

THE INFLUENCE OF RELATIONSHIP QUALITY ON CUSTOMER
LOYALTY: EVIDENCE FROM THE PRACTICES OF OUTSOURCING IN
THE MALAYSIAN HOTEL INDUSTRY

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THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY

FACULTY OF BUSINESS AND ACCOUNTANCY
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KUALA LUMPUR

2014

ABSTRACT

Tourist arrivals in Malaysia from January to December 2012, according to the Research Division of Tourism Malaysia, amounted to 25.03 million people, compared to 24.71 million people for the same period in 2011, an increase of 1.3 percent. The tourism industry generated receipts for Malaysia in 2012 totaling RM60.6 billion. Based on hotel statistics, hotel guests in Malaysia from January to December 2012 amounted to 56.07 million guests, compared to 53.76 million guests in 2011, an increase of 4.31 percent. This increase in the number of hotel guests indicated that hotels in Malaysia needed to provide more services to their guests. Since hotels are exposed to high fixed costs, they need to outsource some specific services in order to reduce their internal costs. The increase in the number of hotel guests has lead to a larger demand for outsourcing of services, and hotel managers have now been exposed to a wider choice of service providers that are willing to provide the specific services they require. This situation has made it easier for hotels to switch from one service provider to another. Therefore, service providers should try to increase the loyalty of existing customers (hotel managers) because it costs less to maintain an existing customer than attracting new customers. While the key objective of relationship marketing is to maintain customer loyalty there is, however, little agreement as to which antecedents should be used to achieve this objective. In addition, the lack of application of the Theory of Reasoned Action in the business-to-business relationships is worth investigating. In response, this study proposed a model of relationship marketing that empirically investigates, in one single model, the effect of perceived value, relational norms, and switching costs on relationship quality and customer loyalty; the effect of relationship quality on customer loyalty; and the effect of dependence on the relationship between

relationship quality and customer loyalty. In particular, this thesis intends to investigate the role of relationship quality as the mediator between customer perceived value, relational norms, switching costs, and customer loyalty, and the moderating role of dependence on the relationship between relationship quality and customer loyalty. This thesis presents empirical findings from a survey of 158 Malaysian hotel managers, in which the data was analyzed using Partial Least Squares. The findings of this thesis revealed that, except for switching costs, customer perceived value and relational norms are important in affecting relationship quality. However, all these three variables (customer perceived value, relational norms, and switching costs) do not have any significant influence on customer loyalty. The results also show that relationship quality positively and significantly affects customer loyalty, which shows that relationship quality is a necessary determinant of customer loyalty. The results of this thesis also provide evidence that relationship quality mediates the relationship between customer perceived value, relational norms, and customer loyalty. However, the findings revealed that dependence does not moderate the relationship between relationship quality and customer loyalty. Since the results of this thesis showed that customer loyalty is indirectly influenced by customer perceived value, relational norms, and relationship quality, this therefore implies that there is a need for the key players in the hotel industry (e.g., Ministry of Tourism Malaysia, service providers, Malaysian Association of Hotels, and hotel managers,) to focus on these constructs in the pursuit of a more competitive advantage and long-term profits.

ABSTRAK

Ketibaan pelancong ke Malaysia daripada Januari hingga Disember 2012 berdasarkan laporan dari Bahagian Penyelidikan Tourism Malaysia adalah seramai 25.03 juta berbanding 24.71 juta bagi tempoh yang sama dalam tahun 2011, peningkatan sebanyak 1.3 peratus. Pendapatan kepada Malaysia yang dijana oleh industri pelancongan dalam tahun 2012 adalah sebanyak RM60.6 bilion. Berdasarkan statistik hotel, bilangan tetamu hotel di Malaysia daripada Januari hingga Disember 2012 ialah seramai 56.07 juta orang berbanding seramai 53.76 juta orang bagi tempoh yang sama dalam tahun 2011, peningkatan sebanyak 4.31 peratus. Peningkatan dalam bilangan tetamu hotel menggambarkan hotel di Malaysia perlu menawarkan lebih banyak servis kepada tetamu mereka. Oleh kerana hotel terdedah kepada kos tetap yang tinggi, ia perlu meminta pembekal luar untuk menghasilkan servis tertentu bagi mengurangkan kos dalaman. Peningkatan dalam bilangan tetamu hotel telah menyebabkan pertambahan dalam permintaan terhadap aktiviti penyumberan luar dan pengurus hotel sekarang mempunyai pilihan pembekal perkhidmatan yang lebih ramai. Situasi ini telah memudahkan pengurus hotel untuk beralih dari satu pembekal perkhidmatan kepada pembekal lain. Oleh itu, pembekal perkhidmatan perlu cuba untuk meningkatkan kesetiaan pelanggan yang sedia ada (pengurus hotel) kerana kos untuk mengekalkan pelanggan yang sedia ada adalah lebih rendah berbanding kos untuk mendapatkan pelanggan baru. Walaupun objektif utama pemasaran perhubungan adalah untuk mengekalkan kesetiaan pelanggan, bagaimanapun, terdapat perbezaan pendapat dari segi penentu-penentu yang boleh digunakan untuk mencapai matlamat ini. Di samping itu, kekurangan aplikasi *Theory of Reasoned Action* dalam hubungan antara perniagaan dan perniagaan adalah sesuatu yang sewajarnya dikaji.

Sebagai tindak balas, kajian ini mencadangkan model pemasaran perhubungan yang menyiasat secara empirikal dalam satu model tunggal, kesan nilai dilihat, norma hubungan, dan kos pertukaran terhadap kualiti perhubungan dan kesetiaan pelanggan, kesan kualiti perhubungan terhadap kesetiaan pelanggan dan kesan pergantungan terhadap hubungan antara kualiti perhubungan dan kesetiaan pelanggan. Secara khususnya, tesis ini bercadang untuk menyiasat peranan kualiti perhubungan sebagai perantara antara nilai dilihat, norma hubungan, kos pertukaran dan kesetiaan pengguna dan juga peranan pergantungan sebagai moderator ke atas hubungan antara kualiti perhubungan dan kesetiaan pelanggan. Tesis ini membentangkan penemuan empirikal daripada kajian ke atas 158 pengurus hotel di Malaysia yang mana data yang dipungut telah dianalisa menggunakan kaedah Partial Least Squares. Tesis ini mendapati bahawa kecuali kos pertukaran, nilai dilihat dan norma hubungan adalah penting dalam mempengaruhi kualiti perhubungan. Walau bagaimanapun, ketiga-tiga pembolehubah (nilai dilihat, norma hubungan, dan kos pertukaran) tidak mempunyai pengaruh yang signifikan ke atas kesetiaan pelanggan. Keputusan juga menunjukkan bahawa kualiti perhubungan memberi kesan yang positif dan signifikan terhadap kesetiaan pelanggan, yang mana ia merupakan penentu penting kesetiaan pelanggan. Keputusan tesis ini juga membuktikan bahawa kualiti perhubungan merupakan perantara antara nilai dilihat, norma hubungan dan kesetiaan pelanggan. Walau bagaimanapun, penemuan menunjukkan bahawa pergantungan tidak berperanan sebagai penyederhana dalam hubungan antara kualiti perhubungan dan kesetiaan pelanggan. Oleh kerana keputusan tesis ini menunjukkan kesetiaan pelanggan adalah dipengaruhi secara tidak langsung oleh nilai dilihat, norma hubungan dan kualiti perhubungan, maka ini membayangkan bahawa terdapat keperluan bagi pemain-pemain utama industri perhotelan

(Kementerian Pelancongan Malaysia, pembekal perkhidmatan, Persatuan Perhotelan Malaysia dan pengurus hotel) untuk memberi tumpuan dalam terhadap faktor-faktor ini untuk memperoleh kelebihan daya saingan dan keuntungan jangka panjang.

ACKNOWLEDGEMENTS

First and foremost, all praises to Allah S.W.T, the Almighty and Selawat and Salam to Propher Muhammad S.A.W, his family and companions r.a. Syukur Alhamdullilah, by the will of Allah S.W.T. I am able arrived at the final destination of my PhD study after taking a long journey. Without the help and support I received from the following people. I would never have completed this research.

First of all, I would like to express my sincerest gratitude to my supervisor, Dr. Yusniza Kamarulzaman for her good counsel, guidance, inspiration, supervision and constructive criticisms which altogether helped me to write this thesis. Without her guidance, I could not have completed this thesis and my graduate studies successfully.

Special thanks go out to all of my colleagues particularly to Azizah Osman, Saiful Azlan Abdul, and Dr. Mustafa Zakaria for their encouragement and assistance during these crucial years.

My appreciation also goes to Kementerian Pendidikan Tinggi (Ministry of Higher Education) and Universiti Utara Malaysia for providing me the opportunity and financial resources to pursue my study. My appreciation also goes to the staff at University of Malaya for their guidance and support throughout my studies. All the devotion will be remembered forever.

My sincere appreciation also goes to the management of Malaysian Association of Hotels (MAH) and all respondents who have contributed significantly by participating in the research and answering questionnaire.

Last but not least, I am deeply indebted to my dearest husband, Abd Aziz, my parent, Abdul Rahman Mohd Wazir and Faizah Ngah Rafiai, and my children, Irfan, Izzat, Aida and Imran. Their constant love, support, and encouragement were the most essential part of my life. I could not have pursued my dream without their love and support.

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LIST OF SYMBOLS AND ABBREVIATIONS

AVE	-	Average Variance Extracted
B2B	-	Business to Business
CBSEM	-	Covariance-based Structural Equation Modeling
CFA	-	Confirmatory Factor Analysis
CO	-	Commitment
CR	-	Composite Reliability
EFA	-	Exploratory Factor Analysis
EM	-	Expectation Maximization
FX	-	Flexibility
GoF	-	Global Fit Measures
HR	-	Human Resource
IE	-	Information Exchange
IM	-	Image
LO	-	Loyalty
MAH	-	Malaysian Association of Hotels
MCAR	-	Little's Missing Complete at Random
ML	-	Maximum Likelihood
MOTOUR	-	Ministry of Tourism Malaysia
PEV	-	Perceived emotional value
PLS	-	Partial Least Squares
PQV	-	Perceived service benefits
PSV	-	Perceived social value
PVFM	-	Perceived value for money
RET	-	Relational Exchange Theory
SAT	-	Satisfaction
SC	-	Switching costs
SEM	-	Structural Equation Modeling
SO	-	Solidarity

SPSS	-	Statistical Package for Social Science
TR	-	Trust
TRA	-	Theory of Reasoned Action
TRD	-	Theory of Resource Dependency

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

A customer is an important core entity in a business due to his or her ability in helping to generating revenues. Various studies have shown that the costs of retaining a current customer is five times less than the costs of obtaining a new customer, and a five percent increase in the retention rate will be able to increase to between twenty five to ninety five percent of business revenues (Reichheld, 1996; Reichheld and Schefter, 2000; Athanasopoulou, 2009; Davis-Sramek, 2009; Al-Alak, 2010). In the service market, the intangible nature of the service industry has made service differentiation difficult, and resulted in a greater need by service providers to build close relationships with their customers (Parasuraman et al., 1985). However, with the increase in competition, firms in the service market are facing greater challenges of gaining customers' loyalty, since customers have larger selections of service providers. This phenomenon has imposed pressure on the service providers to maintain good relationships with their customers in order to retain the existing customers, because they will stay with service providers they enjoy working with.

Therefore, this study aimed to investigate factors that influenced business customers' loyalty in the context of outsourcing relationships between hotel managers and their service providers. In order to confirm the key factors, an elaborated model based on the Theory of Reasoned Action (TRA) was used as the theoretical framework. This model was applied to

a sample of hotel managers in order to identify factors that determine their intention to stay loyal with their service providers. This chapter starts with the background of the study followed by the overview of outsourcing practices and the background of the Malaysian hotel industry. Next, the research problems, research questions, and research objectives will be defined. In addition, the scope and significance of the study will be presented before the chapter concludes with the outline of the organization of the whole thesis and the chapter summary.

1.2 Background of the Study

Business-to-business (B2B) relationships are one of the areas that has been addressed frequently, and gained the interest of marketing practitioners and academics. While research on business-to-business relationships has concentrated on various areas, customers' loyalty has caught the interest of researchers, and has currently becoming one of the greatest concerns to researchers (DeWulf et al., 2001; Hennig-Thurau et al., 2002; Roberts et al., 2003; Caceres and Paparoidamis, 2007; Moliner, 2008; Athanasopoulou, 2009). Similar to the business-to-customer relationships, customer loyalty is also important to business-to-business relationships (Lam et al., 2004). Customer loyalty is one of the primary outcomes of relationship marketing (Hennig Thurau et al., 2002) and is considered as a competitive advantage to a service provider. The emphasis on relationship marketing has been the focus of academics and practitioners due to the economic advantages of retaining existing customers as opposed to acquiring new ones (Ndubisi, 2007). A loyal customer is able to improve an organization's profitability through cost reduction effects and increased revenues per customer (Hennig-Thurau et al., 2002).

Increase in competition between hotels, as well as between emerging and new tourist destinations and increase in costs, have made hotels rethink their competitive strategies to survive in the competitive business environment. Many hotels are losing existing guests to their rivals as a result of successful attempts to entice guests away. The global economic slowdown has added more pressure on hotels in facing challenging markets in which they have to compete with each other to get more hotel guests that will improve the hotels' sales levels. However, faced with high levels of fixed costs, hoteliers have to find alternative ways to reduce their internal costs. One of the most popular strategies for the hotels is to outsource their activities to external service providers (Lam and Han, 2004). According to Rodriguez-Diaz and Espino-Rodriguez (2006, p. 32) "outsourcing is becoming a strategic function of great importance", and the hotel industry is one of the principal candidates to use service outsourcing. Outsourcing offers improvements on firms' performance by focusing on core competence, increasing competitive advantage, and reducing internal costs and lowering the breakeven point through reduction in fixed investments in in-house operating facilities (Kotabe and Murray, 2004; Donada and Nogatchewsky, 2009).

In an outsourcing relationship, a company contracts-out or sells an organization's assets, people, and/or activities to a third-party supplier, who, in exchange, provides and manages assets and services for monetary returns over an agreed time period (Kern and Willcox, 1998). The business customers set performance standards and have the power to terminate the service providers. In this respect, the profitability and image of the business customers are dependent on the effectiveness and the success of the service providers. Service

providers who do not effectively manage customer relationships, and fail to deliver quality services, are strong candidates for removal from the business customers' lists.

1.2.1 Customer Loyalty

Securing and increasing loyalty and creating long-term relationships with existing customers has emerged as important marketing issues for service providers due to the rivalry of competitors and difficulties with maintaining a competitive advantage (Meniawy, 2000). Various studies have shown that obtaining new customers is five times more expensive than retaining existing customers (Reichheld, 1996; Reichheld and Schefter, 2000; Athanasopoulou, 2009; Davis-Sramek, 2009). By retaining current customers, service providers may gain benefits and economic advantages, including increasing profits, reducing costs to acquire customers, and lowering customers' price sensitivities (Hallowell, 1996). Thus, customer retention has been suggested as an easier and more reliable source of superior performance and long-term profitability (Reichheld and Sasser, 1990).

In business-to-business relationships, service providers have the advantage of gaining higher profitability, since business customers spend larger amounts on purchases and services than end users (Kalwani and Narayandas, 1995; Weiser, 1995; Bowen and Shoemaker, 1998). Hence, high levels of business customer loyalty has become the focus of most firms and service providers.

In the early part of the 21st century (2000-2002), customer loyalty was reported to be one of the most important areas discussed among business practitioners and academics (Olsen,

2002). With the increase in competition, firms were paying more attention to relationship marketing as a strategy to increase customer loyalty. For a firm that wants to pursue sustainability, it is a necessary task to maintain customer loyalty, which is crucial in business survival (Deng et al., 2009).

1.2.2 Relationship Marketing

Relationship marketing, which typically refers to establishing, maintaining, and enhancing relationships with customers and other partners (Gronroos, 1994), not only emphasizes meeting customers' needs, but also on ways of building close relationships with customers, companies, and other business parties (Zineldin, 2000; Caceres and Paparoidamis, 2007). As noted by Hennig-Thaurau et al. (2002), the key goal of relationship marketing is to identify the key predictors of relationship marketing outcomes (e.g., loyalty, word of mouth, and willingness to offer referrals), and to understand the causal relationships between the predictors and the outcomes. The fact that the business relationships between firms and the service providers have evolved from customer and service provider relationships to partnerships (Grover et al., 1996) has forced companies to emphasize relationship marketing as one of the restructuring strategies to enhance their chances of survival and growth (Zineldin, 2000; Al-Alak, 2010; Emami et al., 2013). The intense competition among service providers has led to the growing interest in relationship marketing. Relationship marketing, which aims at building long-term, trusting, and mutually beneficial relationships with customers, has been considered as a key strategy for organizations, and represents a new and powerful force in marketing (Meniawy, 2000; Al-Alak, 2010).

One of the strategic partnering relationship program that has emerged under relationship marketing is key account management program. Instead of purchasing a product or service, key account management program focuses on how customers can buy relationships with the seller. In this program, account managers and teams were assigned by the selling company to assess the customer's needs and then tailored the needs with the selling company's resources for the customer's benefit (Hollenen and Oprensnik, 2010). This program requires higher commitment of selling company's towards their major customers.

Factors such as relational benefits, pricing, and corporate image (Hennig-Thurau, et al., 2002; Mohd. Rafi, et al., 2010) may affect the behavioural intentions of the customers. In the context of hotel services outsourcing, where two parties are involved in complex transactions, further investigations may be useful to gain better understanding of the reasons for the business customers to remain loyal to the existing service providers, or switch to alternative service providers. Whether the objective is to build loyalty in the existing business customers or to acquire new customers, in the outsourcing practice in the hotel industry it is important to emphasize on relationship marketing as a strategic tool (Woo et al., 2001).

According to Berry (2002) the practice of relationship marketing is appropriate to a service firm when the following conditions exists: (1) There is continuous demand for the service, (2) The customer has choice in choosing their suppliers, and (3) The market consists of multiple suppliers that makes customer switching a common practice. The Malaysian hotel industry has been selected as the research sample for the reasons mentioned above.

Outsourcing of services is continuously desired by the hotels and with multiple number of suppliers in the competitive market, the switching rate is high. Next section discusses the background of Malaysian tourism and hotel industry.

1.3 Overview of the Malaysian Tourism and Hotel Industry

According to the 2012/2013 Economic Report (Malaysia, 2012), in 2011 the services sector was the largest contributor to the nation's Gross Domestic Product (GDP) with 54.2 percent of the share of GDP. In the first half of 2012, this sector grew 5.8 percent and was expected to increase by 5.5 percent and remain the key driver of growth, accounting for 54.5 percent of GDP by the end of 2012. The growth was largely driven by sustained domestic demand and travel-related activities. Within the services sector, the accommodation and restaurant subsector were among the most promising subsectors (Khairil Wahidin et al., 2008). It had been growing enormously since the 1990s as the government recognized the economic importance of the tourism industry to the nation. According to Paryani et al. (2010), the tourism industry was considered the most global industry in the service sector. With respect to the tourism industry, in 2012, the tourism industry generated RM60.6 billion to the Malaysian economy (Malaysia 2012).

The accommodation and restaurant subsector's growth of 6.4 percent in 2012 was basically supported by higher hotel occupancy rates and an increase in the number of food outlets (Malaysia, 2012). The hotel industry has also contributed greatly to the Malaysian economy by providing greater employment opportunities, adding income to rural populations, providing greater support to the growth of secondary activities, and supporting the

expansion of the domestic tourism industry (Khairil Wahidin et al., 2008). The significant contribution of the hotel industry to the tourism industry is aligned with the mission statement of Tourism Malaysia, which says: “Marketing Malaysia as a destination of excellence and making the tourism industry a major contributor to the socio-economic condition of the nation” (Suhaiza et al., 2011).

With the escalating competition, the hotel industry has now had to learn how to become more productive, more efficient, and more effective in their operations in order to stay competitive. Developing and maintaining good relationships with the suppliers/service providers is one of the most important determinants of successful operations. Thus, it is very important to understand how relationship marketing works in the hotel industry, where services are outsourced to external service providers and business customers’ loyalty to the service providers has been a critical issue.

1.4 Research Problem

Malaysian service sector is the largest contributor to the Malaysian economic growth (Malaysia Economic Report 2012/13). The sector contributes 54.5 percent to nation’s Gross Domestic Product (GDP) in 2012 (Malaysian Economic Report, 2012/13). The hotel industry is one of the key contributors to the services sector with 6.4 percent growth in 2012 (Malaysian Economic Report, 2012/13). To boost the tourism industry and promote tourists spending RM111 million was allocated under the 2012 Budget. As a result, hotel guests in Malaysia has amounted to 56.07 million guests from January to December 2012, a 4.31 percent increase (Malaysian Association of Hotels, 2012). The increase in the number

of hotel guests indicates that hotels in Malaysia needed to provide more services to their guests. Since hotels are facing high levels of fixed costs they have to involve in outsourcing to reduce costs (Lam and Han, 2004).

The intense competition among hotels in Malaysia means that there is a larger demand for outsourcing services. Hotels as industrial customers are now exposed to a wider choice of companies that are willing to provide services for them. As a result, they are more inclined to switch to other service providers, if the current service providers are unsatisfactory. In this situation, industrial customers' loyalty towards their service providers has become a critical issue.

However, 40 percent of companies in a wide range of industries were dissatisfied with their outsourcing relationships (Webb and Laborde, 2005) and have to terminate the relationships, sacrificing customer loyalty. Customer loyalty is considered as a source of competitive advantage (Morgan and Hunt, 1994; Hennig Thureau et al., 2002; Jamil and Aryaty, 2010). It is due to the fact that obtaining new customers is five times more expensive than retaining existing customers (Reichheld, 1996; Reichheld and Schefter, 2000; Athanasopoulou, 2009; Davis-Sramek, 2009). Service providers are advised to emphasize on relationship marketing to enhance their chances of survival and growth (Zineldin, 2000; Al-Alak, 2010). They also need to build close relationships with their customers due to the nature of the service industry (Berry, 1995; Woo et al., 2001; Berry, 2002).

Research investigating the importance of close relationships between service providers and their customers had been conducted by many researchers (Doney and Cannon, 1997; Graf and Perrien, 2005; Al-Alak, 2010; Deng et al., 2010). By having close relationships, service providers will be able to reap the short-term and long-term benefits of any relationships, such as increased loyalty, customer satisfaction, and positive word-of-mouth. With the aim of examining whether relationship quality can predict behavioural intention, this study adopts the relationship quality approach from the perspective of relationship marketing. According to Abratt and Russell (1999), relationship marketing philosophy focuses on keeping and developing relationships with existing clients to increase long-term profitability.

Relationship quality is one of the key variables that play an important role in the development and maintenance of long-term relationships (Crosby et al., 1990; Hennig-Thurau and Klee, 1997; Al-Alak 2010) and is commonly discussed as one of the key constructs to measure the strength of a relationship (Morgan and Hunt, 1994; Garbarino and Johnson, 1999; De Wulf et al., 2001; Liu et al., 2011). It is not surprising that relationship quality has received tremendous attention from academics and practitioners. However, as noted by Naude and Buttle (2000), Sirdeshmukh et al. (2002) and Lam et al. (2004) within the business-to-business marketing and supply chain management little attention has been given to the issue of relationship quality, and it is worth investigating.

This research addresses several gaps in the literature. A vast stream of empirical research has suggested that relationship quality is a higher order construct composed of several

distinct but related dimensions that represent the overall characteristics of the relationships (Crosby et al., 1990; Woo and Ennew, 2004). However, there is still a lack of consensus on the precise meaning of relationship quality and its components (Woo and Ennew, 2004).

Numerous authors have investigated the antecedents of relationship quality in various research contexts (e.g., Crosby et al., 1990, Kim and Cha, 2002; Wang et al., 2004; Liu et al., 2005; Huang and Lui, 2007; Zhang and Feng, 2009; Chung and Shin, 2010; Ndubisi et al., 2011; Huang, 2012; Rahmani-Nejad et al., 2014). The earlier studies on relationship quality can be separated into two categories: (1) between business to customer (B2C) (e.g. Crosby et al., 1990; Lagace et al., 1991; Rahmani-Nejad et al. (2014) and (2) between business buyer and seller (B2B) (e.g. Bennett and Barkensjo, 2004; Boles et al., 2000; Kim and Yoo, 2006; Lee et al., 2013). Business to business relationship includes manufacturer-distributor, retailer-wholesaler, supplier-reseller, and business customer-outsourcing vendor.

In the business-to-customer relationship, Crosby et al. (1990) used an interpersonal influence perspective to develop and test a model that aimed to identify the antecedents of retail customer to salesperson relationship quality. The authors found out that the level of salesperson expertise and the use of relational selling behaviour increased relationship quality. Their study in the pharmaceutical industry, Legace et al. (1991) found that ethical behaviour and expertise of salesperson are positively related to quality. Kim et al. (2006) conducted a study that investigated the antecedents of relationship quality between luxury restaurants in Seoul Korea employees' customer orientation, communication, relationship

benefits and price fairness have a positive effect on relationship quality. Rahmani-Nejad et al. (2014) concluded that the effect of the quality of services on satisfaction is greater than its effect on trust in the Iranian banking industry.

In the business-to-business relationship, Kumar et al. (1995a) suggested that both distributive and procedural fairness have a positive impact on the supplier reseller relationship quality. However, procedural fairness has relatively stronger effects on relationship quality than distributive fairness. Boles et al., (2000) found that salesperson's expertise, relational selling behaviour, and equity effect relationship quality. In addition, Tsaor et al. (2006) found that travel wholesalers' relational behaviours (initiating, signaling, and disclosing behaviours), end users' satisfaction and offering support positively affect relationship quality between travel wholesalers and retailers in Taiwan. Findings from research conducted by Lee and Hiemstra (2001) showed that salespersons' strong expertise, power, and willingness to take responsibility and solve problems can enhance relationship quality between salespersons and meeting planners. Lee et al. (2013) found that price and consumer value had a positive influence on trust in B2B online tradings.

While various studies have been conducted on the antecedents of relationship quality, there is a lack of consensus on the antecedents of relationship quality which is partly due to the context dependency of the studies (Vieira et al., 2008). The antecedents of relationship quality in the business-to-business relationships in the hotel industry may differ from other service industries and this requires further investigation. This leads to the conclusion that the factors that influence the relationship quality may not be consistent and tends to be

industry specific. Therefore, there is a need to bridge these gaps in knowledge regarding the antecedents of relationship quality since there are many calls for further empirical research in other business to business sales settings (Boles et al., 2000). Therefore, the purpose of this study is to fill this gap by proposing that relationship quality is influenced by perceived value, relational norms, and switching costs. These variables were chosen as determinants of relationship quality due to their importance in outsourcing relationships.

There are many factors that influence customer loyalty. Service providers must not feel comfortable because not all loyal business customers are customers that have high quality relationships with them and also not all customers can always be retained. There are customers who remain loyal because they perceived that the services offered by the service providers benefit them. Other customers continue to be loyal because of relational behaviour demonstrated by the service providers, high switching barriers due to unavailability of real substitute, or high quality relationship with the service providers.

While relationship quality has been identified as an important predictor of customer loyalty, perceived customer value, is also likely to influence customer loyalty (e.g., Anuwhichanont and Mechinda, 2009; Moliner et al., 2006). The effect of perceived value on customer loyalty is quite apparent and have been proven by several studies in the business-to-customer markets (Yang and Patterson, 2004; Fassnacht and Köse, 2007). However, studies focus on the relationship between perceived value and loyalty in the business-to-business market is quite limited. As buying firm transact over time with the service provider, attention should be paid to how the customer perceived the services supplied by the service

providers in order to retain the customers. Given the considerable interest in perceived value, it is crucial to determine the contribution of perceived value to customer loyalty in the business-to business settings. In addition, study that was conducted to investigate the mediating effect of relationship quality on the link between perceived value and loyalty is limited. Hardly any study was found to have studied the mediating effect of relationship quality on the relationship between perceived value and loyalty. To fill the gap, there is a need to study this relationship.

When the relationships between service providers and their business customers are guided with by relational norms such as flexibility, information exchange, and solidarity, close relationships can develop between the firms that will enhance loyalty (Griffith et al., 2006). However, results conducted research conducted to investigate the effect of relational norms on the quality of relationship provide mixed support and were mostly conducted in the Western countries, and in different industrial contexts. Besides that, there is no agreement on the dimensions of relational norm. Many channel research either examines single or several norms individually (Smit et al., 2002; Griffith et al., 2006) or modelling relational norm as second order dimensions Bello et al., 2003; Palmatier et al., 2007). The second order approach in this research advances the treatment of relational norm in the outsourcing relationship which is important construct that is worth exploring.

In addition, the role of switching costs in influencing customer loyalty has been also well established (Heide and Weiss, 1995; Bansal and Taylor, 1999; Liu et al., 2011). The literature on switching costs (Burnham et al., 2003; Jones et al., 2002) provides evidence of

changes in customers' expectation of a relationship with an organization as relationships evolve. In the outsourcing context, service providers and business customers often make relationship-specific investments (e.g., learning about procedures, preferences, building trust in the service providers). These investments may improve the service providers' quality of relationships with their customers as well as the customers' propensity to remain loyal.

Although prior research has investigated the effects of relationship quality on customer loyalty (e.g., Lin and Wang, 2006; Rauyren and Miller, 2007) and that of switching costs on customer loyalty (e.g., Jones et al., 2000) very limited studies (e.g., Liu et al., 2011) have investigated the effect of relationship quality and switching costs and loyalty at the same time. In addition, most of the studies that investigate the impact of switching costs on customer loyalty have been conducted in various contexts other than outsourcing relationship in the hotel industry. Since switching costs is an important construct that influence customer loyalty, it is another gap that is worth investigating.

Almost all business relationships have common characteristic which is parties' dependence. Each party needs the other in some extent to achieve their goals (Gutiérrez et al., 2004). It is obvious that service providers/suppliers rely on their customers' buys and customers depend on service providers to satisfy their needs in terms of the services provided. Hence, dependence between parties is essential in a relationship. However, problems may arise if dependence is forced by circumstances such as the lack of alternatives for the exchange or high costs to terminate the current relationships, which is common in an outsourcing

relationship. In these cases, the business customers' dependence on the service providers will lead to repeat purchase but it will be a weak commitment without affective component and without a strong possibility to stay loyal (Gutiérrez et al., 2004). This suggests that links between dependence and customer loyalty is another gap that is worth exploring. This research intends to examine dependence as a moderating variable in the relationship quality and customer loyalty link in the context of business-to-business relationships in the hotel industry.

Dependence had been used as a moderating variable in channel relationships (Andaleeb, 1995, 1996; Bolliger et al., 2005; Everdinge et al., 2008). In this study, dependence has been adopted as a moderator in the link between relationship quality and customer loyalty. The link between relationship quality and customer loyalty rests on several assumptions, for which empirical support does not always exist (Huang, 2012). Using structural equation modeling (SEM), Huang (2012) shows that satisfaction has a positive mediating effect on the relationship quality-loyalty link. However, various studies have shown the impact of moderating variables such as relationship strength, dependence, and gender on the relationship quality-customer loyalty link (Andaleeb, 1995, 1996; Sanchez-Franco et al., 2009; De Canniere et al., 2010). Findings from the research show the direct relationship between relationship quality and customer loyalty may be mis-specified because various mediators and moderators influence the relationship.

Dependence has been chosen as a moderator variable between relationship quality and customer loyalty link due to its relevance in the outsourcing context. Dependence exists

“when one party does not entirely control the critical resources necessary for the achievement of an action or a desired outcome performed by other parties” (Handfield and Bechtel, 2002, p. 371). According to Andaleeb (1996) dependence influences the link between trust and customer loyalty. Therefore, the application of dependence as a moderating variable on the relationship quality-customer loyalty link is worth investigating due to its relevance in the context of outsourcing.

In addition, prior studies have not firmly established the consequences of relationship quality. The common positive relational outcomes of relationship quality in previous studies include customer loyalty, repurchase intentions, anticipation of future interaction, and word-of-mouth. The influence of relationship quality on customer loyalty was demonstrated by numerous authors (see Crosby et al., 1990; Tam and Wong, 2001; Chiou, 2004; Lin and Ding, 2005; Lin and Chung, 2008; Motamedifar et al., 2013; Rahmani-Nejad et al., 2014). Customer loyalty “is an important objective for strategic marketing planning and represents an important basis for developing a sustainable competitive advantage” (Rahmani-Nejad et al., 2014, p.263). For the most part, much of the research on these positive relational outcomes has primarily been carried out in the customer markets (e.g., Crosby et al., 1990; Lee and Heimstra, 2001; Woo et al., 2001; Woo and Cha, 2002; Roberts et al., 2003; Lam et al., 2004; Sawmong and Omar, 2004; Rahmani-Nejad et. al., 2014).

Except for prior studies by Donada and Nogatschewsky (2009), Beatson et al., (2009), and Farn and Huang (2009), researches that have examined customer loyalty towards their

service providers in the context of outsourcing is limited. The majority of studies on outsourcing focused on outsourcing success (Lee and Kim, 1999) and partnership (Grover et al., 1996). Despite of the rise in popularity of outsourcing as a business strategy, Lamminmaki (2003) noted there is limited prior research concerned with outsourcing relationships. As a result, not much is known about positive relational outcomes, especially business customer loyalty, where it has been studied less frequently in business-to-business relationships.

In addition, previous empirical studies on the influence of relationship quality on customer loyalty were mostly conducted in the United States, Europe (e.g., Germany, Netherlands, Northern Ireland, Spain), Australia, and Asia (e.g., Taiwan), and Middle East (e.g. Saudi Arabia). Empirical study on this subject conducted in Malaysia was given less attention. Except for a study conducted by Jamil and Aryaty (2010) hardly any study was found to study the influence of relationship quality on customer loyalty in Malaysia. Customer loyalty in business-to-business relationships is worth investigating as its assessment enables the service providers to develop marketing strategies for retaining customers.

The purpose of this research is to investigate the impact of perceived value, relational norms, switching costs, and relationship quality on customer loyalty in the context of outsourcing relationships in the Malaysian hotel industry. Additionally, this research attempts to test the moderating role of dependence on the link between relationship quality and customer loyalty.

It is important to examine whether perceived customer value, relational norms, switching costs, and relationship quality result in positive behavioural outcomes. By examining these relationships, service providers will be able to improve their understanding of factors that lead to business customers' loyalty in the hotel industry. The focus on outsourcing relationships in the hotel industry will contribute to the marketing and service literature on the relationship between the business customers in the hotel industry and their service providers, and their consequent behavioral outcomes. It will also provide some guidelines to service providers in the hotel industry on ways to improve their relationships with their business customers. Strong relationships with business customers will help increase the service providers' sales and financial performance. Therefore, an integrated and well-developed relationship model is warranted to present a platform for the service providers to develop and maintain long-term relationships with the business customers as well as retaining them.

1.5 Significance of the study

As noted by (Sirdeshmukh et al., 2002; Lam et al., 2004), the academic studies that focused on business-to-business relationships (B2B) are scarce and warrant further investigations. Besides that, the antecedent factors found in previous studies might also be different in various settings, and tend to be industry-specific (Viera et al., 2008).

Findings from this research can be used to identify factors that may affect customer loyalty. Perceived value, relational norms, and relationship quality were found to influence customer loyalty. The outcome of this research also showed that relationship quality

mediates the relationships between perceived value and relational norms on customer loyalty. It should be noted that in order to increase customer loyalty, service providers should improve perceived values of their services and relational norms so that the customers' trusts, commitment, and satisfaction will also increase.

In addition, this study can contribute to the improved understanding of the outcomes of relationship quality in business-to-business relationships. While previous research has identified outcomes of relationship quality, such as relationship profitability (Yaqub, 2010), preferred share of purchases (Coleman and Mayo, 2007), sales (Huntley, 2006), and relationship commitment (Boniface et al., 2009), the potential role of customer loyalty has not been systematically analysed in the context of outsourcing relationship in Malaysia. Therefore, this study can contribute to the improved understanding of the role of relationship quality in the context of outsourcing in the hotel industry. Service providers should adopt strategies that will improve the quality of relationship with their business customers, that will further increase their loyalty.

From the practical perspective, the findings of this study are also important in the development of the hotel industry in Malaysia. The main reason for choosing the hotel industry as the research context is due to the fact that the hotel industry is becoming one of the most important contributors to the Malaysian economy. Due to the stiff competition in this industry, hotel managers have tried to minimize their operating costs by outsourcing, and therefore, it is important for the service providers understand the nature of their business customers. Since relationship quality is the focus of this study, it is hoped that the

findings will assist service providers in generating and applying customer-oriented strategies in this industry.

In terms of a value network, which refers to “a system of partnerships and alliances that a firm creates to source, augment, and deliver its offerings” (Kotler and Keller, 2012, p. 439) (e.g., firm’s suppliers, its suppliers’ suppliers, resellers, and end customers) the findings of this study may assist the firm in understanding factors that may improve the firm’s relationship with its value network members. These factors will assist the value network members to be more efficient in producing and delivering offerings to the end customers in the market. From the supplier side, the findings from this study enable the firm’s suppliers’ to understand factors that may strengthen their relationship with the firm that makes the firm stay loyal to them.

1.6 Scope of the Research

The scope of this study focuses on three aspects, which includes the industry, context, and respondents. The main reason for choosing hotel industry is the fact that the hotel industry is one of the most important industries, and has the potential to be one of the largest contributors to the service sector in Malaysia. The Government’s focus on the tourism industry has also made the hotel industry to be one of the major players in the industry. Outsourcing has been chosen as the context of this study due to the fact that it has become one of the most popular strategies chosen by firms to reduce their operating costs. Moreover, most hotels in Malaysia are involved in outsourcing activities. The respondents for this study are hotel managers that are involved in the outsourcing activities and possess

a wide knowledge of issues related to outsourcing relationships with the service providers (e.g., Human Resource, Purchasing, Finance, Accounting, Food and Beverage Managers). The study focuses on the relationships between hotel managers from hotels with the Star Ratings of 1 to 5 Stars (awarded by the Ministry of Tourism Malaysia) in Peninsular Malaysia and their service providers.

1.7 Research Questions

The following research questions have been developed to guide this study.

Research Question 1:

How do perceived value, relational norms, and switching costs affect relationship quality of outsourcing practices in the hotel industry?

Research Question 2:

How do perceived value, relational norms, and switching costs affect customer loyalty of outsourcing practices in the hotel industry?

Research Question 3:

Does relationship quality mediate customer loyalty of outsourcing practices in the hotel industry?

Research Question 4:

Does dependence moderate the link between relationship quality and customer loyalty of outsourcing practices in the hotel industry?

1.8 Research Objectives

The main objective of this study is to determine factors that affect customer loyalty. In the increasingly competitive and challenging hotel industry, it is very important to understand why business customers become loyal to their service providers. To assist and guide this research, the objectives of this study are formulated as follows:

Research Objective 1:

To investigate the effect of perceived value, relational norms, and switching costs on relationship quality of outsourcing practices in the hotel industry.

Research Objective 2:

To examine the effect of perceived value, relational norms, and switching costs on customer loyalty of outsourcing practices in the hotel industry.

Research Objective 3:

To examine if relationship quality mediates customer loyalty of outsourcing practices in the hotel industry.

Research Objective 4:

To assess if dependence mediates the relationship between relationship quality and customer loyalty.

1.9 Overview of Research Methodology and Analysis

This study involves determining the factors that determine relationship quality and customer loyalty in the context of service outsourcing. In conducting this study, personal interview and self-administered mail questionnaire survey was selected as the methods of data collection. The personal interviews were conducted prior to the self-administered mail questionnaire data collection. This research focuses on the relationship quality between hotel managements and their service providers, therefore the population of this study are hotels that are involved in outsourcing activities. The list of hotels for this study was obtained from the Ministry of Tourism Malaysia. It provides the most comprehensive list of hotels in Malaysia. The sampling frame of this study is 583 hotels rated from 1 to 5 Stars according to the Ministry of Tourism. The hotels were classified according to their star ratings. Since there is no available database with the number of hotels that are involved in outsourcing, the researcher has to distribute the questionnaire to all the hotels in the sampling frame. An item on the questionnaire, which is “Is your hotel involved in outsourcing?” plays the role as a filter question that provides the appropriate respondents for this study. The unit of analysis of this research is the hotel managers in Malaysia.

