank
1. I repeatedly and continuously purchase/transact from/with this establishment because there are no other available choices	2.73	Moderately Agree	7
2. I repeatedly and continuously	2.78	Moderately Agree	6

purchase/transact from/with this establishment because I do not want to exert effort looking for alternatives			
3. I repeatedly and continuously purchase/transact from/with this because the location of this establishment is convenient for me.	3.64	Agree	1
4. I repeatedly and continuously purchase/transact from/with this establishment because it offers the lowest price	3.13	Moderately Agree	5
5. I repeatedly and continuously purchase/transact from/with this establishment because I gain benefits here such as loyalty reward programs and the like.	3.29	Moderately Agree	4
6. I repeatedly and continuously purchase/transact from/with this establishment because I have already developed an emotional attachment to it.	3.42	Moderately Agree	3
7. I am loyal to this establishment	3.53	Agree	2
Composite Mean	3.22	Moderately Agree	

Similar to the responses of customers of people directed service establishments, customer loyalty in property directed establishments like retail banking, pest control services, shoe repair shops and the like are driven by the location of these business establishments. Emotional attachment also drives customer loyalty in these establishments. Although, the customers agreed that they are loyal to their service provider, their marks are relatively lower compared to people directed businesses, with a weighted mean of 3.53 as compared to the 3.56 mark that respondents in people directed service establishments have made.

This difference in the level of loyalty may be attributed to the findings of Murray (1991). According to him, it is observed that loyalty is greater in people directed service establishments because it these establishments provide more opportunities for person to person interactions which, in turn, often provide opportunities for loyalty to develop. Furthermore, Zeithaml (1981), concluded that since perceived risk is often greater when purchasing services than goods, providing an atmosphere that will more likely to lead to customer loyalty is called for since loyalty is often used as a risk reducing device.

Table 1.1.3
Extent of Customer Loyalty in
Standardized Service Solution Establishments

Items	Weighted Mean	Verbal Interpretation	Rank
1. I repeatedly and continuously purchase/transact from/with this establishment because there are no other available choices	2.72	Moderately Agree	7
2. I repeatedly and continuously purchase/transact from/with this establishment because I do not want to exert effort looking for alternatives	2.84	Moderately Agree	6
3. I repeatedly and continuously purchase/transact from/with this because the location of this establishment is convenient for me.	3.82	Agree	1
4. I repeatedly and continuously purchase/transact from/with this establishment because it offers the lowest price	3.37	Moderately Agree	3
5. I repeatedly and continuously purchase/transact from/with this establishment because I gain benefits here such as loyalty reward programs and the like.	3.04	Moderately Agree	5
6. I repeatedly and continuously purchase/transact from/with this establishment because I have already developed an emotional attachment to it.	3.25	Moderately Agree	4
7. I am loyal to this establishment	3.56	Agree	2
Composite Mean	3.23	Moderately Agree	

Standardized service solution establishments include retail stores, grocery shops, movie theaters, cafeterias and the like. In this type of industry, there is moderate to low customer contact and services are generally standardized across different kinds of customers. Just the same with the two industries previously presented, customer loyalty in a standardized service business is caused mainly by its location. In the point of view of customers, convenience of location pertains not only to the proximity of the establishment but also to the accessibility of the establishment itself.

The results of the survey concerning the importance of location to bring customer loyalty validated the claim of contemporary marketing strategists that “place” strategies can bring a strong competitive advantage to a business establishment. To these strategists’ point of view, since pricing and product strategies are easily imitable and promotional strategies non-sustainable, a well designed placement strategy can bring more positive results for businesses e.g. customer loyalty and low customer defection rates.

However, unlike in people directed and property directed service establishments, price contributes to the loyalty of the customers more than emotional attachment does. Loyalty and rewards programs are also rarely carried out in these establishments and do not contribute to the customer’s loyalty.

Altogether, the respondents agree that they are loyal to the establishments that they evaluated. But similar to people directed services, they also marked their loyalty low, with only an obtained weighted mean of 3.56.

