

# Chapter 21

## Managing Service Consumer Behavior and Relationship Dynamics in Asia

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### ABSTRACT

*Organizations, especially those in Asia, are increasingly appreciating the value of establishing closer and lasting relationship with customers. With greater access to information from research findings, industry practitioners are implementing different strategies for achieving this goal. This chapter evaluates dual strategies firms in Asia have been using in trying to build lasting relationship with customers, namely respect and rapport. The purpose of this chapter is to examine the concepts of respect and rapport and the effects on the quality of firm-customer relationship and customer loyalty. The chapter draws from existing literature and surveys customers of two service sectors in Asia. The research propositions connecting the two dimensions of interpersonal relationship (i.e. respect and rapport) with relationship quality and customer loyalty are tested and confirmed using standard data analysis procedure. The findings lead to research and managerial implications that conclude the chapter.*

### INTRODUCTION

To say that managing service and customer expectations in the new millennium is challenging is not only an understatement but also a cliché. The new business landscape has created new challenges for service organizations and compelled them to seek for more creative and flexible ways to win the competition. Managers are not only looking

for new strategies to handle competition, but also ways to manage or influence their behavior in the marketplace and space, and retain them for the long term. Initially, popular strategies included delivering the best possible quality of service, but more recently building long-term relationships with customers has gained popularity (Ndubisi, 2012). Previous research has suggested that as customer relationship lengthens, companies can increase

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profit considerably by retaining just five per cent of their customers (Reicheld & Sasser, 1990). We extend this line of reasoning by arguing that the quality and length of service provider-consumer relationship {relationship quality, customer loyalty/commitment (Ndubisi, 2013)} depend on the firm's relationship orientation; and that a desirable level of relationship quality and customer loyalty can be attained effectively through customer respect and rapport. We empirically tested this supposition with data from two service sectors.

Interpersonal relationship is considered as a key element of any service offering (Czepiel, 1990; Berry, 1995) and has a positive impact on customer-to-firm relationship. This chapter extends existing knowledge by showing that relationship outcomes such as relationship quality and customer loyalty can be attained through closeness and friendship between parties to an exchange relationship (Butcher et al., 2001) that is predicated on virtues such as respect and rapport. Based on theories and extant literature from social psychology and relationship marketing, we identified 'respect' and 'rapport' as key building blocks of quality service provider-customer relationship quality and customer loyalty, and empirically tests the propositions in the Asian context.

## **THEORY, CONCEPTUAL FRAMEWORK, AND PROPOSITIONS**

The link between respect and rapport on one hand, perceived relationship quality and customer loyalty on the other can be better understood from the perspective of justice or fairness theory. Research on organizational justice shows that perceived organizational fairness enhances commitment to the organization (Folger & Konovsky, 1989). When customers have difficulty in collecting information about the fairness of the organization as a whole; they tend to rely on perceptions of distributive, procedural and/or interactional justice

to infer about overall organizational fairness. The fairness theory suggests that customers expect a certain level of distributive, procedural and/or interactional fairness in exchange relationship (Adams, 1963; Anderson and Patterson, 2008). Perceived fairness is thought to have important implication on customer satisfaction or dissatisfaction (e.g., Anderson and Patterson, 2008); customer value and perceived relationship quality, (Nasution, Mavondo, Matanda & Ndubisi, 2011; Ndubisi 2014), commitment (Ndubisi, 2011), and customer loyalty (Ndubisi, 2007a; 2012). Against this background, we reason that if employees of service organizations respect and build rapport with customers, they (customers) will perceive interactional fairness, leading to quality relationship and loyalty. Similarly, they will increase their loyalty if they perceived distributive or procedural fairness in the outcome or process of the service encounter respectively. Because the focus of this research is on interpersonal relationship dynamics, we focus on interactional justice in the analysis. We thus argue that if service providers apply respect and rapport in their interactions with customers, such gestures are often reciprocated through favorable relationship quality perceptions and greater commitment or loyalty to the service provider. Such reciprocal behavior is the underlying argument of other social science theories such as the social exchange theory and equity theory. On the flip side, if one party (the customer) feels s/he has not received a fair interactional outcome or, in equity theory terms, her/his input-output ratio is inferior to that of the service provider or other social actors (Anderson and Patterson, 2008), the result will be poor relationship quality and a lack of commitment and greater likelihood of defection. Thus, justice theory provides a succinct and compelling lens for viewing key aspects of interpersonal relationship dynamics, and can be used to understand the influences of respect and rapport on relationship quality and customer loyalty.

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