The research paradigm underpinning this study is the pragmatism approach, which is often associated with mixed methods research (Creswell and Plano Clark, 2007; Creswell, 2009).

The focus of this paradigm is on; (1) the consequences of research, (2) multiple methods of data collection, and (3) the primary importance of the question asked rather than the methods (Creswell and Plano Clark, 2007). A pragmatist seeks to develop knowledge based on singular and multiple realities that are open to empirical inquiry and orients himself/herself toward solving practical problems in the real world (Feilzer, 2010). According to this paradigm, researchers are allowed to be free of a particular research method imposed by postpositivism and constructivism (Creswell and Plano Clark, 2007). Thus, in the attempt to investigate relationship quality and customer loyalty in outsourcing relationships, research hypotheses were developed and tested.

Postpositivism is often associated with quantitative approaches, as reflected by the usage of questionnaire in this research. Postpositivists hold a deterministic philosophy in which causes probably determine the effects or outcomes. Therefore, there is a need to identify the causes that affect outcomes in the research studied by postpositivists. Postpositivists tend to reduce ideas into a small set of ideas to test and they will begin a research with a theory, collects data that either supports or rejects the theory, and make necessary revisions before additional tests are made (Creswell, 2009).

Prior to the main study, exploratory studies using personal interviews were conducted. The qualitative method was employed by the researcher at the early phase of the study to seek better understanding of the outsourcing activities in the hotel industry through personal interviews with eight hotel managers. It helped to identify problems and issues related to outsourcing in the hotel industry. Results from the personal interviews were used to

develop items for the research instruments (Cresswell and Plano Clark, 2007). The importance of conducting the personal interviews is supported by the constructivists approach. Constructivists hold assumptions that individuals seek to understand the world they live, work (Creswell, 2009). This worldview is usually associated with qualitative research. Individuals develop subjective meanings toward objects or things and tend to expand the ideas into multiple views gathered from discussion and interactions with other people. Rather than starting with a theory (as in postpositivism), the constructivists generate or develop a theory or pattern of meaning.

Data gathered from the field survey were analysed for descriptive statistics using Statistical Package for Social Science (SPSS) version 19. In addition, research hypotheses were tested using Partial Least Squares (PLS) methodology. PLS is a component-based Structural Equation Modeling (SEM) that is quite robust against skewed distributions and able to overcome some of the limitations in the first generation multivariate statistical analysis. SmartPLS 2.0 (Ringle et al., 2005) software was used in testing the hypotheses.

1.10 Organisation of the study

This section provides a brief review of the structure of the thesis. This study comprises five chapters. Chapter 1 provides the background of the study, problem statements, objectives of the study, research questions, scope, and significance of the study to the body of knowledge.

Following Chapter 1, Chapter 2 focuses on a review of the existing literature related to the constructs in this study. It critically reviews the relevant literature related to the constructs that formed the proposed research model. A research model was proposed as the framework of this study and the development of hypotheses were presented in this chapter.

In addition, Chapter 3 presents the research methodology used to examine the research designs, operationalization of the constructs, reliability and validity of the constructs will be discussed. This chapter concludes by discussing methods to analyse the research data and to test the research hypotheses.

Next, Chapter 4 presents the research data, and interprets and reports the outcomes from the data analysis. In this chapter the demographic background of the respondents and participating hotels will be discussed. In addition Partial Least Square methodology will be used to test the hypotheses in the research model.

Lastly, Chapter 5 provides the research findings and the managerial and theoretical implications of the study. Research contributions, limitations of the study, and suggestions for future research concludes this chapter.

1.11 Chapter Summary

This chapter discussed the background of the study as well as the ways on how relationship marketing strategies can build and maintain relationships in business-to-business relationships in Malaysia. Antecedents of relationship quality and customer loyalty were

discussed. This is followed with the research problems, research questions and objectives, and significance of the study. Chapter 1 concluded with a section on the organization of the five chapters of this thesis. The following chapter will discuss on the literature review, underpinning theory, and the conceptual framework of this research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews existing literature related to the proposed framework used in this thesis. This includes discussions on the theoretical foundations of this study and relationship marketing, which is the basis for the constructs chosen for this thesis. The next sections will discuss an overview of relationship marketing and its evolution, proposed constructs in the thesis, past research on the determinants and outcome of relationship quality. The discussions continue with sections on theories underpinning the research, hypotheses development and proposed research framework. The discussions end with a summary of this chapter.

2.2 Overview of Relationship Marketing

While relationship marketing has emerged as an exciting area of marketing that focuses on developing and maintaining long-term relationships with customers and other parties, it has only received critical literature mass in the 1980's and 1990's (Kneneyer and Murphy, 2005) as firms began to enter into long-term associations as a result of increased customer demands and intensifying global competition (Cravens, 1995). Relationship marketing originated from the industrial and business-to-business markets (Payne, 1995), and appeared in the service marketing literature for the first time in 1983 through a paper by Berry (Grönroos, 1994). It was first adopted by the airline industry through the frequent traveller program that aimed to bind customers to brands (Kim et al., 2001).

Research in relationship marketing focuses on various areas, including business-to-business or channel relationships (see Morgan and Hunt, 1994), business-to-customer relationships (see Crosby et al., 1990, and Sheth and Parvatiyar, 1995) and service marketing (see Grönroos, 1990).

The emergence of relationship marketing is a result of the concept of relational exchange. Relational exchanges are exchanges that occur between two parties that have had past experience or will have exchanges in the future (Dwyer et al., 1987). MacNeil (cf. Wetsch, 2005, p. 31) suggested that firms should focus on ongoing buyer-seller relationships or a series of relational exchanges since discrete transactions were rare.

Initially, relationship marketing solely emphasized on developing and maintaining relationships between a firm and its customers (Bendapudi and Berry, 1997). However, the concept of relationship marketing has expanded beyond its initial conceptualization, and currently it may be used to describe marketing relationships, such as between a firm and its buyers, suppliers, employees, regulators, and stakeholders. In other words, relationship marketing covers intra- and inter-organizational relationships, as well as relationships between organizations and individuals, concerns with dyadics and networks of relationships as well as strategic alliances, partnerships, and strategic networks (Eiriz and Wilson, 2004).

Relationship marketing concerns establishing long-term relationships between partners that focus on the shifts from customer acquisition to customer retention based on the fundamental principles of mutual value creation, trust, and commitment (Caceres and

Paparoidamis, 2007). In other words, relationship marketing refers to the extent to which customers, firms, and employees build and maintain close working relationships that develop from trust and commitment between the parties involved.

The ultimate goal of a relationship marketing strategy has been to strengthen already strong relationships and ultimately to increase customer loyalty (Berry and Parasuraman, 1991). Similarly, Kim et al. (2001) pointed out that the goal of the relationship is to deliver long-term value to customers. In the business-to-business relationships, relationship marketing focuses on approaches to building a long-term relationship and maintaining lasting relationships between the trading partners that are rewarding for both parties (Ndubisi, 2004), and where both parties could trust that the benefits achieved by them would be equal over time (Abramson and AI, 1997). Therefore, in order to achieve the goal of relationship marketing, firms should employ strategies other than that related to pure economics or product attributes (Bowen and Shoemaker, 1998). Relationship marketing is a commonly adopted strategy in the service industry, where the intangible nature of the service makes differentiating services based on physical attributes difficult to implement.

2.3 The Perspectives of Relationship Marketing

Relationship marketing has become one of the exciting areas in marketing (Forouzandeh and Ahmadi, 2010). The rapid and radical changes in the marketing environment have forced businesses to emphasize relationship marketing as one of the restructuring strategies to enhance their chances of survival and growth (Zineldin, 2000). Marketers have realized that in sustaining a competitive advantage in the fierce environment they have to be trusted

by the customers (Dyer and Singh, 1998), and one of the ways is using relationship marketing.

Several other factors have also contributed to the rapid growth and evolution of relationship marketing. This includes the increase in the usage of sophisticated computer and telecommunication technologies, continuing growth of the service economy or the maturing of services marketing, increasing competition in the current marketplace (Berry, 1995; Christopher et al., 1995), shorter product life cycles, rapidly changing customer buying patterns, more knowledgeable and sophisticated customers (Grönroos, 1994), lower cost of retaining an existing customer (Kim and Cha, 2002), increased recognition of potential benefits for the firm and the customer, and technological developments (Berry, 1995).

The growth of relationship marketing in the 1980s and 1990s has resulted in the emergence of several perspectives. Payne (1995) listed four broad groups of researchers working on relationship marketing within institutions or groups around the world. The first research group is the Cranfield School of Management research group, which also includes the 'Anglo-Australian' school of relationship marketing.

The Scandinavian professors, including Christian Grönroos, Evert Gummesson and their colleagues from the Swedish School of Economics and Business Administration in Finland formed the second group that has been working on research in services marketing and service quality.

The third group is the International or Industrial Marketing and Purchasing Group (IMP), which is comprised of researchers from Europe that have been highly influential in the study of industrial markets. The IMP Group proposed that all business relationships are made up of three layers that comprise their substance: (1) actor bonds, (2) resources ties, and (3) activity links (Mytal et al., 2008).

The fourth group originated from North America. Several research groups have been founded to integrate relationship marketing in different marketing areas. Theodore Lewitt and Barbara Bund Jackson from the Harvard Business School study industrial markets, Len Berry and his colleagues at the Texas A&M University in service markets, and Jagdish Sheth and his colleagues at Emory University formed a Center for Relationship Marketing.

2.4 Definitions of Relationship Marketing

While there is an extensive literature on this marketing discipline, there seems to be no consensus among the authors on one accepted definition of relationship marketing (Zineldin, 2000). Relationship marketing is “not an easy concept to define in a form that is acceptable to even a majority of relational marketers” (Egan, 2008, p. 32). From the broader perspective, relationship marketing view marketing as an integrative activity that emphasizes developing and maintaining relationships, whereby personal relationships, interactions, and social exchange are the core elements (Zineldin, 2000). Different authors have differing perceptions on what constitutes relationship marketing that directs to various definitions of relationship marketing. There are two reasons for these differences; (1) the lifetime for relationship marketing to develop into a fully-formed paradigm is relatively

short, and (2) the variation in the academic and social-politic background of contributors of relationship marketing theory (Harker, 1999a). As a result, there is no precise meaning of relationship marketing from the literature. A summary of definitions of the earlier work of researchers who have contributed to the development of relationship marketing are shown in Table 2.1.

Table 2:1 Definitions of Relationship Marketing

Authors	Definitions	Context
Berry (1983)	Attracting, maintaining, and enhancing customer relationships	Services
Gummesson (1987)	A strategy where the management of interactions, relationships, and networks are fundamental issues.	Network marketing
Grönroos (1994)	An act to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met, and this is done by mutual exchange and fulfilment of promises.	All contexts
Morgan and Hunt (1994)	All marketing activities directed towards establishing, developing, and maintaining successful relational transactions.	Business-to-business
Palmer (1994)	Strategies that enhance profitability through a focus on the value of buyer-seller relationships over time.	Marketing education
Christopher et al., (1995)	Concerns the dual focus of getting and keeping customers.	Services
Kim and Cha (2002)	A set of marketing activities that attract, maintain, and enhance customer relationships for the benefit of both sides, emphasizing retaining existing customers.	Hotels
Leong and Wang (2006)	All marketing activities directed towards building customer loyalty (keeping and winning customers) by providing value to all parties involved in the relational exchanges.	Services
Benouakrim and Kandoussi (2013)	Is a strategic process aiming to establish, develop, maintain, and strengthen the network of relationships with various stakeholders on the basis of strong economic and social standards and the achievement of common objectives.	Services

In sum, to date, there is no consensus among authors on one common definition of relationship marketing. Different definitions reflect different industrial settings where

relationship marketing was applied. The reasons for this may be due to the vague understandings of academics and practitioners on issues such as what relationship marketing actually is, when it is appropriate, who should be included in the relationship, and when a relationship may exist between the parties (Harwood and Garry, 2006).

Drawing upon the various definitions of relationship marketing given by different authors, and consistent with the service providers' aim of developing long-term relationships and building buyer firms' loyalty, this study adopted the definition of relationship marketing by Grönroos (1994) as the act to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met; and this is done by mutual exchange and fulfilment of promises. This definition is adopted because it is suitable in all research contexts, and it includes all aspects of the relationship that a service provider and the customer could have (Shammout, 2007).

Although the definitions are slightly different, overall, it can be pointed out that relationship marketing (1) focuses on individual buyer-seller relationships, (2) is longitudinal in nature, and (3) both parties in each individual buyer-seller relationship benefit from the relationship (Lin and Chung, 2008). In addition, relationship marketing can also be summarized as having these fundamentals: (1) establishing long-term relationships between partners that focuses on the shift from customer acquisition to customer retention; (2) deliver long-term value to customers; (3) building and maintaining close working relationships with customers through cooperative behaviour; (4) strengthening already strong relationships to increase customer loyalty; and (5) using other

than pure economics and product attributes to develop customer loyalty (Bendapudi and Berry, 1997; Bowen and Shoemaker, 1998; Crosby et. al., 1990; Kim et al., 2001; Morgan and Hunt, 1994).

2.5 Relationship Marketing versus Transactional Marketing

The concept of relationship marketing can be best understood by distinguishing between traditional/discrete transactions, also known as an arm's length exchange, and relational exchange. With relationship marketing, the focus of marketing orientation has changed from attracting short-term, transactional customers to retaining long-lasting customer relationships (Chiu et al., 2005). A discrete transaction "has a distinct beginning, a short duration, and a sharp ending by performance, while relational exchanges trace back to previous agreements, last longer, and reflects ongoing processes" (Morgan and Hunt, 1994, p. 22). Dyer and Singh (1998) described discrete relationships as nonspecific asset investments, minimal information sharing, and separable technological and functional systems within each firm. Compared to transactional marketing, relationship marketing is more concerned about building relationships with customers in which its final goal is to gain maximal value of a customer.

Sellers that are using relationship marketing have achieved higher overall performance, higher than average sales levels, better sales growth, and higher than average profits (Noordewier et al., 1990; Abrahamson and Ai, 1997), in contrast with sellers that are using transactional relationships. These trends imply that short-term, discrete, transactional relationships are increasingly being displaced by closer, long-term relationships between

buyers and sellers (Lewin and Johnston, 1997). Christopher (1995) and Egan (2008) compared the characteristics of transaction marketing and relationship marketing as presented in Table 2.2. Relationship marketing, which is different from transactional marketing has been described as a set of marketing activities that deepened relationships with customers to benefit both parties (Kim et al., 2001). Through relationship marketing, both parties will experience long-term relationships that focus on quality, customer values, and high service contact.

Relationship marketing practices have also been proven empirically to exert marketing relationship outcomes, including repeated purchase, satisfaction, share of purchase, relationship continuity, word-of-mouth, client's intentions to repurchase, customer loyalty, customer long-term orientations, cost reduction, and sharing of resources with firms/service providers. These relationship marketing outcomes will likely improve a firm's profitability and assist firms in sustaining any competitive advantages.

Table 2.2: Characteristics of transaction marketing and relationship marketing

Transaction marketing	Relationship marketing
Focus on single sales Orientation on product features Short time scale Little emphasis on customer service Limited commitment to meeting customer expectations Discontinuous customer contact Quality is primarily a concern of production staff	Focus on customer retention Orientation to customer value Long time scale High customer service emphasis High commitment to meeting customer expectations Continuous customer contact Quality is the concern of all staff

Source: Christopher (1995); Egan (2008)

As suggested by Copulsky and Wolf (1991), the implementation of the three important elements of relationship marketing: (1) building and continually updating a database on customer's demographics, lifestyle, and purchasing history, (2) targeting and communicating face-to-face with customers using advanced technology, and (3) tracking and monitoring the relationship with each customer over a period of time that would result in a long-term relationship between a firm and its customers. The long-term relationship will foster customer loyalty that will lead to increase in the firm's profitability. To achieve customer loyalty relationship marketing emphasized on the promise concept. Fulfilling promises are considered an important means of achieving customer satisfaction that leads to customer base retention that enhanced firms' profitability (Reichheld and Sasser, 1990).

2.6 Benefits of Relationship Marketing

Relationship marketing is a growing area of great interest that has brought benefits to organizations and customers. While relationship marketing has gained increasing prominence, especially in service marketing, due to the intangible characteristics of service, making it difficult for customers to evaluate it visually (Jamil and Aryaty, 2010), the benefits of relationship marketing are not limited to service firms or service providers. Service firms benefit by retaining existing customers, creating product differentiation, providing barriers to switching, enhancing selling efficiencies, and improving profits (Dwyer et al., 1987; Joshi and Arnold, 1997; Reichheld and Sasser, 1990). In addition, relationship marketing also helps firms to understand customer needs and reduce costs (Ndubisi, 2006). From the firm's perspective, relationship marketing can be regarded as a

strategy to achieve a competitive advantage (Roberts et al., 2003) that enhances customer loyalty.

Furthermore, Reichheld and Sasser (1990) found that profits in several service industries increased from twenty-five percent to eighty-five percent by reducing customer defections by five percent. As competition rises, it is important for an organization to protect its customer base from switching to another service provider because it is difficult to gain back any customer lost (Xu et al., 2006).

Customer benefits include increased purchasing efficiencies, increased loyalty (Berry, 1995; Joshi and Arnold, 1997), simplification of information processes, customization of products and services (Crosby et al., 1990), and reduced risk related to relationship and purchase (Berry, 1995). According to Gwinner et al. (1998), relationship marketing offers customers social benefits (e.g., personal recognition, friendship, rapport, and social support), special treatment benefits (e.g., price reductions, extra attention, and services not normally provided for non-regular customers), and confident benefits (e.g., feelings of confidence in the service providers). In the same manner, Jackson (1993) argued that relationship marketing presented customers the basic human needs that make them feel important.

The benefits of relationship marketing can only be realized when the customers are willing to be in long-term relationships (Gwinner et al., 1998). For hotels that outsourced their services, the development of strong customer relationships will ensure an increase in

industrial customers' loyalty towards their service providers, which further increases service providers' profits (Reichheld, 1993). Furthermore, because the process of developing and maintaining customer relationships involved fixed and variable cost investments, organizations can benefit by undertaking a formal effort to identify loyalty-prone customers and deliver superior value to them (Reichheld, 1993).

2.7 The Role of Relationship Marketing within Hotel Services Outsourcing Operations

Relationship marketing concepts were also employed by firms that are involved in outsourcing, without exception in the hotel industry. Outsourcing is a strategy that allows firms to contract from a supplier an activity previously carried out internally, or even new activities (Espino-Rodriguez and Padron-Robaina, 2004). Many organizations have realized the importance of outsourcing and have adopted this practice in many of their business units. The organizations should consider outsourcing if the benefits from outsourcing yield more than performing the business activities internally.

In the hotel industry, outsourcing can enhance the hotel's chances of survival and growth and remain competitive in the industry (Lam and Han, 2004). "Outsourcing is becoming a strategic function of great importance in the hotel industry" (Rodriguez-Diaz and Espino-Rodriguez, 2004, p. 32). Outsourcing was found to be one of the ways firms assemble knowledge from suppliers (Quinn, 1999).

While outsourcing results in greater efficiency of business activities (Elmuti, 2003), outsourcing often results in reduction of a firm's control over service delivery, which could cause service delivery failure (Elmuti, 2003). In addition, the firm's liability exposure will increase, and many outsourcing relationships were terminated within a short period of time, leading into dissatisfaction, finger-pointing, and in some cases, legal actions (Willis, 2002; Elmuti, 2003). According to Greco (1997) twenty-five percent of firms had been disappointed in their outsourcing results, and fifty-one percent had brought an outsourced activity back in-house. Lam and Han (2004) claimed that in the Chinese hotel industry, outsourcing relationships were not always successful. Lai and Soltani (2007) found that because of the uncertainty of the quality of outsourcing services, the level of hotel outsourcing operations in Taiwan was not high. This indicates a need for mutual understanding and close relationships between outsourcing contractors and hotels. Table 2.3 provides the advantages and disadvantages of outsourcing in organizations, sectors and nations, adopted from Harland et al. (2005).

Table 2.3: Key issues of outsourcing relating to organizations, sectors and nations

	Benefits/ Opportunities	Risks/ Disadvantages
Organization	Enable focus on the core. Reduce costs, providing short-term balance sheet benefits. Increased flexibility to configure resources. Increased ability to meet changing market needs. Provision of benefit through economies of scale and scope. Ability to access best in class skills and capabilities. Freeing of the constraints of in-house cultures and attitudes. Provision of fresh ideas and objective creativity.	Failure to identify core and non-core may lead to outsourcing core. Difficulty in the in-sourcing later. Difficulty in deciding how close to core outsourcing should get. Lack of skills and competence to manage outsource relationships. Increased costs in relationship management. Lack of understanding, skills and competence to design appropriate service level agreements with the outsource company.

**Table 2.3: Key issues of outsourcing relating to organizations, sectors and nations
(continue)**

	Benefits/Opportunities	Risks/Disadvantages
Sectors	<p>Provides opportunities for niche players to enter a sector, enabling original sector players to focus on the core.</p> <p>Improvement of products and services from the sector.</p> <p>Improved ROI, leading to increased investment in the sector.</p> <p>In the public sector, policy can be redirected to focus on improvement of services.</p>	<p>Privatization by stealth.</p> <p>Reduction of government controls over the sector.</p> <p>Creation of powerful outsource companies who gain leverage over a sector.</p> <p>Possible adverse impact on employment in the sector.</p> <p>Possible reduced consistency of training and development.</p> <p>May conflict with some stakeholders' objectives.</p>
Nations	<p>Increased use of world-wide "best in class" capabilities.</p> <p>Enables national focus on improved services to citizens and taxpayers.</p> <p>Improved GNP and employment for nations who become outsource centres of excellence.</p>	<p>Possible adverse effect on national employment.</p> <p>Downward pressure on domestic salaries.</p> <p>Mismatch of international cultures, beliefs and traditions.</p> <p>Risk of foreign control of critical resources and possible subversion.</p> <p>International exploitation of less developed nations' human resources and environment.</p>

Source: Harland et al. (2005)

According to Grover et al. (1996), the relationship marketing approach is applicable in the outsourcing context as the business relationships between firms and the outsourcing service providers have evolved from merely customer and service provider relationships to partnerships.

Espino-Rodriguez and Padro-Robaina (2004) found that outsourcing has shown to have positive influence on cost reduction, quality, flexibility, and service in the Canary hotel industry. However, finding the suitable service providers that can meet specification or quality standard is important in outsourcing because the activities outsourced have an

impact on hotel guests' satisfaction. The more satisfied the guests the longer they stay in the relationship with the hotel, the more profitable to the hotels. In order to make marketing more efficient, marketing expenses should be allocated more to retain more customers under the relationship marketing strategy (Kim and Cha, 2002). Therefore, the relationship between the hotels and the service providers should take place in a climate of trust so that the advantages of outsourcing can be exploited (Espino-Rodriguez and Padro-Robaina, 2004). The outsourcing organization must at least have trust in the service provider's competence and willingness to keep to the contractual obligations (Hoecht and Trott, 2005).

In the hotel industries, where complex services with variability in quality are continuously delivered by the service providers and relationship participation is central to service delivery, customers would want more personalized and closer relationships with their service providers (Berry, 1995). Generally, in the service industry, such as the hotel industry, relationship marketing is applicable when there is continuous or periodic demand for the service, when the selection of a service supplier is controlled by the customer, and the customer has alternatives from which to choose (Berry, 2002). The existence of these conditions may not only provide the opportunity for service providers to build relationships with their customers, but also to attract them (Berry, 2002).

Anderson and Srinivasan (2003) suggested that without customer loyalty, it is possible even for a well established firm to collapse. Therefore, in order to develop a loyal customer base, it is important for organizations to have developed long-term and close relationships with their customers. This is especially important in the service industry where service

differentiation is difficult to practice. As in many service industries (e.g., information technology, telecommunications, hospitality, and health) the intangibility and invariability of services offered in the hotel industry emphasize the importance of close customer relationships as a strategic tool to differentiate their services from their rivals.

Based on the stated conditions, relationship marketing is appropriate in the outsourcing context in the hotel industry. Service providers that apply relationship marketing strategies may have the advantages of being more knowledgeable about their customers' requirements and needs and able to customize service offerings according to the customer's specifications (Berry, 1995). According to Bowen and Shoemaker (1998), due to the difficulty of differentiating the hotel services on physical attributes, in the 1990s, hotels had applied relationship marketing as a strategy to develop guest loyalty. However, the appropriateness of relationship marketing to all customers has been questioned since it is more expensive than mass marketing. Therefore, only firms that can afford and find relationship marketing to be practical will use it.

2.8 Theoretical Underpinnings

The dynamic and evolving nature of relationships between service providers and customers has resulted in more research being done in the area. This is in line with the suggestion by various authors that claim research that attempt to address the implementation of relationship marketing in organizations is still lacking (Too et al., 2001). In general, various theories can be applied to explain customer-service provider relationships. Customer-service provider relationships can be in a variety of forms, including contractual

relationships, working partnerships, and alliances. In order to understand customer-service provider relationships in the context of hotel services outsourcing, this research is carried out based on the Theory of Reasoned Action.

2.8.1 Theory of Reasoned Action

The Theory of Reasoned Action (TRA) was initially introduced by Fishbein in 1967, and was later improved by Fishbein and Ajzen (1975). TRA (Ajzen and Fishbein, 1980) was an extension of Fishbein's (Fishbein and Ajzen, 1975) early work on the attitude-behaviour relationship. This theory has been successfully applied in various disciplines and provides a useful framework for studying, understanding, and predicting human behaviour (Hartel et al., 1998). According to this theory, a combination of customer's attitude toward any behaviour or object and his/her perception of norms related to that behaviour or object determine behaviour intention. This theory further states that attitude toward any behaviour or object is a function of their beliefs or evaluation about the behaviour or an object (Pickett, 2007) and subjective norms. In a similar manner, a person who believes that performing a particular behaviour will lead to positive (negative) outcomes, will hold a favourable (unfavourable) attitude towards the behaviour (Ajzen and Fishbein, 1980).

Attitude toward behaviour is a learned predisposition to respond consistently favourably or unfavourably toward an object, person, institution, or event that usually leads to actual behaviour (Ruiz-Molina and Gil-Saura, 2008). It is composed of a person's beliefs on the perceived outcomes of the behaviour (Jin and Ji, 2011). It is the overall evaluation of performing the behaviour of interest (Siti Nor Hayati et al., 2011).

Behavioural intention is defined as an individual's subjective probability that he or she will engage in a certain behaviour (Oliver, 1997). Behavioural intention is a natural and learned behavioural disposition and will be transformed into actual behaviour when the appropriate moment arrives. Since it is difficult to observe actual behaviour (Carpenter and Reimers, 2005) behavioural intention is frequently used as a proxy for actual behaviour (Buchan, 2005). Behavioral intention can be predicted, explained or influenced by the attitude toward behaviour and the subjective norm (Siti Nor Hayati et al., 2011).

Subjective norm is an individual's perception of a social influence or pressure to perform or not to perform a particular behaviour (Ajzen, 1991). The social influence can come from important referent or a significant referent that include employees, close friends, and co-workers.

This study is interested in the factors that influenced business customers' loyalty to their service providers in the context of hotel services outsourcing. These factors are very important in determining relationship continuity that will benefit both parties. This study adopted the established model of the Theory of Reasoned Action (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980) to investigate the link between the attitude toward behaviour (e.g., relational norms, and switching costs) and subjective norm concerning behaviour (e.g., perceive value) and behaviour intention (e.g. relationship quality) and behaviour (e.g., customer loyalty). Relational norms and switching costs are considered as attitudinal constructs because both constructs have the ability to change the business customers' behaviour towards their service providers. High relational norms and switching

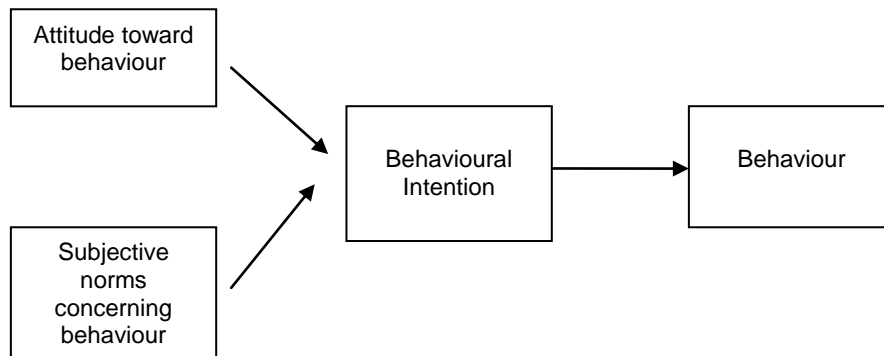
costs that were demonstrated by service providers would improve trust, commitment, and satisfaction among the hotel managers that will increase their loyalty towards the service providers. According to Sweeney and Soutar (2001) and Petrick (2002) values could be viewed from different perspectives, including social, emotional, price, quality, and image. The values would be an assessment standard for the managers to evaluate their relationships with the service providers. A study by Lee et al. (2013) have adopted perceived value as a proxy of subjective norm.

A vast stream of studies had found that attitude toward behaviour had a significant influence on behavioural intention (Buchan, 2005; Carpenter and Reimers, 2005). However, the effect of subjective norm in determining behavioural intention was mixed (Ajzen, 1991). Numerous studies have found that the predictive power of the subjective norm on behavioural intention was smaller than the attitude on behavioural intention (Armitage and Conner, 2001; Carpenter and Reimers, 2005; Jin and Ji, 2011), and also, in some cases the subjective norm showed no significant impact on behavioural intention (Shen et al., 2003; Buchan, 2005) or have weak predictive power (Fassnacht and Kose, 2007).

In line with TRA, the attitudinal constructs (e.g., relational norms and switching costs) in turn affect behavioural intention construct (e.g., relationship quality) that will further affect behaviour (e.g., customer loyalty). The application of TRA is in line with the attitude-intention-behaviour relationship. Although not specifically designed for organizations, this model could be adopted to the study of outsourcing relationship wherein the action that the

business customers take in certain situations will influence the business customers' decision making process. According to Chuchinprakarn (2005) the concept of intentions can be used to study relationships among organizations with the focus on relationship continuity.

Therefore, this theory is suitable in providing the framework to investigate the effect of perceived value, relational norm, and switching costs on the customers' behavioural intention to stay with their service provider in the context of hotel service outsourcing, as shown in Figure 2.1.



Source: Fishbein and Ajzen (1975); Azjen and Fishbein (1980)

Figure 2.1 Model of Theory of Reasoned Action for the Conceptual Framework

2.8.2 Relational Exchange Theory

The concept of relational norms in this research originated from the relational exchange theory. Relational exchange theory, also known as MacNeil's neoclassical contractual framework, is an expansion of Williamson's (1975) initial description of market versus hierarchy of the inter-organizational governance structure (Kim and Chung, 2003). It has its roots in the field of legal sociology (Ivens, 2004). This theory has been used to explain the

creation, development, and demise of buyer-seller relationships (Dwyer et al., 1987), channel relationships (Frazier, 1999), and other relationships. In the area of relationship marketing, this theory has been recognized to be an important foundation in developing the conceptual framework (Dwyer et al., 1987, Paulin et al., 1998).

This theory views man as both a self-sacrificing and social creature, as well as selfish and opportunistic. Therefore, faced with his behaviour, all exchanges should be governed by norms. Norms refer to social and organizational ways of controlling business-to-business relationships (Gundlach and Achrol, 1993). Berthon et al. (2003) defined a norm as “a belief shared to some extent by members of social units as to what conduct ought to be seen in particular situations or circumstances” (p.701). The relational exchange theory argues that the only governance mechanism that can develop commitment in a relationship is relational norms (Heide and John, 1992; Morgan and Hunt, 1994). Exchanges between parties in a relationship are shaped and administered by contractual elements and a set of norms that intend to strengthen the relationship as a whole. Strong norms will facilitate exchange, otherwise it will make the exchange activities difficult or impossible. Relational exchange theory posits that relational norms are a unique form of governance mechanism in exchange relationships (Morgan and Hunt, 1994).

Therefore, the Relational Exchange Theory paradigm provides the theoretical basis for the link between relational norms and relationship quality (Bordonaba-Juste and Polo-Redondo, 2008), and the theoretical framework to measure the stability of the relationships and is used to support the framework for this study. According to Kaufman and Dant

(1992), the dimensions of relational norms would influence the dimensions of relationship quality which are trust, commitment, and satisfaction. Given this, it is expected that business customers' relationship quality with their service providers would be influenced by the service providers' relational norms. Based on the fact the relational norm can determine consumer commitment (one of the dimensions of relationship quality) with the service provider, it is assumed that once a consumer is committed, he/she is likely to be loyal to the service providers. In the context of this study, outsourcing firms make large relational decisions based on product/services/relationship attributes and benefits. They weigh both economic and relational factors before making decisions on staying or switching to other service providers (Donada and Nogatschewsky, 2009).

2.8.3 Resource Dependence Theory

Resource dependence theory (RDT) (Pfeffer and Salancik, 1978) is an extension of the social exchange theory that can be used to explain inter-firm relationships. This theory focuses on the social context of the organization's relationship with its external environment, as it assumes that exchanges between organizations are affected by complex social factors (Fink et. al., 2006). This theory views organizations as open systems where structure and functions are constrained by the environment (Jun and Armstrong, 1997). Organizations are non self-sufficient, therefore they have to engage in exchanges with the environment (Jun and Armstrong, 1997). This situation causes dependence between firms and their vendors, constraints from the external environment uncertainty, and power imbalances in the firm-vendor relationships that result from the need to obtain critical resources (Sung and Armstrong, 1997).

Dependence of business customers on their suppliers or service providers is further caused by the customers' needs for resources that are critical to them (e.g., the expertise and capability to produce hotel services more effectively and efficiently than the firms could produce on its own). According to Hofer et al. (2009) a firm that is highly dependent on its service provider is likely to partner with its service provider compared to a firm that is less dependent. With positive outcomes over time, trust develops that govern the relationship. Therefore, this study proposes that as a firm's dependency on the service provider increases, the relationship between relationship quality and customer loyalty will increase.

Based on the above premises, this study will investigate the effect of perceived value, relational norms, and switching costs on relationship quality and further on customer loyalty. The influence of dependence on the link between relationship quality and customer loyalty is further investigated.

The next section will discuss on the variables adopted in this study, which include perceived value, relational norms, switching costs, relationship quality, customer loyalty and dependence.

2.9 Perceived Value

Driven by demanding customers, fierce competition, intense technological change, and greater customer knowledge, many firms are involving themselves in delivering superior customer value. The concept of perceived value has drawn increasing attention by

marketers and academics, and has always been “the fundamental basis for all marketing activities” (Ulaga and Eggert, 2006 p. 314).

The ability to deliver superior value to customers proves that a firm has successful competitive strategies that enable the firm to survive and compete in the market. Superior customer value is considered to be one of the most important tools to maintain customer loyalty that leads to the success of the firm (Wang et al., 2004). A loyal customer contributes to higher firm profitability through higher purchase frequency and quantity, and avoiding switching to other suppliers.

In the marketing literature, perceived value is generally determined by customers’ perceptions, and not the suppliers’ assumptions, and result from customers’ pre-purchase expectation, evaluation during the transaction, and post-purchase evaluations (Khalifa, 2004; Li and Green, 2010). Therefore, perceived value is a dynamic, complex, subjective and personal concept. As pointed out by Bolton and Drew (1991, p. 383), perceived value is a “richer, more comprehensive measure of customers’ overall evaluation of a service than service quality”.

Greater perceived value will result in greater levels of customer satisfaction that will lead to greater levels of customer loyalty and retention, and ultimately, a higher market share (Ulaga and Chacour, 2001). As a result, understanding a customer’s value position is the greatest concern of managers, and many firms have adopted perceived value as a tool to improve customer service delivery and gain a better position in the market (Ravald and

Gronroos, 1996; Woodruff, 1997; Parasuraman, 1997). Therefore, improving perceived value is important since value becomes related to long-term relationships between customers and the service providers (Nasreen et al., 2010).

2.9.1 Definitions of Perceived Value

Perceived value can be defined from the monetary, quality, benefit, and social psychological perspectives. Table 2.4 provides the summary of perceived value based on these perspectives.

From the monetary perspective, value is similar to the concept of customer surplus in economics. Value is generated when the customers paid less for goods or services, such as using coupons, promotions, or getting rebates. According to the quality perspective, value will be created if less money is paid for high quality products or services. On the other hand, based on the benefit perspective, there are two parts to be considered in creating value: perceived benefit and perceived sacrifices. Customers will sum-up the benefits that they get, and monetary and non-monetary costs (e.g., search costs, negotiation costs, time given-up) that they have to pay in order to obtain the goods or services. Finally, from the social psychology perspective, value will be created when goods or services carry a certain level of economic status in the community. For example, the perceived value for a BMW will be higher because it is a symbol of social status in the economy.

Based on the different perspectives of perceived value, it can be concluded that value is a complex and subjective construct with meanings that vary widely according to context, and

from one customer to another customer (Patterson and Spreng, 1997; Sanchez-Fernandez and Iniesta-Bonillo, 2007). Therefore, there has been a debate on the definition of perceived value. The earlier definition by Zeithaml (1988, p. 14) – “the customer’s overall assessment

Table 2.4: Various Perspectives of Perceived Value

Perspective	Explanation	Author
Monetary	Perceived value is the difference between the highest price that customers are willing to pay for a product or a service than the amount practically paid.	Bishop (1984)
Quality	Value is the difference between the money paid for a certain product and the quality of the product.	Bishop (1984)
Benefit	Perceived value is the customers’ overall evaluation of the utility of perceived benefits and perceived sacrifices.	Zeithaml (1988)
Social psychology	The generation of value lies in the meaning of purchasing certain goods in the buyer’s community.	Sheth et al. (1991)

of the utility of a product or service based on perception of what is received and what is given” is the most common and universally accepted definition of perceived value. Following Zeithaml (1988), Hellier et al. (2003) defined perceived value as “the customer’s overall appraisal of the net worth of the service based on the customer’s assessment of what is received (benefits provided by the service), and what is given (costs or sacrifice in acquiring and utilizing the service” (p. 1765). However, Monroe (1990) and Dodds et al. (1991) argued that customer’s perception of value formed from the trade-off between benefits and sacrifice in suppliers’ offering. According to Monroe (1990), “buyer

perception of value represents a tradeoff between the quality or benefits they perceived in the product relative to sacrifices they perceived by paying the price” (p. 46).

In the marketing literature, value is frequently defined in terms of performance/quality and price (Patterson and Spreng, 1997). Therefore, a firm can enhance perceived value by either increasing the benefits (e.g., quality) and/or decreasing the sacrifices perceived by customers (e.g., price paid, time, and effort to purchase) (Li and Green, 2010). Gale (1994) considered value to be market perceived quality adjusted for relative product price. Table 2.5 synthesised the definitions of perceived value by various authors.

Based on Table 2.5, the majority of the perceived value definitions are from the perspective of benefit. In sum, these definitions provide some area of consensus regarding perceived value: (1) perceived value is inherited or related to the use of certain products or services, (2) perceived value is perceived and assessed by customers rather than determined by the firms, (3) perceived value involves a trade-off between what the customers receive and what they sacrifice, (4) perceived value is a multidimensional concept, and (5) value for a customer is based on his/her experience, knowledge, or expertise of a product or service.

This study follows the concept of perceived value as a multidimensional construct by Woodruff (1997), Sweeney and Soutar (2001) and Sanchez et al., (2006). These authors agree that perceived value incorporates both functional as well as affective dimensions. This study posits that perceived value is derived from perception, preference, and evaluation of customers on a product or services (Woodruff, 1997).