This finding is also supported by the conclusions drawn by Murray and Zeithaml in their separate researches that, since customer interaction in these establishments are not as frequent, opportunities for developing emotional bonds and consequently loyalty is also hampered. Similarly, since perceived risk is less in these kinds of establishments, customers do not see the need for them to establish loyalty to the firm.

Overall, with respect to customer loyalty, customers of the different industry types, are loyal but of a relatively low strength. This indicates the possibility of this loyalty to be withered away when a better service provider surfaces and fulfills their expectations.

Another relational outcome that is measured in the research is the engagement of customers to word of mouth. The results of the survey are summarized and explained in the foregoing tables.

Table 1.2.1
Extent Word of Mouth Engagement in
People Directed Service Establishments

Items	Weighted Mean	Verbal Interpretation	Rank
1. I recommend this establishment to friends, peers and relatives	3.09	Often	3
2. I talk about my positive experiences about this establishment to friends, peers and relatives	3.19	Often	1
3. I make it a point to influence people to choose this organization	2.71	Often	5
4. I recommend this organization to other people as a sign of my gratitude to the organization	2.95	Often	4
5. I recommend this organization to other people as a sign of my satisfaction	3.18	Often	2

with this organization.

Composite Mean	3.02	Often
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Customer engagement to word of mouth is essential to bringing in new customers to the establishment. Recent surveys reveal that when customers are satisfied with a service, they talk about it to six to eighteen people. In this research, more than the number of times he engages in word of mouth, the reasons and frequency of the customer’s engagement in word of mouth is studied.

As it can be gleaned from Table 1.2.1, customers of people directed businesses, often talk about their positive experiences with their service providers to their friends, peers and relatives. According to them, they talk about these experiences out of their satisfaction with these establishments. In the process, they also recommend these establishments as an extension of their gratitude to the establishments studied.

Word of mouth communication can be very influential in any purchase decision. As it was noted by Day et.al (1988), in many instances, WOM has been reported to be the major source of information that potential customers use in making service purchase decisions. This finding is especially true for people directed service establishments like medical services (Crane and Lynch, 1988) and hairstyling (Dubinsky and Levy, 1981).

Table 1.2.2
Extent of Word of Mouth Engagement in
Property Directed Service Establishments

Items	Weighted Mean	Verbal Interpretation	Rank
1. I recommend this establishment to friends, peers and relatives	2.95	Often	1.5
2. I talk about my positive experiences about this establishment to friends, peers and relatives	2.95	Often	1.5
3. I make it a point to influence people to choose this organization	2.62	Often	4
4. I recommend this organization to other people as a sign of my gratitude to the organization	2.52	Often	5
5. I recommend this organization to other people as a sign of my satisfaction with this organization.	2.90	Often	3
Composite Mean	2.79	Often	

In property directed service establishments, the customers both talk and recommend about their positive experiences about the establishments evaluated to their friends, peers and

relatives. Both of these items were marked with a weighted mean of 2.95. The respondents also stressed that they make it a point that they influence others to try the services of the establishment studied.

Furthermore, they often do this as a token of gratitude and as a sign of satisfaction that they have for the establishment.

Overall, the respondents say that they often engage in positive word of mouth as indicated by a composite mean of 2.79.

The result of the present study is coherent with the findings of previous studies. From what is revealed in the survey, it follows that as customers become loyal to an establishment, the probability of them to engage in WOM communication increases (Bitner and Gremler, 2000).

Table 1.2.3
Extent Word of Mouth Engagement in
Standardized Service Solution Establishments

Items	Weighted Mean	Verbal Interpretation	Rank
1. I recommend this establishment to friends, peers and relatives	3.01	Often	2
2. I talk about my positive experiences about this establishment to friends, peers and relatives	3.06	Often	1
3. I make it a point to influence people to choose this organization	2.64	Often	5
4. I recommend this organization to other people as a sign of my gratitude to the organization	2.69	Often	4
5. I recommend this organization to other people as a sign of my satisfaction with this organization.	3.00	Often	3
Composite Mean	2.88	Often	

Even in standardized solution service establishments, the respondents claim to engage often in word of mouth as indicated by a composite mean of 2.88. As they claim it, the customers engage in word of mouth by talking about their positive experiences to friends, peers and relatives.

