Relationship Marketing and Customer Retention: The Case of Jordanian Mobile Telecommunications Companies

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ABSTRACT
This study aimed at examining the relation between relationship marketing and customer retention under the moderating effects of relationship quality (trust and commitment) in the Jordanian telecommunications companies. Data were collected through using a questionnaire consisted of 26 “likert” type items from a judgmental sample of (426) respondents, data were analyzed using Smart PLS 2.0 M3 release to determine the interactions between the various constructs.

The results support the direct effect of relationship marketing on customer retention, customer trust and customer commitment, and a positive indirect effect on customer retention through customer trust and commitment. Furthermore, relationship marketing has an indirect effect on customer commitment through customer trust as well as a direct positive effect of trust on commitment, and indirect effect on customer retention through commitment. Moreover each of customer trust and commitment has a positive direct effect on customer retention. Finally, the study has suggested some results and implications, and also some directions for future research were proposed.

Keywords: Relationship Marketing, Relational Bonds, Customer Retention, Relationship Quality, Customer Trust, Customer Commitment.

1. INTRODUCTION
The telecommunication sector in Jordan is enjoying a boom due to liberalization and privatization of the sector. Currently, Jordan has four mobile phone networks (Zain, Orange, XPress, and Umniah) (JTR, 2009). The main strategy for mobile service providers in the mature market, and very intense competition, is the strategy of concentrating their resources and effort on retaining their customers, not the customer acquisition strategy (Kim, Park and Park, 2003). In addition, the cost of winning a new customer is five times that of retaining an old customer, and the profit achieved by winning over 10 new customers cannot offset the expense of losing a valuable customer (Peter and Verhoef, 2001). Therefore, it is important for mobile operators to develop well-designed programs to increase customer retention (Lee, Lee, and Freick, 2001). Moreover, customer retention is concerned with maintaining the business relationship established between a supplier (service provider) and a customer (Peighambari, 2007). Relationship marketing has changed the marketing orientation from attracting short-term, discrete transactions to retaining long-lasting, intimate customer relationships. Relationship marketing is the bond of the customer and the company (Berry, 1995). Morgan and Hunt (1994) thought that relationship quality, which composes of trust and commitment, is the key point of successful relationship marketing strategy. Chen (2003) suggests that relationship-marketing strategies could enhance customer retention through relationship quality. Therefore, businesses that develop a relationship-marketing strategy should care about relationship quality to enhance customer retention.

Several studies were conducted in relation to this critical issue. These studies attempt to explain different factors and determinants affecting customer retention. The current study aims to investigate how relationship marketing affects customer retention, with relationship quality as a mediator.

1.2 Statement of Problem
Table 1 below indicates that Zain was dominant in terms of mobile phone market share in 2006. However,
figures of 2009 indicate that the market share of Zain and Orange decreased, Umniah, on the other hand, increased. This has led to intense price competition in an effort to retain current customers, and to gain more subscribers. In the Jordanian mobile telecom industry, customers are able to choose among multiple service providers and actively exercise their rights of switching from one service provider to another. Consequently, because acquiring new customers is more difficult and five times more expensive than retaining existing customers (Brown, 2004), the communication companies try to better serve their existing customer rather than acquire new customers. The customer retention strategy is becoming an important managerial issue, especially in the context of saturated market or lower growth of the number of new customers (Ahmad and Buttle, 2002).

Table 1. Mobile Phone Market Share In Jordan

<table>
<thead>
<tr>
<th>Company</th>
<th>2006</th>
<th></th>
<th>2009</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>Zain</td>
<td>1960000</td>
<td>48%</td>
<td>2445000</td>
<td>44%</td>
</tr>
<tr>
<td>Orange</td>
<td>1400000</td>
<td>34%</td>
<td>1701300</td>
<td>30%</td>
</tr>
<tr>
<td>Umniah</td>
<td>700000</td>
<td>17%</td>
<td>1430000</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Jordan Telecommunications Report

Retaining customers in the service industry has become a major objective of relationship marketing. Relationship marketing is considered to be essential for building long-term relationships with customers in order to achieve mutual benefits of all parties (Peighambari, 2007). Although relationship marketing has been implemented by service providers, customers still tend to switch to competitors. Therefore, this study has been conducted to examine the direct effect of relationship marketing on customer retention, and the moderating effect of relationship quality (trust and commitment) within Jordanian mobile telecommunication companies. Based on the above discussion, the major issues that the researchers try to investigate are the following problematic questions:

1. What is the significant effect of relationship marketing employed by Jordanian mobile telecom companies on its customer retention?
2. What is the significant effect of relationship marketing employed by Jordanian mobile telecom companies on its customers’ commitment and trust?
3. Do Jordanian mobile telecom companies’ customer commitment and trust affect their customer retention?
4. Is customer trust important in determining their commitment with Jordanian mobile telecom companies?

1.3 Importance of the Study

The importance of this study stems from the following:

1. The size of service sectors and their contributions to most of the world’s economies is in rapid increase. In regard to Jordan, the economy remains very much a services' economy, which accounts for 86% of JDP (JER, 2010).
2. The current study concentrates on the mobile telecommunications sector in Jordan. The number of mobile subscribers reaching 101 percent of the country’s population of 6 million in the year of 2009 generates annual revenue of around JD 836.5 million per year, which is equivalent to 13.5% of GDP (JTR, 2009).
3. This study focuses on a relatively unexplored issue, customer retention in Jordan. There is a lack of studies conducted in this area till now in Jordan. Therefore, the current study represents a starting point for other researchers to study customer retention in several contexts in Jordan.
4. Consequences of this study will help the service providers to make justified marketing decisions, thereby providing better services for their customers.