Table 2.5: Definitions of Perceived Value

Author	Definition	Perspective
Schechter (1984) in Zeithaml (1988)	Perceived value is composed of all factors: qualitative and quantitative, objective and subjective, that jointly formed a customer buying experience.	Benefit
Zeithaml (1988), Sinha and DeSarbo (1998), Sweeney et al. (1999)	The customer's overall assessment of the utility of a product based on perception of what is received and what is given.	Benefit
Monroe (1990), Dodds et al. (1991)	Ratio of perceived benefits and perceived sacrifices.	Benefit
Uлага and Chacour (2001), Anderson and Narus (1998)	Perceived worth in monetary units of the set of economic, technical, service, and social benefits received by a customer's firm in exchange for the price paid for product offering, and taking it into consideration, the available alternative of supplier's offerings and price.	Benefit
Woodruff (1997)	The customer's assessment of the value that has been created for them by a supplier, given the trade-offs between all relevant benefits and sacrifices in a specific-use situation.	Benefit
Hallowell (1996) in Cronin et al. (2000)	Value equals a perceived quality relative to the price.	Quality
Hellier et al. (2003)	The customer's overall appraisal of the net worth of the service based on the customer's assessment of what is received (benefits provided by the service), and what is given (costs or sacrifice in acquiring and utilizing the service)	Benefit

Perceived value has been proven to be an important element of relationship marketing based on the recent development in value research. The value concept is of utmost importance in industrial marketing, and as yet, few researchers have investigated the value

construct in business-to-business relationships (Ulaga and Chacour, 2001). However, not many empirical studies were conducted to study the link between customer perceived value and the variables that form perceived relationship quality with the service provider, particularly in the hotel industry. Therefore, these arguments can be a strong justification in examining perceived value in this study.

2.9.2 Concepts and Dimensions of Perceived Value

Review of the literature reveals two common approaches to the conceptualization and dimensionality of perceived value: the notions of “benefits-sacrifices” and “trade-off”. The first approach conceptualized perceived value as a unidimensional construct consisting of two parts: (1) benefits received (economic, social, and relationship) and (2) sacrifices made (price, time, effort, risk, and convenience) by the customers. Perceived value is defined as the result of the comparison between perceived benefits and sacrifices by the customer. It is created when the customers perceived that the benefits gained of consuming products or services exceed the sacrifices.

Zeithaml (1988) and McDougall and Leveque (2000) used this method to define perceived value. However, researchers, including Woodruff (1997), argue that the unidimensional construct lacks validity, in which it assumes that customers have the same interpretation or shared meaning of value. Moreover, it is difficult to compare the results of different empirical studies and, thus, there is inconsistency in the measurement of the perceived value construct (Ruiz-Molina and Gil-Saura, 2008). Sweeney and Soutar (2001) further criticized that the benefit-sacrifices conceptualization of value is too simplistic, and only

reflects one dimension of the perceived benefits and sacrifices bundle, and thus, needs to include a total bundle of benefits and sacrifices (e.g., monetary and non-monetary aspects).

The second approach conceptualized value as a multidimensional construct (Woodruff, 1997; Sinha and DeSarbo, 1998; Sweeney et al., 1999; Sweeney and Soutar, 2001). This approach has gained popularity due to its ability to overcome the excessive concentration on economic utility from the traditional benefit-sacrifice approach (Zeithmal, 1998; Sanchez et al., 2006). Moreover, a multidimensional scale can overcome the validity problem by operationalizing perceived value into several components (Chen and Chen, 2009). According to Sanchez et al. (2006), this approach echoes the new theoretical development in the area of customer behaviour that refers to the role of feelings in buying and consumption habits.

Sheth et al. (1991) developed a broad theoretical framework to measure perceived value in which five dimensions of value from the customer's perspective were suggested. These dimensions are social, emotional, functional, epistemic, and conditional. While these dimensions are related, not all dimensions have equal significance at any time (Wang et al., 2004).

Using retailing as the context of their study, Sweeney and Soutar (2001) further developed a scale to measure perceived value, named PERVAL. This scale is the first attempt to measure the perceived value at the point of sale. However, the scales are suitable for measuring perceived value of tangible products (Nasution and Mavondo, 2008). Three

basic dimensions of value were identified under the PERVAL scale, which are: (1) emotional value (affective feelings generated by a product), (2) social value (the utility derived from the product's ability to increase the customer's social self-concept), and (3) functional value, which consists of the price component (utility derived from the product due to reduction in costs) and quality (product performance). However, epistemic value (which relates to the surprise aspects of a product) and conditional value (which refers to the conditional effects of a specific situation on value perceptions) were excluded from the PERVAL scale. These two dimensions are not applicable in the retail context where durable goods are involved (Wang et al., 2004).

In order to examine golf travelers' intentions to revisit, Petrick and Backman (2002) developed a multidimensional scale named SERV-PERVAL. The dimensions of perceived value include quality, monetary price, non-monetary pricing, reputation, and emotional response.

To further increase the scope of the PERVAL scale, Sanchez et al. (2006) developed the GLOVAL scale, which measures the perceived value of a tour package, including the travel agency and the product purchased at the agency. The dimensions in the GLOVAL scale are the functional value of the travel agency installation, functional value for professionalism of the travel agency contact personnel, functional value quality of the tourism package, functional value of price, emotional value, and social value.

With a study conducted in a context of online bill payment services, Heinonen (2004) proposed that value is based on four dimensions, which are: (1) technical dimension (refers to the outcome of service interaction), (2) functional dimension (relates to how the service interaction process occurs), (3) temporal dimension (refers to how the customer perceives the temporal flexibility related when the service interaction occurs), and (4) spatial dimension (refers to how the spatial flexibility relates to where the service interaction occurs).

While there are various ways to measure perceived value, this study adopts the multidimensional constructs of measuring perceived value by Sweeney and Soutar (2001) and Petrick (2002). Sweeney and Soutar (2001) viewed four dimensions of value for the durable goods setting as performance/quality, emotional, value for money, and social. Petrick (2002), on the other hand, identified five dimensions of perceived value in the service setting, namely, quality received from the service, emotional responses to the service, the reputation of the service based on the image of the service provider, monetary and non-monetary/behavioural price. Therefore, this study combined the dimensions of perceived value by Sweeney and Soutar (2001) and Petrick (2002) and came out with five dimensions, which are the perceived service benefits, emotional value, social value, value for money (combination of monetary and behavioural price), and image. According to Whitaker et al. (2007, p. 347), service benefits are related to the perceived performance or utility of the products or services (e.g., the ability of the services provided by the service providers to fulfill the requirements of the customer firms). Emotional value refers to the

benefits obtained from a service's ability to arouse feelings and/or affective states. Social value refers to the benefits derived through interpersonal and group interaction.

Image refers to benefits derived from the relationship with business partners and it also relates to the service provider's reputation in the market. It is considered to have the ability to influence customers' perception of the goods and services offered and relationship with the supplier (Kandampully and Suhartanto, 2000). It can influence customers' minds through physical image, word of mouth, public relations, and their experience with the goods and services (Normann, 1991). Thus, image is considered as part of perceived value.

Value for money is related to the price paid, time, and effort to maintain relationships with the business partners. Prior research has applied perceived value as a multi-dimensional variable in various contexts, for example in the professional services (Whitaker et al., 2007), telecommunication industry (Turel et al., 2007), business-to business relationships (Lapierre, 2000), and the tourism industry (Moliner et al., 2007). Items measuring the five dimension of perceived value (perceived service benefits, emotional value, social value, value for money, and image) were adopted from Cronin et al., (2000), Lapierre (2000), Sweeney and Soutar (2001), Petrick (2002), Ulaga and Eggert (2005), Sanchez et al., (2006), Schulze (2006), and Moliner (2009) since these authors have previously applied the items in different industries and services. Since perceived value has been studied in different types of relationships and in different types of services, customer valuation of the perceived benefits and costs might present significant differences in their conceptualization (Gwinner et al., 1998). The literature reveals that different products or services involved

differentiated levels in the components of perceived value, which may negatively influence customer attitude (Gupta et al., 2004).

2.9.3 Perceived Value and Relationship Marketing

Past studies have shown perceived value to affect customer loyalty towards the service provider (McDougall and Levesque, 2000; Chen et al., 2010; Ryu et al., 2008). In the restaurant industry, the effect of perceived value on behavioural intention was investigated. The result shows that perceived value had a direct significant effect on behavioural intention, and customer satisfaction played a mediating role in the link between perceived value and behavioural intention (Ryu et al., 2008).

Chiou (2004) investigated factors that influenced customer loyalty towards Internet Service Providers (ISP) in Taiwan. Findings from the research revealed that perceived value of the Internet Service Provider had a significant direct impact on loyalty intention toward an Internet Service Provider. Lin and Wang (2006) also investigated factors that influenced customer loyalty in the context of mobile commerce. The results of their study found that perceived value has a significant direct impact on mobile commerce customers' loyalty and satisfaction in Taiwan. Another study was conducted by Edward and Sahadev (2011) in the Indian telecommunication market to investigate the effect of service quality, perceived value, customer satisfaction, and switching costs on customer retention. The results of their studies showed that perceived value has a direct positive relationship on customer retention.

Chen and Chen (2009) investigated the influence of experience quality on perceived value and the impact of perceived value on behavioural intentions of heritage tourists in Taiwan. Their findings show that both experience quality and perceived value affect behavioural intentions, however, the effect of experience quality on behavioural intention tended to be an indirect relationship. Choi et al. (2004) also found that the perceived value of health care providers in South Korea influenced customer behavioural intentions. Their findings were supported by Chen and Hu (2010) and Auka (2012), in which perceived value significantly had a direct impact on customer loyalty in the Australian coffee outlets industry and Kenyan retail banking, respectively.

In most service industries, achieving customer satisfaction has been their primary goal (Jones and Sasser, 1995). Evidence from the service management literature showed that perceived value is a significant predictor of satisfaction (Hallowell, 1996; Cronin et al., 2000; Choi et al., 2004; Lin and Wang, 2006). Theoretically, perceived value is a cognitive-oriented construct measuring differences between benefits and sacrifices (Zeithaml et al., 1996; Cronin et al., 2000), while satisfaction is an affective or emotional response (Lin and Wang, 2006).

While there have been debates in service marketing regarding the relationships between perceived value and satisfaction or behavioural intentions (McDougall and Levesque, 2000), perceived value has gained special attention as a stable construct to predict customer purchasing behaviour (Hellier et al., 2003). Various studies have been conducted in service marketing to investigate the relationship between perceived value and satisfaction, and

other dimensions of relationship quality (commitment and trust). A study on nine hundred organizational buyers in the United States found that perceived value positively related to satisfaction (Liu et al., 2005). McDougall and Levesque (2000) found that perceived value has a direct impact on customer satisfaction, even though the impact is stronger compared to core service quality and relational quality in different types of services.

Anuwichanont and Mechinda (2009) explored the decomposed effects of perceived value dimensions (quality, emotional response, monetary price, behavioural price, and reputation) on spa users' satisfaction in Pattaya, Thailand. Empirical results found that only quality, emotional response, monetary price, and reputation dimensions of the study had significant positive effects on customer satisfaction. On the other hand, only quality, emotional response, and reputation affected trust in the spa service providers. In the Chinese securities service industry, Wang et al. (2004) also investigated the influence of decomposed dimensions of perceived value (emotional value, social value, functional value, and perceived sacrifice) on customer satisfaction. As expected, except for perceived sacrifice, all customer value dimensions (emotional value, social value, and functional value) had a significant direct impact on satisfaction. Table 2.6 provides a summary of the relevant studies. Based on Table 2.6, the majority of the studies on perceived value focused on the business- to-customer relationships, and has been studied in different types of relationships in different types of services. In addition, various studies have also resulted in indirect influence of perceived value on customer loyalty (Patterson and Spreng, 1997; Ryu et al., 2008; Hutchinson et al. 2009).

Table 2.6: Perceived Value and Relationship Marketing Outcomes

Study	Industry/Country/Type of Relationship	Outcomes	Empirical Results
Patterson and Spreng (1997)	Consultancy industry. Business client and service provider. Australia	Repurchase Intention	Perceived value → Repurchase Intention (+) Satisfaction acts as the mediator
Choi et al. (2004)	Health care industry Customer-health care provider, South Korea	Customer behavioural intention	Perceived value → Behavioural Intention (+)
Chiou (2004)	Telecommunication, Customer - Internet service provider, Taiwan	Customer loyalty	Perceived value → Customer loyalty (+)
Wang et al. (2004)	Securities services industry, Customer – service provider, China	Satisfaction	Emotional value, social value, functional value → satisfaction (+)
Liu et al. (2005)	Various industries Organizational buyers – service providers, USA	Satisfaction	Perceived value → Satisfaction (+)
Lin and Wang (2006)	Mobile commerce industry Customer – service provider, Taiwan	Customer loyalty Satisfaction	Perceived value → Customer loyalty (+) Perceived value → Satisfaction (+)
Huang and Lui (2007)	Bookstore chain. Customer and retailer. Taiwan	Trust Satisfaction Commitment	Perceived value → relationship quality (+)
Ryu et al. (2008)	Restaurant industry Customer - service provider, China	Behavioural intention	Perceived value → Behavioural Intention (+) Satisfaction acts as the mediator.
Anuwichanont and Mechinda (2009)	Spa industry, Customer-service provider, Thailand	Customer satisfaction Trust in service providers	Quality, emotional response, monetary price, and reputation → Satisfaction (+) Quality, emotional response, and reputation → trust (+)
Chen and Chen (2009)	Tourism industry Heritage tourists – service provider, Taiwan	Behavioural intention	Perceived value → behavioural intention (+)

**Table 2.6: Perceived Value and Relationship Marketing Outcomes
(continue)**

Study	Industry/Country/Type of Relationship	Outcomes	Empirical Results
Chen and Hu (2009)	Coffee outlets industry Customer-retailer, Australia	Customer loyalty	Perceived value → Customer loyalty (+)
Hutchinson et al. (2009)	Sports industry, Golf traveler and golf association. USA	Intention to revisit Word-of-mouth Search for alternatives	Perceived value → Intention to revisit (+) Perceived value → Word of mouth (+) Satisfaction acts as mediator in both relationships
Edward and Sahadev (2011)	Telecommunication, Customer-service provider, India	Customer retention	Perceived value → Customer retention (+)
Auka (2012)	Retail banking industry, customer and service provider. Kenya	Customer loyalty	Perceived value → Customer loyalty (+)

Although perceived value had been studied in various services industries (Moliner et al., 2007; Ryu et al., 2008; Anuwichanont and Mechinda, 2009), and have been discussed in various ways, Parasuraman (1997), Woodruff (1997), and Yang and Patterson (2004) indicated that companies that strive for customer loyalty should focus primarily on perceived value. Service providers that deliver superior value to customers will be able to gain customers' loyalty, retention, trust, and satisfaction (Ravald and Gronroos, 1996; Liu et al., 2005; Meng et al., 2011). Besides satisfaction, perceived value is one of the most important factors that determine customer loyalty (Patterson and Spreng, 1997; Wang et al., 2004; Meng et al., 2011) and a strategic tool to help service providers to gain better position in the market (Moliner et al., 2007; Ryu et al., 2008; Anuwichanont and Mechinda, 2009). This suggests further investigations, especially in the business-to-business relationships in

the hotel industry. In addition, perceived value should be considered as a strategy for service providers in the hotel industry to increase their revenue and profitability. Therefore, in this study the use of perceived value as one of the variables that influence relationship quality and business customer loyalty in the hotel industry is justified.

2.10 Relational Norms

Relational norm refers to the shared values of exchange partners about what shape appropriate and inappropriate behaviour takes in the relationship (Heide and John, 1992; Morgan and Hunt, 1994). It is also defined as patterns of accepted and expected sentiments, and behaviour shared by members of an exchange system that have the force of a social obligation or pressure (Paulin et al., 1998). Literature on sociology has reached a consensus on the definition of relational norms as “a belief shared to some extent by members of a social unit of what one’s conduct ought to be in particular situations or circumstances” (Berthon et al., 2003, p. 701).

Relational norms are a unique form of governance mechanism in exchange relationships. It has been predicted to be important as a governance mechanism and important social and organizational ways of controlling business-to-business exchange (Gundlach and Achrol, 1993), maintaining relationships, and curtailing behaviour promoting individual parties’ goal orientation (Rokkan et. al, 2003).

Unlike norms that governed behaviour in discrete transactions, relational norms are an endogenous form of behaviour control that do not rely on market forces, but rely on

cooperation, trust, common goals, and communication to coordinate the relationship (Morgan and Hunt, 1994). Firms with high relational norms tend to react to changes in the contract in good faith, are involved in information exchanges continuously, and put greater effort into the benefits of the relationship rather than individual interests. While there are occasional cases of pure self-interest, relational norms usually support behaviour that will preserve the relationships (Yaquub, 2010). On the contrary, with discrete norms, partners usually go into negotiation to adjust terms of trade before involving themselves in a business. Despite their contribution to relationship efficiency, establishment of relational norms is difficult, whereby it requires high investments in time, money, and personnel as well as continued maintenance and development by both exchange partners (Joshi and Stump, 1999).

Relational norms constitute a safeguard against exploitation use of decision rights, and could exert considerable impact on relationship outcomes at different levels, including societies, industries, firms and groups of individuals (Heide and John, 1992). Parties that want stable relationships should adopt relational norms as a governance mechanism, where it tends to reduce the risk of opportunistic behaviour, conflicts, and uncertainty (Gundlach et al., 1995; Ivens, 2006). A study by Achrol and Gundlach (1999) found that social safeguards (e.g., relational norms) better mitigate opportunism compared to contractual safeguards. It is said to be the key to developing an effective relationship (Griffith et al., 2006). However, in the area of marketing relationships, relational norms were given little attention among scholars (Berthon et al., 2003).

2.10.1 Dimensions of Relational Norms

To serve the purpose as an exchange governance mechanism, Macneil developed a set of comprehensive common norms (Ivens, 2006). However, he does not provide the definite norms that are relevant for business purposes. According to Joshi and Stump (1999), relational norms are difficult to establish, even though it can contribute to relationship efficiency. Since some of Macneil's norms appear to be over-lapping, the use of norms may be classified as selective, fragmentary, and sometimes arbitrary (Ivens, 2006).

Review of relevant literature revealed numerous amounts of relational norms. Macneil (1983) suggested a different mix of relational norms (e.g., role integrity, contractual solidarity, harmonization of relational conflict, supracontractual relations, and proprietary of means) that exist along a discrete-relational continuum. The list of relational norms was reduced to three norms, e.g., solidarity, role integrity, and mutuality by Kaufman and Stern (1988). A number of authors (Heide and John, 1992; Jap and Ganesan, 2000) added new relational norms, such as information exchange, participation, fairness, and flexibility to the lists. Even though, organisations that emphasize relational norms will experience benefits of increased within-relationship adaptability, smoother coordination, reduced opportunism, and greater effort from the partners, the relative importance of each norm to achieve the goals depends on the context of exchange (Paulin et al., 1997).

Certain authors have used relational norms as a single variable, whereas others conceptualized relational norms as a single second-order construct that gives rise to first-order factors that result in different dimensions (Ivens, 2006). Kaufman and Dant (1992)

conceptualized relational norms as a higher-order construct with seven dimensions, which include relational focus, solidarity, mutuality, flexibility, role integrity, restraint of power, and conflict resolution. Along with Heide and John (1992), this study defines relational norms as a higher-order construct consisting of three dimensions: (1) flexibility, (2) information exchange/sharing of information, and (3) solidarity. The choice of these three relational norms (flexibility, information exchange, and solidarity), proposed by Heide and John (1992), is appropriate in the outsourcing context that is being studied. These relational norms are relevant to the procurement of outsourcing arrangements, because in an outsourcing arrangement high degrees of information exchange are required to facilitate the outsourcing process. Furthermore, unexpected changes in both demand and supply require client firm and outsourcing vendor to be flexible and adaptive to changing circumstances, and try to maintain their relationships. The following sub-sections discuss the three relational norms: flexibility, information exchange, and solidarity.

2.10.1.1 Solidarity

Solidarity has been defined in several ways by different authors. Kaufman and Dant (1992) defined solidarity as “the extent to which an ongoing relationship is created and sustained” (p.82). Heide and John (1992, p. 36) defined the concept as “a bilateral expectation that a high value is placed on the relationship”. In outsourcing relationships, the norm of solidarity is expressed through the involved parties’ behaviour that contributes directly towards preserving and maintaining their relationships (Bordanoba-Juste and Polo-Redondo, 2008; Ivens, 2004). In other words, it refers to the efforts of parties in keeping the relationship with their partners. Solidarity is important as it creates unity that arises from

common interest that dominates the relationship. The importance of solidarity in governing relationships justified the use of this variable as one of the dimensions of relational norms in this study.

2.10.1.2 Flexibility

Business relationships are often influenced by environmental conditions that are reflected by a high degree of volatility. The high degree of environmental volatility may cause the initial agreement between the service provider and his customer to be inappropriate to the current situation (e.g., prices, contents, timing issues) that causes the parties to be adaptive to the new environmental situation. Therefore, the agreement should be flexible to suit the current situation. According to Heide and John (1992), flexibility is “a bilateral expectation of willingness to make adaptations as circumstances change” (p. 36). It refers to smooth alterations that occur either in practices and policies during unexpected changes in circumstances (Boyle et. al, 1992). Flexibility may also be displayed through both party's willingness to negotiate as an unexpected event develops (Heide, 1994). While flexibility is an important element in inter-organizational relationships (Dwyer et al., 1987), flexibility alone does not necessarily constitute relationalism (Johnson, 1999). As firms move away from market transactions, buyers expect suppliers to exhibit more flexibility in response to requests for changes (Noordewier et al., 1990).

In the services industry, the emergence of new technologies, changes in customer culture, and increase in competition has caused many organizations to reduce their size and focus on their main business, where the secondary services are outsourced to outside suppliers

(Espino-Rodriguez and Padron-Robaina, 2004). The outsourcing strategy makes organizations more flexible, more dynamic in their operations, in such they will have greater ability to face the changes and opportunities that emerge (Espino-Rodriguez and Padron-Robaina, 2004). It is important to maintain flexibility in outsourcing arrangements, due to the long-term nature of the relationship. The long-term nature of outsourcing relationships causes difficulty in predicting precisely unexpected future changes. Therefore, flexibility is required in managing uncertainties in a quickly changing global economy and that come in the form of changes in technology and the firm's business market (McFarlan and Nolan, 1995; Yang et al., 2005). A firm that demonstrates flexibility in its interactions with its vendor is implicitly communicating their good intentions to preserve the relationships.

2.10.1.3 Information Exchange

Information is the product of communication that refers to the tie that binds in any relationship (Mohr and Nevin, 1990). Efficient information flows are able to stimulate positive communication behaviour and satisfaction with communication (Mohr and Sohi, 1995). One of the ways to achieve efficiency of information flow is through the existence of information exchanges. A review of the literature shows that most authors treated information sharing and information exchange as similar.

A review of the literature reveals that there are various definitions of information sharing/exchange. According to Mohr and Spekman (1994, p. 139), information exchange refers to “the extent to which critical and proprietary information is communicated to one's

partner”. Heide and John (1992, p. 35) defined information exchange as “a bilateral expectation that parties will proactively provide information useful to the partner”. Both definitions are consistent with the definition by Doney and Cannon (1997), in which they defined information exchange as the degree to which partners proactively provide critical and confidential information to each other. While there are various definitions of information sharing, there is a consensus that information sharing is an (1) exchange process between two or more parties and (2) the information involved in the exchange process are useful and confidential. Trading partners can act independently in maintaining their relationship by sharing information and are knowledgeable about each other’s business (Mohr and Spekman, 1994).

Information exchange acts as a safeguard to suppliers against buyers’ unforeseen information that may affect supplier operations (Heide and John, 1992). When information exchange exists, suppliers and buyers will experience higher contact frequency, greater bidirectional communication, and a greater level of feedback from both parties that may open opportunities. The existence of new information technology enables firms to attain effective information sharing by enhancing communication between trading partners. Trading partners can act independently in maintaining their relationship by sharing information and are knowledgeable about each other’s business (Mohr and Spekman, 1994).

2.10.2 Relational Norms in Relationship Marketing

Despite the importance of relational norms in helping to facilitate exchanges (Noordewier et al., 1990; Smith, 1998), limited studies had been conducted on the role of relational norms in the services industries. A study by Smit et al. (2002) found that information sharing has a positive influence on relationship quality, measured by satisfaction and commitment between retailers and suppliers in Canada. However, in situations where a supplier has low trust on the retailer, the information sharing has a larger impact on satisfaction and commitment, and vice versa.

Findings from research conducted by Graf and Parrien (2005) found that the flexibility of the account managers of financial institutions has a significant direct impact on the level of trust of the high-tech firms that deal with them for loans, mortgages, credit lines, and bank accounts. In addition, Smith (1998) conducted a study of members of the Purchasing Management Association of Canada, investigating their working relationship with their suppliers. Findings from the study showed that relationalism significant and directly influenced commitment to the relationship, however, relational norms do not have any significant impact on trust and satisfaction. Findings from a study in supplier-distributor relationships by Griffith et al. (2006) found a firm's relational behaviour (flexibility, solidarity, and information sharing) toward its supply chain partner is positively associated with its satisfaction with its partner. When a firm exhibits relational behaviour with its supply chain partner, it is fostering a positive environment resulting in higher satisfaction.

Ivens (2004) studied the impact of different relational behaviours (e.g., solidarity, long-term orientation, information exchange, flexibility, monitoring, planning behaviour, mutuality, conflict resolution, and use of power) on the dimensions of relationship quality (e.g., trust, commitment, economic and social satisfaction). Two dimensions of relational behaviours, flexibility and role integrity, influenced economic satisfaction. The other eight variables had no significant impact on customer's economic satisfaction. Social satisfaction and trust are primarily influenced by mutuality and role integrity. Finally, commitment is positively influenced by solidarity and long-term orientation.

In the American health industry, Hausman (2001) found that relational norms positively and significantly influenced customer satisfaction. Lastly, Palmatier et al. (2007) found that relational norms affected buyer's commitment in the seller and distributor relationship with the clothing, hardware, furniture and appliance industries in the United States. Table 2.7 summarized the past relevant literature on relational norms and relationship quality.

Based on Table 2.7, the majority of the studies related to relational norms were conducted on channel relationships. Moreover, results from studies conducted to investigate the effect of relational norms on relationship quality provide mixed support, and were mostly conducted in the Western countries, and in different industrial contexts. Although relational norms have been discussed in various ways and had showed mixed results on its influence on relationship quality, Zhang et al. (2003) suggested that relational norms should be emphasized as an important construct that will heighten relationship quality that in turn

leads to loyalty. Therefore, in this study the use of relational norms as a construct to enhance relationship quality and customer loyalty in the hotel industry is justified.

Table 2.7: Relational Norms and Relationship Marketing

Study	Industry/Country/Type of Relationship	Outcomes	Empirical Results →
Smith (1998)	Members of the Purchasing Management Association of Canada Purchasing manager and supplier, Canada.	Commitment Satisfaction	Relationalism commitment (+), satisfaction (ns), and trust (ns)
Hausman (2001)	Health industry. Purchasing managers and suppliers, U.S.A.	Buyer satisfaction	Relational norms → buyer satisfaction (+)
Smit et al. (2002)	Retailer and supplier relationship, Laboratory experiment, Netherlands	Supplier relationship quality (Satisfaction Commitment)	Information exchange → Satisfaction (+) and commitment (+)
Ivens (2004)	Market research industry, Market researcher and suppliers, Germany.	Relationship quality (economic and social satisfaction, trust and commitment)	Relational behaviour → economic and social satisfaction (+) and trust (+) and commitment (+)
Graf and Perrien (2005)	Banks and high tech firms, Account managers and service provider, Canada	Trust	Flexibility → Trust (+)
Griffith et al. (2006)	Durable and non-durable goods industries. Merchant wholesale and agent distributors, U.S.A	Satisfaction	Flexibility → Satisfaction (+) Solidarity → Satisfaction (+) Information exchange → Satisfaction (+)
Palmatier et al. (2007)	Clothing, hardware, furniture and appliance industries. Major Fortune 500 companies (seller) and local distributor agents (business customer), U.S.A.	Buyer commitment	Relational norms → Commitment (+)

2.11 Switching costs

The concept of switching costs was first introduced in the marketing literature by Fornell (1992). In the presence of switching costs, the service providers/suppliers will make it expensive and difficult for their customers to switch to other alternatives (vendor, store, etc.). Customers that switch service providers have to incur various costs, ranging from the time spent gathering information on the new service providers to benefits from the existing providers that need to be given up when defecting (Jones et al., 2002). Klemperer (1995) identified several sources of switching costs: (1) need for compatibility with existing equipment, (2) transaction costs, (3) uncertainty about the quality tested, (4) discount coupons and similar devices including loyalty programs, and (5) psychological costs of brand loyalty or non-economic brand loyalty.

Switching costs have been defined in various ways according to their context. However, in the buyer-supplier relationships, switching costs have been commonly defined as the costs (sacrifices or penalties) that the customers feel that they may incur by changing service providers (Lee et al., 2001b; Jones et al., 2007). In the service relationships, Burnham et al. (2003) defined switching costs as “the onetime costs that customers associate with the process of switching from one provider to another” (p. 110). The customers would not incur these costs continuously and need not incur them immediately upon switching (Burnham et al., 2003).

Other definitions of switching costs in service relationships include the investment of money, time, and effort that comes in the form of monetary measurement, psychological

issues, replacement costs, and financial risks, as well as benefit losses (e.g., loss of accumulated points, loss of discounts, and loss of benefits) derived from loyalty that increases the difficulties of switching from one partner to another (Gremler and Brown, 1998; Ruyter et al., 2001; Kim et al., 2003a).

Switching costs also include the costs of abandoning existing assets specific to a relationship when a company terminates a relationship with a partner. These penalties for disloyalty act as barriers for customers from switching to another service provider (Aydin and Ozer, 2005). Routines and procedural transaction patterns in an ongoing relationship is also one type of switching costs because the knowledge will become useless when the customer terminates the relationship (Jap and Ganesan, 2000).

In the outsourcing context, business customers are frequently faced with switching costs. An outsourcing firm will be highly dependent on a supplier or a service provider if it is costly to switch to an alternative supplier. Therefore, switching costs have a positive effect on customer loyalty (Burnham et al., 2003). While switching costs tend to be more formidable in the business-to-business relationship than the customer market, its importance in the customer market is without exception (Fornell, 1992).

However, the switching costs were found to be multidimensional, and this is reflected in the diversity of dimensions used to explain the construct (Edward and Sahadev, 2011). Aydin and Ozer (2005) discussed three types of switching costs (1) economical or financial switching costs, (2) procedural switching costs, and (3) psychological costs. Economical or

financial costs refer to the costs that appear when a customer changes his/her brand (e.g., the costs of closing an account with one bank and opening another with a competitor bank). Procedural switching costs stem from the process of the customer buying decision that involves a customer with the intention to switch to evaluating different alternatives with regard to different criteria. Psychological cost refers to the uncertainty and risks of switching to an unfamiliar brand or service provider.

Burnham et al. (2003) attempted a more comprehensive categorization of switching costs. They found eight facets of switching costs (e.g., economic risk costs, evaluation costs, learning costs, setup costs, benefit loss costs, monetary loss costs, personal relationship loss costs, and brand relationship loss costs) associated with changing credit cards and long-distance phone services. The facets were then grouped into three types of switching costs (1) procedural switching costs that involves the investment of time and effort (economic risk, evaluation, learning, and setup costs), (2) financial switching costs, which relates to the loss of financially measured resources (benefit loss and financial loss costs), and (3) relational switching costs, which are the psychological and emotional discomfort due to the loss of identity (personal relationship and brand relationship loss costs). Identifying specific switching cost components enhance service providers' understanding and prediction of customers' behaviour in the exchange relationships.

In addition, Patterson and Smith (2003) classified switching costs into three categories: (1) continuing costs (loss of special treatment such as discounts), (2) setup costs (search and analysis cost for potential alternatives), (3) sunk costs (non-recoverable time and emotional

effort in maintaining relationships). While there are multiple conceptualizations of switching costs, in general it can be concluded that switching costs are economic and psychological in nature, customer specific, and its nature varies depending on the product and industry of the research context (Edward and Sahadev, 2011).

In the context of outsourcing, switching costs stem from the search and learning costs, and the risks involved in trying a new service provider. While there are various conceptualizations of switching sums, in general, switching costs can be defined as economic expenditure (e.g., monetary) and/or relational resources (e.g., time, effort) (Whitten and Wakefield, 2006) and psychological and emotional costs (Sharma and Patterson, 2000) that prevent switching of service providers. As switching costs increases, the likelihood of customers changing their service providers will decrease (Sharma and Patterson, 2000) and yielding less incentive for firms to compete in the market place (Lee et al., 2001b).

Following Yang and Patterson (2004), this study measured switching costs in a general way. It is because of the complicated nature of switching costs (Jones et al., 2002). In order to measure switching costs, this study adopted items from Burnham et al. (2003). The items used to measure switching costs in this study are procedural switching costs, that are related to the expenditure of time and effort, and financial switching costs that involves the loss of financially quantifiable resources (Burnham et al., 2003). These types of switching costs were identified from the qualitative interviews. In the context of this study, switching costs

largely stems from the procedural effort needed to evaluate new service providers, and financial costs that have to be faced when switching to another service provider.

2.11.1 Switching Costs, Relationship Quality, and Customer Loyalty

The role of switching costs has generated considerable interest from researchers to investigate its effects on maintaining quality relationships with the service providers. Numerous authors have investigated the influence of switching costs on customer loyalty, and past studies have shown that the role of switching costs in influencing customer loyalty is well-established (Liu, 2008; Tsai et al., 2010). However, results from various studies on the impact of switching costs on loyalty showed mixed results.

Findings from a research on customer loyalty in the Spanish retail banking industry shows that the impact of switching costs on customer loyalty is weaker than satisfaction (Berli et al., 2004). In the search and credence services industries (e.g., fast food and clinics) in Taiwan, Liu (2008) found that switching costs had a stronger effect than service quality in determining customer loyalty. Moreover, besides that direct impact of switching costs on loyalty, switching costs were also found to act as a moderating variable in the relationship between satisfaction and customers' loyalty in three different countries: (1) Taiwanese hypermarket (Tsai et al., 2010), (2) Indian telecommunication market (Edward and Sahadev, 2011), and (3) Turkish mobile phone market (Aydin and Ozer, 2005).

A “lock-in” customer with high switching costs is likely to purchase at the same service provider since he or she is faced with additional costs related to change, even though he or

she is not satisfied with the service provider. Switching costs can lead firms to make false assumptions that all repeat buyers are loyal to them, instead of most of them being less than satisfied, but perceived the cost of switching to other firms to be too high (Dick and Basu, 1994; Bell et al., 2005). Therefore, when satisfaction is low, switching costs is more important to customer loyalty, and vice versa (Jones et al., 2000).

However, in the French mobile phone service Lee et al. (2001b) found switching costs only acts as a moderator between the satisfaction and loyalty link in the economy and standard groups. For mobile lovers, switching costs do not affect loyalty. Switching costs are considered as a form of dependence that may prompt buyers to engage in dependence-balancing strategies (Heide and John, 1992). On the other hand, Farn and Huang (2009) found that switching costs directly influence customers' continuous commitment toward their application service providers (ASP). Table 2.8 summarizes some representative studies on the relationship between switching costs, relationship quality, and customer loyalty. Customer loyalty and relationship quality are definitely the relational outcomes that most customers are pursuing. Review of literature revealed that switching costs has been discussed in various industries and relationships. However, the findings from these studies showed mixed results, which warrant further investigations. Jones et al. (2000) suggested and emphasized using switching costs to enhance customer retention since it has been identified as one of the effective strategies to enhance customer loyalty and maintaining relationships (Morgan and Hunt, 1994). Hence, in this study the use of switching costs to prevent customers from switching to other service providers is justified.

Table 2.8: Switching Costs, Relationship Quality and Customer Loyalty

Study	Industry/Country/Type of Relationship	Outcomes	Empirical Results
Lee et al. (2001b)	Mobile phone service industry, Customer-service provider, France	Customer loyalty	Switching costs → customer loyalty (ns) Switching costs moderates the relationship between satisfaction and customer.
Beerli et al. (2004)	Retail banking industry, customer-service provider, Spain	Customer loyalty	Satisfaction → customer loyalty (+) Switching costs → customer loyalty (+)
Aydin and Ozer (2005)	Mobile phone industry, customer-retailer, Turkey	Customer loyalty	Switching costs moderates the relationship between satisfaction and customer
Liu (2008)	Search and credence service industries (fast-food and clinics, Customer-service provider, Taiwan	Customer loyalty	Switching costs → customer loyalty (+) stronger than service quality. Switching costs also acts as a moderator
Farn and Huang (2009)	Application service provider industry, Customer-service provider, Taiwan	Customer commitment	Switching costs → commitment (+)
Tsai et al. (2009)	Retail industry, Customer-retailer, Taiwan	Customer loyalty	Switching costs moderates the relationship between satisfaction and customer loyalty
Edward and Sahadev (2011)	Telecommunication industry, Customer-service provider, India	Customer loyalty	Switching costs moderates the relationship between satisfaction and customer

2.12 Relationship Quality

Review of literature on relationship marketing reveals that the most frequently discussed tool used for developing and keeping these relationships is relationship quality (Hennig-

Thurau et al., 2002). Within the relationship marketing paradigm, topics on relationship quality has gained interest among researchers (Crosby et al., 1990). The growing interest in relationship marketing over the past decade has resulted in the emergence of this concept, which can be traced back to the 1980s. Relationship quality was first presented to practitioners and researchers by Gummerson in 1987 in the context of the Erikson Quality program (Vieira et al., 2008). Over the past two decades, relationship quality has become one of the key construct of relationship marketing literature (Woo and Ennew, 2004) and gained in importance as a key factor in maintaining and strengthening a long-term relationship and developing successful business-to-business relationships (Dorsch et al., 1998; Kumar et al., 1995a; 1995b; Lee and Hiemstra, 2001; Rauyren and Miller, 2007).

According to Berry (1995) building high quality relationships offer advantages to both the supplier and customer. If the quality of the relationship between customer and seller is high, the customer is more willing to recommend the seller's products to colleagues and increase their purchases from a seller (Huntley, 2006). A high-quality relationship is also important in binding two parties to each other so that they are able to reap benefits beyond the mere exchange of goods (Ford, 1980). As a consequence, relationship quality has become a key construct within marketing, and in the business-to-business settings a large body of research has been dedicated to study this construct (Holmlund, 2008).

Best and high-quality relationships rise if the parties involved in the relationships can work together to achieve mutual goals (Dorsch et al., 1998). As noted by Crosby et al. (1990), relationship quality can be improved through the salesperson's ability to reduce the risk and

uncertainty of service failure, such as complexity, lack of service familiarity, and long-time delivery horizon. Quality relationships can be differentiated from non-quality relationships by using high levels of satisfaction with the service provider's performance, trust, and minimal opportunism (Dwyer and Oh, 1987). Relational exchange often involves quality relationships; however, quality relationships are not restricted to only relational exchanges. Firms involved in other types of relationships, such as discrete and arm's length, can also have quality relationships.

2.12.1 Definitions of Relationship Quality

Various terms have been used that refer to relationship quality, including relationship closeness, relationship strength, and relationship intensity (Bove and Johnson, 2001). Despite the surge of research interest in relationship quality, only a few scholars share a common definition and measure of relationship quality (Huntley, 2006) and therefore, there is no formal definition of this concept (Wang et al., 2004; Athanasopoulou, 2009).