Moreover, they also make it a point to recommend these establishments to the people they know, as a sign of satisfaction and gratitude.

As indicated by a weighted mean of 2.64, the respondents also engage in word of mouth to influence the people they know to try the services provided by the establishments that they have analyzed.

Perceived Relationship Benefits Across Industries. Relationship benefits i.e. special treatment, confidence and social benefits are used as explanatory variables that affect the degree of relational outcomes that the different industries get. The following tables summarize how much benefits customers get out of availing the services of the establishments they have evaluated.

Table 2.1
Perception of the Customers Regarding the Provision of
Special Treatment Benefits

Items	Weighted Mean	Verbal Interpretation	Rank
1. I get special discounts/terms from this establishment that most customers do not get	2.34	Rarely	2
2. I receive gifts from my service provider during special occasions	2.03	Rarely	6
3. I get better prices than most customers	2.15	Rarely	5
4. I get faster service than most customers	2.44	Rarely	1
5. I am usually placed higher on the priority list when there is a line	2.17	Rarely	4
6. They do services for me that they do not do for most customers	2.23	Rarely	3
Composite Mean	2.23	Rarely	

Special treatment benefits pertain to value added services or deeds done by establishments that provide economic savings or customized service for the customer. As it can be observed from Table 2.1, customers across the three types of industries rarely get special treatment benefits from establishments. This is indicated by a composite mean of 2.23. Collectively, the respondents claimed that rarely it is that they get faster service than other customers, get special discounts, be performed of other services, placed in the priority list, got better prices and received gifts from service providers especially during special occasions.

From the multitude responses from the customers of service industries analyzed, ranging from salons, pest control service providers, hospitals, schools, banks and other financial institutions, it was revealed that customers rarely receive special treatment benefits. Apparently these results reveal that service business establishments do not rely or put attention to special treatment benefits. However, the low provision for special treatments, as what Thurao et.al. has noted, special treatment benefits have no correlation with customer loyalty and word of mouth. The same situation could have also been the experience of the establishments evaluated. Although it has been a practice of establishments to provide

seasonal discounts, promotional allowances and the like, these have never been integrated by most establishments as a customer loyalty program. These are attributed to several reasons, the impact of these discounts to profitability being the most obvious reason. Discounts, gifts and other economic benefits do not really yield the loyalty of customers. This is what the early researchers have found out. Therefore, many establishments perceive that providing such benefits are not economical, but rather increase their operational costs .

Secondly, on the tactical standpoint, discounts and other special treatment benefits are easily imitable and therefore any advantage that can be gotten from providing these can easily be lost when a competitor adopts a similar strategy i.e. providing their own discount promos.

Table 2.2
Perception of the Customers Regarding the Provision of Social Benefits

Items	Weighted Mean	Verbal Interpretation	Rank
1. I am recognized by certain employees of this establishment	2.61	Often	4
2. I enjoy certain social aspects of the relationship	2.72	Often	3
3. I have developed a friendship with this establishment	2.79	Often	1
4. I am familiar with the employees(s) that perform(s) the service	2.77	Often	2
5. People in this establishment know my name	2.60	Often	5
Composite Mean	2.70	Often	

Social benefits focus on the relationship that emanates from the transactions occurring between the service establishment and its customers and is believed by researchers to be positively related to the customer’s commitment to the relationship (Goodwin 1997; Goodwin and Gremler 1996). Even Berry (1995) contends that social bonds between customers and employees lead customers to have higher levels of commitment to the organization. As a result, as social relationship between a customer and a service worker increases, customer commitment to the service provider will increase.

In this study, it was revealed that, service establishments often provide these social benefits to their customers. As a matter of fact, most customers of these establishments have already developed some sort of friendship with them. Significant also is the claim of the respondents that they are familiar with the employees that render the service to them. This was ranked as the second social benefit that the establishments give their customers.

However, it is also noted that although the customers claim that they have developed a friendship with the establishments they have evaluated, not too much of these establishments know their customers by name and vice versa.