1.4 Objectives of the study

The main aim of this study is to investigate the major factors that affect customer retention. This aim will be achieved by the following objectives:

1. Providing an overview of relationship marketing, relationship quality and customer retention in the mobile telecom sector.
2. Investigating the direct and indirect effect of relationship marketing, customer trust and customer commitment on customer retention.
3. Investigating the effect of customer trust on customer commitment.
4. Suggesting some recommendations and implications.
to increase the customer retention rate based on the study's results.

2. Theoretical background

2.1 Mobile Services in Jordan: An Overview

Over the past few years, Jordan’s communications market passed through massive changes in terms of privatization and liberalization, which has resulted in enhanced offerings of advanced services to the consumers at increasingly competitive rates. Fastlink (Zain) was founded in 1995, followed by the introduction of the country’s second cellular service, Mobilecom (Orange). The entrance of a third cellular operator (XPress) in 2004 and a fourth cellular operator in June 2005 (Umniah) had a substantial effect on the intensity of competition which raised the country’s mobile penetration to reach 57.4% by the end of 2005, up from 24.9% back in 2003. After the resounding entrance of Umniah on the 26th of June 2005, fierce competition introduced the Jordanian cellular market with exceptional growth (Arab Advisors Group, 2007). Mobile penetration in Jordan had risen to 93% in 2009. By the end of 2009, the sector had crossed the 100% penetration rate threshold. Newly extended mobile subscriber forecast for Jordan predicts an average annual growth rate of 7.4% per year through the end of 2014 (JTR, 2010).

2.2 Customer Retention

Blattberg, Getz and Thomas (2001) stated that customer retention takes place when a customer keeps on buying the same market offerings over a long period. This can be described as the marketing goal of keeping your customers from going to the competitor (Ramakrishnan, 2006). It entails keeping customers active with the firm and involves the optimal allocation of marketing resources (Kotelnikov, 2006).

2.3 Relationship marketing

Morgan and Hunt (1994) define relationship marketing as “all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges. Hougaard and Bjerre (2002) defines it as a company behavior with the purpose of establishing, maintaining and developing competitive and profitable customer relationships to the benefit both parties. Kassim, Bahari and Kassim, (2009) defined it as a company’s activity that helps in developing and retaining customers through increased loyalty, satisfaction, trust and commitment.

2.4 Relationship Quality (RQ)

Relationship quality is defined as the overall assessment of the strength of a business relationship, combining satisfaction, trust and commitment (Smith, 1998; Lages, Lages, and Lages, 2005). Components or dimensions of relationship quality proposed in past research include cooperative norms, opportunism and customer orientation (Dorsch, Swanson and Kelley 1998). Morgan and Hunt (1994) drew the commitment-trust theory by proposing that trust and commitment are two basic constructs for measuring relationship quality. Therefore, previous studies have shown strong empirical support for using dimensions of commitment and trust to measure relationship quality. Furthermore, these dimensions have also been previously empirically tested and have proved to have predictive validity (Colgate and Smith, 2005). The current study was based on Morgan and Hunt (1994) to measure relationship quality.

2.4.1 Customer Commitment

Commitment is recognized as an essential ingredient for successful long-term relationships (Morgan and Hunt, 1994). Commitment can be described as a customer’s long-term orientation toward a business relationship that is grounded on both emotional bonds and the customer’s conviction that remaining in the relationship will yield higher net benefits than terminating it (Sheth and Parvatiyar, 1995). Previous studies considered commitment to be an attitude and/or a behavior (or intention) (O'Malley and Tynan, 2000). However a useful typology to study relationship commitment involves measures of affective and calculative commitment (Gounaris, 2005). Affective commitment reflects the desire to continue a relationship because of a psychological attachment, kinship or bond. Calculative commitment, on the other hand, is based purely on cost–benefit analysis, separate and distinct from the relationship context.

2.4.2 Customer Trust

Trust is commonly considered the primary and fundamental requirement for successful relationship development and enhancement (Medlin, Aurifeille and Quester, 2005). Trust is a fundamental relationship building block, and has been widely studied in many buyer-seller relationship models, particularly as a crucial factor in the shift from discrete market transactions to continuous exchange relationships (Ganesan 1994). Much attention on trust was drawn from relationship marketing perspectives.
3. Study Model and Hypotheses development

3.1 Study Model

Based on the theoretical framework and previous studies, the researchers have constructed the proposed model shown in figure 1 below. The model illustrates the independent variable (relationship marketing), dependent variable (customer retention), and the moderate variable (relationship quality). Two elements of relationship quality, which are trust and commitment, have been considered to measure relationship quality.