Relationship quality can be viewed from different perspectives. Various researchers viewed relationship quality from the customer's perspective. Gummesson (1987) defined relationship quality as the quality of the interaction between a firm and its customers that can be measured in terms of accumulated value. Crosby et al. (1990) refers relationship quality to the situation when the customer can rely on the salesperson's integrity and future performance based on his satisfactory past performance. They regarded relationship quality as a trade-off between value and risk, whereby a customer's perceived uncertainty is negatively related to the value of his or her relationship with a seller.

From a buyer perspective, Huntley (2006) defined relationship quality as “the degree to which customers are satisfied over time with the overall relationship as manifested in product quality, service quality, and price paid for value received, and the degree to which the relationship functions as a partnership” (p. 706). Henning–Thurau and Klee (1997) defined relationship quality as “the degree of appropriateness of a relationship to fulfill the needs of the customers associated with the relationship”. Garbarino and Johnson (1999) referred to relationship quality as an overall assessment of the strength of a relationship that can be used as an indicator of the health and the future well-being of long-term relationships. By capturing the positive or negative nature of a relationship, relationship quality provides positive benefits to customers. Companies can benefit by maintaining close and good relationships with their customers. High quality relationships lead to positive behavioural performance, which will contribute to higher business profitability.

A relationship can also be viewed from the seller/service provider’s perspectives. In the context of exporters and international firms, Lages, et al. (2004) suggested relationship quality as relationships that develop beyond national boundaries. They developed the RELQUAL scale to measure relationship quality in the export market. Johnson (1999) describes relationship quality as “the overall depth and climate of the inter-firm relationship” (p. 6). His definition of relationship quality takes into account the interchange between buyers and sellers, business-to-business relationships, rather than relationships between individual and firms. Relationship quality can also be viewed in terms of the quality of intangible values including interaction, interchanging, loyalty, commitment, and trust between two parties (Tsai and Farh, 1997). High relationship quality was found to be

a necessary condition for outsourcing success (Lee and Kim, 1999). Since relationship quality is particularly relevant to interactions between client and outsourcing service provider to achieve outsourcing success, therefore, it is valuable to study the relationship quality between client firm and an outsourcing vendor.

2.12.2 Dimensions of Relationship Quality

While several empirical studies (Boles et al., 1997; Wong and Sohal, 2002; Ndubisi, 2005) examined relationship quality as a pure single construct, many studies (Dwyer et al., 1987; Crosby et al., 1990; ; Kumar et al., 1995a; Dorsch et al., 1998; Hennig-Thurau et al., 2002; Naude and Buttle, 2000) regarded relationship quality as a meta-construct composed of several distinct, although related, dimensions that support, reinforce, and complement each other. This may be the results of adopting heterogeneous ideas in various studies (e.g., customer, supplier, or dyadic), and/or to the different industrial settings where the research took place. The lack of consensus in terms of identifying relationship quality dimensions due to these heterogeneities needs to be resolved (Mital et al., 2008).

Decomposing the construct into several dimensions would generate more insights in explaining the relationship quality (Lin and Ding, 2005). Naude and Buttle (2002) found that different clusters of good relationships highlight different aspects of quality. Therefore, these authors (e.g., Naude and Buttle, 2002) suggest that overall relationship quality measures should consist of a combination of different dimensions.

Relationship quality can be better understood by defining the aggregate constructs and assessing dimensions that make up the construct (Woo and Ennew, 2004). Past literature has identified a variety of dimensions that have been employed to measure the level of relationship quality (Seo et al., 2005). However, there is, as yet, no clear consensus in the literature on the sets of dimensions that comprise the construct of “relationship quality” (Kumar et al., 1995; Bojou et al., 1998; Dorsch et al., 1998; Hennig-Thurau et al., 2002; Caceres and Paparodaimis, 2007; Athanasopoulou, 2009). Nevertheless, most of the researchers agree that the concept of relationship quality is a higher-order construct consisting of several distinct but related dimensions. Different researchers have proposed a different set of dimensions that constitute relationship quality. Some dimensions (e.g., trust, commitment, and satisfaction) have been suggested more frequently than others in the literature (Lang and Colgate, 2003).

In one of the earliest studies in relationship quality, Dwyer and Oh (1987) conceptualized relationship quality as comprising high levels of satisfaction, trust, and minimal opportunism. Mohr and Spekman (1994) employed trust, dependence, commitment, and coordination while Lee and Kim (1996) underlined the importance of trust, business understanding, benefit and risk sharing, conflict, and commitment in their study. Kumar et al. (1995a) suggested that the dimensions of relationship quality are conflict, trust, commitment, willingness to invest, and expectation of continuity. Crosby et al. (1990), Legace et al., (1991), Leuthesser (1997), Shamdasani and Balakrishnan (2000), Kim and Cha (2002), Lin and Ding, (2006) have all considered trust and satisfaction as dimensions of relationship quality. Morgan and Hunt (1994) considered trust and commitment as the

two key components of relationship quality. Meanwhile, Hennig-Thurau and Klee (1997) and Palmatier et al. (2006) added commitment as the third dimension of relationship quality together with trust and satisfaction. Many other scholars stressed the important role of commitment in a relationship (Kumar et al., 1995a; De Wulf et al., 2001). Various dimensions of relationship quality have also been proposed in past research. These include cooperation (Grover et al., 1996), dependence (Mohr and Spekman, 1994), and quality of interaction (Moorman et al., 1992).

A study by Kim and Cha (2004) on the antecedents and consequences of relationship quality on the Korean hotel industry found that relationship quality can be measured through trust in the service provider and satisfaction with the relationship. Another study in the hotel industry by Kim et al. (2001) found that guest confidence, guest contact, and communication influenced relationship quality between frontline customer-contact employees and guest hotels, in which commitment acted as a mediating variable. A study by Moliner et al. (2007) that investigates the relationship between perceived value and relationship quality in the hospitality industry in Spain conceptualized the key components of relationship quality as consisting of trust, satisfaction, and commitment. In addition, Roberts et al. (2003) and Liu et al. (2010) found that relationship quality is a better predictor of loyalty.

In conclusion, relationship quality can be used as a platform that allows the development and maintenance of successful long-term relationships (Bejou et al., 1996). Trust, commitment, and satisfaction have been considered to be the key components of

relationship quality (Hennig-Thurau and Klee, 2002). Moreover, numerous researchers (Smith, 1998; DeWulf et al., 2001; Roberts et al., 2003; Walter et al., 2003; Ivens, 2004; Ulaga and Eggert, 2006; Huang and Liu, 2007; Ivens and Prado, 2007; Rauyruen and Miller, 2007; Vieira et al., 2008) suggested the global construct of relationship quality, as reflected by a combination of commitment, trust, and satisfaction with the service providers, offers the best assessment of relationship strength and provides the most insight into exchange performance. Therefore, it can be concluded that there is general agreement that trust in the service provider, commitment to the relationship, and satisfaction with the relationship are key dimensions of relationship quality (Hennig-Thurau and Klee, 1997; Smith, 1998; DeWulf et al., 2001; Liang and Wang, 2006; Ulaga and Eggert, 2006; Huang and Liu, 2007; Liang and Wang, 2007; Moliner et al., 2007).

2.12.2.1 Trust

Reviews of relationship marketing literature report extensively on trust (e.g., Rutger et al. 2001). Trust is an important asset in a relationship and has been established as a critical variable in relational exchanges (Klemeyer et al. 2003), such as those within the outsourcing ventures (Lee and Kim, 1999; Roberts et al., 2003). Trust is a key predictor of higher-order relationships, and it is important, especially in the initial stages of relationship development (Lin and Chung, 2008). The choice of trust is consistent, due to the fact that it is one of the most frequently used constructs in relationship marketing research (e.g., Crosby et al., 1990; Garbarino and Johnson, 1999; Morgan and Hunt, 1994; Hewett and Bearden, 2001).

Trust develops over time as a result of the positive experiences of individuals within relationships, recurrent contracts between the same trading partners, or with the increased duration of the relationship between the parties (Paravastu, 2007). One party has to believe that the third party will perform actions that will result in positive outcomes for the first party (Anderson and Narus, 1990). Therefore, to trust a service provider, a customer should believe the service provider would deliver superior customer value. In addition, trust also develops when one party perceives the other party to be sincere, honest, confidential and tactful, displays expertise, acts in a timely manner, and is willing to reduce the uncertainty that emerges (Ruyter et al., 2001). It appears that if one party trusts another party, it is likely that a positive behavioural intention towards the other party will be developed that will lead to a long-term relationship.

The extant literature reveals that different authors have given different definitions of trust. According to Rashid (2003), trust is relying and believing on someone's word and it is based upon reputation, personality, systems, and processes. Trust has been defined as "a willingness to rely on an exchange partner in whom one has confidence" (Moorman et al., 1992, p. 314). This definition implies that the exchange partner's expertise, reliability, and intentionality create trust and confidence in the other party. Anderson and Narus (1990) and Morgan and Hunt (1994) also look at trust in the same way as Moorman et al. (1992). According to Anderson and Narus (1990) and Morgan and Hunt (1994), trust is the belief by one party that is involved in a business relationship that another party will be honest, fair, and reliable in performing future actions. As trust increases, customer benefits through decreased transaction costs in the relationship foster customer loyalty (Morgan and Hunt,

1994). From the customer's perspective, trust in the service provider is considered a key important dimension of a relationship. Findings from a study conducted by Shemwell et al. (1994) found that there is a positive relationship between trust and the customers' intentions to continue their relationships, and a negative relationship between perceived risks inherited in the relationship. Trust is an expectation about an exchange partner that results from the partner's expertise, reliability, and intentionality (Powers and Reagan, 2006). Customers or client firms will experience dissatisfaction if the supplier or service provider betrays the trust (Ndubisi, 2004).

Following Ganesan (1994) and Kumar et al. (1995a), and Doney and Cannon (1997), this study defines trust in terms of a industrial firm's perception, belief, or expectation of an outsourcing vendor's credibility, and benevolence that results from the vendor's expertise. This definition of trust is relevant in an industrial buying context such as in outsourcing relationships (Ganesan, 1994; Doney and Cannon, 1997). An industrial customer that decides to outsource its production turns to an outsourcing vendor that is believed to be able to perform effectively and reliably (credible), and is interested in its industrial customer's best interests (benevolent). Indeed, credibility and benevolence have been viewed as components of trust in many studies and it is undeniable that these two components are very significant, regardless of the sector examined (Graf and Perrien, 2005). Wong and Sohal (2002) study findings suggest that there is no difference between the trust in a salesperson and the trust in an organisation; customers may see both as being synonymous.

The emergence of relationship marketing has increased the importance of trust in long-term business relationships (Dwyer et al., 1987; Ganesan, 1994; Morgan and Hunt, 1994). Trust is a key element in relationship marketing due to its important roles in developing and strengthening long-term relationships, facilitating exchange relationships, separating relationships into transactional or partnership style, reducing the risks associated with partnering, and increasing the commitment in the relationship (Anderson and Weitz, 1992; Ganesan, 1994; Lee, 2001).

Positive attitudes are likely to be produced from a high level of trust, in which will increase the level of customer orientation/empathy (Rashid, 2003). Trust was found to influence buyer attitudes and behaviour towards suppliers, and have positive effects on the stability of buyer-seller relationships. Trust operates as a governance mechanism that mitigates opportunistic behaviour in an exchange relationship that exists from uncertainty and dependence (Doney and Cannon, 1997; Heide, 1994), reduces the level of conflict and increases satisfaction (Anderson and Narus, 1990), and leads to a strong desire to maintain a relationship (Crosby et al., 1990; Rytter et al., 2001). A firm that trusts its supplier has a high degree of commitment towards the relationship and intends to remain in the relationship. The perceived level of trust between exchange partners is essential in the development of relationship quality, and understanding the strength of marketing relationships (Ndubisi, 2004). Trust facilitates effective communication between trading partners (Dwyer et al., 1997). When trust is lacking, outcome expectation cannot be reliably predicted, and makes one feel insecure in the relationship (Andaleeb, 1996). Hence, trust helps in preventing opportunistic behaviour among parties involved, establishing value in

the relationship, and reducing safeguarding costs (Andaleeb, 1996; Garbarino and Johnson, 1999).

Trust has been considered initially as an interpersonal phenomenon, especially in the social psychology and related fields outside marketing (Crosby et al., 1990). Anderson and Narus (1990) pointed out that the difference in the nature of the trust of an individual and that of an organization lies in perceived uncertainty and risk. Trust has been treated as a uni-dimensional construct by studies in marketing (e.g., Anderson and Narus, 1990; Moorman et al., 1992), and has been shown as a multidimensional construct by researchers in interpersonal trust (Ganesan, 1994). The multidimensional approach has the advantage of providing greater diagnosticity of the trust construct (Ganesan, 1994).

Selnes (1998) found that in making decisions on improving business relationships, trust was the important variable. On the other hand, he found that satisfaction was the key variable when the issue is related to relationship continuity, and satisfaction is the antecedent of trust. This suggests that customers should have some experience with the service providers before they can trust them. Lin and Wang (2006) found that trust influenced customer loyalty.

In sum, it can be concluded that trust is an important factor that determines customer loyalty. Service providers should try to find ways to enhance customers' trust in their relationship since customers' trust leads to long-term relationships that enhance customer loyalty.

2.12.2.2 Commitment

Commitment has been the focus of many studies in marketing (Heide and John, 1990; Anderson and Weitz, 1992; Solliner, 1999) and has been reported extensively in the literature on relationship marketing (Gounaris, 2005). Just like trust, commitment is central to relationship marketing, an essential ingredient for maintaining long-term relationships, and has been regarded as an important outcome of good relational interactions (Dwyer et al., 1987; Gundlach et al., 1995; Egan, 2000; DeWulf et al., 2001). In addition, commitment has been identified as one of the most important variables to understand the strength of marketing relationships and the key characteristics of successful relationships (Dwyer et al., 1987; Morgan and Hunt, 1994; Ndubisi, 2004). Hence, to develop a successful relationship, service providers should think of strategies that will enhance customer commitment in the relationships.

Commitment has been considered as the most advanced phase of a relationship by Dwyer et al. (1987). Various authors have addressed this concept in different ways. Commitment represents relationship quality, durability, continued stability, and future interactions between parties involved in the relationship (Smit et al. 2002; Dash et al., 2006). Commitment to a relationship is frequently demonstrated through the partner's willingness to commit resources (e.g., time, money, and facilities) to the relationship, and it is believed that commitment will increase when resources are made available to the relationship (Heide and John, 1992; Heikkila, 2002). A person must develop a relationship before they can be committed to it and a committed customer may have a higher propensity to act since they want to be consistent with their commitment (Lin and Chung, 2008).

Commitment has been defined as an implicit or explicit pledge between exchange partners that reflects their intention to continue their relationships (Dwyer et al., 1987). The previous definition is consistent with Morgan and Hunt (1994), which defined commitment as the belief of an exchange partner that the relationship that they are involved in is so valuable that it deserves maximum effort to maintain it. This shows that the committed parties have the desire or the intention to maintain the valued relationship. Similar opinions were given by Moorman et al. (1992) and Heikkila (2002) that conceive of commitment along the same line. The central tenets of commitment are the propensity for relational continuity and the establishment of long-term relationships (Morgan and Hunt, 1994). In sum, definitions of commitment in the relationship marketing literature are dominated by Moorman et al. (1992) and Morgan and Hunt (1994).

In the context of this current study, commitment is conceptualized as a business customer believing that an ongoing relationship with his/her service provider is worth investing in, and that it deserves maximum effort to maintain it (Moorman et al., 1992). A business customer is committed to the service provider for the purpose of primarily achieving maximum returns. A committed customer will not actively search out alternative sources and is ready to put maximum effort to stay in the relationship.

DeWulf et al. (2001) suggested two requirements to maintain a relationship: (1) the presence and consistency over time of both the desire to continue a relationship and (2) willingness to make efforts to maintain the relationship. Therefore, it can be concluded that commitment is not only an expression of desire to continue or stay with the service

providers, but it is also a characteristic to maintaining a successful long-term relationship (Dwyer et al., 1987; Anderson and Weitz, 1992; Moorman et al., 1992; Ganesan, 1994; Lin and Chung, 2008).

Interestingly, commitment does not seem to be equally important to suppliers and customers. An empirical study by Leek et al. (2002) found that in a relationship, suppliers are more concerned with gaining their customers' commitment than vice versa. In the outsourcing context, the service provider is more concerned in gaining commitment in his/her customers. In addition, with respect to outsourcing, commitment to the relationship has been established as a key to building a successful outsourcing venture (Lee and Kim, 1999). In this study, commitment is defined as a measure of the extent to which customers want to maintain a relationship with their service provider, consistent with the definition by Roberts et al., (2003).

Gundlach et al., (1995) suggested three different dimensions of commitment: (1) input or instrumental commitment, (2) attitudinal commitment, and (3) temporal commitment. Input or instrumental commitment refers "to affirmative actions taken by one party that creates a self-interest stake in the relationship and demonstrates something, more than a mere promise. Attitudinal commitment refers to the positive intention to develop and maintain stable relationships. Temporal commitment refers to the effect of time and expectation of relationship continuity of commitment.

Based on different motivations to maintain a relationship, Mathieu and Zajac (1990) separated commitment into two different types: (1) affective and (2) calculative commitment. Affective commitment stems from the positive feelings that motivate a party to continue a relationship or attach to another party. Similarly, Sanchez-Franco et al., (2009) defined affective commitment as a commitment that is based on loyalty and feelings of belonging. An affectively committed customer intends to continue a relationship with the service provider because he/she likes the service provider, and enjoys working with the service provider. A customer is loyal because she or he truly wants to be loyal and experiences a sense of loyalty and belongingness (Evanschitzky et al., 2006). One indicator of affective commitment is the positive attitude toward a service/product or organization and continuing patronage (Gwinner et al, 1998).

On the other hand, calculative commitment stems from the perceived structural constraints including anticipation of high termination costs or switching costs associated with leaving the relationship that binds an organization with its partner (Gounaris, 2005), and it is usually based on rational evaluation (Sanchez-Franco et al., 2009). Relationships that are based on calculative commitment continue on a cost-benefit basis and will be terminated when the costs exceed the benefits of continuing the relationships (Gounaris, 2005). Calculative commitment is less enduring and associated with greater price sensitivity and willingness to switch than affective commitment (Tanford et al., 2011). Therefore, calculative commitment has been characterized as a negative motivation to continue a relationship as opposed to the positive motivation of the affective commitment (Geyskens et al., 1996).

A review of the studies in the relationship marketing literature shows that most studies conceptualized commitment as either solely affective commitment (Sanchez-Franco et al., 2009) or the combination of affective and calculative commitment (Geyskens et al. 1996; Sharma and Patterson, 2000; Gounaris, 2005; Evanachitzky et al., 2006). However, in the relationship marketing literature, the conceptualization of commitment as consisting of an affective component and a calculative component is quite recent (Evanachitzky et al., 2006). A study on the impact of dimensions of commitment (affective and calculative commitment) on customer loyalty and retention found that only affective commitment has a direct positive influence on customer loyalty and retention (Gounaris, 2005; Davis-Sramek et al. 2009) and loyalty is greater when it stems from affective commitment (Evanachitzky et al., 2006; Sanchez-Franco et al., 2009). Affective commitment was also found to be a complete mediator of the relationship between satisfaction and behavioural loyalty (Davis-Sramek et al., 2009). Calculative commitment, on the other hand, was found to have an indirect impact on loyalty behaviour through affective commitment (Davis-Sramek et al., 2009).

According to Gundlach et al. (1995), commitments by both parties act as a powerful signal of the quality of relationship, enhancing the development of trust in the relationship, and influencing the development of relational norms that align future exchanges. Hence, it is assumed that commitment is an important variable in assessing long-term relationships, and why commitment is chosen as one of the dimensions of relationship quality in this study.

2.12.2.3 Satisfaction

In today's dynamic and competitive environment, the importance of customer satisfaction is obvious since it influences customers' repurchase intentions and brand loyalty (Chiou, 2004). Customer satisfaction has long been considered an important determinant of long-term customer behaviour including customer loyalty and retention (Sawmong and Omar, 2004), and consequently, firms have dedicated substantial effort in identifying customer satisfaction.

In general, customer satisfaction refers to an affective reaction to the appraisal of a supplier (Babin and Griffin, 1998). High customer satisfaction has always been the key goal of an organization. In the business-to-business relationships, an industrial customers' loyalty towards their service providers is likely to be influenced by the customers' level of satisfaction (Lam et al., 2004). However, in certain cases, satisfaction may not necessarily result in customer loyalty, and dissatisfaction does not always result in defection (Chiou, 2004; Sawmong and Omar, 2004).

Satisfaction can be defined in various ways based on different contexts. In the product or service market, satisfaction has been defined as a person's feelings or pleasure or disappointment from comparing a product's perceived performance in relation to his or her expectation (Kotler, 2000).

Based on Dwyer and Oh (1987), Anderson and Narus (1990), Ganesan (1994), and Geyskens et al. (1999), this study adopts the definition of customer satisfaction as a

positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm. This definition is consistent with the context of this study, the outsourcing relationship in the hotel industry in Malaysia. This study focuses on relationship satisfaction between organizational customers and their service providers, consistent with the study context. In the context of outsourcing, satisfaction with the service provider may take some time to develop.

A review of the literature reveals three general conceptualizations of customer satisfaction: (1) product/service or transaction-specific satisfaction, (2) overall satisfaction, and (3) relationship-specific satisfaction (Lam et al., 2004). Product- or transaction-specific satisfaction exists when a customer is satisfied with a specific episodic product or transaction encounters with an exchange partner. The confirmation/disconfirmation paradigm has been dominating, and frequently used to explain product- or transaction-specific satisfaction. According to this paradigm, satisfaction develops from the customer's comparison of post-purchase and post-usage evaluation of a product/service with the expectation prior to purchase (Oliver, 1999). Cumulative/overall satisfaction, on the other hand, reflects the firm's past, current, and future performance, and it refers to "the satisfaction that accumulates across a series of transactions or service encounters" (Lam et al., 2004, p. 295). Relationship-specific satisfaction is conceptually different from product- or transaction-specific satisfaction and overall satisfaction. Consistent with its name, relationship satisfaction focuses on the customer's experience with transactions throughout the life of the relationship, and also the experience with using the sum-total of product (Abdul-Muhmin, 2005). In the same manner, relationship satisfaction is an overall

assessment that the relationship contributes something good for the parties (Eriksson and Vaghult, 2000). It has been regarded as an important outcome of buyer-seller relationships (Smith and Barclay, 1993; Liang and Wang, 2005).

Gassenheimer and Ramsey. (1994) suggested that satisfaction should include both the economic and non-economic factors, however, the proportion varies across studies. Economic satisfaction refers to a channel member's positive affective response to the economic rewards (e.g., sales volume and margin) that flow from the relationship with its partner (Geysken et al., 1999). On the other hand, non-economic satisfaction refers to a channel member's positive affective response to the non-economic, psychosocial factors, and emotional responses to the overall working relationship with its partner (Mohr et al., 1996).

It is well-established in the marketing literature that the major determinant of customer loyalty is satisfaction (Oliver, 1997; Petrick, 2002; Ryu et al., 2008). Satisfaction was found to have a direct significant effect on behavioural intention in the Korean restaurant industry (Ryu et al., 2008). A study conducted by Davis-Sramek et al., (2009) on the loyalty behaviour of retailers to their manufacturers found that satisfaction influenced the loyalty behaviour of the retailers through affective commitment. However, the relationship between satisfaction and behavioural intention is non-linear, indicating that when satisfaction increases up to a certain level, loyalty climbed rapidly, and vice versa (Anuwichanont and Mechinda, 2009). Jones and Sasser (1995) classified customers into four different groups based on their satisfaction and loyalty levels: (1) loyalist/apostle (high

satisfaction-high quality), (2) defector/terrorists (low satisfaction-low loyalty), (3) mercenary (high satisfaction and low loyalty), and (4) hostage (low satisfaction-high loyalty). The classification acts as a guideline to formulate a firm's strategies.

Even though satisfaction has been discussed in various ways, Burnham et al. (2003) supported the continued emphasis on managing customer satisfaction. Moreover, numerous studies in relationship marketing had considered satisfaction as one of the most important dimensions of relationship quality (see Crosby et al., 1990; Hennig-Thurau and Klee, 1997).

2.12.3 Relationship Quality and Customer Loyalty

Various studies had been conducted to investigate the relationship between relationship quality and customer loyalty (see Crosby et al., 1990; Huang and Liu, 2007; Lin and Chung, 2008). However, findings on the effects showed mixed results that need further investigation. Moreover, the majority of the studies were conducted in the customer markets rather than the business market.

Lin and Ding (2005) suggested that customers who trusted and were satisfied in their relationships were more likely to act, more consistent with their needs to maintain that trust and satisfaction that result in stronger loyalty between customers and Internet service providers in Taiwan. A study by Huang and Lui (2007) conducted on the effects of relationship quality, as measured in terms of trust, commitment, and satisfaction on customer loyalty of a bookstore chain in Taiwan, found that the quality of relationships in

the bookstore chains does not have any significant influence on customer loyalty. Research by Anderson et al. (1994) and Fornell (1992) suggested that satisfaction with products and services affect the buyer's decision to continue a relationship. Their findings are consistent with Reichheld and Sasser (1990), where according to them a satisfied customer will tend to have greater customer loyalty. Within the context of Singaporean hair salons, Shamdasani and Balakrishnan (2000) found that customer satisfaction and trust have a positive effect on the customer loyalty towards the service provider.

De Cannière et al. (2009) also found that relationship quality between retailers and customers influenced the customers' behavioural intentions to purchase clothing for themselves. In the Hong Kong telecommunication industry, Mirpuri and Narwani (2012) found that loyalty among Generation Y customers (between 18 and 30 years old) towards their service providers is influenced by relationship quality, which is measured by the trust in integrity, trust in benevolence, commitment, affective conflict, and satisfaction. However, Huang (2012) found the influence of relationship quality on customer loyalty on the beverage stores in Taiwan was mediated by customer satisfaction.

In the business-to-business markets, there are a number of studies that have attempted to find the relationship between relationship quality and business customer loyalty (also measured in terms of anticipation of future interaction, intention to stay, repurchase intention, and willingness to recommend) (see Boles et al., 2000; Ruyter et al., 2001; Hewett et al., 2002). Boles et al. (2000) found that relationship quality has a positive significant relationship on anticipation of future interaction in the context of business

customers from various industries (e.g., retail, manufacturing, and government agencies) and telecommunication service provider relationships in the United States. Hewett et al. (2002) studied the influence of relationship quality on repurchase intentions in the relationship between marketing representatives and business customers in various American technology-intensive industries. The result of the study shows that relationship quality had a positive and significant effect on repurchase intentions, while a study by Gounaris (2005) found that a business customer's affective commitment in a relationship had a significant direct effect on the customer's inclination to stay in a relationship, where calculative commitment was found to negatively influence behavioural intention.

In the Greek banking industry, Jamal and Anastasiadou (2009) found that customer loyalty toward the services offered by the banks was influenced by the level of customer satisfaction with the service. Finally, Ruyter et al. (2001) investigated the impact of relationship quality on loyalty of business customers of high technology markets in the Netherlands, and they found the impact of relationship quality on customer loyalty was not a major concern in business-to-business relationships, and therefore, warrants further investigation. Zahir and Ilham (2013) found that customer satisfaction partially mediates the relationship between service quality and customer loyalty in the Malaysian rural tourism sector.

Table 2.9 provides a summary of the relevant literature on relationship quality, behavioural intentions, and customer loyalty. Based on Table 2.9, the majority of the studies on relationship quality were conducted in business-to-customer relationships in various

industries, and provided mixed results. Even though there is no agreement on the definition and dimensions of relationship quality, numerous studies have provided empirical evidence that relationship quality is a key predictor of customer loyalty (see Crosby et al., 1990; Huang and Liu, 2007; Lin and Chung, 2008). And as suggested by Crosby et al., (1990), firms that focus on customer loyalty and retention should use relationship quality as one of their relationship marketing strategies. Therefore, in this study the use of relationship quality to keep customers from switching service providers is justified.

Table 2.9: Relationship Quality and Customer Loyalty

Study	Industry/ Country/Type of Relationship	Relationship Quality Dimensions	Outcome	Empirical Results
Boles et al. (2000)	Retail, manufacturing, and government agencies. Telecommunication service providers and business buyers. U.S.	No	Anticipation of future interaction	Relationship quality → anticipation of future interaction (+)
Shamdasani and Balakrishnan (2000)	Hairdressing industry. Customer and service provider. Singapore	Satisfaction Trust	Customer loyalty	Relationship quality → customer loyalty (+)
Ruyter et al. (2001)	High technology industry. Sales person and business buyers. Netherlands	No	Customer loyalty	Relationship quality → customer loyalty (ns)
Hewett et al. (2002)	Technology intensive industries. Marketing representatives and business buyers. U.S	Trust Commitment	Repurchase intention	Relationship quality → repurchase intentions (+)

**Table 2.9: Relationship Quality and Customer Loyalty
(continue)**

Study	Industry/ Country/Type of Relationship	Relationship Quality Dimensions	Outcome	Empirical Results
Gounaris (2005)	Consulting companies offering training services. Business customers and service providers. Greece	Commitment	Inclination to stay	Affective commitment → inclination to stay (+) Calculative commitment → inclination to stay (-)
Lin and Ding (2005)	Internet service provider. Customer and service provider. Taiwan	Trust Satisfaction	Customer loyalty	Relationship quality → customer loyalty (ns)
Huang and Lui (2007)	Bookstore chain. Customer and retailer. Taiwan	Trust Satisfaction Commitment	Customer loyalty	Relationship quality → customer loyalty (ns)
De Cannière et al. (2009)	Clothing industry. Customer and retailer. Belgium	No	Behavioural intention	Relationship quality → behavioural intention (+)
Jamal and Anastasiadou (2009)	Retail banking industry. Customer and service provider. Greece	No	Customer loyalty	Satisfaction → customer loyalty (+)
Huang (2012)	Beverage industry. Customer and retailer. Taiwan	No	Customer loyalty	Relationship quality → customer loyalty (+) with satisfaction as a mediator
Mirpuri and Narwani (2012)	Telecommunicati on industry. Customer and service provider, Hong Kong	Trust in integrity Trust in benevolence Commitment Conflict Satisfaction	Customer loyalty	Relationship quality → loyalty (+)

2.13 Loyalty

Loyalty is an elusive concept (Wetsch, 2005), and is a complex construct (Javalgi and Moberg, 1997) that is frequently considered as a primary goal of relationship marketing (Hennig-Thurau et al., 2002). This is reflected through various definitions provided for the meaning of customer loyalty (Tideswell and Fredline, 2004). Loyalty has been used as the dependent variable in many studies (see Erikson and Vaghult, 2000; Hennig-Thurau et al., 2002) because of its ability in determining firm performance (Lam et al., 2004). Customer loyalty has also been considered as a key component for a firm's long-term viability and has been advocated as an easier and more reliable source of superior performance (Krishnamurthi and Raj, 1991). Customer loyalty and retention are often used to describe the same phenomenon, in which loyalty represents the customer's perspective, and retention from the suppliers' perspective (Moeller et al., 2009). In some instances, loyalty is hard to measure because the repetitive purchase may be due to habit, convenience, or alternative suppliers available (Anuwichanont and Mechinda, 2009).

The increasing competition, particularly in the service industry, has caused firms to become very concerned and obsessed with attracting potential customers, and trying to maintain long-term relationships with their current customers. Studies have also shown that an increase in customer loyalty will increase profit, reduce costs to acquire new customers, and decrease costs to serve current customers (see Hallowell, 1996; Reichheld, 1993; Reichheld and Sasser, 1990). Loyal customers are willing to pay higher prices, are easier to satisfy because suppliers know the customers' expectations, and more understanding if something goes wrong (Lawson-Body and O'Keefe, 2006). To the business customers, by

engaging in ongoing relationships with their service providers, they are able to reduce their choices of service providers and thus, saving their energy in making decisions.

According to Malthouse and Mulhern (2007), there are many entities that customer can be loyal to such as brands, product categories, companies, retailers, or salespeople. While most of the marketing research has focused on brand loyalty, the importance of customer loyalty, supplier loyalty, services loyalty, and store loyalty should not be neglected (Dick and Basu, 1994). Compared to products, it is more difficult to conceptualize loyalty in the service due to the characteristics of services (Bloemer et al., 1998). According to Dick and Basu (1994), due to the intangibility and the variability of service characteristics, emphasis should be given on relationship marketing constructs (e.g., trust and reliability) as strategies to build and maintain loyalty. In the service organizations, customer loyalty is frequently used in services, including credit cards and travel, and in contractual purchases such as health clubs and telecommunications (Malthouse and Mulhern, 2007). Loyalty in the service industries refers to the customer's commitment in doing business with a particular organization, purchasing their service offering repeatedly, and recommending the organization's services to other firms (Auka, 2012).

Customers can demonstrate their loyalty by (1) staying with the service provider, (2) increasing the amount of their purchases or the frequency of their purchases from the same service provider whenever possible, (3) continuing to recommend or maintaining a positive attitude towards the service provider, and (4) give service providers suggestions (complaint

behaviour) (Reichheld and Sasser, 1990; Zeithaml et al., 1996; Kandampully and Suhartonto, 2000).

Customer firms that developed strong relationships with their suppliers/service providers can better align their interests and goals with those of their suppliers (Lamming and Hampson, 1996). This is because loyal customers are more likely to focus on long-term benefits and engage in cooperative relationships with their partners, thus reducing transaction costs and improving the competitiveness of both parties (Doney and Cannon, 1997; Ganesan, 1994; Lam et al., 2004; Morgan and Hunt, 1994).

For the firms, loyal customers can help them maximize their profits. Loyal customers are willing to (1) purchase more frequently because they are price-insensitive, (2) try the firm's new products, (3) make positive word-of-mouth and recommend products and services on to another supplier, and (4) give suggestions to the firms (Reichheld and Sasser, 1990). Loyal customers tend to behave differently from non-loyal customers. Zeithaml et al. (1996) listed characteristics of a loyal customer. According to them, a loyal customer has: (1) high purchase or repurchase intentions, (2) less price sensitivity, (3) suggestions and feedback for the firms, and (4) more frequent business with the firms. In sum, loyal customers contribute to the financial performance of a firm (Wang et al., 2004).

2.13.1 Definitions of loyalty

Loyalty has been defined in various ways by different authors. The most common definition of customer loyalty is given by Oliver (1997, p. 392) as “a deeply-held

commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing, despite situational factors that may cause switching behaviour”. In other words, it refers to the buyers’ overall attachment or strong intentions to stay with an organization or continue buying a product, service, or brand. Customer loyalty can be reflected in various positive behaviours including repeat purchase and willingness to recommend the service provider to other customers (Lam et al., 2004). Oliver (1997) suggested four stages of loyalty that should be experienced by a loyal customer: (1) the cognitive stage or belief – the belief that the expectations about the products or services are met, (2) the affective stage or favoured attitude – customers are repeatedly satisfied from buying decisions, (3) conative stage or behavioural intention – customers have the behavioural intention to purchase, and (4) action – actual behaviour of purchasing (Oliver, 1997).

Bowen and Shoemaker (1998) defined loyalty as the probability that the customer will return and be ready to repurchase and make referrals. Lam et al. (2004) took the same stand by referring to loyalty as the act of building and sustaining a trusted relationship with the customer, which leads to the customers’ repeated purchases of products or services over a given period of time. According to Auka (2012, p. 187), loyalty is “a degree to which a customer exhibits a repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using the current provider when a need for the service arises”. Drawing upon the diverse definition of loyalty by different authors, and consistent with the aim of developing long-term relationships with the service provider, this study bases the definition of customer loyalty as put forward by

Oliver (1997). In sum, loyalty is an attitude or behaviour that is exhibited or demonstrated by customers through their actions.

2.13.2 Types of Loyalty

Review of the marketing literature suggests two major ways of defining and measuring loyalty. The first, defined and assessed loyalty in terms of various behavioural measures. The behavioural loyalty is related to how customers think and feel about a brand/product. Behavioral loyalty includes repeat purchase of the same brand, increased purchase volume and proportion of purchases (the percent of units or dollars one brand gets, increased frequency of purchase, relationship continuance, willingness to pay a higher price, switching intentions, and the act of recommendation) (Dick and Basu, 1994; Hallowell, 1996; Lin and Ding, 2005; Wetsch, 2005; Malthouse and Mulhern, 2007) that result from customers' beliefs that the quantity of value received from one supplier is greater than that available from other suppliers (Hallowell, 1996). Behavioural-based approaches measures loyalty based on actual behaviour (Malthouse and Mulhern, 2007), and the data is often used because its collection is easier and less costly (Wetsch, 2005). However, one of the limitations of behavioural data is that it does not capture the attitudinal or affective element that relates to loyalty.

The second definition of loyalty is attitudinal. This loyalty dimension reflects the customers' psychological attachment to a particular provider, brand, or organization (Oliver, 1999). These feelings define the customer's purely cognitive degree of loyalty (Hallowell, 1996). Attitudinal loyalty is demonstrated through the customers' strong

preference for involvement and commitment to a supplier (Roberts-Lombard, 2011) and an example is positive word-of-mouth (Gremler and Brown, 1998). Word-of-mouth communication is an important strategy to increase future purchase decisions because it is more reliable than non-personal communication (Hennig-Thurau et al., 2002).

Dick and Basu 1994), identified four types of loyalty. Firstly, no loyalty, that occurred when both the relative attitude and repeat patronage are low. Low relative attitude may be arise because of recent introduction and/or the ability to communicate distinct advantages. It may seem impossible to increase the low relative attitude. However, improving the repeat patronage can be passed from the no loyalty dimension to the spurious loyalty dimension through manipulation of social norms. Secondly, spurious loyalty that exists when the relative attitude is low and the repeat patronage is high. Although in respect to the attitude, the consumer does not feel powerful emotions about product, brand or retailer, he/she carries on the repeat patronage. Social influence may also lead to spurious loyalty. In the latent loyalty, the consumer is related potently to the product, brand or retailer (relative attitude is high) but it is weak in respect to the behavioral (repeat patronage is low). Latent loyalty is a serious concern for marketers. Therefore, the repurchase attitude of the consumer is low. Lastly, loyalty, which occurred when both relative attitudes are powerful and the repeat patronage is high. So the consumer both has positive feelings for the retailer and is the steady customer of retailer and often purchase repetitive.

2.13.2 Loyalty in the Services Industries

A vast number of studies in the services industries have focused on the issue of loyalty. Customer loyalty is particularly important in the hotel industry (Bowen and Shoemaker, 1998). Most hotel segments are mature with strong competition, and the difficulties in differentiating the hotels' services on physical attributes had drawn the hotel industry to focus on ways to improve customer loyalty, including relationship marketing strategies (Bowen and Shoemaker, 1998). A satisfied customer may not always become a loyal customer because customer loyalty may be a simple main effect of customer satisfaction, but customer satisfaction may not always result in customer loyalty (Dogdubay and Avcikurt, 2009). A satisfied customer that does not spread positive word-of-mouth does not benefit the organizations (Bowen and Shoemaker, 1998). Therefore, to an organization a loyal customer is more important than a satisfied customer.

In one of the early studies on customer loyalty in the hotel industry, Knutson (1988) found that cleanliness and comfort are the two important factors that influenced the decision to return to the same hotel. In another study in the hotel industry, Dube and Renaghan (1999) found that the quality of various hotel services is the most important factor that influenced guest loyalty, followed by the quality of service personnel. In the context of the Korean hotel industry, Kim et al. (2001a) investigated the impact of relationship marketing strategies (e.g., guest confidence, guest contact, and communication) on repeat purchase and word-of-mouth from the guests' perspective. The results of the study found that communication between the hotel and the guests is the most important factor that determined long-term relationships.