The fact that the establishments that were evaluated often provide social benefits to their customers is a healthy indicator that they can obtain the loyalty of their customers. Berry (1995) has suggested this.

Similarly, Oliver (1999) maintained that customers who are part of a social organization (which may include both other customers and employees) are more motivated to maintain loyalty with the organization. Even more, social relationship concepts such as liking, tolerance, and respect have been found to be influential in the development of service loyalty (Goodwin and Gremler 1996) as they are found to be, together with rapport to be significantly related to customers' loyalty intentions (Gremler and Gwimmer 2000).

Table 2.3
Perception of the Customers Regarding the Provision of Confidence Benefits

Items	Weighted Mean	Verbal Interpretation	Rank
1. I have more confidence that the service will be performed correctly	3.07	Often	3
2. I have less anxiety when I buy/use the service that this organization provides	2.88	Often	5
3. I believe that there is less risk that something will go wrong	2.91	Often	4
4. I get the highest level of service from this establishment	2.86	Often	6
5. I know what to expect from this establishment	3.08	Often	2
6. I feel I can trust this establishment	3.23	Often	1
Composite Mean	3.01	Often	

Importance of Relational Demography across Industries. An important component of this study is its intention to find a link between relational demography and the relational outcomes. It is hypothesized that there is a correlation between certain demographic characteristics such as age, gender, educational attainment, economic status, civil status, and religion and the emanating relational outcomes.

For this hypothesis to be tested, It was necessary to find out how important relational demography i.e. similarities in certain demographic characteristics is taking the point of view of the customers. The result of this inquiry is presented in Tables 3.1 to 3.3.

Table 3.1
Extent of Importance of Relational Demography to Relational Outcomes
in People Directed Service Industries

Items	Weighted Mean	Verbal Interpretation	Rank
1. Age similarity with people I deal with in this establishment is important	3.16	Moderately Agree	1
2. Gender similarity with people I deal with in this establishment is important	3.03	Moderately Agree	3
3. Educational attainment similarity with people I deal with in this organization is important	3.11	Moderately Agree	2
4. Similarities in economic status with people I deal with in this establishment is important	2.86	Moderately Agree	4
5. Similarities in civil status with people I deal with in this establishment is important	2.62	Moderately Agree	5
6. Similarity of religion with people I deal with in this establishment is important	2.49	Disagree	6
Composite Mean	2.88	Moderately Agree	

It can be gleaned from Table 3.1 that the customers of people directed service establishments moderately agreed that similarities in the chosen demographic variables are important when dealing with the establishment that they were evaluating. According to them age, educational attainment, gender, economic status, civil status and religion, in that order, are moderately important when they avail the services of these kinds of establishments. According to the respondents, these similarities make them feel more comfortable and make them relate better to the service provider. This comfort then translates to familiarization and eventual acquaintance with the employees of the establishment.

Table 3.2
Extent of Importance of Relational Demography to Relational Outcomes
in Property Directed Service Industries

Items	Weighted Mean	Verbal Interpretation	Rank
1. Age similarity with people I deal with in this establishment is important	2.98	Moderately Agree	2
2. Gender similarity with people I deal	2.90	Moderately Agree	3

with in this establishment is important			
3. Educational attainment similarity with people I deal with in this organization is important	3.06	Moderately Agree	1
4. Similarities in economic status with people I deal with in this establishment is important	2.89	Moderately Agree	4
5. Similarities in civil status with people I deal with in this establishment is important	2.88	Moderately Agree	5
6. Similarity of religion with people I deal with in this establishment is important	2.68	Moderately Agree	6
Composite Mean	2.90	Moderately Agree	

Compared to the results in people directed service establishments, customers of property directed service establishments regard educational attainment similarity to be more important than similarities in age. Age ranks second only and is immediately followed by gender similarity. These three variables are moderately agreed on to by the respondents to be important when they deal with property directed service establishments such as banks, real estate brokers and the like. The other three variables, economic status, civil status and religion, although moderately important, fall on the fourth, fifth and sixth rank respectively. These results are synonymous with the results in people directed services establishments