Figure 1. Study Model

3.2 Hypotheses Development

3.2.1 Relationship Marketing and Customer Retention, Commitment and Trust

Developing relational bonds is the main strategy used in successful buyer-seller relationships (Wilson, 1995). Such bonds can help strengthen and maintain a relationship, and therefore positively influence other relational outcomes (Lin et al., 2003; Liang and Wang, 2006). Relationship marketing has been shown to generate strong customer relationships that enhance customer loyalty and firm profits (Chiu, Hsieh, Li and Lee, 2005; Liang and Wang, 2006; Palmatier, et al. 2006). It is a set of marketing activities that attract, maintain, and enhance customer relationships for the benefit of both sides, emphasizing retaining existing customers (Kim and Cha 2002). Turnbull and Wilson (1989) argue that if the firm needs to protect itself from competitors by keeping customers, marketing activities that create value to these customers are strongly required. These activities should invest in creating relational bonds with customers. There is empirical evidence to suggest that relational bonds are associated with relationship quality (Smith, 1998; Lin and Chung, 2007). Based on this, the following hypotheses are developed:

H1: Relationship marketing has a positive direct effect on customer retention of mobile service users.

H1a: Relationship marketing has a positive indirect effect on customer retention of mobile service users through customer commitment and trust.

Lin et al. (2003) found that relational bonds are significantly positive correlated with the customers’ trust and commitment. Smith (1998) stated that relational bonds reduce the risk inherent in voluntary exchange relations, and provide a foundation for the trust needed to risk greater commitment. This feeling of reduced anxiety, trust, and confidence in the provider appear to develop over time and only after a relationship has been established between customer and the service providing organization. Trust is best understood as a stage in a process of developing relationship. Thus, loyalty or commitment underlies the ongoing process of continuing and maintaining a valued and important relationship that has been created by trust (Chaudhuri and Holbrook, 2001). Based on the literature review, it can be established that there is a positive relationship between relationship marketing and trust (Chih et al, 2009; Lin et al, 2003) and relationship marketing and commitment (Zhang and Feng, 2009; Lin et al, 2003). Based on this, the following hypotheses are developed:

H2: Relationship marketing has a positive direct effect on customer’s commitment of mobile service users.

H2a: Relationship marketing has a positive indirect effect on customer’s commitment of mobile service users through customer trust.
H3: Relationship marketing has a positive direct effect on customer’s trust of mobile service users.

3.2.2 Customer Trust, Commitment, and Retention

Researchers have suggested that trust in a provider should lead to customer commitment to the relationship. In relationship marketing literature, trust is generally considered as a key antecedent of relationship commitment (Morgan and Hunt 1994; Garbarino and Johnson 1999) and was significantly related to relationship commitment (Chen et al, 2001). Commitment underlies the ongoing process of continuing and maintaining a valued and important relationship that has been created by trust (Chaudhuri and Holbrook, 2001). Based on this, the following hypothesis is developed:

H4: Customer's trust has a positive direct effect on customer commitment of mobile service users.

Morgan and Hunt (1994) propose that relationship commitment and trust are key variables for successful relationships because they promote cooperative behaviors between relationship partners and encourage them to maintain long-term relationships. Customer trust in a company can play a significant role in determining the customer’s actions regarding that company. Recognizing that, a vital key to retaining customers is maintaining their trust in the vendor (Reichheld and Schefter, 2000). Trust serves as a strong trigger for enhancing customer retention (Teichert and Rost 2003). Empirical research has shown that trust increases customer intention to repurchase a product from a company (Jarvenpaa, Tractons, and Vitale, 2000). Doney and Cannon, (1997) confirmed a positive relationship between customer trust in company and customer retention, and intention to return to a company.

Customer commitment to the supplier is a very important driver of customer loyalty in service industries (Fullerton, 2003). Retention of a customer requires the customer to be committed to the relationship. Morgan and Hunt (1994) indicated that commitment has an effect on the intention to remain through the impact of the dimensions of acquiescence and propensity to leave. Relationship quality influences retention only when it elicits sufficient customer commitment, and achieving customer commitment is critical for getting customers back to the market. Based on this, the following hypotheses are developed:

H5: Customer's trust has a positive direct effect on customer retention of mobile service users.

H5a: Customer's trust has a positive indirect effect on customer retention of mobile service users through customer commitment.

H6: Customer's commitment has a positive direct effect on customer retention of mobile service users.

4. Research Design

A descriptive quantitative survey methodology using self-administered questionnaires has been adopted to collect data from undergraduate students at Jordanian universities currently using the mobile communication service about the underlying constructs proposed in the theoretical model. Undergraduate students were selected for the following reasons. First, most university students had the sufficient experience with mobile phones to establish reliable perceptions and opinions regarding the service. Second, the consumer group that is most likely to adopt and actively use wireless applications is the young market (Cheskin Report, 2001).

4.1 Sampling Design and Data Collection

A Judgmental sample of students who have a mobile phone has been selected from six Jordanian universities: three governmental universities (University of Jordan, Mu'tah and Yarmouk University), and three private universities (Al-isra', Philadilphia and Al-zaytoonah).

A self-administered questionnaire was distributed to 600 sampled students by hand, 200 in each university. The returned questionnaires were carefully examined for completeness. A total of 441 questionnaires were collected, 15 questionnaires were neglected due to incomplete information. Thus, the researchers had 426 usable responses resulting in a 73.5% response rate, which was comparable to other studies of a similar nature. About 0.17 (74) questionnaires collected from University of Jordan, 0.18 (79) from Mu'tah, 0.15 (65) from Yarmouk, 0.16 (70) from Al-isra', 0.18 (78) from Philadilphia, and 0.17 (75) questionnaires from Al-zaytoonah.