According to findings in the hotel industry research conducted by Shoemaker and Lewis (1999), true customer loyalty, where customers become advocates of an organization without any incentive (Oliver, 1997), can be achieved in hotel guests by using personalized tactics (e.g., emotional rewards, personalized services, and tailor-made offers). In addition, the results also found out that the frequent-user program only created loyalty to the frequency program instead of loyalty toward the hotel brand. Bowen and Shoemaker (1998) investigated strategies that will foster commitment of luxury hotel's guests' commitment to the hotel. The findings from their research revealed that benefits, trust, switching costs, and perception of value influenced commitment, the behavioural outcome of loyalty.

Fu and Parks (2001) investigated the relationship between service quality and customer loyalty, as measured in terms of behavioural loyalty in the context of elderly restaurant diners in the United States. The results of their studies revealed that instead of speed of service and other quality-related issues, friendliness and empathy of the restaurant employees are the two important factors that influenced the decision of the elderly diners to return to the same restaurant. Wang (2010) studied haircut services in Taiwan and found that the relationship between customer perceived value and customer loyalty depends on the level of switching costs.

Although the above studies have discussed a range of valuation issues related to loyalty in the services industries, the majority of the studies in the services industries were carried out in the customer markets. The reasons for fewer business-to-business loyalty studies in the business-to-business relationships, as compared to the business-to-customer relationships

(Russell-Bennett, 2007), is due to the fact that in business-to-business research, efficiency and performance variables are mainly used as the research outcome instead of customer loyalty (Athanasopoulou, 2006). In addition, loyalty studies in business-to-business relationships are much more limited in context and scope than the business-to-customer relationships.

Despite the importance of customer loyalty, there is limited academic research to empirically investigate the factors that affect loyalty in the context of business-to-business relationships in the hotel industry, particularly in Malaysia. Yet, services are becoming an important part of the tangible product that customers purchased (Gounaris, 2005). Significant gaps exist in the marketing literature that explain the factors that influence customer loyalty towards their service organizations (Auka, 2012). Therefore, the focus of this thesis, which is customers' loyalty towards their service provider, aims to address this imbalance.

2.14 Dependence as a Moderator Variable

In this study, a moderator variable, dependence, is investigated to examine its influence on the link between relationship quality and customer loyalty. A review of the literature reveals that there are various definitions of dependence. Dependence of one party on another refers to the extent of the first party's reliance on the relationship for the fulfillment of important needs (Rusbult and Van Lange, 2003). In other words, it is the "recognition by both parties in an exchange relationship that the relationship provides greater benefits than either partner could attain alone" (Knemeyer, et al., 2003, p. 81). The degree to which a

firm needs the resources provided by the source firm to achieve its goals can be an indicator of firm dependence (Andaleeb, 1996).

Dependence can also be viewed in terms of the costs that are incurred by the buyers when they terminate the relationship with the suppliers/service providers and switch to an alternative supplier (Heide and John, 1988; Joshi and Arnold, 1997; Morgan and Hunt, 1994). Termination of relationship with the service providers is a cost to the buyers that generates commitment with the service providers. Gao et al. (2005) defined this as the extent to which there is no equivalent or better alternatives available in the market. In conclusion, common to all different definitions used to conceptualize dependence, there is the notion that dependence constitutes the cooperation between trading partners to obtain resources that will achieve their goals (Gundlach and Cardotte, 1994).

The concept of dependence originated from a variety of social science disciplines (Gundlach and Cardotte, 1994). Dependence exists whenever an organisation does not entirely control the necessary conditions, and cannot generate inputs for their own operation to achieve the desired outcome from an action (Pfeffer and Salancik, 1978 cf. Gundlach and Cardotte, 1994; Jun and Armstrong, 1997). Dependence also implies the lack of coordination among independent organisations that causes uncertainty over access to resources. While two parties are considered as interdependent or mutually dependent, when they are dependent on one another they do not necessarily depend on one another for the same reasons or to the same extent (Safner, 2005).

Lambe et al. (2000) listed three situations where dependence is built between exchange partners: (1) when partners invest in the exchange relationship, (2) when partners determine mutually compatible goals, and (3) when partners see positive outcomes from the relationship. In situations where high dependence exists, it is increasingly dangerous for trading partners to engage in opportunistic behaviour, negative tactics, and coercion since high investments have been made on the relationships, and both parties will have much to lose if the relationship ends (Dwyer et al., 1987; Kumar, et al., 1995a).

Since both parties need each other and benefit from the relationship, it would be contrary for the trading partner to end the relationship. Therefore, they have strong motivations to build, maintain, and strengthen the relationship by investing the time and resources necessary to make the relationship work (Kumar et al. 1995a; Hibbard et al., 2001). High dependence also increases the willingness of the partners to negotiate functional transfers, sharing of information, and participation in joint operational planning (Heikkila, 2002; Sheu et al., 2006). These convergent interests of both parties result in satisfaction, trust, and relationship commitment (Dash et al., 2006), as both firms have created mutual exit barriers. According to Geysken et al. (1996) and Heikkila (2002), greater interdependence leads to higher trust and relationship commitment or long-term relationship orientation.

Heide and John (1988) and Ganesan (1994) indicated that dependence of a retailer on a vendor will increase when (1) outcomes obtained by the retailer from the vendor are important and highly valued, (2) outcomes obtained by the retailer exceed outcome available to the retailer from the best alternative vendor, and (3) retailers have few

alternative sources of exchange. In order to manage dependence, resource dependence theory posits that the firms will alter their behaviour by engaging in formal or informal inter-organizational relationships.

Dependence has been highlighted by research on channel relationships and buyer-seller relationships. Findings from a study in the marketing channel conducted by Andaleeb (1996) found commitment of a buyer toward his/her supplier increases as the buyer's dependence on the supplier increases. Another study in the marketing channel on the effects of dependence on a buyer's intentions to exert control on his/her supplier was conducted by Andaleeb (1995). However, results showed no significant effect of dependence on the intentions to exert control. A study by Lawson-Body and O'Keefe (2006) between Small-to-Medium Enterprises (SMEs) and their customers shows that the customers' loyalty increases when their dependence on the suppliers increases. Customers need to maintain the relationships with their suppliers in order to achieve desired goals (Lewin and Johnson, 1997). Based on the literature, dependence is the moderating variable used in this study to determine the effect of customer perceived value, relational norm, switching costs, and its impact on relationship quality and customer loyalty.

According to resource dependence theory, supply importance (Heide and John, 1988; Cai and Yang, 2008) and availability of alternative supplier or supplier replaceability (Heide and John, 1988) are the major indicators of resource dependence. Supply importance and availability of alternative suppliers create a client firm's dependence on a supplier, causing

the inability of the firm to control all the necessary resources required to achieve the desired outcomes (Cai and Yang, 2008).

The importance of a resource or supply importance refers to the financial and strategic significance of the goods and services provided by a supplier (Cai and Yang, 2008; Cannon and Perreault, 1999). It is said to be determined by the relative financial magnitude of the resources and the criticality of the resource (Pfeffer and Salancik, 1978 cf. Caniels and Gelderman, 2007, p. 224). Dependence of one party on the other party that is in a relationship will be higher when the resources required by the one party cannot be found elsewhere but within the relationship (Andaleeb, 1995). In addition, when the outcomes the customer firm obtains from the relationship are important or highly valued, the dependence of a customer firm on its partner is high (Heide and John, 1988). Due to such dependence, the customer may have the intention to develop a close, long-term relationship with the service provider (Heide and John, 1990; Cai and Yang, 2008).

A market is a ready source of information for prices and quality when there are many suppliers competing to sell goods and services (Cannon and Perreault, 1999). Information is not readily available when there are few suppliers, and it would be a source of uncertainty (Cannon and Perreault, 1999). Dependence and uncertainty may increase when a client firm has lost a readily available source of supply and/or when there are few potential sources of available exchange. Suppliers will face the difficulty of replacing a supplier because of the lack of alternative suppliers. Client firms that depend on a primary supplier are less opportunistic compared to suppliers with control over client firms'

decisions that exhibit greater opportunism (Heikkila, 2002). As noted by Heide and John (1988), the difficulty of the firm to replace the incumbent exchange partner has been considered as an indication of a firm's dependence on its partner.

The concept of dependence is complex and complicated. Once a party is fully dependent on the other party, the party that is dependent will be controlled by the stronger party. As a result, this will cause greater influence on conflict, satisfaction, and supply chain performance. It is important to understand that the perception of dependence of one party over the other may not be the same from both sides of a relationship.

2.15 Conceptual Framework

Following the discussions in the previous sections, the conceptual framework is presented in Figure 2.2. The conceptual model shows the interrelationships of the constructs considered in this study. The hypothesized relationships illustrated in the model show that customer loyalty is the dependent variable, while perceived value, relational norms, switching costs, and relationship quality are the independent variables. The model posits that perceived value, relational norms, and switching costs influence customer loyalty, and that the effects are mediated by relationship quality. In addition, dependence is posited to moderate the relationship between the quality of relationship and customer loyalty.

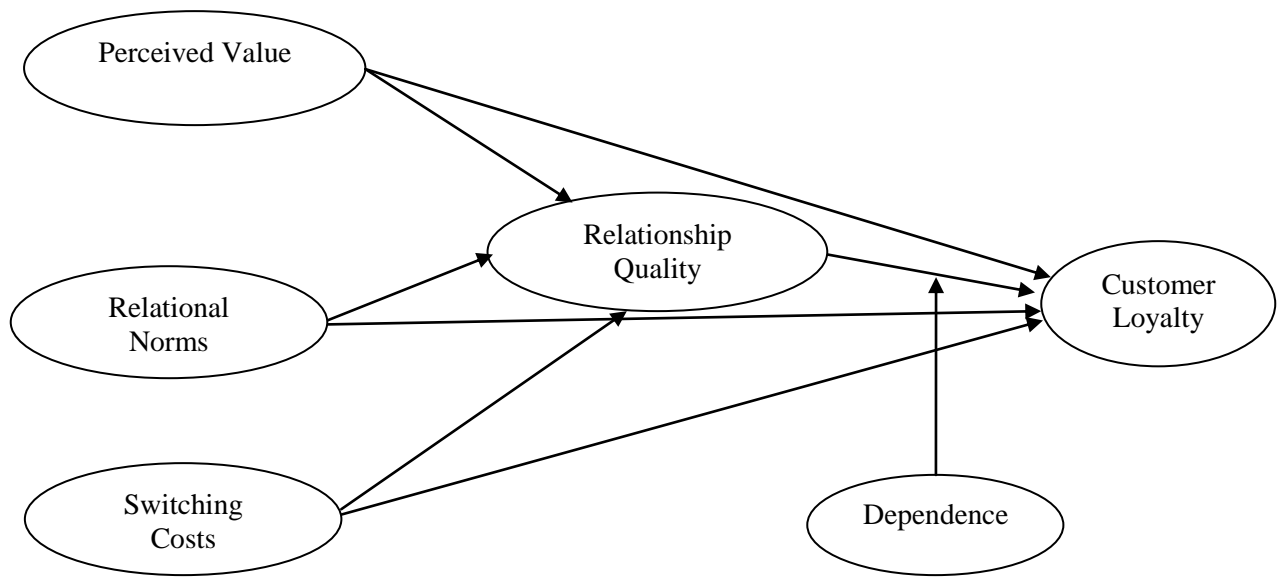


Figure 2.2: The Conceptual Framework

2.16 The Proposed Research Model

The research model of this study has been developed using variables extracted from the literature and relevant for relationship marketing. As discussed in Chapters One and Two, this study is concerned with understanding customer-service provider relationships and customer loyalty. For the first time in the marketing literature, linkages between perceived value, relational norms, switching costs, relationship quality, and customer loyalty have been integrated into a single model. In addition, this study also investigates the effects of dependence on the link between relationship quality and customer loyalty. The three independent variables for this study; perceived value, relational norms, and switching costs are also called relationship quality drivers. Accordingly, this study develops the research model based upon the Theory of Reasoned Action (TRA) and Relational Exchange Theory (RET), which emphasized on developing quality relationships.

This model is developed through four related parts. The first part of the model links perceived value, relational norms, and switching costs with relationship quality. Relationship quality is a second-order construct that is measured through the first-order constructs, which are trust, commitment, and satisfaction. The second part of the model builds the connection between relationship quality and customer loyalty, the dependent variable of this study. Loyalty is measured by several items, including repurchase behaviour, recommendation, and complaining behaviour. The third part investigates the linkages between perceived value, relational norms, and switching costs with customer loyalty. Lastly, the role of dependence as a moderating variable on the link between relationship quality and customer loyalty will be investigated.

Based on the literature review, the proposed research model for this study is shown in Figure 2.3. The model includes hypotheses that will be tested and reflect each relationship quality determinant (perceived value, relational norms, and switching costs) on relationship quality and customer loyalty, respectively. Hypotheses to investigate the mediating effect of relationship quality will follow next.

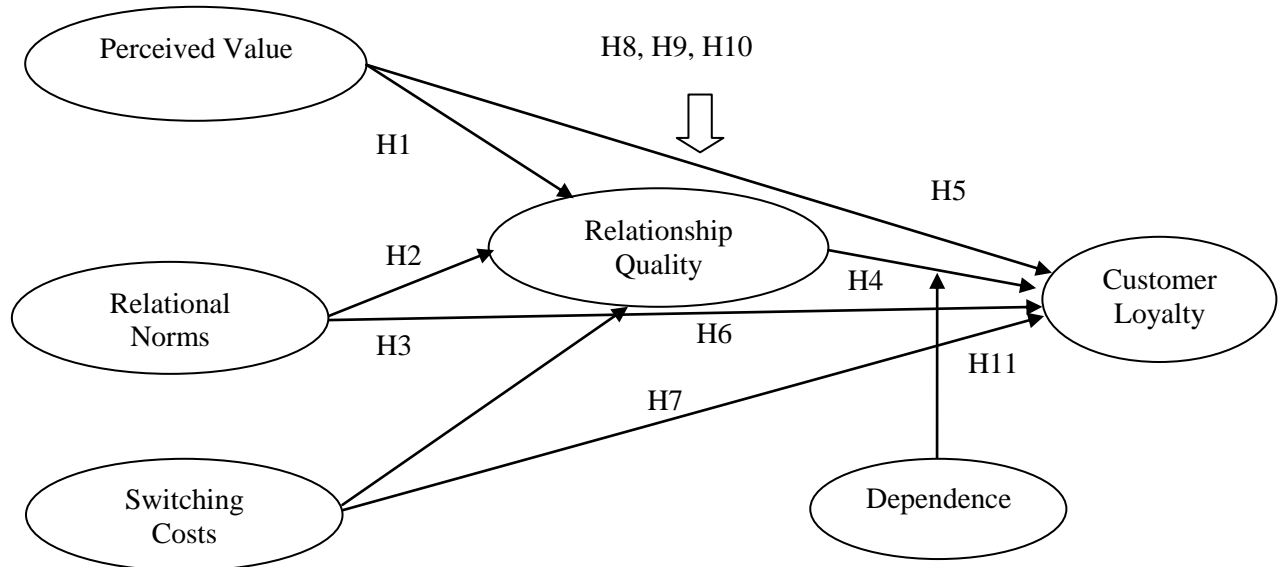


Figure 2.3: Proposed Research Model

2.17 Hypotheses Development

2.17.1 Perceived Value, Relational Norms, Switching Costs and Relationship Quality

Many researchers agree that perceived value has significant influence on relationship quality (Patterson and Spreng, 1997; Chiou, 2004; Ulaga and Eggert, 2006; Huang and Lui, 2007; Ryu et al., 2008; Chen and Hu, 2009; Auka, 2012). Based on a quantitative study among purchasing managers in the manufacturing industry, Ulaga and Eggert (2006) found that value is positively correlated with relationship quality, measured in terms of trust and commitment. Perceived value has the strongest direct impact on trust. However, its impact on commitment is quite weak. The relationship between perceived value and relationship quality is further supported by Huang and Lui (2007). Findings from their study on relationships between managers of the Taiwanese bookstores and their customers showed that perceived value positively influenced the quality of relationships. In their empirical

examination of the role of perceived value in explaining customer behaviour in the Korean restaurant industry, Ryu et al. (2008) found that perceived value is a direct and positive antecedent of customer satisfaction. Patterson and Spreng (1997) found that customer perceived value has a positive impact on customer satisfaction in the service context. Findings from research conducted by Chen and Hu (2009) and Auka (2012) found that perceived value has a positive and significant impact on customer loyalty in the Australian coffee outlets industry and Kenyan retail banking, respectively. Perceived value was also found to have significant positive impact on customer loyalty to their Internet service providers in Taiwan (Chiou, 2004).

When a business relationship is governed by norms such as information exchange and solidarity, the performance of that business can be enhanced (Noordewier et al., 1990). Lusch and Brown (1996) reported that effective information sharing results in a more committed relationship with the part of the suppliers. In addition, Cannon and Perreault (1999) argued that the higher the degree of important information sharing between partners, the more effective and timely their decision-making, which will contribute to partnership success. This is supported by Lee (2001), in which according to this author, the more the client firm and service provider share information with each other, the higher the quality of relationship between them, and finally, the higher the chances of success of the outsourcing ventures. Findings from a study conducted by Ivens (2004) on members of a leading German market research association found that flexibility influenced trust, commitment, and satisfaction.

Therefore, when relationships are governed by relational norms, there will be efforts by the trading partners to maintain the relationships in the long-term (Heide and John, 1992) and this will enhance the commitment of the trading partners toward the relationships (Jap and Ganesan, 2000). Another study conducted in the franchise relationships by Bordonaba-Juste and Polo-Redondo (2008) also found that a relationship that is guided by relational norms will result in high levels of commitment, and that both parties in the relationship wish to maintain the relationship (Griffith et al., 2006). Lancaster and Lages (2006) found that a buyer's trust will be greater if the information exchange from the supplier is relevant, timely, and reliable.

Farn and Huang (2009) conducted a study to investigate the effects of switching costs on relationship quality (measured in terms of trust and commitment) in the logistic information services in Taiwan. The findings from their research found that switching costs directly influence customers' continuous commitment toward their application service providers (ASP). Another study by Jones et al. (2007) found that different type of switching costs influenced different types of commitment, a dimension of relationship quality. Procedural switching costs influenced calculative commitment and potential switching costs, and lost benefits had an impact on affective commitment.

Thus, based on these study findings, the following hypotheses were developed:

- H1: Perceived value positively affects the relationship quality of outsourcing practices in the hotel industry.

H2: Relational norms positively affect the relationship quality of outsourcing practices in the hotel industry.

H3: Switching costs positively affect the relationship quality of outsourcing practices in the hotel industry.

2.17.2 Consequences of Relationship Quality

A review of relationship marketing literature reveals that relationship quality is one of the key predictors of customer loyalty (Crosby et al. 1990; Hennig-Thurau and Klee, 1997). Relationship quality is a higher-order construct that consists of various distinct but related dimensions. While there is no consensus on the dimensions of relationship quality, dimensions, including trust, commitment, and satisfaction are considered the core dimensions of relationship quality (Hennig-Thurau and Klee, 1997).

In most relationship marketing studies, behavioural outcomes that are frequently investigated are customer loyalty, word-of-mouth recommendations and repeat purchases. Numerous studies have supported the positive influence of relationship quality on customer loyalty (Crosby et al. 1990; DeWulf et al. 2001; Hewett et al. 2002; Huang and Liu, 2007; Liu et al. 2010; Zhang et al. 2011). Crosby et al. (1990) and DeWulf et al. (2001) found that customers that trust the service provider are more likely to repurchase and stay with the same service providers. Bendapudi and Berry (1997) and Morgan and Hunt (1994) noted that commitment is a critical foundation for successful relationships. When both client firms and outsourcing vendors can feel that the quality of outsourcing relationship is high

as demonstrated by a high degree of trust and commitment, they will favour the relationship and keep an excellent relationship quality with each other.

In the context of hair salons, Shamdasani and Balakrishnan (2000) found that trust and satisfaction significantly influenced customer loyalty to the service provider. Tsaur et al. (2006) found that relationship quality has a significant direct influence on retailers' loyalty. Good relationship quality means that the travel retailers are satisfied with their relationships with the wholesalers, and this would lead to long-term relationships and higher purchase volumes. Lin and Ding (2005) concluded that customer loyalty towards their service provider is positively influenced by the quality of the relationship between the Internet Service Provider and their customers in Taiwan.

According to Ndubisi (2005), relationship quality should be developed through trustworthy behaviour and commitment in order to retain customers. In studies conducted between organizational buyers, Ranaweera and Prabhu (2003) found that trust acts as a driver of customer retention; however, its effects are weaker than the effects of satisfaction on customer retention. According to Biong (1993), the greater the satisfaction is with the supplier, the more loyal the retailer. This is further supported by a study conducted by Anderson and Swaminathan (2011) in e-markets, in which, according to them, satisfaction directly and positively affects loyalty. Hewett et al. (2002) found that relationship quality, as measured by trust and commitment, has a significant direct impact on the repurchase intention toward the seller firms. In sum, a good relationship quality that is reflected in the relationship between a customer and his/her service provider results in a loyal customer.

Huntley (2006) found that relationship quality had a direct effect on willingness to recommend in business-to-business (B2B) relationships. A study conducted by Ruyter et al. (2001), on customer-supplier relationships in high technology markets, found that trust significantly and positively influenced behavioural intentions. Yang and Patterson (2004) provided evidence that satisfied online banking users will stay loyal with the service provided by the bank. Eriksson and Vaghult (2000) found that satisfied customers in a professional firm stayed with the firm. Their results showed that customer retention is enhanced when there is an increase in relationship satisfaction. Ranawera and Prabhu (2003) also found that, in their study on fixed line residential telephones in the UK, satisfied customers will stay with their service providers.

Hennig-Thurau et al. (2002) found that commitment and satisfaction have a direct positive impact on students' loyalty toward their university, even though the satisfaction has a stronger effect than commitment on loyalty. Zhang et al. (2011) found that in the business-to-customer e-commerce market, relationship quality measured by trust and satisfaction directly affects customer repurchase intentions. Research by Anderson et al. (1994) and Fornell (1992) suggested that satisfaction with products and services affect the buyer's decision to continue a relationship. Their findings are consistent with Reichheld and Sasser (1990), in which, according to them, a satisfied customer will tend to have greater customer loyalty. Therefore, it is hypothesized that:

H4: Relationship quality positively affects customer loyalty of outsourcing practices in the hotel industry.

Numerous studies had been conducted on the influence of perceived value and loyalty (Pura, 2005; Huang and Lui, 2007; Ulaga and Eggert, 2006). When the buyer firm perceived good services and relationships with the service provider, they will trust and be committed to the relationship (Huang and Lui, 2007), and this will enhance loyalty towards the service provider (Lin and Ding, 2005). Pura (2005) investigated the direct effect of customer perceived value on commitment and behavioural intentions (attitudinal and behavioural component of loyalty) in the service context. The results of their findings showed that attitudinal and behavioural loyalty were both influenced by perceived value.

In outsourcing relationships, the existence of relational norms is seen as an indicator for the harmony of both parties, which reduces the risk of opportunistic behaviour (Ivens, 2006). Norms also function as reference points for evaluating the behaviour an actor actually shows in a given situation. From the buyer's perspective, relational norms favour service provider's commitment, operate as a safeguard against opportunistic behaviour, and improve cooperation over time (Joshi and Arnold, 1997; Joshi and Stump, 1999). Relational norms exhibited by the service providers enhanced a customer's commitment and trust towards his/her service provider (Bordonaba-Juste and Polo-Redondo, 2008). Hence, relational norms represent disincentives to explore new service providers and limit switching because buyers favour relational exchanges with a few selected service providers that they trust (Donada and Nogatchewsky, 2009). This suggests a positive relationship between relational norms and customer loyalty.

The impact of switching costs on loyalty has received relatively little attention in the literature (Burnham et al., 2003; Blut et al., 2007). There is empirical evidence on the direct positive effect of switching costs on customer loyalty (Jones et al., 2000; Burnham et al., 2003; Ranaweera and Phrabu, 2003; Lam et al., 2004; Edwards and Sahadev, 2011). Firms incurred switching costs for customers for the purpose of making the customers loyal to the firms, committed or passive to the firms. When switching costs are high, they are likely to act as a barrier to switching to other service providers. The time and effort to adapt to a new supplier's procedures and requirements act as a psychological barrier to switch for a customer. Customers often remain with a specific service provider because the perceived costs of searching for new service providers exceed any potential gains from switching. This would be an indication that the service providers are more likely to retain customers who have high switching costs but may have low levels of trust and commitment in the relationships. According to Dick and Basu (1994), switching barriers that include switching costs may be an effective tool in retaining customers. Lam et al. (2004) found that switching costs directly influenced customer loyalty (recommendation and patronage) in various industries. In line with the existing research, it is hypothesized that:

H5: Perceived value positively affects customer loyalty of outsourcing in the hotel industry.

H6: Relational norms positively affect customer loyalty of outsourcing in the hotel industry.

H7: Switching costs positively affect customer loyalty of outsourcing in the hotel industry.

In the marketing literature, several studies had been found that used relationship quality as a mediating variable in their models (Crosby et al., 1990; Kim et al., 2001; Hennig-Thurau et al., 2002; Woo and Ennew, 2004; Lin and Ding, 2005; 2006; Zhang et al., 2011). Lin and Ding (2005) studied the mediating effects of relationship quality on the link between relational selling behaviour, network quality, and service recovery on loyalty. In another study, Lin and Ding (2006) also investigated the mediating effects of relationship quality by extending the previous study and including expertise as an independent variable. Based on the results of these empirical studies it is hypothesized that:

H8: Relationship quality mediates the relationship between perceived value and customer loyalty.

H9: Relationship quality mediates the relationship between relational norms and customer loyalty.

H10: Relationship quality mediates the relationship between switching costs and customer loyalty.

2.17.3 The Moderating Role of Dependence

Only a few studies in relationship marketing had applied moderating variables in their research models (Andaleeb, 1995; Lee et al., 2001; Akter et al., 2011). The most frequently used moderating variables in relationship studies are gender, trust, and switching costs. The use of dependence has been highlighted by research on channel relationships. Based on the literature review in Chapter 2, dependence of one party on another refers to the extent to

which the first party's reliance on the relationship is for the fulfillment of important needs (Rusbult and Van Lange, 2003).

A high dependence that arises from the high supply importance and few available competitive suppliers may promote a high quality relationship between the firm and its supplier. According to Dwyer et al. (1987), an increased level of interdependence between a supplier and distributor reflects an increased level of commitment to the relationship by both parties. When firms rely on each other to obtain scarce resources or to improve their performance, they will try to make the relationship work (Buchanan, 1992). This is further supported by Lusch and Brown (1996), where they found that the more dependent wholesalers are more committed to their relationship with the major supplier.

According to Kumar et al. (1995a), due to difficulties encountered in switching to alternative service providers, parties that are involved in a relationship will have a high degree of interdependence with each other, and each party is strongly motivated to demonstrate more commitment in the relationship. When there are few alternative suppliers in the market, a firm will be more dependent on its supplier, and it will be highly motivated to develop a strong, cooperative, long-term relationship with its supplier. Walter et al. (2003) provides empirical evidence showing a strong negative relationship between the suppliers' replaceability and relationship quality. A firm with limited resources and/or time constraints is expected to devote their time working with suppliers they are more dependent on (Walter et. al., 2003). This is further supported by Leonidou et al. (2006), who found a positive relationship between dependency and commitment in the context of buyer-seller

relationships in the Greek industrial market. Consequently, when a business customer firm is dependent on its supplier, it will stay with the service provider regardless of whether their trust, commitment, and satisfaction with the service provider is low. This is due to the fact that when a business customer is dependent on its supplier, the needed resources are available from the relationships (Andaleeb, 1995). Therefore, it is hypothesized that:

H11: Dependence moderates the relationship between relationship quality and customer loyalty.

2.18 Chapter Summary

Relationship marketing is considered an important element in business-to-business relationships, including outsourcing relationships. An organization is engaged in relationship marketing when it proactively creates, develops, and maintains committed, interactive, and profitable relationships with selected customers over time (Harker, 1999). However, the primary impetus behind the concept of relationship marketing is to foster a long-term relationship and thereby create repeated purchases and customer loyalty. Although various other variables pertaining to business-to-business relationships exist, this study aimed to include the variables that have the greatest impact on customer loyalty. This chapter provided a review of literature on the theoretical foundation of this study. The review consists of four parts – a review of the important variables related to this study, a review of the Theory of Reasoned Action (TRA), with a detailed review of the dimensions of relationship quality, and an investigation of customer loyalty. The reviews provide facts on developing the conceptual framework and hypotheses for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

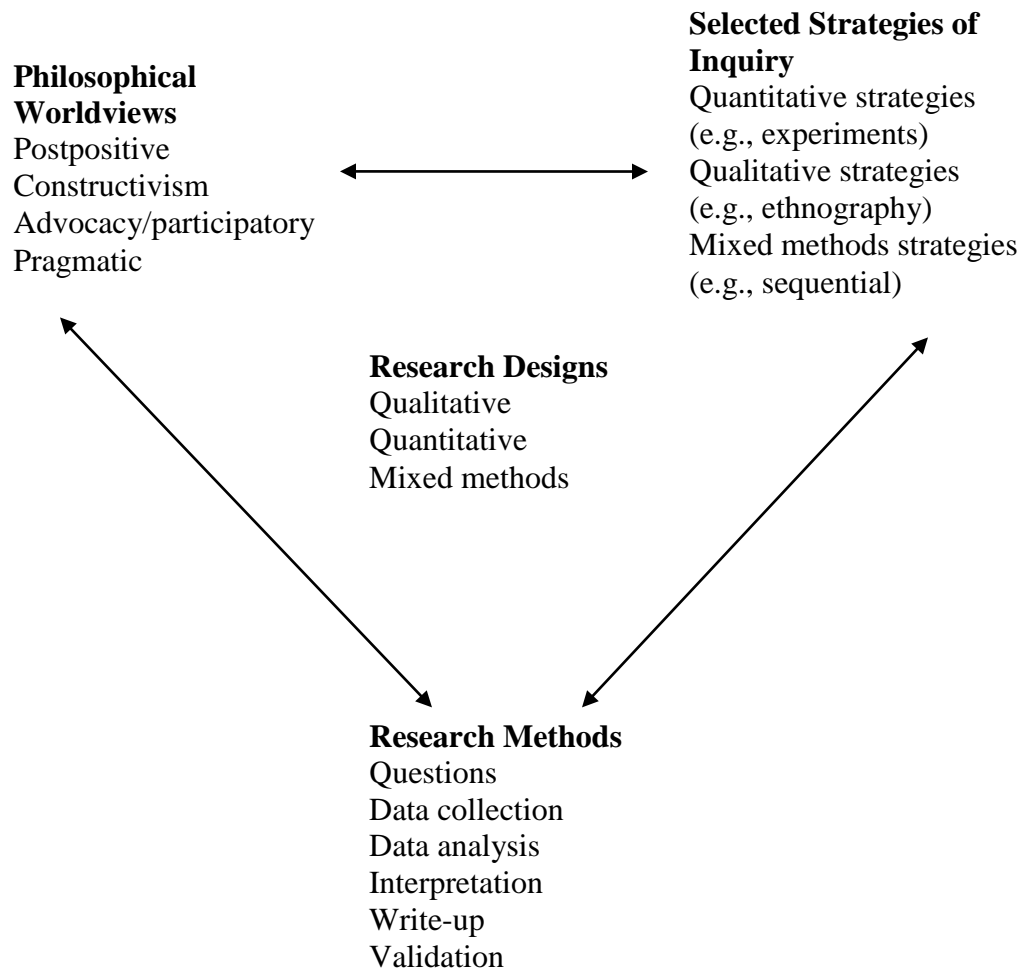
3.1 Introduction

This chapter discusses the research methodology of this study. A rigorous methodology has been followed starting from the research design process to the data collection process. The first part of this chapter elaborates on the research methodology: research design, research instrument, and techniques used in sampling. Operationalization of variables used in this study will be discussed in the second part of this chapter. Lastly, the results of the pre-test and pilot tests will be reported as well as the assessment of the reliability and validity of the constructs. Statistical techniques used to analyse the data will also be discussed in this part.

3.2 Research Design

A research design refers to a plan that guides and shapes a research. As defined by Kumar (1999, p. 74), “a research design is a plan, structure, and strategy of investigation so conceived as to obtain answers to research questions or problems”. It is also considered as the plan or proposal to conduct research which involves the intersection of philosophy, strategies, and specific methods (Creswell, 2009). According to Iacobucci & Churchill (2010), the purposes of having a research design is to ensure that, firstly, the study and the problems are relevant to each other, and secondly, economical procedures will be utilized throughout the study. Understanding the nature and background of the study will help to determine the appropriate methodology for the study. Therefore, it is important for a researcher to think through the research philosophy, the strategy of inquiry that is related to

the research philosophy, and the specific methods that translate the approach into practice before conducting a study. Figure 3.1 presents the interaction of the three components in the research design.



Source: Creswell (2009)

Figure 3.1: The Interconnection of Philosophical Worldviews, Strategies of Inquiry, and Research Methods

3.2.1 Philosophical Worldview of the Research

Worldviews or paradigm refers to “how the researcher views the world and go about conducting research” (Creswell and Plano Clark, 2007, p. 21). It is a set of beliefs that guide action (Creswell, 2009) and needs to be identified because it influences the nature of research that a researcher holds. The philosophical worldviews by Creswell (2009) will be used as the basis for analyzing the researcher’s philosophical paradigm. Creswell (2009) discussed four different worldviews: postpositivism, constructivism, advocacy/participatory, and pragmatism.

Postpositivism is often associated with quantitative approaches. Postpositivists hold a deterministic philosophy in which causes probably determine effects or outcomes. Therefore, there is a need to identify the causes that effect outcomes in the research studied by postpositivists. Postpositivists tend to reduce ideas into a small set of ideas to test and they will begin a research with a theory, collects data that either supports or rejects the theory, and make necessary revisions before additional tests are made (Creswell, 2009).

Constructivists hold assumptions that individual seek to understand the world they live work (Creswell, 2009). This worldview is usually associated with qualitative research. Individuals develop subjective meanings toward objects or things and tend to expand the ideas into multiple views gathered from discussion and interactions with other person. Rather than starting with a theory (as in postpositivism), the constructivists generate or develop a theory or pattern of meaning.

Advocacy and participatory worldview are often influenced by political agenda and it is more often associated with qualitative approaches than quantitative approaches (Creswell and Plano Clark, 2007). Advocacy researcher normally starts a research with a social issue that is related to special action agenda for reformation that may change and improve the lives of the people, institutions in which the researcher lives and work.

Pragmatism worldview arises out of actions, situations, and consequences rather than antecedent conditions as in postpositivism. In that sense, pragmatists are oriented toward what works and practice (Creswell and Plano Clark, 2007). Thus, they focus on the research problems and use various approaches in solving the problems, and most of the time they are often associated with mixed methods research. In that sense, the pragmatists are free of mental and practical constraints imposed by the postpositivism and constructivism (Creswell and Plano Clark, 2007) and are not restricted to use the research methods.

All four worldviews have different stance on the philosophical assumptions. They represent different views on the nature of reality (ontology), how we gain knowledge of what we know (epistemology), and the process of research (methodology).

Following the philosophical worldviews mentioned by Creswell (2009) the researcher's worldview is that of the pragmatism. In this research paradigm, the researcher develops and tests the hypotheses and use qualitative approach to support the results. In most of the cases, data for the research were collected from the respondents using both qualitative and

quantitative approaches such as personal interview, telephone interview, and self-administered questionnaire survey.

This study is descriptive in nature, in which the main purpose of this study is to find a correlation between various predictors of relationship quality and loyalty in the context of outsourcing. Specifically, the intention of this study is to assess the hotel managers' perception of value, relational norms, switching costs, and relationship quality. Simultaneously, the effects of perceived value, relational norms, switching costs, and relationship quality on customer loyalty are also examined. In addition, the effect of dependency on the relationship between relationship quality and loyalty will also be investigated.

Based on the weight, the research is seen as predominantly a quantitative approach in which the study is trying to establish relationships between variables, e.g., perceived value, relational norms, and switching costs as the independent variables, relationship quality and loyalty as the dependent variables, and dependence as the moderating variable. However, in the research process, the researcher needs to ascertain the nature of the independent variables (e.g., perceived value, relational norms, switching costs) being implemented by the service providers, which have a direct/indirect impact on relationship quality and loyalty. In order to obtain the required data, both quantitative and qualitative methods (mixed methods approach) will be adopted in this study. Qualitative approach such as using semi-structured in-depth interviews with hotel managers was conducted during the exploratory phase, that is, prior to the quantitative phase. The purpose of conducting the

interviews was to obtain the preliminary data for item development and questionnaire design in the quantitative phase.

In the quantitative approach, self-administered questionnaires and mail survey will be utilized to obtain data from customers about the underlying constructs proposed in the theoretical framework. These constructs are perceived value, relational norms, switching costs, relationship quality, customer loyalty and, dependence. These constructs were operationalized by multi-item measures using 7-point Likert scales. All the items used to measure the constructs were adapted from previous tested scales. Therefore, choosing combinations of qualitative and quantitative approaches provide the researcher with a richness of data, and valid, deep information. According to Patton (1990) qualitative and quantitative approaches compliments each other in designing strategies for research.

The instrument used to collect the data in this thesis was divided into two sections. Section A includes questions measuring the demographic background of the respondents and Section B consists of questions measuring the constructs. The items used to measure the constructs were adapted from previous studies and modified to suit the context of the study. To ensure that the wording of items was clear and understandable by the respondents, a pre-test was conducted prior to the actual data collection process. A pre-test is important to determine the face validity of the instruments as well as to identify any problems that may arise in the measures.

Following pre-testing procedure, a pilot study was conducted on thirty-six hotel managers. All the hotel managers were given a questionnaire to answer. The purpose of conducting a pilot study was to ensure that the respondents understood the measures and able to answer the questions without any interference. The pilot study was also conducted to rectify any problematic items before the actual data collection process took place. Data from the pilot test was analysed to check for reliability.

The actual data collection process took place after improvements were done on the measures based on comments received from the pilot study. Questionnaires were distributed to all five hundred eighty three hotels ranging from 1 to 5 Star obtained from an online database provided by the Ministry of Tourism Malaysia (MOTOUR). Since there is no database of hotels that outsource their services, the questionnaires were distributed to all the hotels in the list. A filter question was included in the questionnaire as a method to identify the respondents who are qualified to participate in the study. Based on the filter question, hotel managers in which their hotels outsourced their services were identified and formed the sample examined in this thesis.

To analyse the data, two statistical methods were adopted. The Statistical Package for Social Sciences (SPSS) version 19 was used to analyse the data and provide descriptive analyses about the research data such as means, standard deviations, and frequencies. Partial Least Squares (PLS) using SmartPLS (Ringle et al., 2005) was used to assess the measurement model and to test the hypotheses in the structural model.

3.2.2 Mixed Method Research

This study adopted the sequential exploratory strategy of mixed method research. This strategy involves a first phase of qualitative data collection and analysis, followed by a second phase of quantitative data collection and analysis that builds on the results of the first qualitative phase (Creswell, 2009).

The main purpose of conducting an exploratory study in this research was to gather preliminary data to explore and seek more information and better understanding about the outsourcing practices in the Malaysian hotel industry. Specifically, in this type of research design, the qualitative data collection becomes a means of developing or locating quantitative instruments, forming categorical information for later quantitative data collection, or developing generalizations from a few initial qualitative cases (Creswell, 2009).

Before moving into the quantitative phase of this study, qualitative data was collected using personal interviews with eight hotel managers with the intention of gauging their knowledge and to assess their assumptions, perceptions, and motivations regarding the appropriate variables to be incorporated in the model. Five hotel managers from the four regions in Peninsular Malaysia were contacted randomly for personal interviews. However, only eight managers agreed to be interviewed by the researcher. The interview took place at the hotel managers' offices. Each interview session took approximately one and hour hours. Interview protocol was used in each interview session to guide the discussions. All interviews were recorded and transcribed to extract the important themes that can be used

in developing measurement items in the quantitative phase. Appendix G shows the list of hotel managers that participated in the personal interviews.