Table 3.3
Extent of Importance of Relational Demography to Relational Outcomes
in Standardized Service Solution Service Industries

Items	Weighted Mean	Verbal Interpretation	Rank
1. Age similarity with people I deal with in this establishment is important	2.92	Moderately Agree	3
2. Gender similarity with people I deal with in this establishment is important	2.87	Moderately Agree	5
3. Educational attainment similarity with people I deal with in this organization is important	2.95	Moderately Agree	1.5
4. Similarities in economic status with people I deal with in this establishment is important	2.95	Moderately Agree	1.5
5. Similarities in civil status with people I deal with in this establishment is	2.88	Moderately Agree	4

important			
6. Similarity of religion with people I deal with in this establishment is important	2.65	Moderately Agree	6
Composite Mean	2.87	Moderately Agree	

Interestingly, for standardized service solution services, educational attainment and economic status were regarded to be moderately important and equally ranked. With a weighted mean of 2.95, the customers mentioned that these two variables are important when they transact with standardized solution service establishments such as grocery shops and convenience stores. Age is also regarded as moderately important but only ranked third among the six variables presented. Similar with the other two types of industries, religion is also ranked sixth and perceived to be moderately important when dealing with these type of establishments.

Relationship Benefits and Relational Outcomes. In Table 4, the hypothesis that relationship benefits have a correlation with relational outcomes is tested. The existence of a statistical relationship manifests that providing relationship benefits to customers will convert them to become loyal customers and make them engage in positive word of mouth.

Table 4
Relationship between Relationship Benefits and Relational Outcomes

Relationship Benefits	Confidence Benefits	Social Benefits	Special Treatment Benefits
Relational Outcomes			
Customer Loyalty	0.099	*0.016	*0.005
Word of Mouth	*0.000	*0.000	*0.000

*Legend: p-value < 0.05 – *Significant*
p-value > 0.05 – Not Significant

Based from the table, the computed p-values of social, confidence and special treatment benefits as to customer loyalty were less than 0.05 level of significance; the resulted p-values of relationship benefits when correlated to relational outcomes in terms of word of mouth were also less than 0.05 level of significance, therefore the null hypothesis of no significant relationship between relationship benefits and relational outcomes is rejected. This means that there is a relationship between the mentioned variables and also indicates that relational outcomes were affected by how the different industries provide relationship benefits.

These results validate the findings of Thurao (2008) that, social and confidence benefits increases customer loyalty and word of mouth engagement. In the case of confidence benefits, customers try to find out basically if the establishment can be trusted (Klee, 1997). Henand and Szymanski, 2001) asserts that greater levels of trust/confidence in the interaction will result in

lower anxiety concerning the transaction and thus greater satisfaction. A second rationale for a positive relationship between confidence/ trust and satisfaction can be derived by examining the role expectations play in satisfaction judgments. Expectations, when viewed as an “anticipation” as opposed to a comparative referent, are thought to have a direct influence on satisfaction because consumers tend to assimilate satisfaction levels to match expectations levels to reduce dissonance.

However, contrary to the findings of the abovementioned research, special treatment benefits are also seen to have a relationship with relational outcomes. This means that as more special treatment benefits are provided by an establishment, the greater the chances that they will be able to reel in relatively loyal set of customers, who would in turn engage in positive word of mouth. It is assumed that since majority of the Filipino consumers are financially challenged, any economic benefit that they can obtain from a service provider is enough for them to be loyal to an establishment.

Relationship between relational demography and relational outcomes. It is also hypothesized that customer loyalty and word of mouth engagement is positively correlated with relational outcomes. A positive correlation between these two variables could mean that as more important the customers perceive relationship demography is, the greater the extent of their loyalty can become.

Table 5
Relationship between Relationship Demography and Relational Outcomes

	Customer Loyalty	Word of Mouth
Relational Demography	*0.003	*0.000

*Legend: p-value < 0.05 – *Significant*
p-value > 0.05 – Not Significant

Relational demography scholars have found that people who are demographically similar exhibit greater attraction to one another, which can lead to improved perceptions of performance and an increase in the likelihood of relational bonding. However, the level of an individual's similarity or dissimilarity in demographic attributes to the composition of his or her social unit, in turn, is proposed to affect the individual's work-related attitudes and behaviors. This means that the same individual demographic characteristic may yield different work-related attitudes in different social contexts. This proposition is tested in the context of a customer-business establishment relationship.