4.2 Questionnaire structure:

The questionnaire was composed of two parts and total 26 statements (see appendix A). The first part is about individual characteristics with three questions, namely the respondents’ gender, the period of mobile usage, and the name of the main mobile telecom operator they are choosing currently. The second part contains all constructs in the research model with a total of 23 statements. Several items on each construct are developed and adopted from relevant literatures (table 2). All of the
items were measured by using a five-point Likert scale ranging from "Strongly Agree" (anchored by point 5) to "Strongly Disagree" (anchored by point 1). Operational definitions of variables measured in this study were borrowed and modified from previous studies. These definitions are presented in Table 3.

Table 2. Construct Measurement

<table>
<thead>
<tr>
<th>Construct</th>
<th>No. of Items</th>
<th>Source of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Marketing</td>
<td>8</td>
<td>Berry (1995); Liang et al. (2008); Tzokas; Saren and Kyziridis (2001); Zeithaml and Bitner (1996).</td>
</tr>
<tr>
<td>Customer Trust</td>
<td>3</td>
<td>Mouri (2005); Sharma and Patterson (2000); Smith (1998); Morgan and Hunt (1994).</td>
</tr>
<tr>
<td>Customer Commitment</td>
<td>5</td>
<td>Mouri (2005); Sharma and Patterson (2000); Smith (1998); Morgan and Hunt (1994).</td>
</tr>
<tr>
<td>Customer Retention</td>
<td>7</td>
<td>Peighambari (2007); Sharma and Patterson (2000); Liang et al. (2008).</td>
</tr>
</tbody>
</table>

Table 3. Operational Definitions

<table>
<thead>
<tr>
<th>Variables</th>
<th>Operational definition</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Marketing</td>
<td>The ability of mobile service providers to retain their customers through enhancing relational bonds (Financial and Structural Bonds).</td>
<td>1-8</td>
</tr>
<tr>
<td>Trust</td>
<td>A mobile service user’s perception that the company relationship with the major provider is reliable, trustworthy and honest.</td>
<td>9-11</td>
</tr>
<tr>
<td>Commitment</td>
<td>The degree to which mobile service users are committed and loyal to their main provider, and put maximum effort to maintain the relationship with them.</td>
<td>12-16</td>
</tr>
<tr>
<td>Customer Retention</td>
<td>A mobile service provider's ability to retain current customers, through continuing their use of the same mobile service in the future, recommending the mobile service provider to their friends and choosing the same provider when they do it all over again.</td>
<td>17-23</td>
</tr>
</tbody>
</table>

4.3 Instrument Validation and Reliability

Data collected were analyzed using SPSS version 16.0 for purposes of descriptive statistics on the demographic characteristics of the subjects and exploratory factor analysis, while Partial Least Square (PLS), using Smart PLS 2.0 M3 release, was used to determine the interactions between the various constructs (namely relationship marketing, customer trust, customer commitment, and customer retention) for ascertaining the various structured equation models. Several tests were performed to examine model validity and reliability. First, the standardized factor loadings for all items are above the suggested cut-off 0.40 (Guadagnoli and velicer, 1988), and all are significant, showing strong evidence of convergent validity (Table 4).

Table 4. Measurement Model

<table>
<thead>
<tr>
<th>Construct</th>
<th>Scale Items</th>
<th>Loadings</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CC1</td>
<td>0.7175</td>
<td>11.0759</td>
<td></td>
</tr>
<tr>
<td>CC2</td>
<td>0.7425</td>
<td>12.7822</td>
<td></td>
</tr>
<tr>
<td>CC3</td>
<td>0.8343</td>
<td>22.8709</td>
<td></td>
</tr>
<tr>
<td>CC4</td>
<td>0.8577</td>
<td>28.3505</td>
<td></td>
</tr>
<tr>
<td>CC5</td>
<td>0.8613</td>
<td>28.0079</td>
<td></td>
</tr>
<tr>
<td>Customer Retention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR1</td>
<td>0.7915</td>
<td>15.1884</td>
<td></td>
</tr>
<tr>
<td>CR2</td>
<td>0.811</td>
<td>19.9403</td>
<td></td>
</tr>
<tr>
<td>CR3</td>
<td>0.8551</td>
<td>28.6107</td>
<td></td>
</tr>
<tr>
<td>CR4</td>
<td>0.8272</td>
<td>22.7594</td>
<td></td>
</tr>
<tr>
<td>CR5</td>
<td>0.7003</td>
<td>11.0227</td>
<td></td>
</tr>
</tbody>
</table>
Second, the composite reliability (CR) for the internal consistency is demonstrated, since values for all constructs are above the suggested threshold of 0.70 (Nunnally, 1978) (Table 5) and the lowest value of composite reliability is 0.8561, which is larger than the recommended value of 0.7, showing good reliability. Convergent validity can be assessed by examining Average Variance Extracted (AVE) from the measures. For AVE, a score of 0.5 indicates acceptability (Fornell and Larcker 1981). From Table 5, we can see the AVE ranges from 0.5065 to 0.6681, which shows convergent validity. Also, the Cronbach’s alpha for all constructs are above 0.70, which implies a high reliability.