The statements gathered from the interviews were grouped into themes, and the items were suited to the themes, and adapted from the available literature in order to develop the research scales. As described in the previous chapter, the theoretical framework includes the following variables: three exogenous variables – perceived value, relational norms, and switching costs, two endogenous variables – relationship quality and customer loyalty, and one moderating variable – dependence. The qualitative phase was useful because it ensured the relevant aspects of the research have been addressed in the proposed conceptual framework. Results of the personal interviews conducted in the qualitative phase is presented in Section 4.4.1.1.

To achieve the research objectives and to answer the research questions, this study was carried out using a survey-based approach. A survey is ‘a research technique in which information is gathered from a sample of people using a questionnaire’ (Zikmund, 2003, p. 66). According to Kelinger and Lee (2000), survey research is the best way to obtain personal and social facts, beliefs, and attitudes from the respondents at a given time. Besides that, survey method is appropriate when the researcher has little control over the behavioural events (Yin, 1994). It is also useful because it is quick, inexpensive, can be administered to a large sample (Sekaran, 2000; Zikmund, 2003). According to Hair et al. (2003) large samples (e.g., 200 or more respondents) was one of the main reasons to use a survey research method. Surveys can be conducted through interviews (e.g., telephone

interviews, personal interviews, computer-assisted interviews, and interviews through electronic media), self-administered questionnaire (e.g., online questionnaires, postal questionnaires, and delivery and collection questionnaires), and observations on people and events (e.g., with or without videotaping or audio recording) (Saunders et al., 2003; Sekaran, 2003),

In this study, a self-administered questionnaire was used to collect data. Self-administered questionnaire refers to “a data collection technique in which the respondent reads the survey questions and records his or her own responses without the presence of a trained interviewer” (Hair et al., 2003, p. 265). However, self-administered questionnaires often rely on the clarity of words used in the questionnaires. According to Oppenheim (2000), researchers are often faced with the challenge of producing a good questionnaire. A good questionnaire is important, since it will enable the researcher to collect precise data to answer the research questions. However, several advantages of using self-administered questionnaires justified the reason why this method is used in this study.

- (i) Self-administered questionnaires give privacy to respondents in answering questions, and allow respondents to answer questions at times that are convenient to them.
- (ii) Self-administered questionnaires are economical for the amount and information they yield (Kerlinger and Lee, 2000).
- (iii) The respondents can answer the questions without the interviewer being present (Saunders et al., 2003).

- (iv) Due to the nature of their working environment and time constraints in the hotel industry, most managers are reluctant to be interviewed.

Therefore, a self-administered questionnaire is the best choice for this study. In the business-to-business context areas several studies have used self-administered questionnaires to conduct their studies (e.g., Andaleeb, 1996; Davis-Sramek et al., 2009; Farn and Huang, 2009). The self-administered questionnaires were distributed using a mail survey. Mail questionnaire are advantageous when responses to many questions have to be obtained from a sample that is geographically dispersed, or it is difficult or not possible to conduct telephone interviews without much expenses (Sekaran, 2003). Since the locations of the hotels are widely dispersed geographically, this justified the reason why mail survey is appropriate for this study, The completed surveys were returned to the researcher using postage-paid envelopes enclosed with the questionnaires.

3.3 Sampling Frame and Sampling Technique

The population for this study consists of all types of hotels (e.g., budget hotels and Star-rated hotels) in Malaysia. The primary source of hotels for this study was the online database of the Ministry of Tourism Malaysia (MOTOUR). The database consists of all hotels registered with MOTOUR. The database provided complete information on the hotels across Malaysia, such as the hotel addresses, telephone numbers, locations, the Star ratings based on the rating requirement by MOTOUR, and the types of hotels (e.g., Star or Orchid/Budget). Since this study is only interested in hotels with the ratings of 1 to 5 Star that outsourced their services, therefore, the sampling frame for this study consisted of five

hundred eighty-three (583) hotels with Star ratings from 1 to 5, drawn from the MOTOUR online database. According to Zikmund (2003) a sampling frame or working population is the list of elements from which the sample may be drawn and that can be worked with operationally. A total of five hundred eighty-three questionnaires were distributed to all 583 hotels.

Since there is no official list of hotels that outsource their operations, a pure random sampling is almost impossible in the hotel industry (Han et al., 2011). Therefore, in this study, non-probability sampling of purposive sampling was used to collect data on hotels that outsource their operations. Purposive sampling occurs when a researcher selects sample members to conform to some criterion (Cooper and Schindler, 2003). In this study context, the researcher only wants to know hotels that outsourced their services. A filter question was included in the questionnaire to identify hotels that do not outsource. The filter question minimizes the chance of asking questions that are inapplicable and would screen out the people who are not qualified to answer from the sample for the purpose of calculating the response rate (Zikmund, 2003).

3.3.1 Sample Size

Determining the appropriate sample size is important because it reduces the possibility of committing a Type II error, that is accepting the findings of the research, when in fact it should be rejected (Sekaran, 2003). Various methods to determine sample size have been suggested in the literature. To ensure stability in the estimates, Roscoe 1975 (cited in Sekaran, 2003 p. 295) proposed a rule of thumb of determining sample size by multiplying

the number of variables in the study by 10 times or more. To simplify size decision, Krejcie and Morgan (1970) provided a table to guide sample size decision which is applicable to any defined population. Hair et al. (2006) recommended that the minimum sample size needed to be between 100 and 150. Hoyle and Kenny (1999) recommended that the sample size needed to be in the range of 100 to 200. Since in this study, the collected data was analysed using the partial least squares (PLS) path modeling, the “10 times rule” suggested by Chin and Newstand (1999) and Gefen and Rigdon (2011) was employed as a method to determine the minimum sample size. The “10 times rule” specified that the minimum sample size as “10 times the largest number of predictors for any dependent variable in the research model” (Gefen and Rigdon, 2011) or in other words, 10 times the number of exogeneous variables influencing the endogeneous variable with the largest number of path. The present study has four predictors (e.g., perceived value, relational norms, switching costs, relationship quality) for a dependent variable (e.g., customer loyalty), and according to this rule of thumb the minimum number of sample size required for this study is forty respondents.

3.3.2 Unit of Analysis

According to Babbie (2005), the unit of analysis refers to what or whom is being studied, which includes individual people, groups, organizations, social interactions (e.g., telephone calls, arguments, email exchanges, etc.), social artifacts (e.g., books, paintings, buildings, etc.), society, culture, lifestyles, and relationships. It is important to be clear about the unit of analysis, because the validity of the research conclusions depends on the unit of analysis of the research (Babbie, 2005).

The unit of analysis of this study is the hotel manager in Malaysia. Each respondent was required to choose one specific service provider as a reference to answer the questionnaire. Participants were asked to select one important outsourcing service provider and to answer all questions dealing with the specific service provider/vendor. To overcome selection bias, respondents were asked to select a service provider. The selection criterion is the service provider's economic importance to the business customer, or the service provider that was awarded the highest amount of outsourcing contracts by the customer firm.

This study was conducted among hotel managers that are involved in outsourcing activities at their hotels. To minimize the key-informant bias, pre-survey telephone conversations were conducted with a randomly selected number of the hotel representatives to identify respondents for this survey that are highly knowledgeable about their hotel's outsourcing activities. The pre-survey telephone conversations were conducted before the personal interviews with the hotel managers took place. The telephone conversations confirmed that Human Resource (HR) Managers are usually the most knowledgeable informants about their hotels' outsourcing activities. In addition, it was also confirmed that other top management, including the general manager, financial manager, purchasing manager and housekeeper, and any other managers that are involved in outsourcing can also become the informant to replace the HR Manager in cases when the HR Manager is unavailable.

3.4 Questionnaire

The questionnaire is "a formulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives" (Sekaran, 2000, p. 233).

The task of writing the questionnaire and designing the exact format of the questionnaire so that it would be clear to the respondents is an essential aspect in a questionnaire design. Questionnaire is widely used in the context of relationship marketing (see Hennig Thureau et al., 2002; Kim and Cha, 2002; Moliner et al., 2007; Zahir and Ilham, 2013) and this consideration make using questionnaire the most effective data collection tool for this study.

In this study the survey instrument or the questionnaire was designed using a three-stage survey development process adapted from Chen and Paulraj (2004). Figure 3.2 shows the survey development process. First, an extensive literature review related to the intended research constructs was conducted to identify the appropriate and valid measurements for the constructs in the study. Whenever possible, items that had been used in previous studies were extracted, adopted, and reworded to suit the research context. The information gathered from the exploratory interviews was grouped into themes, and the themes were operationalized based on items adopted from the existing literature.

Second, the draft of questionnaire was reviewed by three academics and five hotel managers for suitability, readability, and ambiguity (Dillman, 2007). The comments received from the pre-test sessions were used as a guide to revise the items. As a result, the questionnaire should be free of ambiguity or unclear words. The wordings and language used in this questionnaire was kept as simple as possible so that even those having little formal education will be able to understand the questions.

Finally, a pilot study was conducted among thirty six hotel managers, and the questionnaire was further revised based on all the feedback received from the pilot study. The purpose of conducting the pilot study was to collect data from the ultimate subjects of the study to serve as a guide for the larger study (Zikmund, 2003). Once the data was collected, Cronbach's Alpha was calculated to determine the reliability of the items.

The finalized research instrument to gather information for this study was a six-page questionnaire containing 108 items, separated into two sections (Sections A and B). Items in Section A were designed to provide a demographic background of the respondents and information on the hotels they are employed at, and information on the hotel's outsourcing activities. Items in Section B were designed to measure variables in the study. There are various views in regards to the length of the questionnaire. According to Frazer and Lawley (2000) questionnaire up to twelve pages in length is considered as appropriate. Zikmund (2003, p. 214) suggested that, "a general rule of thumb is that questionnaires should not exceed six pages". All the questions in this study (excluding the cover letter) were presented on six pages, within the recommended length. To reduce the impression of the survey being long the questionnaire was printed on both sides of the paper. Questions were also neatly arranged, organized, and conveniently spaced to reduced eyestrain that may influence the respondents answers (Shammount, 2007).

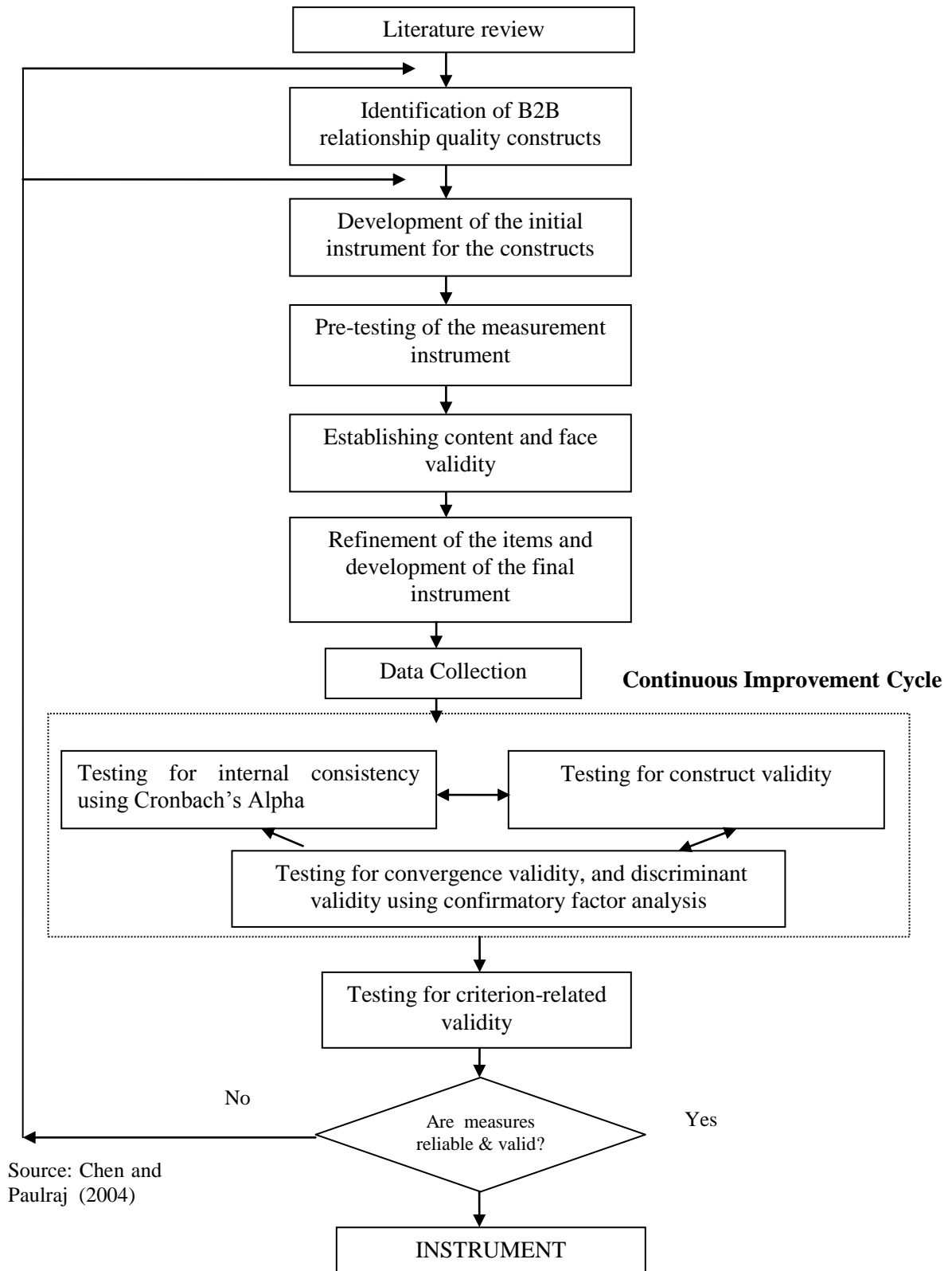


Figure 3.2: The Instrument Development Process

3.4.1 Types of Questions

This study employed two types of questions: open-ended and close-ended questions. Open-ended questions allow the respondents complete freedom to provide his or her own answers, while on the other hand, for the close-ended questions, respondents were asked to select an answer from the lists of choices provided by the researcher. While the analysis of open-ended questions is more difficult, and greater chances of respondents to be exposed to interviewer bias, and the inability of respondents to express themselves, these limitations can be offset by their advantages.

Kumar (1999) and Saw (1990) identified various advantages of open-ended questions: (1) depending on the comfort of the respondents to express their opinion and fluency in the language used, open-ended questions can provide a large amount of information; (2) open-ended questions provide respondents with the opportunity to express themselves freely; (3) the ability of respondents to express themselves freely will eliminate investor bias, and (4) the answer obtained would be more genuine than if they are channeled along certain lines.

In close-ended questions, respondents will be provided with a number of alternative answers from which they are instructed to choose. According to Babbie (2004), close-ended questions provide greater uniformity, are more easily processed, and are a quick and convenient way of gathering the required information as they require minimal writing. Close-ended questions assist the researcher to code the information gathered easily for further analysis (Sekaran, 2003). Close-ended questions are to be preferred in a mail questionnaire when the respondents have to answer the questions themselves (Saw, 1990).

These reasons justified why close-ended questions are appropriate for this study. All items in a questionnaire using a nominal, ordinal, interval, or ratio scale are considered close-ended questions.

3.4.2 Scale Development

In this thesis, six constructs, which are perceived value (perceived service benefits, perceived emotional value, perceived social value, perceived value for money, image); relational norms (flexibility, information exchange, solidarity); switching costs; relationship quality (trust, commitment satisfaction); loyalty, and dependence, are used. The items chosen for this study were selected from the literature. All items that were adapted from past studies were rephrased to suit the context of this study. In total, ninety-two items were used to measure the constructs in the research model. Table 3.1 shows a summary of the number and sources of items used to measure each construct in this study.

3.4.3 Scales of Measurement

Measurement is the “assignment of numbers to objects (e.g., customers) in a way that reflects the quantity of the attributes that the object possesses (e.g., preference for a brand)” (Iacobucci and Churchill, 2010, p. 234). It is the act of placing the respondents on a continuum with respect to their attributes (e.g., income, height, age) and their attitudes towards an object, people, place, idea, or issue (Iacobucci and Churchill, 2010; (Malholtra, 2004). Scale, however, refers to the “level of measurement” (in numbers) assigned to attributes of objects (Iacobucci and Churchill, 2010). The scales used to measure variables in the behavioural sciences are nominal, ordinal, interval, and ratio scales.

This study employed close-ended questions using nominal and interval scales. According to Wrenn (2007, p. 135), nominal scales are said “to recognize differences in kind, but not differences in degree”. Babbie (2004, p. 134) noted that the nominal scale can only be employed on “variables whose attributes have only the characteristics of exhaustiveness and mutual exclusiveness” (e.g., male, female, etc.). On the other hand, an interval scale is “a level of measurement that describes a variable whose attributes are rank-ordered and have equal distance between adjacent attributes” (Babbie, 2004). Different scaling techniques were used to measure the nominal and interval scales.

Table 3.1: Items Used to Measure Constructs in this Study

Constructs	Number of items	Sources
Perceived value	30 items	Cronin et al. (2000), Lapierre (2000), Sweeney and Soutar (2001), Petrick (2002), Ulaga and Eggert (2005), Moliner et al. (2006); Sanchez et al. (2006), Schulze et al. (2006), Turel et al. (2007), Moliner (2009)
Perceived quality value	6 items	
Perceived emotional value	6 items	
Perceived social value	5 items	
Perceived value for money	8 items	
Image	5 items	
Relational norms	16 items	Heide and John (1992), Lusch and Brown (1996), Lee and Kim (1999), Lapierre (2000), and Griffith et al. (2006)
Flexibility	5 items	
Information exchange	6 items	
Solidarity	5 items	
Switching costs	8 items	Burnham et al. (2003)
Relationship quality	22 items	Ping (1993), Kumar et al. (1995a) Baker et al. (1999), Cronin et al. (2000), Ivens (2005), and Moliner et al. (2006)
Trust	9 items	
Commitment	6 items	
Satisfaction	7 items	
Loyalty	6 items	Zeithaml et al. (1996).
Dependence	9 items	Ganesan (1994), Kumar et al., (1995a), Cai and Yang (2008)

The questionnaire for this study was composed of two sections. The first section, Section A, consists of sixteen questions that were designed to collect each respondent's basic personal data and questions related to outsourcing (e.g., decision on outsourcing, hotel activities done in-house or outsourced, the most important service outsourced by the hotel, sources of information on the service providers, problems encountered in outsourcing, reasons for the hotel to outsource their services). Questions 1, 2, and 3 are open-ended questions that required respondents to write down the names of the hotels they are employed at, location of the hotels, and job position of the respondents, respectively.

Questions 4 to 10 employed a multiple-choice single-response scale technique using a nominal scale to gather information on the respondents' age, gender, highest level of education achieved, monthly income, years of hotel establishment, type of hotel, and hotel Star ratings, respectively. In this scaling technique, respondents have to select only one best response from a given set of response choices.

Question 11 is developed based on the combination of nominal data and open-ended question. Simple category or dichotomous scaling technique was used to access the nominal scale. This scale offers two mutually exclusive response choices (e.g., Yes and No) and only one response can be selected from a given set of response choices. For the open-ended question, respondents were required to tick whether their hotel was involved in outsourcing activities. If the answer for question 11 is "No", the respondents have to explain the reason(s) why their hotels are not involved in outsourcing activities.

Question 12 was related to the hotel production activities. A list of services that are commonly provided by hotels were listed in the questionnaire. Respondents were required to identify whether the services were produced in-house, or outsourced by the hotels.

Question 13 is an open-ended question. Respondents were required to list the hotel activity that consumed the highest percentage of the outsourcing budget.

Question 14 relates to the sources of information about the service providers. A multiple-choice multiple-response scale using nominal data was collected through the questionnaire. This type of scale allowed the respondents to select one or more answers, as the respondents wished, from a set of response choices. The strength of this scaling technique is that it ensured that respondents had considered all possible responses (Saunders et al., 2003).

Questions 15 and 16 are related to problems encountered in outsourcing, and reasons to outsource, respectively. A total of fifteen statements on a seven-point Likert scale ranging from “1” (strongly disagree), “2” (disagree), “3” (slightly disagree), “4” (neither disagree nor agree), “5” (slightly agree), “6” (agree), and “7” (strongly agree) were used to measure the interval scale. Respondents were required to indicate a degree of agreement and disagreement with each statement that relates to the issue or object in question. Accordingly, a “strongly agree” response to a favourable statement and a “strongly disagree” response to an unfavourable statement are considered (Malholtra, 2004). A

seven-point Likert scale was found to be more accurate, easier to use, and a better reflection of a respondent's true evaluation as compared to a five-point Likert scale (Finstad, 2010).

The second section, Section B, measured the respondents' perception of each construct in the study (e.g., perceived value, relational norms, switching costs, relationship quality, loyalty, and dependence). A total of ninety-two statements/questions on a seven-point Likert scale ranging from "1" (strongly disagree), "2" (disagree), "3" (slightly disagree), "4" (neither disagree nor agree), "5" (slightly agree), "6" (agree), and "7" (strongly agree) were used. Respondents were required to indicate a degree of agreement and/or disagreement with each statement that relates to the issue or object in question. The following sections will discuss the sources of items, and items used to measure the construct in this study.

3.4.4 Operationalization of Constructs and Instrument Design

Operationalization of constructs is one of the most crucial steps in a questionnaire design. In this section the operationalization of constructs used in the study will be explained. It is very challenging to develop effective measurement items for various constructs. In this study, the instruments for all constructs were generated based on an extensive review of the literature. A review of relevant empirical and theoretical literature was conducted. A list of items of perceived value, relational norms, and switching costs that may influence relationship quality was extracted from past literature. The same process applied to items that can be used to measure relationship quality (e.g., trust, commitment, satisfaction), loyalty, and dependence. The measurement for the construct was developed by adopting an

existing measurement scale for the constructs that had already been used and validated in previous studies (Pedrick, 2002; Sweeney and Soutar; 2001). Appendix B shows the original and modified items adapted from previous studies. Operationalization of the research constructs are as follows.

3.4.4.1 Perceived value

Perceived value refers to “the customer’s overall assessment of the utility of a product or service based on the perception of what is received and what is given” (Zeithaml 1988, p. 14). In this study, perceived value is the evaluation of the benefits of a service by business customers based on their sacrifices when they use the service provider’s services and engaged in relationships with them. The construct of perceived value was grounded on five dimensions extracted from the literature review based on Sweeney and Soutar (2001) and Petrick 2002), which are the (1) perceived service benefits, (2) perceived social value, (3) perceived emotional value, (4) perceived value for money, and (5) image. The adapted items were modified to suit the research context. In total, thirty-item measures adapted from various authors had been used to measure perceived value. The original items were also modified in words appropriate for the context of hotel industry outsourcing. The first six items capture the perceived service benefits (PQV) dimension. All the items were adapted from Ulaga & Eggert (2005), Sanchez et al. (2006), Moliner (2009), and Cronin et al. (2000).

- PQV1 The service provider provides our hotel with good service quality.
- PQV2 The service provider provides our hotel with good service reliability.
- PQV3 The service provider is an expert in the outsourced activity.
- PQV4 The service provider uses new technology to perform the outsourced activity.
- PQV5 The service provider is able to provide the service in a timely manner.
- PQV6 The service provider is approachable.

The next five items that measure the perceived social value (PSV) dimension were adapted from Sweeney and Soutar (2001), Sanchez et al. (2006), and Turel et al. (2007).

- PSV1 The service provider performs services for many companies that we know.
- PSV2 Using its services has improved the ways others perceived our hotel.
- PSV3 Using its services would make a good impression on other people.
- PSV4 The company who uses its services obtains social approval.
- PSV5 Using services offered by the service provider would help our hotel to feel acceptable.

The perceived emotional value (PEV) dimension was measured using six items adapted from Sweeney and Soutar (2001), Moliner et al. (2006) and Sanchez et al. (2006).

- PEV1 We are comfortable with the service outsourced.
- PEV2 The service provider is always willing to satisfy our needs as a customer.
- PEV3 The service provider gives our hotel a positive feeling.
- PEV4 The service provider did not pressure our hotel to decide quickly.
- PEV5 We feel really appreciated by the service provider.
- PEV6 We like the service that we outsourced.

The fourth dimension, perceived value for money (PVFM), was measured by adapting eight items from Lapierre (2000), Sweeney and Soutar (2001), Petrick (2002), Ulaga & Eggert (2005), and Sanchez et al. (2006).

- PVFM1 The service provided by the service provider is reasonably priced.
- PVFM2 The service provider offers value for money.
- PVFM3 The service provided by the service provider is a good purchase for the price paid.
- PVFM4 The service provided by the service provider would be economical.
- PVFM5 Our hotel spent a lot of time in developing a working business relationship with the service provider.
- PVFM6 Our hotel spent a lot of time negotiating with the service provider before reaching an agreement.
- PVFM7 The service provider costs us more in terms of time.
- PVFM8 The service provider costs us more coordination efforts.

Lastly, image (IM) was measured by adapting five items adapted from Lapierre (2000), Petrick (2002), and Schulze et al. (2006).

- IM1 The service provider has a good reputation.
- IM2 The service provider is credible.
- IM3 The service provider is cooperative.
- IM4 The service provider is unfair.
- IM5 The service provider is close-mouthed.

3.4.4.2 Relational Norms

Relational norm dimensions were built upon Macneil's (1980) typology. Relational norms refer to shared norms that determine the appropriate behaviour of partners. The study adapted three dimensions that represent relational norms according to Heide and John (1992), which are solidarity, information exchange, and flexibility. In total, sixteen items were adapted from various authors to measure the relational norms construct. Five items to measure the first dimension, solidarity (SO), were adapted from measurement scales developed by Heide and John (1992), Lusch and Brown (1996), and Griffith et al. (2006).

- SO1 The service provider is committed to bring improvement to our hotel.
- SO2 The service provider tries to help us when we face problems.
- SO3 The service provider helps us with the tasks outside his core competencies.
- SO4 The service provider treated problems as joint responsibilities with our hotel.
- SO5 The relationship between our hotel and the service provider is a long- term venture.

To measure the second dimension, flexibility (FX), five items were adapted from studies by Heide and John (1992), Lusch and Brown (1996), and Lapierre (2000).

- FX1 The service provider and our hotel are flexible with each other.
- FX2 The service provider and our hotel always reach mutual agreement on transactions.
- FX3 The service provider and our hotel are able to react to changing environment.
- FX4 The service provider has the ability to make adjustments in the relationship to cope with uncertainty.
- FX5 For unforeseen circumstances, our hotel and the service provider can reach into agreement easily.

Lastly, six items were adapted from studies by Heide and John (1992) and Lee and Kim (1999) to measure the last dimension, information exchange (IE).

- IE1 The service provider provides us useful information.
- IE2 The service provider informs changes in a timely manner.
- IE3 The service provider provides us confidential information.
- IE4 The service provider and our hotel share business knowledge at times.
- IE5 The service provider and our hotel exchange information for business planning.
- IE6 The service provider provides us with accurate information.

3.4.4.3 Switching costs

Switching costs (SC) refer to “the onetime costs that customers associate with the process of switching from one provider to another” (Burnham et al., 2003, p. 110). Eight items used in this study were based on the scale developed by Burnham et al. (2003).

- SC1 We worry that the service offered by other service provider will not work as well as expected.
- SC2 If we switch to a new service provider, our hotel might end up with bad service for a while.
- SC3 It is time consuming to get information on other service provider.
- SC4 It is difficult to compare this service provider with other service providers.
- SC5 The process of starting up with a new service is difficult.
- SC6 There are a lot of formalities involved in switching to a new service provider.
- SC7 Leaving the service provider will affect the long-term business benefits.
- SC8 Switching to a new service provider involves some up-front costs.

3.4.4.4 Relationship Quality

In this study, relationship quality was seen as a higher-order construct that consists of three dimensions, trust, commitment, and satisfaction. In total, twenty-two items to measure these three dimensions of relationship quality were adapted from various authors from the literature. The items have been validated and are from sources that are related to relationship quality. Trust (TR) in the service provider, the first dimension, was measured using nine items, using a seven-point Likert scale, adapted from the scales of Baker et al. (1999), Kumar et al. (1995a) and Ivens (2005). Items that were adopted were related to benevolence and credibility.

- | | |
|-----|---|
| TR1 | The service provider made reliable promises. |
| TR2 | The service provider can be counted on to help us. |
| TR3 | The service provider is capable to fix any problem related to its service. |
| TR4 | The service provider can be counted on in the future. |
| TR5 | The service provider is willing to offer us support in any circumstances. |
| TR6 | The service provider considers our welfare as well as its own, when making important decisions. |
| TR7 | The service provider responds with understanding when we share our problems with him/her. |
| TR8 | The feedback from our service provider is useful. |
| TR9 | The service provider provides information that can be trusted. |

Secondly, the six items to measure commitment (CO) were adapted from measures developed by Baker et al. (1999), Kumar et al. (1995a), and Ivens (2005). All items related to commitment are calculative commitment.

- CO1 We will continue working with the service provider.
- CO2 We want to remain as a member of the service provider's network.
- CO3 We expect our relationship with the service provider to continue for a long time.
- CO4 We are unlikely to still be doing business with this service provider in future.
- CO5 We believe the service provider will provide better service in the future.
- CO6 We would be willing to make further investment in the service provider's service.

Items to measure satisfaction (ST) were adapted from various authors, including Ping (1993), Baker et al. (1999), Cronin et al. (2000), and Moliner et al. (2006).

- ST1 The relationship of our hotel with this service provider has been an unhappy one.
- ST2 Our hotel is very satisfied with its relationship with this service provider.
- ST3 This service provider is a good company to do business with.
- ST4 Overall, we are satisfied with the services/products we get from this service provider.
- ST5 Overall, the service provider treats our hotel fairly.
- ST6 Our decision to contract with this service provider was a wise one.
- ST7 We think we did the right thing by outsourcing from this service provider.

3.4.4.5 Customer Loyalty

In this study, all seven items to measure loyalty (LO) were adapted from scales developed by Zeithaml et al. (1996). These items are related to recommendation, business continuity, price paid, and complaint behavior.

- LO1 We would say positive things about our service provider.
- LO2 We would recommend our service provider to other companies.
- LO3 We intend to do more business with our service provider in the future.
- LO4 We would move to a new service provider that offers better prices.
- LO5 We would still continue doing business with our service provider regardless of the prices.
- LO6 We would inform other hotels if we experience problems with our service provider.
- LO7 We would report to external agencies if we experience problems with our service provider.

3.4.4.6 Dependence

Dependence was measured using nine items adapted from Cai and Yang (2008), Ganesan (1994), and Kumar et al., (1995a). These items were related to measures of supply importance and number of alternative suppliers.

- SI1 The service is important to our hotel's current performance.
- SI2 The service is not a core activity to our hotel.
- SI3 The outsourced service is our priority.
- SI4 We can get the same service from other service provider.
- AS1 The service provider has a monopoly power for what it produces.
- AS2 The service provider is the only one that we can rely on for the service.
- AS3 The service provider is difficult to replace if our relationship is discontinued.
- AS4 The service provider has the capabilities that no other service providers have.
- AS5 The service provider is always available.

In total, the initial draft of the questionnaire consisted of ninety-two items in which thirty items measured perceived value, sixteen items measured relational norms, seven items

measured switching costs, twenty-two items measured relationship quality, seven items measured loyalty, and nine items measured dependency.

3.5 Pre-testing the Questionnaire

The initial draft of the questionnaire was subjected to extensive pretests by academics and practitioners. The main purpose of the pre-test is to protect the questionnaire from potential question-constructing problems, and to check its content validity and terminology before the actual data collection is taken up. The pre-test ensures that the survey questions are clear, have clear responses, and are within the respondents' ability to answer (Creswell, 2008). In addition, the pre-test results can be used to improve the quality of the survey questionnaire through measurement refinement. According to Babbie (2005), the best way to conduct a pretest is to ask the respondents to complete the questionnaire after reading through it once, because a question may seem to be error-free on a first reading, but may be impossible to answer.

The proposed survey instrument and cover letter were provided to five academicians to test for structure, layout, face validity, content validity, and readability. Their suggestions for improvement and comments were used as the basis to modify the questions. Following the first stage of the pre-test conducted on three academics, another pre-test was conducted with five hotel managers to assess the revised and improved version of the questionnaire. This is to ensure the questions are well understood by the respondents, and to get suggestions, opinions, and constructive comments from the respondents. Even though, on average, most of the respondents did not have difficulty in the questionnaire items, there

were, however, several suggestions for improvement and comments from the respondents. All suggestions and comments from the hotel managers were gathered and taken into consideration. The format of the questionnaire was improved, ambiguous and wordy questions were modified, and difficult, technical words were replaced by simpler words. Modifications were made to the questions to improve the quality of the questionnaire before the final version of the questionnaire was produced for the actual data collection process. On average, the hotel managers took approximately 25 minutes to answer the questionnaire.

3.6 Pilot Testing

After changes and refinements were made to the questionnaire, they are now ready for the pilot study. A pilot test of a questionnaire is “a procedure in which a researcher makes changes in an instrument based on feedback from a small number of individuals who complete and evaluate the instrument” (Cooper and Schindler, 2003, p. 402). The main purpose of a pilot study is to gather information from a small sample prior to a larger study in order to improve the quality of the questionnaire by identifying and excluding potential problems (Malholtra, 2004). In addition, a pilot study can also improve the reliability of the items in the questionnaire used to measure the constructs, and to ensure that the items are well understood by the respondents. The questionnaire was distributed to thirty-six hotel managers that were randomly selected from the hotel lists. The respondents were requested to answer the questionnaire and provide comments and suggestions on the survey items, where necessary. All feedback from respondents were gathered and taken into consideration.

3.7 Final Survey Procedures Data Collection

Once the researcher finalized the items and confirmed its appropriateness after conducting the pre-test and the pilot study, a number of procedures were adopted to conduct the final survey and collect research data. The data in this study was collected through self-administered questionnaires.

The unit of analysis for the present research was the hotel managers (e.g., human resource manager, sales manager, financial manager, housekeeping manager) that involve in outsourcing activities. Empirical data were gathered in the survey among hotel managers who build relationships in hotel outsourcing with their service providers. Up to now, there is hardly any database with the number of hotels that outsource their services, so the researcher had to distribute the questionnaire to all hotels with Star ratings of 1 to 5. This was done to verify the number of hotels that outsource. All mailings, including a cover letter, the questionnaire, a letter of support from the Malaysian Association of Hotels (MAH), and a postage-paid return envelope, were sent via Pos Malaysia to hotels. Mail survey method was chosen as a technique to distribute questionnaires to respondents. Mail survey allows for a large group of respondents to be surveyed in a relatively short period, even though they are geographically dispersed. Hotels in Malaysia are widely dispersed geographically, and information needs to be obtained on a substantial scale. Therefore, mail survey is the most appropriate method of questionnaires distribution. Cover letter in this study is printed on the first page of the questionnaire booklet is an important means of inducing a respondent to complete and return the questionnaire (Zikmund, 2003). Appendices C and D illustrate the cover letter and questionnaire, respectively.

3.7.1 Data Screening

Once the data collection process has been completed, data screening was undertaken to impose some minimum quality standards on the raw data (Iacobucci and Churchill, 2010). The process of data screening involves two stages: (1) checking for errors and (2) finding and correcting the errors in the data file. The first step in this process is to explore the characteristics and quality of data. In certain cases, data may be entered incorrectly that may affect the results of the study. The thorough inspection on the data in this stage will help identify errors in data entry that can further be corrected. In this process, preliminary checks, handling missing data, and checking for normality of data distribution will be done.

3.7.1.1 Preliminary Checks

All the returned questionnaires were checked, coded, and input in the database using statistical SPSS software version 19. Coding is the technical procedure by which raw data is transformed into symbols (Iacobucci and Churchill, 2010) that allow the transference of data collected from the survey to SPSS. “Although codes are generally considered to be numerical symbols, they are more broadly defined as the rules for interpreting, classifying, and recording data” (Zikmund, 2003, p. 457). Coding avoids confusion when dealing with large numbers of questionnaires, and ensures the data key-in process runs smoothly. A few of the items were reverse coded to ensure that they are consistent with scale of measurement used.

Extreme values caused by errors in data entry can be identified by generating frequency table using the SPSS software package. By observing the range of values for each item,

researcher will be able to ensure the values fall within the coded end points (e.g., items measured on a seven point Likert scale should not have greater than seven). Extreme values are observations greater than 1.5 quartiles away from the ends of the box (Pallant, 2007).

A total of 265 questionnaires were returned. After conducting preliminary checks on the data, the whole dataset is ready for further screening tests using SPSS (e.g., missing data, normality test, non-response bias, and common method bias) and other statistical package to develop the measurement and structural models for all the constructs. The next section will discuss handling of missing values, assessment of the normality of the data, and detection and treatment of outliers.

3.7.1.2 Handling of Missing Data

According to Hair et al. (1995) it is uncommon for data sets that were collected from the respondents without missing data. Sekaran (2003) listed several reasons why respondents did not answer the questions: (1) they did not understand the question, (2) did not know the answer, (3) was not willing to answer, or (4) was simply indifferent to the need to respond to the entire questionnaire. Therefore, missing data arises in two different ways, one due to item non-response caused by the respondent inability to answer some of the items in the questionnaire and the other being non response from the respondents that occur when the entire questionnaire is missing.

Hair et al. (2006) recommended assessing the pattern of missing and determine the amount of missing data for the overall data set. Assessing the pattern of missing data has an

advantage of determining whether or not the missing data occur randomly or relate to specific items (Tabachnick and Fidell, 2007). That means the pattern of missing data should be randomly distributed among the questionnaires and not concentrated in a specific set of question. If the missing data is not randomly distributed, it will lead to biased estimates of results (Tabachnick and Fidell, 2007).

The pattern of missing data can be evaluated by running Little's Missing Complete at Random (MCAR) test on the data set using SPSS version 19. Once the pattern of missing data is determined, the approach to missing data remedy can be selected when the amount of missing data is determined. Following a suggestion by Sekaran (2003), this study only included respondents that answered 75% or more items in the questionnaire, while questionnaires with more than 25% unanswered were excluded. Based on the amount of missing data in the questionnaire, Hair et al. (2006) suggested some options to handle missing data:

- (i) If the level of missing data is acceptably low (under 10%) and no specific non-random patterns appear, the researcher can employ any of the imputation techniques or the missing data can be generally ignored.
- (ii) If the level of missing data is too high (more than 10%), the researcher must consider specific approaches to diagnosing the randomness of the missing data process before proceeding to apply a remedy.

The selection of imputation technique depends on the pattern of missing data. Various imputation techniques can be used as remedy for missing data. For example, the most

popular approach is to impute the missing data with the mean of all the valid response (Malholtra, 2004). However, SPSS Version 19, provide the Expectation Maximization (EM) imputation technique, whereby the missing data will be replaced by the software. EM approach is “an iterative two-stage method (E and M stages) in which the E stage makes the best possible estimates of the missing data and the M stage then makes estimates of the parameters (mean, standard deviation, or correlations) assuming the missing data is replaced” (Hair et al., 2006, p. 58). This study employed EM as the imputation technique to replace missing data since it has been shown to work effectively in instances of nonrandom missing data processes (Hair et al., 2006).

3.7.1.3 Assessment of Normality

Normality is the most important assumption in multivariate analysis (Hair et al., 2010), particularly when the ultimate aim of the study is to be making inferences (Tabachnick and Fidell, 2007). Normality refers to “the shape of the data distribution for an individual metric variable and its correspondence with the normal distribution” (Hair et al., 1998, p. 70). Two components of normality are skewness and kurtosis. Skewness measures the deviation of the data distribution from symmetry, while kurtosis measures the peaks or flatness of a distribution compared with the normal distribution. The skewness and kurtosis of a variable that is normally distributed will both have the value 0 (zero). In this study, the normality of the data was assessed by (1) employing the normal probability plots for each variable, (2) computing the Shapiro-Wilk statistic , and (3) computing the statistical value (z) for skewness and kurtosis for each variable and item in the study.