Table 5 shows that relational demography has a significant relationship to relational outcomes because the computed p-values were less than 0.05 level of significance. This also implies that relational outcomes are affected by relational demography. This proves that similarities in age, gender, educational attainment, civil status, economic status and religion between the customer and the establishment (regardless of industry) directly affect the degree or extent of relational outcomes. Thus, as these demographic characteristics are the same between the customer and the service provider, there are greater probabilities that the

customer will become loyal to the establishment and will engage more in positive word of mouth.

Significant Difference in Relational Outcomes Across industry types.

Table 6
Difference of Responses on Relational Outcomes When Grouped
According to Industry
 $\alpha = 0.05$; $df = 2, 309$

Relational Outcomes	F _{computed}	F _{table}	Sig.Value	Interpretation
Customer Loyalty	247.421	3.000	0.000	Significant
Word of Mouth	2.737	3.000	0.066	Not Significant

It can be gleaned from the table that the computed F-value of customer loyalty was greater than the tabular value of 3.000 with degrees of freedom of 2 and 309 at 0.05 level of significance, thus the null hypothesis of no significant difference on relational outcomes (customer loyalty) across industry type was rejected. This means that customers of the different types of industries show differences with respect to their degrees of loyalty to the service establishments evaluated. Higher degrees of loyalty are seen in people directed and standardized service solution establishments, while low degrees of loyalty are seen on property directed service establishments.

The difference in the level of loyalty across industries validates the notion that frequent business-client interaction increases loyalty (Zeithaml, 2008). This is especially seen in the case of people directed service establishments where the level of customer loyalty is highest and in property directed services where the level of customer loyalty is lowest. In terms of word of mouth, there appears to be no differences across industries as what statistics have shown. This means that regardless of industry, the level of word of mouth engagement is the same.

A Model of Relationship Marketing for Philippine Service Industries. In this research five variables were termed as causal variables that affect relational outcomes. These variables are social benefits, confidence benefits, special treatment benefits, and relationship demography and industry type. The general hypothesis is that, these variables taken separately will have differing effects or degrees of relationship to relational outcomes i.e. customer loyalty and word of mouth. A graphical illustration of the result of the study is provided in the figure below.