**Table 5. CR and AVE for Internal Consistency**

<table>
<thead>
<tr>
<th>Construct</th>
<th>AVE</th>
<th>CR</th>
<th>R Square</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Commitment</td>
<td>0.6479</td>
<td>0.9015</td>
<td>0.3629</td>
<td>0.8627</td>
</tr>
<tr>
<td>Customer Retention</td>
<td>0.5065</td>
<td>0.8709</td>
<td>0.6839</td>
<td>0.8206</td>
</tr>
<tr>
<td>Customer Trust</td>
<td>0.6681</td>
<td>0.8579</td>
<td>0.2201</td>
<td>0.7522</td>
</tr>
<tr>
<td>Relationship Marketing</td>
<td>0.5272</td>
<td>0.8561</td>
<td>0.0000</td>
<td>0.8087</td>
</tr>
</tbody>
</table>

Table 6 and 7 presents the discriminant validity statistics. Cross-loadings of constructs are provided in Table 6. All items are loaded higher on their respective constructs than on others, thus demonstrating discriminant validity. The square roots of the AVE scores (diagonal elements of Table 7) are all higher than the correlations among the constructs, providing additional support for discriminant validity.

**Table 6. Cross-Factor Loadings**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Customer Commitment</th>
<th>Customer Retention</th>
<th>Customer Trust</th>
<th>Relationship Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Commitment</td>
<td>CC1</td>
<td>0.7175</td>
<td>0.5500</td>
<td>0.4430</td>
<td>0.2904</td>
</tr>
<tr>
<td></td>
<td>CC2</td>
<td>0.7425</td>
<td>0.5093</td>
<td>0.3653</td>
<td>0.2881</td>
</tr>
<tr>
<td></td>
<td>CC3</td>
<td>0.8343</td>
<td>0.6512</td>
<td>0.4795</td>
<td>0.4059</td>
</tr>
<tr>
<td></td>
<td>CC4</td>
<td>0.8577</td>
<td>0.6572</td>
<td>0.5145</td>
<td>0.4076</td>
</tr>
<tr>
<td></td>
<td>CC5</td>
<td>0.8613</td>
<td>0.6918</td>
<td>0.4761</td>
<td>0.3600</td>
</tr>
<tr>
<td>Customer Retention</td>
<td>CR1</td>
<td>0.6363</td>
<td>0.7915</td>
<td>0.4879</td>
<td>0.3931</td>
</tr>
<tr>
<td></td>
<td>CR2</td>
<td>0.6316</td>
<td>0.8110</td>
<td>0.5454</td>
<td>0.4189</td>
</tr>
<tr>
<td></td>
<td>CR3</td>
<td>0.6273</td>
<td>0.8551</td>
<td>0.5558</td>
<td>0.4314</td>
</tr>
<tr>
<td></td>
<td>CR4</td>
<td>0.6402</td>
<td>0.8272</td>
<td>0.5826</td>
<td>0.3889</td>
</tr>
<tr>
<td></td>
<td>CR5</td>
<td>0.5279</td>
<td>0.7003</td>
<td>0.3964</td>
<td>0.3307</td>
</tr>
<tr>
<td></td>
<td>CR6</td>
<td>0.3530</td>
<td>0.4290</td>
<td>0.2397</td>
<td>0.4761</td>
</tr>
<tr>
<td></td>
<td>CR7</td>
<td>0.2679</td>
<td>0.4144</td>
<td>0.3068</td>
<td>0.4143</td>
</tr>
</tbody>
</table>
Table 7. Correlations and Average Variance Extracted

<table>
<thead>
<tr>
<th>Construct</th>
<th>CC</th>
<th>CR</th>
<th>CT</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Commitment</td>
<td>0.8049</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Retention</td>
<td>0.7117</td>
<td>0.7659</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Trust</td>
<td>0.5699</td>
<td>0.6470</td>
<td>0.8174</td>
<td></td>
</tr>
<tr>
<td>Relationship Marketing</td>
<td>0.4398</td>
<td>0.5576</td>
<td>0.4691</td>
<td>0.7261</td>
</tr>
</tbody>
</table>

4.4 Data Analysis and Discussion

4.4.1 Demographic Characteristics

From the results in Table 8, it can be stated that 56.8% of respondents were female and 43.2% of them were male. As it is obvious, the largest percentages of respondents were females. According to the phone usage, 45.5% of respondents have been using their mobiles for less than 3 years, while 35.2% of the respondents were classified between 3-6 years of usage (the highest percent). Finally, 19.2% of the respondents have been using their mobiles for more than 6 years. Regarding the service provider, it can be figured out that 36.2% of respondents are using Zain, 34.5% using Orange and 29.3% using Umniah as a service provider.

Table 8. Sample Characteristics

<table>
<thead>
<tr>
<th>Measure</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>184</td>
<td>43.2</td>
</tr>
<tr>
<td>Female</td>
<td>242</td>
<td>56.8</td>
</tr>
<tr>
<td>Phone usage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 3 years</td>
<td>194</td>
<td>45.5</td>
</tr>
<tr>
<td>3-6 years</td>
<td>150</td>
<td>35.2</td>
</tr>
<tr>
<td>6 years or more</td>
<td>82</td>
<td>19.2</td>
</tr>
<tr>
<td>service provider</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zain</td>
<td>154</td>
<td>36.2</td>
</tr>
<tr>
<td>Orange</td>
<td>147</td>
<td>34.5</td>
</tr>
<tr>
<td>Umniah</td>
<td>125</td>
<td>29.3</td>
</tr>
<tr>
<td>Total</td>
<td>426</td>
<td>100</td>
</tr>
</tbody>
</table>
4.4.2 PLS Results

Smart PLS 2.0 M3 release (Ringle et al., 2005) was used to perform the analysis in this study. The structural model is evaluated by using the R-square ($R^2$) for dependent constructs, t-statistics and significant level of structural path coefficient. The t-statistics are estimated using the bootstrap re-sampling procedure. The structural model results are illustrated in figure 2 and table 10. Table 10 shows the proposed hypotheses and the path coefficient along with their respective t-statistics.