In the first approach, using the Statistical Package for Social Sciences (SPSS) software, a normal probability plot will be generated. According to Hair et al. (1998), for small samples the normal probability plot is more reliable than a histogram. Normal probability plot compares the cumulative distribution of the actual data with the cumulative distribution of a normal distribution. The normal distribution forms a straight diagonal line, and the plotted data values are compared with the diagonal line (Hair et al., 1998).

In the second approach, the normality of the distribution will be assessed by computing the Shapiro-Wilk statistic. The range of cases (N) that can be used for this calculation is between 5 to 2000 cases. A non-significant result (Sig. value of more than 0.05) indicates normality.

In the last approach, the statistical (z) value for skewness was calculated and the formula was derived as follows:

$$Z_{\text{skewness}} = \frac{\text{skewness}}{\sqrt{6/N}}$$

where: $\sqrt{6/N}$ = the standard error of skewness
N = the number of cases or sample size

A z value can also be calculated for the kurtosis value using the following formula:

$$Z_{\text{kurtosis}} = \frac{\text{kurtosis}}{\sqrt{24/N}}$$

where : $\sqrt{24/N}$ = the standard error of kurtosis

N = number of cases or sample size

If either the calculated z value exceeds a critical value, then the distribution is not normal in terms of that characteristic (Hair et al., 1998). The critical value is from the z distribution, based on the significance level. The commonly used critical value is ± 2.58 , which corresponds to a 0.01 probability error, or ± 1.96 (at a 0.05 significance level). Using the z-skewness and z-kurtosis values, the degree to which the skewness and the peakedness of the distribution vary from the normal distribution can be assessed. As noted by Hair et al. (2006), if the sample size is less than thirty or so, significant departures from normality can have a substantial impact on the results, however, for a sample size of 200 or more, these same effects may be negligible.

3.7.1.4 Detection and Treatment of Outliers

The assessment of the distribution of the data also involves the process of checking for outliers. Outliers refer to “observations that have substantial differences between the actual and predicted values of the dependent variables, or between its independent values and those of other observations” (Hair et al., 1998, p. 219). Outliers can cause data distribution to be non-normal, and this can seriously distort statistical tests (Hair et al., 1998). Two approaches were used in this study to detect outliers. First, using the box plot for each variable and second, using Mahalanobis d-squared statistics.

In the first approach, outliers are detected by inspecting the box plots for each variables. Any scores that SPSS considers are outliers appear as little circles with a number attached (the ID number of the case) (Pallant, 2007). The data points are considered as outliers if they extend more than 1.5 box-length (quartiles) away from the edge of the box. The box plot can be used to identify potential outliers.

In the second approach, the outliers are detected by computing Mahalanobis d-squared statistic. Once the Mahalanobis d-squared is generated, the next stage is to determine the critical value based on the Chi-Square table. A comparison is made between the critical value and the computed value of Mahalanobis d-squared statistic. Cases with the Mahalanobis d-squared value larger than the critical value are considered as outliers and should be deleted from further analysis

3.7.2 Assessment of Non-Response Bias

Testing for non-response bias was done by assessing the difference between early and late respondents on a continuous measure. Since the data in this study is non-normally distributed, non-parametric test was used to assess the non-response bias. In this case, Mann-Witney U Test is employed, in which it is the non-parametric alternative to t-test for independent samples (Pallant, 2007). In contrast with the t-test that compares means of the two group, Mann-Witney U Test compares medians of both groups. In this test, important output is the Z value and the significance level (p value). The p-value of less than or equal to 0.05, indicates the result is statistically significant. This means there is a difference in the continuous score (of the construct of interest) between the two groups.

3.7.3 Assessment of Common Method Bias

According to Podsakoff et al. (2003), common method bias may exist when only one respondent provides answers to all the items in the questionnaire. Common method bias is one of the sources of measurement error that may influence the validity of the results (Podsakoff et al., 2003). Since all the variables in this study were measured from the perspective of the business customer, therefore, this raised the possibility for common method bias. To examine whether the common method bias exists in this study, Harman's one-factor test (Podsakoff et al., 2003) was employed. In this procedure, an exploratory factor analysis was conducted on all items in the study and the unrotated factor solution was examined to determine the number of factors that emerged and accounted for the variance in the variables. Common method bias is present when (1) all the items were loaded in one single factor from the factor analysis or, (2) one general factor will account for the majority of the covariance among the measures (Podsakoff et al., 2003; Cai and Yang, 2008).

3.8 Scale Assessment

Prior to assessing the study hypotheses, it is necessary to ensure that the scales are reliable and valid in measuring the constructs in the study. This is to ensure that the constructs are free of random and systematic errors. Figure 3.3 shows various types of reliability and validity measures of scale adapted from Sekaran (2003).

3.8.1 Validity

Validity refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration (Babbie, 2005, p. 148). The validation process for the survey instruments consist of content, criterion, and construct validity. The next sub-sections will discuss these three types of validity.

3.8.1.1 Content validity

Content validity refers to how much a measure covers the range of meanings included within a concept (Babbie, 2005, p. 149). In other words, content validity is concerned with whether the measure of a construct adequately covers the most important aspect of that construct being assessed (Churchill et al., 2010). As noted by Chen and Paulraj (2004), determining content validity is subjective and judgmental, and it is not numerical. Therefore, as recommended by Churchill et al. (2010) to ensure the measures possess content validity, the process of developing the items should be systematic. Content validity of the survey instrument can only be assessed by conducting a thorough review of the relevant literature to understand the important aspects of the constructs, and by conducting a pre-test with eight hotel managers on the questionnaire. Following recommendations by Dillman (2007), experts from the industry were asked to review the survey instrument for structure, readability, ambiguity, and completeness. By conducting the pre-test, the possibility of systematic error, the main source of invalidity, can be reduced (Stangor, 1998).

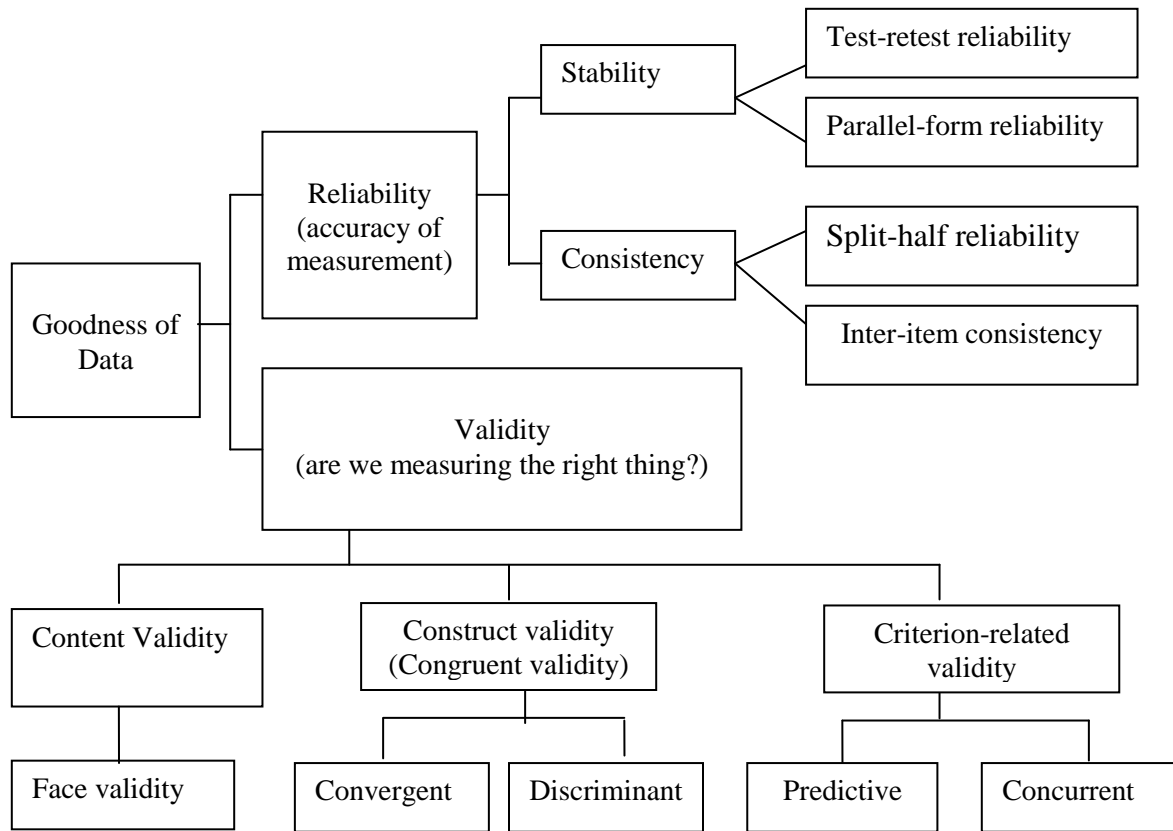


Figure 3.3: Forms of Reliability and Validity

3.8.1.2 Construct validity

Construct validity involves “the desire to measure the presence of abstract characteristics for which no empirical validation seems possible” (Wrenn et al., 2007, p. 140). The purpose of construct validity is to show that the items in the survey measured what they are supposed to be measuring, and that the items do not correlate with other constructs (Benton et al., 2005). The basic logic of empirically testing the construct validity of a measure is based on the idea that there are multiple operationalizations of the variable and, therefore, it is important to examine the construct validity of a measure (Fornell and Larker, 1981).

Construct validity has two separate components, which are (1) convergent and (2) discriminant validity. Convergent validity refers to “the extent to which a measured

variable is found to be related to other measured variables designed to measure the same conceptual variable” (Stangor, 1998, p. 87). Convergent validity is achieved when there are high correlations between items of the same factor (Churchill et al., 2010; Shuk and Sai, 2003). In addition, convergent validity can also be indicated through a common rule of thumb, in which all items should load greater than 0.70 on their own construct, and should load higher on their respective construct than on the other construct (e.g., the non-bolded factor loadings in any one row)(Baker et al., 2007). However, Chin (1998a) suggested a more relaxed rule in which he suggested most of the loadings should be at least 0.60 and ideally at 0.70 or above, indicating that each measure is accounting for 50 percent or more of the variance of the underlying latent variables.

In contrast, discriminant validity refers to “the extent to which a measured variable is found to be unrelated to other measured variables designed to assess different conceptual variables” (Stangor, 1998, p. 87). It means that items from one scale should not load too closely with items from different scales, and if they are highly correlated with each other it may indeed measure the same construct rather than different constructs. Hence, discriminant validity can be established when two distinctly different constructs are not correlated to each other (Sekaran, 2003).

Discriminant validity can be assessed using the Average Variance Extracted (AVE) procedure described in Fornell and Larcker (1981). Using this procedure, these authors suggested that the squared correlations (shared variance between a construct and its measures) be less than the average variance extracted (AVE) by the items measuring the

construct, or by comparing the square roots of the AVE for each construct with the correlation of any specific construct with any of the other constructs.

3.8.1.3 Criterion validity

Criterion validity refers to how a measure relates to some external criterion (Babbie, 2005, p. 148). According to Stangor (1998) when validity is assessed through correlation of a self-reported measure with a behavioural measured variable, the behavioural variable is called a criterion variable, and the correlation is an assessment of the self-report measure's criterion validity. A measure is said to have criterion validity when it is successfully used for the purpose of estimating (Wrenn, 2007). Criterion validity can be categorized into two components: (1) concurrent validity and (2) predictive validity.

Concurrent validity involves assessment of the relationship between a self-report and a behavioural measure that are assessed at the same time. On the other hand, criterion validity is also known as predictive validity when it involves attempts to predict the future (Stangor, 1998). It is the extent to how well the measure actually predicts some characteristics or specific behaviour of the individual, organization, the marketplace, and so on (Churchill et al., 2010). Both concurrent and predictive validity can be established through correlation analysis.

3.8.2 Reliability

Reliability refers to “the ability of a measure to obtain consistent scores for the same object, trait, or construct across time, across different evaluators, or across the items forming the

measure” (Churchill et al. 2010, p. 257). The hallmark of reliability is consistency, in which the concern is about how consistent a measuring procedure yields identical results over repeated trials. A reliable measure provides consistent scores; however, it may not be measuring the right thing (Churchill et al., 2010). Therefore, in order to improve reliability, random error should be reduced. According to Sekaran (2003), “the reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept, and helps to assess the goodness of a measure” (p. 203). According to Bryman and Cramer (2009), reliability can be in the form of external and internal reliabilities.

3.8.2.1 External reliability

External reliability refers to “the degree of consistency of a measure over time” (Bryman and Cramer, 2009, p. 76). According to Sekaran (2003) and Stangor (1998), external reliability can be assessed in two ways, namely, (1) test-retest reliability and (2) parallel/alternative form reliability. In the test-retest reliability approach, the same questionnaire was administered on the same set of respondents at two different points in time. The reliability coefficient can be assessed through the correlation between the two sets of measures. However, the test-retest reliability suffers from retest problems, including (1) the respondents remember how they answered the questions the first time, (2) respondents may try to duplicate their previous answers to avoid inconsistency, and (3) respondents may get bored answering the same questions twice. This study does not employ test-retest reliability because the procedure is difficult to implement, and can be considered costly.

Parallel/alternative forms reliability, a more sophisticated type of test-retest reliability, is an approach to help avoid some of the retest problems. In this approach, two different but equivalent versions of the same measure are distributed at different points of time. Both questionnaires have similar items and the same response format, the only changes being in the wording, and the order or sequence of the questions. Correlation between the scores on the two versions is assessed to get the reliability coefficient. Again, this study does not employ this approach due to the implementation problem and high costs.

3.8.2.2 Internal reliability

Internal reliability is normally employed when the study involves multi-item scales. Internal reliability can be measured through (1) split-half reliability and (2) inter-item consistency. With split-half reliability “the items in a scale are divided into two groups (either randomly or on an odd-even basis) and the relationship between respondents’ scores for the two halves is computed” (Bryman and Cramer, 2009, p. 77). The correlation between the two halves will approach one (1) if the scale is reliable, and would vary depending on how the items in the measure are split into two halves (Sekaran, 2003).

Another method of measuring internal reliability is by using the inter-item consistency reliability test. According to Sekaran (2003), the purpose of conducting the inter-item reliability, or the internal consistency test, is “to ensure that the items hang together as a set, and are capable of independently measuring the same concept, so that respondents attach the same overall meaning to each of the items” (p. 205). In other words, it measures the extent to which the scores on the items correlated with each other, and thus, all are

measuring the true score rather than random error (Stangor, 1998). One of the most common measures of internal consistency is Cronbach's alpha. According to Sekaran (2003, p. 307), Cronbach's alpha is "a reliability coefficient that indicates how well the items in a set are positively correlated to one another". In almost all cases Cronbach's alpha can be considered a perfectly adequate index of the inter-item consistency reliability (Sekaran, 2003). Another measurement of internal reliability is called composite reliability, from Fornell and Larker (1981). The interpretation of composite reliability is similar to Cronbach's alpha, except that it takes into account the actual factor loadings rather than assuming that each item is equally weighted in the composite load determination (Lin and Wang, 2006). A construct is considered to have poor dimensions or a multidimensional construct if the internal consistency measures of the construct are below 0.6 (Hair et al., 2006).

3.9 Data Analysis and Hypotheses-testing Procedures

Two types of software were used to analyse the research data. Firstly, for the descriptive statistics, Statistical Package for Social Science (SPSS) was used to analyse the descriptive statistics. Secondly, to estimate the measurement and structural models of this study, Partial Least Squares Path Modeling (PLS), a component-based Structural Equation Modeling (SEM) system, was used.

3.9.1 Structural Equation Modeling (SEM)

Structural equation modeling (SEM) has been widely applied in a multitude of areas and has become one of the most important methods of empirical research (Reinartz et al.,

2009). SEM is a combination and integration of factor analysis and path analysis. Factor analysis identifies whether survey items measure the same construct, that is, whether the latent variables are represented by the indicators or observed variables. In addition, path analysis identifies relationships between variables in cause-effect relationships in a regression model. Therefore, structural equation modeling utilizes both factor analysis and path analysis to simultaneously estimate measurement of, and the relationship between, numbers of theoretically related constructs.

SEM has been used to analyse complex models that consist of multiple exogenous (independent) and endogenous (dependent) variables. It is considered a second-generation multivariate analysis with its main purpose to overcome limitations of the first-generation multivariate analysis, such as standard regression-based analysis, discriminant analysis, logistic regression, and analysis of variance (Chin and Newsted, 1999). One of the benefits of SEM is its capability of simultaneously assessing the reliability and validity of the constructs, and the relationship among the constructs (Chin and Newsted, 1999).

There are two types of structural equation modeling, which are, (1) the covariance-based structural equation modeling (CBSEM), which uses maximum likelihood (ML), and was popularized by LISREL, AMOS and EQs software, and (2) the variance-based analysis or component based analysis, which uses least squares functions and is called partial least squares path modeling (PLS). The next section will discuss the Partial Least Square Path Modeling as a tool to test the research hypotheses.

3.9.2 Partial Least Squares Path Modeling (PLS)

Partial Least Squares (PLS) path modeling is one of the statistical methods used for structural equation modeling (SEM). According to Akter et al. (2011, p. 104), PLS path modeling, or component-based structural equation modeling, “allows for estimating multidimensional constructs to achieve more theoretical parsimony and less model complexity.” Similar to covariance-based structural equation modeling (CBSEM), PLS is a latent variable modeling technique that incorporates multiple independent and dependent constructs and explicitly recognizes measurement error (Karim, 2009). PLS aims to investigate the significance of the relationship between research constructs and the predictive power of the dependent variable (Chin 1998a). Therefore, it is suitable either for theory confirmation, theory development, or predictive applications (Chin, 1998a). Several authors in relationship marketing, have used PLS to test their research hypotheses (e.g., Hutchinson et al., 2009; Sanchez-Franco et al., 2009; Anderson and Swaminathan, 2011; Zhang et al., 2011).

PLS is considered as a soft modeling approach (Vinzi et al., 2010) because it places minimal restrictions on measurement scales, sample size, residual distributions, and normal distribution of source data (Hutchinson et al., 2009; Sanchez-Franco et al., 2009; Vinzi et al., 2010). This means that PLS is distribution-free (employing nonparametric statistics), aims at predictive consistency (Kijasanayotin et al., 2009), and has the ability to handle a relatively small sample (Barclay et al., 1995; Reinartz et al., 2009). Another advantage of PLS is that it can handle both formative and reflective measurement model. Reflective indicators are seen as functions of the latent constructs, and changes in the latent construct

are reflected in changes in the indicator variables. In contrast, formative indicators assumed to cause a latent construct, and changes in the indicators determine changes in the value of the latent construct (Hair et al. 2011).

The application of PLS requires a minimum sample size that is (1) ten times the number of items comprising the most formative constructs, or (2) ten times the largest number of structural paths directed at a particular construct in the inner path model (Barclay et al., 1995; Karim 2009). PLS allows analysis for direct, indirect, and spurious relationships since this method considers all path coefficients simultaneously (Hutchinson et al., 2009). Therefore, PLS does not involve second order structural model as in the conventional SEM. Moreover, the PLS method is quite robust against manifest variable skewed distributions, multicollinearity within blocks of manifest variables, and between latent variables, and misspecifications of the structural model (Kijasanayotin et al., 2009). Since PLS does not place a very high requirement of normal distribution on the source data compared to conventional SEM, it is the best method for analysing skewed data (Chin, 1998; Gefen and Straub, 2005).

PLS path modeling was utilized for model analysis in this study because this study aimed to predict factors that influence relationship quality that leads to customer loyalty. Moreover, the other intentions of this study are to examine the reliability and validity of measurement scales used to measure the constructs in this study, because the majority of the measures were adapted from numerous studies, and estimate the relationship between these constructs. In addition, PLS path modeling allows researchers to simultaneously estimate

the factor loadings of the measurement model and the path coefficients of the structural model simultaneously (Anderson and Swaminath (2011)). Furthermore, many measurement scales in this study were not normally distributed as shown by the Shapiro Wilk and z-skewness results. Given all these situations, and with a sample size of 158, all the requirements are met. Therefore, this study considered PLS path analysis as the better alternative than the covariance-based (CBSEM) analysis.

3.9.2.1 Evaluations of Measurement Model and Structural Model

Following recommendations by Chin (1998a) the PLS model is analysed and interpreted in two stages: (1) the measurement model - the assessment of the psychometric properties of the outer model which is the reliability and the validity of the scales used to measure each variable and (2) the structural model - the estimation of parameters of the PLS inner model which is the strength of the path relationships among the model variables. Different criteria associated with formative and reflective measurement model specification were employed to evaluate the performance of the measurement and structural models. The assessment of both the measurement and hypothesis model for this study were done using SmartPLS 2.0 (Ringle et al. 2005), a Partial Least Squares (PLS) Path Modeling tool. Henseler et al. (2009) pointed out that it is inappropriate to combine other analysis techniques that assume distributional assumptions (e.g., t-tests, ANOVA) with PLS path modeling.

3.9.2.2 Measurement Model

The measurement model, or outer model (as in the PLS term), discussed earlier in the reliability and validity section in the previous chapter is an important step in developing the

PLS model. This is because, during this stage, the validity and reliability of the model are determined. The purpose of determining the validity and reliability of the measurement model is to assess the consistency of the measurement tools, whether it has been precisely measuring the constructs or not (Widjana and Rachmat, 2011). The logic behind this stage is “that if you are not confident that the measures represent the constructs of interest, there is little reason to use them to examine the structural relationships” (Hair et al, 2011, p. 144). Since the research model is a reflective model, the assessment of reflective measurement model will be based on construct validity which is made up of convergent validity and discriminant validity and reliability (e.g., composite reliability and indicator reliability). The assessment of construct validity in the measurement model was done by conducting confirmatory factor analysis (CFA) using PLS. Based on the CFA results, the convergent validity, discriminant validity, internal consistency reliability, and indicator reliability of all the multiple-item scales were analysed using the guidelines from the literature (see Fornell and Larker, 1981). Convergent validity, discriminant validity, internal consistency reliability and indicator reliability measure the goodness of the items and they will be assessed before testing the hypotheses. The initial measurement model was first evaluated using the sample of 158 business customers (hotel managers), then all items and dimensions, and the results of the PLS algorithm were used to eliminate problematic items.

In PLS, convergent validity can be assessed in terms of factor loadings and average variance extracted (AVE). The construct indicates adequate convergent validity when all the items have strong loadings and loaded on their own constructs. Items with loadings over the recommended cutoff point of 0.7 (Nunnally, 1978) are accepted for further analysis.

Items with loadings less than 0.7 will be dropped unless the rest of the reliability criteria were fulfilled (e.g., $AVE > 0.5$ and composite reliability > 0.7) (Sanchez-Franco et al., 2009). However, according to Hulland (1999), in practice, it is common to find a few items in the measurement model that have loadings below the 0.7 threshold, particularly when new items or newly developed scales are present.

In addition, convergent validity was also assessed by examining the average variance extracted (AVE). The AVE represents the average square loading (average communality) of the items representing a construct (Bartram and Casimir, 2007). The AVE measures the variance captured by the indicators relative to measurement error, and it should be greater than 0.5 to justify using a construct (Barclay et al. 1995). An AVE above the recommended values of 0.5, as suggested by Nunnally (1978), shows the presence of convergent validity in the constructs.

Discriminant validity can be assessed in two ways. First, by examining the correlations for each construct so that they are less than the square root of the AVE of the constructs. This criterion is known as Fornell-Larker criterion (Henseler et al., 2009). This means that the AVE shared between each construct and its measures should be greater than the variance shared between the construct and other constructs (Ramayah et al. 2011). The AVE measures the variance captured by the indicators relative to measurement error, and it should be greater than 0.5 to justify using a construct (Barclay et al. 1995). An AVE of above 0.5 means that more than half of the variances observed in the items were accounted for by their hypothesized factors (Lin and Wang, 2006). The square root of the average

variance extracted (AVE) by a construct from its indicators should be at least 0.70 (e.g., $AVE > 0.5$) and should be greater than that construct's correlation with other constructs. If this requirement is satisfied the constructs indicate adequate discriminant validity.

Second, by examining whether the items were loaded strongly on their own constructs, and loaded low on other constructs in the model. Cross-loadings offer another method of checking for discriminant validity at the indicator level. The indicator is said to have adequate discriminant validity if it has a higher loading with its respective latent variable than another latent variable.

Construct reliability was assessed using the composite reliability and Cronbach's Alpha or also known as internal consistency coefficient and indicator reliability. Composite reliability measures the degree to which items are free from random error, and therefore yield consistent results (Hutchinson et al., 2009). The composite reliability takes into account that indicators have different loadings, and can be interpreted in the same way as Cronbach's Alpha (Henseller et al., 2009). However, composite reliability is preferred over Cronbach's alpha because it offers a better estimate of variance shared by the respective indicators and because it uses the item loadings obtained within the nomological network (Hair et al., 2006). The composite reliabilities for the multiple reflective indicators should be above the acceptable level of 0.7 (Fornell and Larcker, 1981; Nunnally and Bernstein, 1994; Gefen et al., 2000).

Another measure of reliability is the indicator reliability. For an indicator to have adequate reliability, the absolute standardized outer (component) loadings should be higher than 0.7 (Henseler et al., 2009). In other words indicator reliability can be assumed when each indicator loads high (> 0.7) on the related construct. An indicator should be discarded when its reliability is low (e.g. smaller than 0.4) and eliminating this indicator will increase the composite reliability (Henseler et al., 2009).

A reliable and valid reflective measurement model should meet all the above mentioned criteria. If it is not the case, the indicator which is low in its loadings should be excluded from the measurement model and the path model should be revised to improve the degree of reliability and validity.

Path coefficients/loadings (β -values) were also estimated in the measurement model. Path coefficients indicate the directions of the influences of the independent variables upon the dependent variables. It also measures the strengths of the relationships between the independent and dependent variables, or between the first-order and second-order constructs. The significance of the path coefficients obtained from the measurement model can be evaluated using the following scale:

- i) coefficient < 0.10 (very weak)
- ii) $0.10 < \text{coefficient} < 0.20$ (weak);
- iii) $0.20 < \text{coefficient} < 0.40$ (slightly strong);
- iv) $0.40 < \text{coefficient} < 0.60$ (moderately strong);
- v) $0.60 < \text{coefficient} < 0.80$ (strong);

- vi) coefficient > 0.80 (very strong)

According to Chin (1998a, p. 12) the path coefficients (β -values) should exceed 0.20 in order to exert a substantial impact.

3.9.2.3 Structural Model

Once the constructs were checked for convergence, discriminant validity, and reliability in the measurement model, an empirical structural model was developed and specified to test the proposed hypotheses. To conduct the hypothesis testing, the structural model was fitted using the full sample (Hutchinson et al., 2009). Assessment of the structural model involves estimating the R^2 values, t-values/statistics, and standard error that allows the β -values to be made statistically significant (Sanchez-Franco et al., 2009), effect size (f^2). R^2 values measure the predictive power of the structural model, which is the amount of variance explained by the exogenous variables (Hutchinson et al., 2009). Using the bootstrap re-sampling procedure, in which bootstrapping with 500 replications or re-samples and 158 cases per sample was used, the PLS algorithm was estimated to obtain the t-values. According to Bartram and Casimir (2007, p. 13) “bootstrap is a method for testing the reliability of the dataset and is based on a random re-sampling of the original dataset to create new samples of the same size as the original dataset for the purpose of estimating the error of the estimated path coefficients”. The significance of the t-values obtained in the structural model can be analysed based on:

- i) t-value > 1.96, significant $p < 0.05$
- ii) t-value > 2.58, significant at $p < 0.01$
- iii) t-value > 3.30, significant at $p < 0.001$

It is impossible to evaluate the path coefficients using standard parametric tests, since PLS does not make any assumptions on the normality of data distributions. Since the model consists of variables that act as mediators and moderators, the analysis should therefore be done in several steps.

3.10 Testing of Mediator Effect

The most common method to test the mediation effect was suggested by Baron and Kenney (1986). According to this method, the test of mediating effect is done by estimating two different models using the four-step technique. In the first model (Figure 3.4a) below, the path coefficients for the direct effects of the independent variables (perceived value, relational norms, and switching costs) on the dependent variable (customer loyalty), Path c were estimated without the inclusion of mediator variable (relationship quality).

In the second model (Figure 3.4b) below, the path coefficients of all three independent variables (perceived value, relational norms, and switching costs) on customer loyalty were generated with the inclusion of relationship quality, the mediator variable. Path a in Figure 3.4b, is to show that the independent variables (perceived value, relational norms, and switching costs) are related to the mediator variable (relationship quality). In addition, Path b, is to show that the mediator variable (relationship quality) is related to the dependent variable (customer loyalty) of this study.

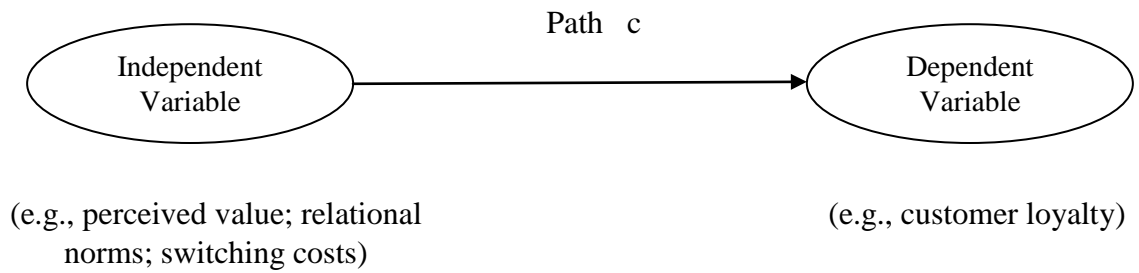


Figure 3.4a: Direct Effects of Independent Variables on the Dependent Variable

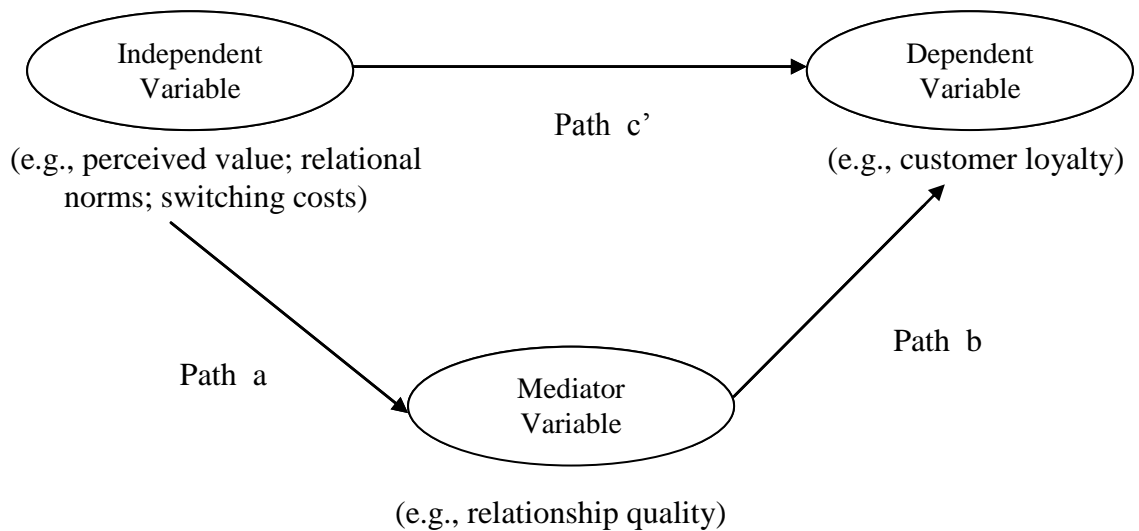


Figure 3.4b: Indirect Effects of Independent Variables on the Dependent Variable with the Inclusion of Mediator Variable

In summary, the two models had:

- (i) Direct paths from perceived value, relational norms, and switching costs to customer loyalty
- (ii) Direct paths from perceived value, relational norms, and switching costs to relationship quality
- (iii) A direct path from relationship quality to customer loyalty

- (iv) Direct paths from perceived value, relational norms, and switching costs to customer loyalty, and indirect paths from perceived value, relational norms, and switching costs to relationship quality, and then from relationship quality to customer loyalty

The mediating effect will be significant if the four following criteria are met:

- (i) In the first model (Figure 3.4a), the direct paths between independent variables (perceived value, relational norms, and switching costs) and dependent variable (Path c) are significant.
- (ii) In the second model (Figure 3.4b), the path between independent variables (perceived value, relational norms, and switching costs) and mediator variable (Path a) are significant.
- (iii) In the second model (Figure 3.4b), the path between mediator variable and the dependent variable (Path b) is significant.
- (iv) The direct paths coefficients between the independent variables (perceived value, relational norms, and switching costs) and dependent variable are decreasing when the indirect path through the mediator is established in the model ($\text{Path } c > \text{Path } c'$)

If the path between independent variable and dependent variable (Path c') in the second model (Figure 3.4b) is found to be insignificant, it can be concluded that the mediator variable is a perfect mediator between independent variable and dependent variable. On the other hand, if the same path is significant, the mediator variable is said to be a partially

mediating the relationship between independent and dependent variable. Therefore, the lower the effect of independent variable on dependent variable in the second model (Path c'), the more perfect the mediation effect, with the assumption that all four criteria for mediation significance test are met.

3.11 Testing of Moderator Effect

Based on suggestions by Baron and Kenney (1986), the moderating effect can be tested by first, testing the main effect, followed by adding the multiplicative interaction term and testing whether its coefficient significantly differs from zero. Since the moderator is a continuous-scaled construct, the PLS product-indicator approach (Chin, 1998a) was applied to detect the moderating effect of dependence on the link between relationship quality and loyalty. To test the effect, the predictor variable (relationship quality) and dependence (moderator) were multiplied to create an interaction construct (relationship quality x dependence) to predict loyalty, as shown in Figure 3.5. In this case, relationship quality is a hierarchical construct that is comprised of twenty items, and dependence is a latent construct with four items, thus the interaction constructs represent eighty items. To solve the problems of multicollinearity resulting from the interaction terms, the independent predictor variable was centered before computing the interaction terms (Aiken and West, 1991; Whang, 2010). To test the moderating effect, these estimations should be made:

- (i) The influence of the predictor variable (relationship quality) on the criterion variable (loyalty) - Path a,
- (ii) The direct impact of the moderating variable (dependence) on the criterion variable (loyalty) - Path b, and

- (iii) The influence of the interaction variable (relationship quality \times dependence) on the criterion variable (loyalty) - Path c.

The significance of a moderator can be confirmed if the interaction effect in (iii) is meaningful, independently of the size of the path coefficients in (i) and (ii).

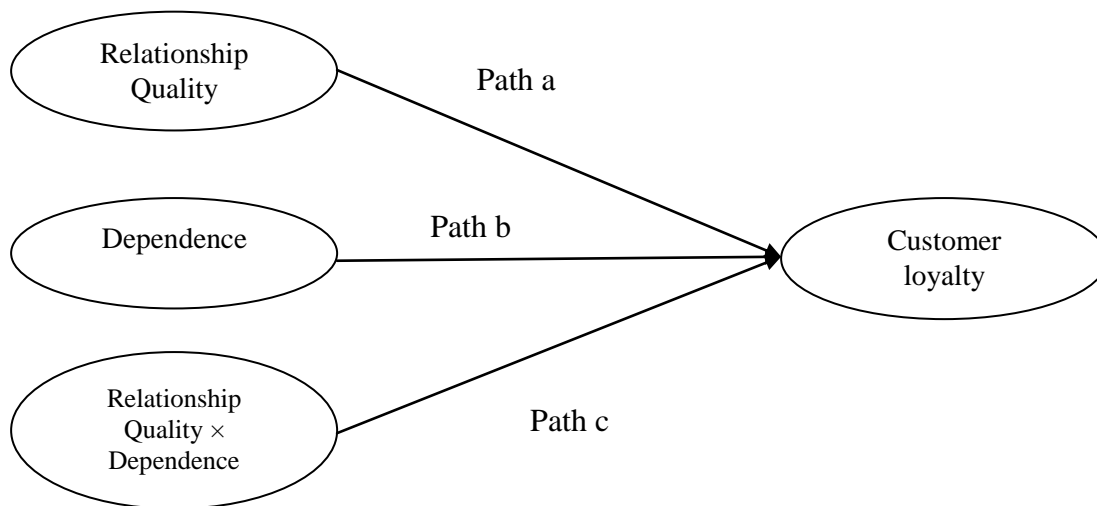


Figure 3.5: Testing of the Moderator Effect

3.12 Model Evaluation

Contrary to covariance-based Structural Equation Modeling (CBSEM), PLS path modeling does not report any kind of model fit indices such as Tucker-Lewis Fit Indices (TFI), Root Mean Square Error Approximation (RMSEA) or Comparative Fit Indices (CFI). Since PLS makes no distributional assumptions, the evaluation of PLS model is based on prediction-oriented measures that are non-parametric (Chin, 1998a). The PLS structural model is mainly evaluated by Goodness-of-Fit (Gof) (Tenenhaus et al., 2005) and by using the

Stone-Geiser Q-square test for predictive relevance (Stone, 1974; Geiser, 1975 cf. Henseler et al., 2009).

3.12.1 Goodness-of-Fit

Goodness-of-fit (Gof) was employed to assess the overall/global fit measure of the PLS model based on R^2 for the endogenous variables and to obtain the cut-off values for PLS model validation (Akter et al., 2010). GoF refers to the geometric mean of the average AVE (average communalities) and average R^2 for the endogenous constructs and it is normed between 0 and 1 (Tenenhaus et al., 2005). It can be estimated by calculating the square root of the multiplication of average AVE and average R^2 . The value represents an index for validating the PLS model globally, as looking for a compromise between the performance of the measurement model and the structural model, respectively (Bhakar et al., n.d). A higher value represents better path model estimations and vice versa (Henseler et al., 2009).

The formula to measure the GoF is as follows: (Wetzel et al., 2009).

$$\text{where: } \text{Gof} = \sqrt{\text{Average AVE} \times \text{Average } R^2}$$

R^2 = the amount of variance explained by the exogenous variables

AVE = the average square loading (average communality) of the items
representing a construct

In comparison with the baseline values ($\text{GoF}_{\text{small}} = 0.1$, $\text{GoF}_{\text{medium}} = 0.25$, $\text{GoF}_{\text{large}} = 0.36$), the Gof value from the model can be used to explain the overall/global predictive power of the model.

3.12.2 Q-square Statistics

Q-square (Q^2) statistic measures the predictive relevance of the model by reproducing the observed values by the model itself and its parameter estimates (Bhakar et al., 2013) and it is measured using the Stone-Geisser's non-parametric test (Stone, 1974; Geiser, 1975 cf. Henseler et al., 2009). The Stone-Geisser criterion postulates that the model must be able to adequately predict each endogeneous latent variable's indicators (Henseler et al., 2009; Hair et al., 2011). The Q^2 suggests an index of the goodness of reconstruction by model and parameter estimations which measures to extent the model's prediction is successful (Razilan et al., 2012). A Q^2 statistic greater than 0 means the model has predictive relevance while Q^2 statistic less than zero means that the model lacks predictive relevance (Bhakar et al., n.d). In PLS path modeling, Q^2 statistic is calculated using the blindfolding approach (Chin, 1998b).

Blindfolding procedure (while estimating Q-squares) ignores a part of the data for a particular block during parameter estimation (a block of indicators is the set of measures for a construct). The ignored data part is than estimated using the estimated parameters, and the procedure is repeated until every data point has been ignored and estimated. Omission and estimation of data point for the blindfolded construct depend on the chosen omission

distance G (Chin, 1998b). The blindfolding procedure is only applied to endogenous latent constructs that have a reflective measurement model (Hair et al., 2011).