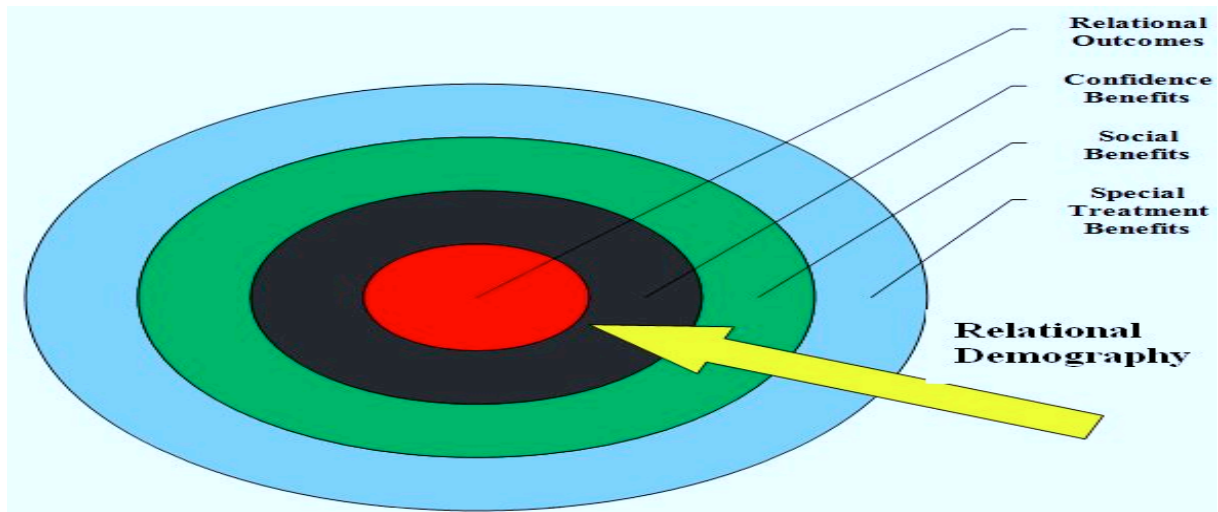


Figure 2. An Integrative Model for Relationship Marketing for Service Business Establishments in the Philippines

Based on the findings of the research, it appears that relational outcomes are better achieved when service establishments provide confidence benefits to their clients or customers. This means, that for most customers, a feeling of trust and confidence that their expectations will be met and the establishment will give them the right service, they are likely to be more loyal to the establishment, much so, they will engage in positive word of mouth. In short, if the service establishment provides the right service, the customers will most likely come back and eventually become loyal customers.

The same model also suggests that social benefits and special treatment benefits also contributes to developing relational outcomes, although not as effective as confidence benefits do. As a matter of fact, social benefits, in most instances, emanate only after a service establishment has provided confidence benefits. As it was stated, customers who have experienced a satisfying experience with the establishment, they will most likely come back to avail of the establishment's service. Eventually, the frequency of visits of the customer to the store somewhat creates a bond between the service provider and the customer ergo, social benefits are provided.

Special treatment benefits also augment relational outcomes but its impact is less felt by the customer. Regardless of the type of special treatment provided (economic or non economic), these benefits give delight to customers but is not enough to secure their loyalty. This may have been realized by most service establishments, as majority of the service establishments analyzed appear to provide only a few or none at all of these special treatment benefits.

With respect to relational demography, it was found out that similarities in certain demographic characteristics between the buyer and seller also augments the relational outcomes. In this model, relational demography is represented by an arrow that cuts across the three relationship benefits. This means that, these similarities trigger more confidence, social

and special treatment benefits to the delight of the customers, which consequently will positively affect the relational outcomes.

Lastly, it is emphasized that this model is applicable to all classifications of service establishments or businesses. Thus, whether the establishment is people directed, property directed or standardized, there is merit in matching the customers target market demographic characteristics with the profile of their service personnel, particularly those who work in the frontline.

CONCLUSIONS

The study indicates that service establishments across the nation often provide confidence and social benefits to their customers. As it is shown by statistics, providing these benefits are correlated with customer loyalty and word of mouth. Therefore as more of these benefits are afforded to customers, the more they will become loyal and talk positively about the establishment to people that they know. The respondents' loyalty is particularly an outcome of the friendship that they have developed with the employees of the establishment as well as on the belief that they can trust the establishment that they are dealing with.

However, although there is also a statistical correlation between special treatment benefits and relational outcomes, it is still a rarity that business establishments provide special treatment benefits to their customers.

The study also reveals that similarities in the demographic characteristics of the client and the service provider also increase customer loyalty and word of mouth engagement. The demographic characteristics that appear to be significant include, sex, age, educational attainment and economic status. However, no correlation exists between religion and marital status and either of the relational outcomes.

RECOMMENDATION

Customer loyalty and word of mouth engagement strategies, as many experts have emphasized are "must haves" and should be a part of the business survival tool kit of establishments. This is a fact across industries.

The findings of the study that proves confidence benefits and social benefits translate to customer loyalty and word of mouth engagement suggests that the human element in service delivery is the center of cultivating these relationship benefits. Appropriate customer service training and service delivery training should be a key priority of establishments. Service providers need to be experts in their fields for them to effectively provide confidence benefits to their customers, In the same token, service providers need to have excellent interpersonal skills for them to provide social benefits. Providing these two benefits is enough to win the loyalty of the customers.

Relationship outcomes are also augmented by relational demography. This suggests that business establishments need to match the profile of their employees with their target market. Similarities in age, gender, educational attainment and economic status between the service

provider and the customer, increases trust and confidence and encourages better social relationships.

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