4.4.3 R-square

Smart PLS provides the squared multiple correlation ($R^2$) for each endogenous construct. This number is used to measure the percentage of construct variation that the model explained (Wixom and Watson, 2001). The $R^2$ value from PLS results is 0.684 for this model, which indicates that more than 68% of the variance in customer retention of the sample is explained by the model and its determinants, providing strong evidence of the strength of the model in explaining and predicting customer retention. Other values of $R^2$ show that relationship marketing explained 22% of customer trust. In addition, relationship marketing and customer trust explained 36.3% of customer commitment. Table 9 shows the summary.

<table>
<thead>
<tr>
<th>Construct</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Commitment (CC)</td>
<td>0.3629</td>
</tr>
<tr>
<td>Customer Retention (CR)</td>
<td>0.6839</td>
</tr>
<tr>
<td>Customer Trust (CT)</td>
<td>0.2201</td>
</tr>
</tbody>
</table>

Table 9. ($R^2$) for each endogenous construct

Figure 2. Results of PLS Analysis

4.4.4 Hypotheses Testing and Discussion

The next step is to test the proposed hypotheses. Smart PLS provides path coefficients that indicate the strength of the relationship between the two constructs (Wixom and Watson, 2001). The bootstrap procedure with 200 resample was used to calculate the significance of these coefficients. Having established confidence in the measurement model, an empirical structural equation model was developed and tested by the PLS approach. Figure 4.1 presents the structural path diagram with the coefficients of paths. The confirmation results of the proposed hypotheses are as follows: The results of hypotheses testing indicate support for our hypothesized structural model. All of the hypothesized paths are significant. Table 10 demonstrate the results of the PLS data analysis.
<table>
<thead>
<tr>
<th>Paths</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Path Coefficients</td>
<td>T-Value</td>
<td>Path Coefficients</td>
</tr>
<tr>
<td>RM -&gt; CR</td>
<td>0.207</td>
<td>2.32*</td>
<td>0.350</td>
</tr>
<tr>
<td>RM -&gt; CC</td>
<td>0.221</td>
<td>2.07*</td>
<td>0.219</td>
</tr>
<tr>
<td>RM -&gt; CT</td>
<td>0.469</td>
<td>5.81***</td>
<td>-------</td>
</tr>
<tr>
<td>CT -&gt; CC</td>
<td>0.466</td>
<td>5.62***</td>
<td>-------</td>
</tr>
<tr>
<td>CT -&gt; CR</td>
<td>0.245</td>
<td>3.07**</td>
<td>0.250</td>
</tr>
<tr>
<td>CC -&gt; CR</td>
<td>0.535</td>
<td>6.08***</td>
<td>-------</td>
</tr>
</tbody>
</table>

*** $p< .001$, ** $p<.01$, * $p<.05$, based on two-tailed test; t (p< .001) = 3.29; t (p< .01) = 2.58; t (p< .05) = 1.96.

**H1:** specifies that relationship marketing has a positive direct effect on customer retention. This hypothesis is verified (with the path coefficient = 0.207; t-statistic = 2.32 and p-value < .05). It shows that the higher the positive “relationship” the customers of a service provider would have, the higher their “retention” with that service provider would be. As a result, H1 was approved.

**H1a:** specifies that relationship marketing has a positive indirect effect on customer retention through customer trust and commitment. This hypothesis is verified (with the path coefficient = 0.350; t-statistic = 3.68 and p-value < .001). It shows that strong "relationships" between customers and their service provider will lead to “trust in and commitment to” that service provider, which in turn leads to higher “retention” with that service provider. This means that customer trust and commitment mediate the effect of relationship marketing on customer retention. Thus, H1a was approved. The total effect (direct and indirect) of relationship marketing on customer retention is significant with coefficient = 0.557; t-statistic = 5.99 and p-value < .001.

**H2:** specifies that relationship marketing has a positive direct effect on customer commitment. This hypothesis is verified (with the path coefficient = 0.221; t-statistic = 2.07 and p-value < .05). It shows that the stronger the “relationship” the customers of a service provider may have, the higher their overall “commitment” with that service provider would be. As a result H2 was approved.

**H2a:** specifies that relationship marketing has a positive indirect effect on customer commitment through customer trust. This hypothesis is verified (with the path coefficient = 0.219; t-statistic = 2.64 and p-value < .01). It shows that strong "relationships" between customers and their service provider would lead to “trust in” that service provider, which in turn leads to higher “commitment” to that service provider. This means that customer trust mediates the effect of relationship marketing on customer commitment. Thus, H2a was approved.

**H3:** specifies that relationship marketing has a positive direct effect on customer trust. This hypothesis is verified (with the path coefficient = 0.466; t-statistic = 5.62 and p-value < .001). It shows that the higher the positive “relationship” the customers of a service provider may have, the higher their “trust” in that service provider would be. As a result, H3 was approved. The total effect (direct and indirect) of relationship marketing on customer commitment is significant with coefficient = 0.440; t-statistic = 4.70 and p-value < .001.

**H4:** specifies that customer trust has a positive direct effect on customer commitment. This hypothesis is verified (with the path coefficient = 0.466; t-statistic = 5.62 and p-value < .001). It shows that the higher “trust” the customers of service providers feel, the higher their “commitment” with that service provider would be. As a result, H4 was approved.

**H5:** specifies that customer trust has a positive direct effect on customer retention. This hypothesis is verified (with the path coefficient = 0.250; t-statistic = 2.93 and p-value < .01). It shows that the higher “trust” the customers of service provider may feel, the higher their “retention” with that service provider would be. Thus, H5 was approved.

**H5a:** specifies that customer trust has a positive indirect effect on customer retention through customer commitment. This hypothesis is verified (with the path coefficient = 0.250; t-statistic = 2.93 and p-value < .01).
It shows that higher levels of “trust” in a service provider will lead to higher “commitment” to that service provider, which in turn leads to higher “retention” with that service provider. This means that customer commitment mediates the effect of customer trust on customer retention. Thus, H5a was approved. The total effect (direct and indirect) of customer trust on customer retention is significant with coefficient = 0.495; t-statistic = 5.99 and p-value < .001.

**H6**: specifies that customer commitment has a positive direct effect on customer retention. This hypothesis is verified (with the path coefficient = 0.535; t-statistic = 6.08 and p-value < .001). It shows that the higher “commitment” the customers of service provider may have, the higher their “retention” with that service provider would be. Thus, H6 was approved.

5. Discussion and Recommendations

5.1 Discussion of the findings

**Relationship marketing and customer retention**: This finding is similar with what Kassim et al. (2009) and Liang et al. (2008) have found. Relationship Marketing is a popular concept in current marketing research and practice; it has the potential to increase customer retention by building long-term customer relationships (Wang and Head, 2005). It can increase marketing effectiveness and efficiency by reducing marketing costs, facilitating the targeting of high-profit customers and reducing price sensitivity (O'Malley and Tynan, 2000). Additionally, by bundling several free services, a company can retain customers more effectively through several separate relationships (Wirtz, 2001). Also, providing clients with valuable solutions which are not readily available from other sources could maintain customer loyalty (Berry, 1995). According this finding, customers are likely to maintain a relationship with a mobile service provider that provides values and benefits. In this study value or relational bonds perception is created through the mobile services provider's offerings including free service, reducing cost, resolving problems, innovation services...etc. The results of the current study confirmed that relationship marketing has a positive direct effect on customer retention in the context of mobile telecommunication services (H2).

Also the study's result found that relationship marketing has a positive indirect effect on customer commitment through customer trust (H2a). The degree of trust between the service provider and the customer is directly influenced by the quality of the service and by the bonding strategy and techniques of the provider. Offering superior service quality and effectively bonding with the customer leads the former to trust the service provider, this in turn results to commitment to the provider. Developing commitment appears to be particularly important not only for ensuring the maintenance of the relationship, but also for further enhancing it, because it leads to an intention to further invest and strengthen the relationship with the provider (Gounaris, 2005).

**Relationship marketing and customer trust**: This is consistent with Lin et al. (2003) when they implied that to maintain a long-term relationship with a customer; businesses may provide economic benefits or structural benefits to strengthen customer trust and commitment. The economic benefits relate to discounts or price breaks for those customers who have developed a relationship with an organization (Panda, 2002). Also the stronger structural bonds are, the harder it will be for the client to
break the relationship, and clients are literally forced into the relationship (Lewicki and Bunker, 1995). Consequently, clients better understand the motives, the intentions and the aims of their provider whom they eventually come to trust (Hut and Speh, 1995). The result of the current study confirmed that relationship marketing has a positive direct effect on customer trust in the context of mobile telecommunication services (H3).

**Customer trust and customer commitment:** In relationship marketing literature, trust is generally considered as a key antecedent of relationship commitment (Morgan and Hunt 1994; Garbarino and Johnson 1999). Morgan and Hunt (1994) propose that relationship commitment and trust are key variables for successful relationships because they promote cooperative behaviors between relationship partners and encourage them to maintain long term relationships. They suggest that relationships characterized by trust and commitment allow partners to be more accepting of high-risk situations because each party believes that the other party will be inclined to engage in activities that are, in the long-term, in the best interest of both partners.

Hennig-Thurau and Klee, (1997) stated that trust is also believed to promote commitment in two ways. First, trust is crucial to relationship efficiency. For example, it serves as a substitute for contractual agreements and increases interaction efficiency, thus decreasing transaction costs. This increase of relationship efficiency entails an increased net benefit for the customer (as well as for the supplier), which in turn fosters the cognitive commitment of the customer to the relationship. Second, trust addresses the central social needs of the customer, the fulfillment of which leads to an affective commitment to the relationship. The result of the current study confirmed that customer trust has a positive direct effect on customer commitment in the context of mobile telecommunication services (H4).

**Customer trust and customer retention:** Trust exists if a customer believes a service provider to be reliable and to have a high degree of integrity (Morgan and Hunt 1994). Several authors see trust as a necessary ingredient for long-term relationships; however, the direct influence of trust on retention has been questioned by recent empirical studies (e.g. Chih et al, 2001; Graf and Perrien, 2005; Ranaweera and Prabhu, 2003; Chen et al, 2001).

As the development of trust in the provider is a powerful strategy for reducing the risk perceived, trust is of particular importance when a high degree of uncertainty exists (Sheth and Parvatiyar 1995). The result of the current study confirmed that customer trust has a positive direct effect on customer retention in the context of mobile telecommunication services (H5).

On the other hand, customer trust was found to have indirect effects on customer retention through customer commitment (H5a). Trust creates benefits for the customers (e.g. relationship efficiency through decreased transaction costs) that in turn foster his or her commitment and loyalty to the relationship. Morgan and Hunt (1994) hypothesize in their key mediating variable model that there is a positive relationship between trust and commitment and a positive relationship between commitment and loyalty. Garbarino and Johnson (1999) found that commitment mediated the relationship between repurchase intentions and various antecedent variables (also including trust). Chen, et al, (2001) stated that trust has indirect effects on the propensity to leave through relationship commitment, so relationship commitment and trust can be assessed, enhanced and utilized in the business to customers, thus, to improve customer retention and to reduce the propensity to leave are important.

**Customer commitment and customer retention:** Commitment is positively related to repurchase intentions (Fullerton, 2005) and it was empirically proved to have a substantial negative effect on the propensity to leave (Norton, Gudergan and Young, 2004). Customer commitment can influence the way in which customers behave in relation to a firm, these attitudes are particularly relevant to the decision to switch or stay (Bansal et al., 2004). Commitment implies the importance of the relationship to the relationship partners and their desire to maintain the relationship in the future (Wilson 1995). The previous studies indicate that commitment plays a vital role and is very significant in influencing customer retention (Chen et al., 2001). The results of the current study, thus confirm that customer commitment has a positive effect on customer retention in the context of mobile telecommunication services (H6).

**5.2 Recommendations**

The findings of this research provide important evidence for managers who take charge of relationship marketing. It is helpful for marketers to understand the effectiveness of relationship marketing from the consumer’s perspective. The company should give more attention to relational bonds and give especial values and
treatment to the loyal customers. In addition, providing clients with valuable solutions that are not readily available from other sources could maintain customer loyalty. Also, companies may increase customer retention by supplementing their core products with additional services. Personalized treatment should be offered if necessary in order to improve the customer relationship. Mobile companies need powerful customer databases to collect information about customer needs, preferences, wants, expectations and complaints. Information about customers should be stored and later used so that the company can get feedback and evaluate its working processes.

A complaint management system is considered one of the most powerful tools for listening to customers. Communication tools include internet chat rooms, email correspondence and telephone hotlines. In addition, providing high quality services and information, using relationship-marketing instruments such as loyalty programs, also known as frequency reward programs and direct mailings, is an effective way to maintain high quality relationships with customers. Managers should constantly create switching barriers that tie the customer to the service provider and maintain the relationship. Therefore, the company should offer innovative, personalized services and developing a prompt response system. Managers should also continuously keep track of the relationship between their employees and their customers. Also, proper training of employees should be seen as a necessity in order to develop a customer retention program.

5.3 Future Research
This study analyzed the relationship quality (trust and commitment) as mediators. Further research could observe the moderating effects of other relationship quality moderators’ factors, such as communication, coordination, customer orientation and competition on the relationship between the relational bonds and customer retention in the Jordanian mobile telecommunication services context.

Additionally, this study was cross-sectional (a research study for which data are gathered just once). It would be interesting to discover the longitudinal study (a research study for which data are gathered at several points in time to answer the research question). This might produce the real users’ perception about relationship marketing, relationship quality and customer retention. Another future possibility is to perform the same study on different context in Jordanian environment such as banking, insurance, and hotels.

This study is like previous studies which investigated relationship quality as perceived by the customer; and so future research can look at relationship quality in the perspective of the company. And it can adopt the organizational behavior (information sharing, communication quality, long-term orientation and organizational satisfaction (Lages et al, 2005), instead of the consumer/buyer behavior approach.

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التسويق بالعلاقات والاحتفاظ بالعميل: حالة شركات الاتصالات الخلوية الأردنية

محمد سليمان عواد، أروى عبد السلام القرلة

ملخص

هدفت هذه الدراسة إلى اختبار العلاقة بين التسويق بالعلاقات والاحتفاظ بالعميل تحت تأثير المتغير الوسيط جودة العلاقة (الثقة والالتزام) في شركات الاتصالات الخلوية الأردنية. تم جمع البيانات من خلال البينة الحكمة وبلغت (426) مستجيباً، وذلك باستخدام استبانه أعدت خصيصاً لهذا الغرض، تتكون من 26 عبارة على مقاييس ليست في الخمسي. تم اختبار العلاقات بين متغيرات النموذج باستخدام برنامج Smart PLS 2.0 M3. وقد أشارت النتائج إلى وجود اتجاه إيجابي ومتغير للتسويق بالعلاقات على الاحتفاظ بالعميل والثقة بالعميل والالتزام بالعميل، واثار إيجابي غير مباشر للتسويق بالعلاقات على الاحتفاظ بالعميل من خلال الثقة والالتزام، إضافة إلى أن التسويق بالعلاقات له تأثير غير مباشر على الإلتزام من خلال الثقة، كما أن النتيجة أثراً إيجابياً ومتغيراً على التزام العميل، وغير مباشر على الاحتفاظ بالعميل من خلال الإلتزام. كما قدمت هذه الدراسة عدة من التوصيات وبعض التوجيهات للأبحاث المستقبلية ذات الصلة بموضوع البحث.

الكلمات الدالة: التسويق بالعلاقات، الروابط العلاقة، الاحتفاظ بالعميل، جودة العلاقات، ثقة العميل، التزام العميل.

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