The blindfolding procedure estimates two types of Q^2 statistics, which are cross-validated communality (H^2) and cross-validated redundancy (F^2). H^2 is where the missing values of the manifest data are estimated using the latent variables scores and factor loadings. A cross-validated communality H^2 is obtained if prediction of the omitted data points in the manifest variables block is made by underlying latent variable (Chin, 1998b). In other words, the cross-validated communality H^2 measures the capacity of the path model to predict the manifest variables (MVs) directly from their own latent variable (LV) by cross-validation. It uses only the measurement model.

F^2 is where the scores of the latent endogenous variables are estimated by the scores of latent exogenous variables and the weights in the measurement model. Then these newly estimated scores of latent exogenous variables are used to estimate the missing manifest variables scores. Hair et al. (2011) recommended using the cross-validated redundancy (F^2) because it uses the PLS estimates of the measurement and structural models for data prediction, and therefore it perfectly fits the PLS-SEM approach.

3.13 Chapter Summary

This chapter discussed the hypothesis development, methodology of this study, operationalization of the constructs, and methods to assess normality and outliers. The pretest and pilot test procedures were also discussed, followed by the discussions on

validity and reliability of the measurement scales. Discussions on data analysis methodology and hypothesis testing procedures using Partial Least Squares (PLS) by employing SmartPLS 2.0 (Ringle et al., 2005) were also conducted in this chapter. Lastly, the chapter concludes by discussion steps involved in conducting mediation and moderation significance tests and analysis of global fit on the research framework.

CHAPTER FOUR

ANALYSIS AND RESULTS

4.1 Introduction

This chapter discusses the findings of this study. Before the hypotheses are tested, the respondents' demographic profiles will be presented using SPSS Version 16. Next, the findings from the exploratory study on item generation will be presented. Lastly, Partial Least Squares Path Modeling (PLS) is employed to assess the structural model and investigate the moderating role of switching costs and the mediating role of satisfaction.

4.2 Response rate

As discussed in Chapter Three, the data used in this study was gathered from hotel managers in Malaysia. The research questionnaire along with personalized cover letters and support letter to conduct the research issued by the Malaysian Association of Hotels (MAH) were distributed through Pos Malaysia and also self-distributed to five hundred eighty three hotel managers from the list of hotels provided by the Ministry of Tourism Malaysia (MOTOUR).

Of the 583 questionnaire distributed, 265 questionnaire were returned. Sixteen questionnaires are not usable because they had more than 25 percent of the items unanswered, resulting in an effective sample of 249 usable and completely answered questionnaires. This represented an effective response rate of 42.7 percent. Of the 249 questionnaires, a final sample of 159 or 63.9 percent of the usable completed questionnaire

(or 27.3 percent of the overall questionnaire distributed) was identified as representing as hotels that involved in outsourcing (the focus of this thesis) and it is shown in Appendix A. As this thesis is only interested in hotels that outsourced their services, the remaining 90 questionnaires (36.1 percent of the usable questionnaire) were not used for further analysis.

4.3 Sample characteristics

Various variables including sex, positions, educational background, income levels, were used to describe the sample characteristics. Table 4.1 exhibits the differences in the demographic profiles of respondents based on the variables mentioned earlier.

Table 4.1: Demographic Profiles of Respondents

Characteristics	Number of respondents (n=159)	Percentage (%)
Gender		
Male	75	47.2
Female	84	52.8
Age		
20-29 years	51	32.1
30-39 years	45	28.3
40-49 years	42	26.4
50-59 years	19	11.9
More than 60 years	2	1.3
Highest Level of Education Achieved		
SPM	21	13.2
STPM	8	5.0
Certificate/Diploma	65	40.9
Bachelor Degree	49	30.8
Postgraduate Degree	13	8.2
Others	3	1.9

**Table 4.1: Demographic Profiles of Respondents
(continue)**

Characteristics	Number of respondents (n=159)	Valid Percentage (%)
Monthly Income		
Less than RM2,000	43	27.0
RM2,000-RM4,000	71	44.7
RM4,001-RM6,000	26	16.4
RM6,001-RM8,000	10	6.3
Above RM8,000	9	5.6
Positions		
General Manager	28	17.6
Sales Manager	8	5.0
HR Manager	46	28.9
Operations Manager	9	5.7
Account Manager	9	5.7
Purchasing Manager	5	3.1
Administrative	5	3.1
Front Desk Executive	22	13.8
Housekeeper	12	7.5
Others	15	9.4
Hotel category		
Independent/stand alone	69	43.4
Chain/franchise	48	30.2
Family owned	27	17.0
Others	15	9.4
Hotel location		
North	47	29.6
Central	49	30.8
South	30	18.9
East	33	20.7
Years of establishment		
0-5 years	43	27.0
6-10 years	30	18.9
11-15 years	41	25.8
More than 15 years	45	28.3

**Table 4.1: Demographic Profiles of Respondents
(continue)**

Characteristics	Number of respondents (n=159)	Valid Percentage (%)
Hotel Star Rating		
1 Star	15	9.4
2 Star	39	24.5
3 Star	69	43.5
4 Star	25	15.7
5 Star	11	6.9

The profile of the respondents is shown in Table 4.1. One hundred fifty nine respondents participated in this survey. Female respondents accounted for more than half (52.8 percent) of the total respondents, however, very few responses (1.3 percent) were collected from senior citizens of more than 60 years. Most of the respondents are in the early working years, in which most of them are between the age of 20 to 29 years of age (32.1 percent) followed with the age bracket of 30 to 39 years of age. The majority of the respondents earned between RM2,000 to RM4,000 monthly. Most of them are considered highly educated with more than half (71.7 percent) holding Certificate/Diploma and Bachelor's Degree. The majority of the respondents are Human Resource Managers (28.9 percent) followed with the General Manager (17.6 percent).

As for the hotels that were presented, the majority of the hotels are located are located in the Central area (30.8 percent) of Peninsular Malaysia, followed by hotels in the Northern area (29.6 percent). The majority of the hotels have been in operation for more than fifteen years (28.3 percent) and the largest percentage of hotels that took part were independent or stand alone hotels (43.4 percent). In terms of star ratings, the majority of the hotels that participated in this survey were 3 Star hotels (43.5 percent).

4.4 Measurement Properties

In this section, explanations will be made to cover the following areas: findings from the exploratory interviews for generating additional scale items relevant to the context of the study and feedback from experts on the content and face validity of the questionnaire. The operational definitions of all the constructs adopted from a review of extant literature are as discussed in Section 3.4.4. The measures adopted for all the constructs were based on established scales following a review of the extant literature as shown in Table 3.1.

4.4.1 Item Generation from Exploratory Studies

Based upon the exploratory interviews with eight hotel managers, twelve new scale items emerged for five of the following constructs: perceived value (7), relational norms (2) and relationship quality (3). The respondents were asked how perceived value, relational norms, and switching costs affect their relationship with the service providers and their choice of service providers. An outline of the hotel managers' perspectives on perceived value, relational norms, switching costs, and relationship quality are summarised in the next subsection (Section 4.4.1.1). All the new items extracted from the interviews were adapted in the questionnaire by rewording the contents to suit the context of the study. The questionnaire with the new items was then administered for the pre-test study. Details of the revised scale measures containing 92 items used for the pilot study are shown in Appendix B.

4.4.1.1 Customers' Perspectives on Perceived Value, Relational Norms, and Relationship Quality

- **Perceived Value:**

The perception of customers on value provided by the service providers:

Hotel Managers 3 and 7

“The service provider provides prompt delivery.”

Hotel Manager 6

“The service provider provides good service quality.”

Hotel Manager 8

“The price is the cheapest compared to other service provider.”

Hotel Manager 6

“We look at the reputation of the service provider.”

Hotel Manager 4

“The service providers cooperate with us.”

Hotel Manager 5

“We can talk to them if there are problems with the service.”

Hotel Manager 1

“No other service provider is capable of doing that.”

- **Relational Norms**

The hotel manager’s perception on relational norms of the service provider:

Hotel Manager 1:

“If we are a little late in terms of payment it will not be a problem to them, they share information to improve their business”.

- **Relationship Quality**

The hotel managers’ perception of their quality of relationship with the service provider:

Hotel Manager 5

“They promise us to rectify their problems because their problem will affect us.”

Hotel Manager 1

“We need to understand each other.”

Hotel Manager 1

“We have been satisfied with the services.”

4.5 Content and Face Validity Check

The following findings will cover the content and face validity of the measures. The purpose of conducting content and face validity is to reduce the measurement errors and it can be done by conducting pre-test. The measurement error refers to “the degree to which the observed values are not representative of the true values” (Hair et al., 1998, p. 9) that add “noise” to the observed variables. With the measurement error, observed variable will consist of true value and noise. Consequently, means computed will be less precise and correlations will weaken. According to Babbie (2005), the best way to conduct a pretest is to ask the respondents to complete the questionnaire and to read through it because a question seems to be error-free on a first reading but it may be impossible to answer.

In this study, content and face validity of the items were evaluated based on judgment by a group of experts comprising three academics and five hotel managers. The group of experts was asked to evaluate the items based on: (1) how relevant the items to measure the research constructs, (2) how accurate and clear the items are, (3) are there redundant or confusing items, and (4) are there any suggestions for alternative wordings (DeVellis, 2003). Table 4.2 shows the comments by the group of experts and actions taken to improve the quality of the questionnaire after conducting content and face validity checks and pretesting the questionnaire.

Table 4.2: Comments after Content and Face Validity Check and Pre-Test

No.	Suggestions/Comments	Actions taken
1.	Scales for the items should be allocated at the beginning of each page.	Changes were made to the layout of the questionnaire to ease the respondents when answering the questions.
2.	Several questions are lengthy and some of the words are difficult to understand	To improve the quality of the questionnaire, the lengthy questions were shortened and the difficult words were replaced with simpler words.
3.	Definitions on the terms used should be clear and easy to understand to the respondents.	Definitions were reworded using simpler words.
4.	Some questions were redundant and have the same meaning.	Only the question that best measure the construct was chosen.

4.6 Pilot Study

Results of the pilot study conducted on thirty six hotel managers showed that the sample of respondents contained more females (63.9%) than males (36.1%). The disproportionate of male and female could be due to more female works in the hotel industry. The majority of the respondents (36.1%) have certificate and undergraduate education, respectively. About 12% of the respondents are between 40 to 49 years of age. The majority of the respondents earned between RM2,000 and 4,000 per year. In terms of the hotels that participated in this study, the majority of the hotels (41.7%) are independent/stand alone hotels and 58.3% are hotels with 3 Star ratings which are mostly located in the Northern region of Peninsular Malaysia. Table 4.3 presents the demographic profiles of the respondents that participated in the pilot test.

Table 4.3: Demographic Profiles of Respondents in the Pilot Test

Characteristics	No. of Respondents (n = 36)	Percentage (%)
Gender		
Male	13	36.1
Female	23	63.9
Age		
20-29 years	11	30.6
30-39 years	10	27.8
40-49 years	12	33.3
50-59 years	3	8.3
More than 60 years	11	30.6
Highest education		
SPM	1	2.8
STPM	3	8.3
Certificate/Diploma	13	36.1
Bachelor Degree	13	36.1
Postgraduate Degree	5	13.9
Others	1	2.8
Monthly Income		
Less than RM2,000	7	19.4
RM2,000-RM4,000	12	33.3
RM4,001-RM6,000	11	30.6
RM6,001-RM8,000	2	5.6
Above RM8,000	4	11.1
Positions		
General Manager	8	22.2
Sales Manager	11	30.6
HR Manager	11	30.6
Operations Manager	3	8.3
Account Manager	3	8.3
Purchasing Manager	1	2.8
Administrative	2	5.6
Front Desk Executive	4	11.1
Housekeeper	1	2.8

**Table 4.3: Demographic Profiles of Respondents in the Pilot Test
(continue)**

Characteristics	No. of Respondents (n = 36)	Percentage (%)
Years of establishment		
0-5 years	8	22.2
6-10 years	4	11.1
11-15 years	13	36.1
More than 15 years	11	30.6
Hotel category		
Independent/stand alone	15	41.7
Chain/franchise	12	33.3
Family owned	2	5.6
Others	7	19.4
Hotel Location		
North	16	44.4
Central	12	33.3
South	1	2.8
East	7	19.4
Hotel star rating		
1 Star	2	5.6
2 Star	8	22.2
3 Star	21	58.3
4 Star	4	11.1
5 Star	1	2.8

The data collected for the pilot test was analyzed using Statistical Package for Social Science (SPSS) version 19.0. After recoding the reverse items, a reliability test was carried out and the reliability coefficient scores were obtained. Table 4.4 presents the Cronbach's alpha coefficient from the pilot test. From the pilot test results, the alpha coefficients of perceived value, dependency, relational norms, switching costs, relationship quality, satisfaction and loyalty ranged from 0.645 to 0.911 with two values below 0.7. Typically, Cronbach's alpha of 0.7 and higher are considered adequate (Nunnally, 1978). However, as

suggested again by Nunnally (1978) for newer scales the cut-off value for alpha can be slightly lower ($\alpha = 0.6$). Since the scales developed in this study are new scales even though they are strongly grounded on existing literature, the alpha coefficient of 0.6 and higher is acceptable. Therefore, the data will generally be considered as reliable and acceptable for further analysis.

Table 4.4: Values of Cronbach's alpha for Pilot Study

Variables	Cronbach's Alpha	No. of items
Perceived value	0.840	30 items
Relational Norms	0.911	16 items
Switching Costs	0.864	8 items
Relationship Quality	0.899	22 items
Loyalty	0.669	7 items
Dependence	0.645	9 items

4.7 Data Screening

Once the data have been collected from a representative sample of the population, the next step is to conduct some preliminary checks on the data. This ensures that the data collected in the main study are of assured quality for further analysis.

This section discusses the findings on the data screening process and demographic profiles of the respondents. The data screening process involve the steps of getting the data ready for analysis before the data can be used to test the hypotheses. The data screening process includes editing, handling missing data, coding, recoding, checking for normality, and checking for outliers. A total of 265 questionnaires were returned.

4.7.1 Preliminary Checks

All the returned questionnaires were checked, coded, recoded, and recorded using the SPSS statistical software version 19. Extreme values caused by errors in data entry were identified through the frequency table generated from the output of the SPSS statistical package. To identify the extreme values, a thorough check was made by observing the range of values for each item so that it is within the coded end points (e.g. items measured using a seven point Likert scale should not have values greater than seven). Based on the preliminary check, no extreme value was identified

Based on the preliminary check sixteen questionnaires were discarded because they had more than 25 percent of the items unanswered, resulting in an effective sample of 249 usable and completely answered questionnaires. The remaining usable sample were imputed for missing values using the Expectation Maximization (EM) imputation technique recommended by Hair et al. (2006).

In this thesis, eleven items were reverse-coded to reduce the response bias (Pallant, 2007). In other words, the purpose of having negative items is to reduce the impact of acquiescent responding on the measured variables (Stangor, 1998). By agreeing to the reverse-coded item, we can identify that the respondent does not have the characteristics being measured (Stangor, 1998). Table 4.5 shows the reverse-coded items in this study. Four reverse-coded items have been retained (e.g., AS1, AS2, AS3, AS4) after the assessment of the measurement model.

Table 4.5: Reverse Coded Items

Construct	Item	Measurement
Image	IM4	The service provider is unfair.
Dependence	SI2	The service is not a core activity for our hotel.
	AS1	The service provider has a monopoly power for what it produces.
	AS2	The service provider is the only one that we can rely on for the service.
	AS3	The service provider is difficult to replace if our relationship is discontinued.
Relationship Quality	AS4	The service provider has capabilities that no other service providers have.
	CO4	We are unlikely to still be doing business with this service provider in future.
	ST1	The relationship of our hotel with this service provider has been an unhappy one.
Loyalty	LO4	We would move to a new service provider that offers better prices
	LO6	We would inform other hotels if we experience problems with our service provider.
	LO7	We would report to external agencies if we experience problems with our service provider.

4.7.2 Handling of Missing Data

This study employed the Expectation Maximization (EM) imputation technique to replace the missing values. The percentage of missing values for each variable was computed and none of the variable had missing values more than 10% (Hair et al., 2006). The results of Little's Missing Completely at Random (MCAR) test showed that the missing items were distributed randomly across different cases and values. The results show a non significant level of MCAR test at Chi-Square = 872.982 , DF = 811. Sign = 0.065 (Sign value of more

than 0.05), indicating that the missing data process can be considered to be missing completely at random. Thus, the researcher can impute the missing data using the EM imputation technique, since no potential biases exists in the pattern of the missing data

4.7.3 Assessment of Normality

In this study, normality of the variables was assessed using graphical and statistical methods. Overall, graphical analysis of normality of the variables was carried out using normal probability plots. Normal probability plot compares the cumulative distribution of the actual data with the cumulative distribution of a normal distribution. The normal distribution forms a straight diagonal line, and the plotted data values are compared with the diagonal line (Hair et al., 1998). Results on the inspection on the normal plots showed that most of the observed values deviate from the straight, indicating non-normal distribution.

Subsequently, the Shapiro-Wilks statistic was utilised to test the normality of the variable. If the significance level is greater than 0.05, then normality is assumed. The results of the Shapiro-Wilk test show that except for switching costs all other variables in this study are not normally distributed at $p < 0.05$. Table 4.6 exhibits the results from the Shapiro-Wilks test on normality.

Table 4.6: Tests of Normality (Shapiro-Wilk Statistic)

	Shapiro-Wilk Statistic		
	Statistic	df	Sig.
Perceived value	0.922	159	0.000
Relational norms	0.960	159	0.000
Switching costs	0.984	159	0.068*
Relationship quality	0.946	159	0.000
Customer loyalty	0.935	159	0.000
Dependence	0.979	159	0.015

*p>0.05

In the statistical method, the statistical value (z) for the skewness and kurtosis were used check for any actual deviation from normality for each variable and item in the study. The values for z- skewness and z-kurtosis should be in the critical value range of ± 2.58 ($p < 0.01$) for the data to be normally distributed (Hair et al., 1998). If either the calculated z value exceeds the critical value, then the distribution is non-normal in terms of that characteristic. Table 4.7 exhibits the values for z-skewness, and z-kurtosis for each variable. Based on the values of z-skewness, except for switching costs, customer loyalty, and dependence, all other variables show deviation from normality. Assessment of normality for each item in this study will be conducted in the next sections.

Table 4.7: Assessment of Normality of the Constructs

	N	Skewness			Kurtosis		
		Statistic	Std. Error	z-skewness	Statistic	Std. Error	z-kurtosis
Perceived value	159	-1.411	0.192	-7.330	5.635	0.383	14.727
Relational norms	159	-0.765	0.192	-3.977	2.240	0.383	5.854
Switching costs	159	-0.133	0.192	-0.690	-0.402	0.383	-1.052
Relationship quality	159	-0.989	0.192	-5.137	4.109	0.383	10.740
Customer loyalty	159	0.199	0.192	1.032	3.447	0.383	9.008
Dependence	159	-0.218	0.192	-1.132	1.298	0.383	3.393

4.7.4 Assessment of Normality of Perceived Value

The results of Table 4.8 indicate two items from the perceived service benefits (PQV) dimension has the highest mean score of 5.580 (SD = 0.903) and 5.50 (SD = 0.906). The range of z-skewness score for perceived quality value is from -6.992 to -4.480. The values of z-kurtosis range from 1.973 to 9.739. All values for z-skewness is lower than the critical value of -2.58 ($p < 0.01$) thus there is serious departure from normality (Hair et al., 1998).

For the perceived social value (PSV) dimension, one item has the highest mean of 5.300 (SD = 1.236). The range of z-skewness score for perceived social value is from -7.633 to -3.333. The values of z kurtosis ranged from -0.773 to 6.198. All values for z-skewness are outside the range of the critical value of ± 2.58 ($p < 0.01$) thus there is serious problem of normality (Hair et al., 1998). The results of Table 4.8 show that one item from the perceived emotional value (PEV) dimension has the highest mean of 5.430 (SD = 1.082). The range of z-skewness score for perceived emotional value is from -7.539 to -5.557. The values of z-kurtosis range from 0.920 to 7.418. Three values for z-skewness are less than the critical value of -2.58 ($p < 0.01$) thus indicating a serious departure from normality (Hair et al., 1998).

Table 4.8: Assessment of Normality of Perceived Value

Items		Mean	SD	^z skewness	^z kurtosis
Perceived service benefits (PQV)					
PQV1	The service provider provides our hotel with good service quality.	5.450	1.071	-6.992	6.346
PQV2	The service provider provides our hotel with good service reliability.	5.500	0.906	-4.480	2.306
PQV3	The service provider is an expert in the outsourced activity.	5.450	0.959	-6.424	4.687

**Table 4.8: Assessment of Normality of Perceived value
(continue)**

	Items	Mean	SD	z skewness	z kurtosis
PQV4	The service provider uses new technology to perform the outsourced activity.	5.050	1.152	-4.962	1.973
PQV5	The service provider is able to provide the service in a timely manner.	5.240	1.161	-6.830	3.809
PQV6	The service provider is approachable	5.580	0.903	-6.805	9.739
Perceived Social Value (PSV)					
PSV1	The service provider performs services for many companies that we know.	5.300	1.236	-7.633	6.198
PSV2	Using its services has improved the ways others perceived our hotel.	5.070	1.238	-6.269	3.491
PSV3	Using its services would make a good impression on other people.	4.890	1.364	-3.333	-0.773
PSV4	The company who uses its services obtains social approval.	4.760	1.300	-3.920	0.081
PSV5	Using services offered by the service provider would help our hotel to feel acceptable.	4.880	1.398	-4.878	0.960
Perceived Emotional Value (PEV)					
PEV1	We are comfortable with the service outsourced.	5.390	1.096	-7.321	5.824
PEV2	The service provider is always willing to satisfy our needs as a customer.	5.430	1.082	-7.539	7.418
PEV3	The service provider gives our hotel a positive feeling.	5.350	1.079	-6.163	4.102
PEV4	The service provider did not pressure our hotel to decide quickly.	5.040	1.488	-5.557	0.920
PEV5	We feel really appreciated by the service provider.	5.420	1.11	-6.328	4.686
PEV6	We like the service that we outsourced.	5.310	1.092	-6.006	3.791
Perceived Value for Money (PVFM)					
PVFM1	The service provided by the service provider is reasonably priced.	5.220	1.14	-4.593	2.601
PVFM2	The service provider offers value for money.	5.180	1.111	-4.174	2.251
PVFM3	The service provided by the service provider is a good purchase for the price paid	5.190	1.126	-4.629	1.891
PVFM4	The service provided by the service provider would be economical.	5.140	1.076	-4.340	2.962

**Table 4.8: Assessment of Normality of Perceived value
(continue)**

	Items	Mean	SD	z skewness	z kurtosis
PVFM5	Our hotel spent a lot of time in developing a working business relationship with the service provider.	3.370	1.38	2.325	-1.11
PVFM6	Our hotel spent a lot of time negotiating with the service provider before reaching an agreement.	3.330	1.416	3.017	-1.657
PVFM7	The service provider costs us more in terms of time.	3.690	1.433	2.071	1.612
PVFM8	The service provider costs us more coordination efforts.	3.510	1.335	2.453	-0.944
Image (IM)					
IM1	The service provider has a good reputation.	5.240	1.058	-5.931	6.350
IM2	The service provider is credible.	5.330	0.965	-6.969	9.904
IM3	The service provider is cooperative.	5.360	1.046	-5.614	5.255
IM4r	The service provider is unfair	4.710	1.352	-0.426	-2.066
IM5	The service provider is close-mouthed.	4.130	1.322	-1.020	-0.777

SD = Standard deviation

Only one item from the perceived value for money (PVFM) dimension has the highest mean of 5.220 (SD = 1.14) The range of z-skewness score for perceived value for money is from -4.629 to 2.017. The values of z-kurtosis range from -1.657 to 2.962. Five values for z-skewness are outside the range of critical value of ± 2.58 ($p < 0.01$) thus, there is serious departure from normality (Hair et al., 1998).

The last dimension for perceived value construct is the image dimension. One item for the image dimension has the highest mean of 5.360 (SD = 1.046). The range of z-skewness score for perceived social value is from -6.969 to -0.426. The values of z-kurtosis ranged from -2.066 to 9.904. All values for z-skewness are outside the range of the critical value of ± 2.58 ($p < 0.01$) thus there is serious departure from normality (Hair et al., 1998).

4.7.5 Assessment of Normality of Relational Norms

The first dimension of relational norm is solidarity. The results of Table 4.9 show that one item from solidarity (SO) dimension has the highest mean of 5.420 (SD = 1.127). The range of z-skewness score for solidarity is from -7.742 to -3.602. The values of z-kurtosis range from 0.533 to 6.685. All values for z-skewness are less than the critical value of -2.58 ($p < 0.01$) thus there is serious departure from normality (Hair et al., 1998).

The second dimension of relationship quality is flexibility. The results of Table 4.9 show that one item from flexibility (FX) dimension has the highest mean of 5.310 (SD = 1.086). The range of z-skewness score for flexibility is from -6.678 to -4.850. The values of z-kurtosis range from 1.899 to 6.456. All values for z-skewness are less than the critical value of -2.58 ($p < 0.01$) thus there is serious departure from normality (Hair et al., 1998).

The last dimension is information exchange. The results of Table 4.9 show that one item from information exchange (IE) dimension has the highest mean of 5.180 (SD = 1.018). The range of z-skewness scores for information exchange is from - 5.913 to -2.992. The values of z-kurtosis ranged from -0.771 to 4.597. All values for z-skewness are less than the critical value of -2.58 ($p < 0.01$) thus there is a serious departure from normality (Hair et al., 1998).

Table 4.9: Assessment of Normality of Relational Norms

	Items	Mean	SD	z skewness	z kurtosis
Solidarity					
SO1	The service provider is committed to bring improvement to our hotel.	5.230	1.190	-4.580	2.081
SO2	The service provider tries to help us when we face problems.	5.300	1.117	-7.742	6.685
SO3	The service provider helps us with the tasks outside his core competencies.	4.810	1.295	-3.602	0.533
SO4	The service provider treated problems as joint responsibilities with our hotel.	4.990	1.300	-5.033	0.929
SO5	The relationship between our hotel and the service provider is a long- term venture.	5.420	1.127	-6.015	5.950
Flexibility					
FX1	The service provider and our hotel are flexible with each other.	5.310	1.086	-6.678	6.456
FX2	The service provider and our hotel always reach mutual agreement on transactions	5.270	1.004	-5.110	4.444
FX3	The service provider and our hotel are able to react to changing environment.	5.230	1.061	-5.261	4.399
FX4	The service provider has the ability to make adjustments in the relationship to cope with uncertainty.	5.110	1.194	-5.078	3.060
FX5	For unforeseen circumstances, our hotel and the service provider can reach into agreement easily.	4.960	1.244	-4.850	1.899
Information Exchange					
IE1	The service provider provides us useful information.	5.140	1.206	-5.913	4.597
IE2	The service provider informs changes in a timely manner.	5.180	1.018	-3.270	2.502
IE3	The service provider provides us confidential information.	4.810	1.428	-4.143	0.369
IE4	The service provider and our hotel share business knowledge at times.	4.860	1.340	-4.837	2.440
IE5	The service provider and our hotel exchange information for business planning.	4.550	1.478	-2.992	-0.771
IE6	The service provider provides us with accurate information.	4.820	1.297	-4.439	1.812

SD = Standard deviation

4.7.6 Assessment of Normality of Switching Costs

The results of Table 4.10 show one item from the switching costs (SC) dimension has the highest mean of 4.480 (SD = 1.458). The range of z-skewness score for switching costs is from -2.880 to 0.520. The values of z-kurtosis range from -3.290 to -1.282. Only one value for z-skewness and three values of z-kurtosis exceed the critical value of -2.58 ($p < 0.01$) thus there is no serious departure from normality (Hair et al., 1998).

Table 4.10: Assessment of Normality of Switching Costs

	Items	Mean	SD	z skewness	z kurtosis
SC1	We worry that the service offered by other service provider will not work as well as expected.	4.410	1.510	-2.880	-1.282
SC2	If we switch to a new service provider, our hotel might end up with bad service for a while.	3.800	1.622	-0.155	-2.704
SC3	It is time consuming to get information on other service provider.	4.310	1.497	-2.392	-1.903
SC4	It is difficult to compare this service provider with other service providers.	3.990	1.569	0.520	-2.225
SC5	The process of starting up with a new service is difficult.	4.020	1.624	-0.160	-2.816
SC6	There are a lot of formalities involved in switching to a new service provider.	4.480	1.458	-1.772	-2.347
SC7	Leaving the service provider will affect the long-term business benefits.	4.100	1.623	0.312	-3.290
SC8	Switching to a new service provider involves some up-front costs.	4.420	1.612	-2.104	-2.394

4.7.7 Assessment of Normality of Relationship Quality

The results in Table 4.11 show one item from the trust (TR) dimension has the highest mean of 5.280 (SD = 1.032). The range of z-skewness score for trust is from -5.816 to -2.421. The values of z-kurtosis range from 0.539 to 5.506. Eight z-skewness values are less

than the critical value of -2.58 ($p < 0.01$) indicating that there is serious departure from normality (Hair et al., 1998).

Table 4.11: Assessment of Normality of Relationship Quality

	Items	Mean	SD	z skewness	z kurtosis
Trust (TR)					
TR1	The service provider made reliable promises.	4.970	1.211	-5.816	4.131
TR2	The service provider can be counted on to help us.	5.190	1.046	-3.470	2.567
TR3	The service provider is capable to fix any problem related to its service.	5.210	1.120	-5.165	4.705
TR4	The service provider can be counted on in the future.	5.180	1.024	-4.547	4.453
TR5	The service provider is willing to offer us support in any circumstances.	5.090	1.018	-4.029	2.977
TR6	The service provider considers our welfare as well as its own, when making important decisions.	4.720	1.207	-2.421	0.539
TR7	The service provider responds with understanding when we share our problems with him/her.	5.060	1.033	-4.223	5.506
TR8	The feedback from our service provider is useful.	5.280	1.032	-5.075	4.926
TR9	The service provider provides information that can be trusted.	5.140	1.078	-4.549	3.132

SD = Standard deviation

The results of Table 4.11 show that one item from the commitment (CO) dimension has the highest mean of 5.370 (SD = 1.094). The range of z-skewness score for commitment is from -6.555 to -1.018. The values of z-kurtosis range from -1.515 to 7.218. Five values for z-skewness are less than the critical value of -2.58 ($p < 0.01$) thus there is serious departure from normality (Hair et al., 1998).

**Table 4.11: Assessment of Normality of Relationship Quality
(continue)**

Commitment (CO)					
CO1	We will continue working with the service provider.	5.370	1.094	-6.655	7.218
CO2	We want to remain as a member of the service provider's network.	5.210	1.025	-4.629	3.975
CO3	We expect our relationship with the service provider to continue for a long time.	5.310	1.181	-5.114	4.328
CO4r	We are unlikely to still be doing business with this service provider in future.	4.470	1.436	-1.018	-1.515
CO5	We believe the service provider will provide better service in the future.	5.350	0.995	-3.930	3.472
CO6	We would be willing to make further investment in the service provider's service.	4.870	1.137	-3.121	0.943
Satisfaction (ST)					
ST1r	The relationship of my company with the distributor has been an unhappy one.	4.870	1.489	-1.411	-2.402
ST2	Generally, my company is very satisfied with its overall relationship with this distributor.	5.200	1.066	-4.775	4.060
ST3	Overall, my primary wholesaler is a good company to do business with.	5.250	0.981	-4.634	4.191
ST4	I have always felt satisfied.	5.310	0.988	-5.333	5.330
ST5	Overall, my primary wholesaler treats me fairly.	5.340	0.933	-6.490	7.714
ST6	My choice to purchase this service was a wise one.	5.260	0.976	-3.660	3.639
ST7	I think that I did the right thing when I purchase this service.	5.380	1.005	-5.697	5.431
SD = Standard deviation					

The results of Table 4.11 show one item from the satisfaction (SAT) dimension has the highest mean of 5.380 (SD = 1.005). The range of z-skewness score for satisfaction t is from -6.490 to -1.411. The values of z-kurtosis range from -2.402 to 7.714. Six values for z-

skewness are less than the critical value of -2.58 ($p < 0.01$) thus there is serious departure from normality (Hair et al., 1998).

4.7.8 Assessment of Normality of Loyalty

The results of Table 4.12 show that one item from the loyalty (LO) dimension has the highest mean of 5.430 (SD = 1.003). The range of z-skewness score for loyalty is from -5.888 to -3.489. The values of z-kurtosis ranged from -0.307 to 6.094. Five values for z-skewness are less than the critical value of -2.58 ($p < 0.01$) thus there is a serious departure from normality (Hair et al., 1998).

Table 4.12: Assessment of Normality of Loyalty

	Items	Mean	SD	z skewness	z kurtosis
LO1	We would say positive things about our service provider.	5.430	1.003	-5.888	6.094
LO2	We would recommend our service provider to other companies	5.330	1.111	-5.560	4.738
LO3	We intend to do more business with our service provider in the future.	5.130	1.056	-5.123	5.491
LO4r	We would move to a new service provider that offers better prices	3.040	1.471	3.489	-0.542
LO5	We would still continue doing business with our service provider regardless of the prices.	4.450	1.431	-2.230	-0.878
LO6	We would inform other hotels if we experience problems with our service provider.	4.610	1.530	-3.664	-0.307
LO7	We would report to external agencies if we experience problems with our service provider.	4.700	1.403	-4.062	0.580

4.7.9 Assessment of Normality of Dependence

The results of Table 4.13 show that one item from the dependence (AS) dimension has the highest mean of 5.560 (SD = 1.010). The range of z-skewness score for dependence is from -6.277 to 2.548. The values of z-kurtosis range from -2.825 to 4.897. Only five values for z-skewness are outside the range of the critical value of ± 2.58 ($p < 0.01$) thus there is no serious problem of normality (Hair et al., 1998).

Table 4.13: Assessment of Normality of Dependence

	Items	Mean	SD	z skewness	z kurtosis
SI1	The service is important to our hotel's current performance.	5.560	1.010	-5.028	4.897
SI2r	The service is not a core activity to our hotel.	3.640	1.624	2.548	-2.026
SI3r	The outsourced service is our priority.	3.700	1.553	1.290	-1.916
SI4	We can get the same service from other service provider	4.910	1.420	-4.204	0.053
AS1r	The service provider has a monopoly power for what it produces.	4.280	1.538	-0.876	-1.745
AS2r	The service provider is the only one that we can rely on for the service.	4.410	1.612	-1.378	-2.389
AS3r	The service provider is difficult to replace if our relationship is discontinued.	4.350	1.615	-1.005	-2.662
AS4r	The service provider has the capabilities that no other service providers have	4.420	1.662	-0.718	-2.825
AS5	The service provider is always available.	5.130	1.296	-6.277	3.871

Inspections of z- skewness and z-kurtosis graphically and statistically, and calculation of Shapiro-Wilk test on normality indicate that most of the items deviate from normal distribution. Due to the significant problem in normality, this study adopts the Partial Least

Squares (PLS) approach of data analysis and hypotheses testing. PLS is less restrictive in its distributional assumptions and sample size restrictions as compared to covariance-based structural equation modeling (Karim, 2009).

4.8 Assessment of Non-Response Bias

Testing for non-response bias was done by assessing the difference between early and late respondents on a continuous measure. Since the data in this study is non-normally distributed, non-parametric test was used to assess the non-response bias. In this case, Mann-Witney U Test is employed, in which it is the non-parametric alternative to t-test for independent samples (Pallant, 2007). The results show that the Z approximation value is -0.510 at p-value of 0.610 (Sign of less than or equal to 0.05). This indicates the result is statistically non-significant. It can be concluded that there is no difference in the level of customer loyalty between the early and late response groups. Therefore, dataset from both groups can be combine for further analysis.

4.9 Assessment of Common Method Bias

Based on the discussion in Chapter 3, common method bias is one of the key sources of measurement error that will influence the validity of research findings. In this study, Harman's one-factor test, one of the most widely used techniques to address the issue of common method bias was conducted to examine the presence of common method bias (Podsakof et al., 2003). Result of the test shows that no single factor emerged from the exploratory factor analysis. In addition, no single factor accounted for most of the variance in the variables. The first factor accounted for only 29.85 percent of the variance.

Therefore, it can be concluded that common method bias is not a problem in this study. Appendix E exhibits results of Harman's one-factor test to examine common method bias.

4.10 Detection of Outliers

Overall, based on the inspection on the box plots of each variable, case 94 was considered as an outlier. The results from the Mahalanobis d-squared also show that only one case (case 94) was considered as an outlier. It because the Mahalanobis d-squared of the case is larger than the critical value of 13.82. Hence, for further analysis, the final sample consists of one hundred fifty eight (158) cases. Appendix F exhibits figures for the Mahalanobis d-squared.

4.10.1 Demographic Profiles of Respondents after Deletion of Outliers.

After the deletion of one outlier, the previous sample of one hundred fifty nine respondents was reduced to one hundred fifty eight respondents for further analysis. Table 4.14 exhibits the demographic profiles of the respondents including the profile of the hotels they presented.

Based on Table 4.14 the majority of the respondents of this study are females (52.5 percent). Most of the respondents are in the age bracket of between 20-29 years of age (32.3 percent) and only 1.3 percent aged sixty and above. Majority of them are highly educated with 82.2 percent have qualifications of Certificate/Diploma and higher, with majority earning the monthly income levels between RM2,000 and RM4,000 (44.9 percent).

Table 4.14: Demographic Profiles of Respondents after Deletion of Outliers

Characteristics	No. of Respondents (n = 158)	Percentage (%)
Gender		
Male	75	47.5
Female	83	52.5
Age		
20-29 years	51	32.3
30-39 years	44	27.8
40-49 years	42	26.6
50-59 years	19	12.0
More than 60 years	2	1.3
Highest education		
SPM	20	12.7
STPM	8	5.1
Certificate/Diploma	65	41.1
Bachelor Degree	49	31.0
Postgraduate Degree	13	8.2
Others	3	1.9
Monthly Income		
Less than RM2,000	42	26.6
RM2,000-RM4,000	71	44.9
RM4,001-RM6,000	26	16.5
RM6,001-RM8,000	10	6.3
Above RM8,000	9	5.7
Positions		
General Manager	28	17.7
Sales Manager	9	5.7
HR Manager	46	29.1
Operations Manager	8	5.1
Account Manager	9	5.7
Purchasing Manager	6	3.8
Administrative	8	5.1
Front Desk Executive	23	14.6
Housekeeper	11	7.0
Others	8	5.1
N/A	2	1.3

**Table 4.14: Demographic Profiles of Respondents after Deletion of Outliers
(continue)**

Characteristics	No. of Respondents (n = 158)	Percentage (%)
Years of establishment		
0-5 years	43	27.2
6-10 years	30	19.0
11-15 years	40	25.3
More than 15 years	45	28.5
Hotel category		
Independent/stand alone	68	43.0
Chain/franchise	48	30.4
Family owned	27	17.1
Others	15	9.5
Hotel Location		
North	47	29.7
Central	63	39.9
South	16	10.1
East	32	20.3
Hotel star rating		
1 Star	15	9.5
2 Star	38	24.1
3 Star	69	43.7
4 Star	25	15.8
5 Star	11	7.0

This shows that most of the hotel managers are highly educated and are knowledgeable and well verse with their jobs which involved the outsourcing activities. Based on the respondent's position in the hotels, the majority of the respondents are Human Resource Manager (29.1 percent) followed with the General Manager (17.7 percent). In terms of number of years of hotel establishments, the results indicate that most of the participating hotels have been more than 15 years in operations (28.5 percent). The majority of the hotels are located in the central region (39.9 percent) with the independent hotels being the largest

number of hotels that participate in this study (43.2 percent). In terms of star rating, most half (43.7 percent) of the participating hotels are rated 3 Stars by the Ministry of Tourism Malaysia.

4.11 Test for Differences between Two Independent Groups.

The profile of respondents showed that there are divergent in the position of the respondents. The results show that the respondents for this research can be separated into two groups which are the (1) top managers (e.g., General Manager, Sales Manager, Human Resource Manager, Operations Manager, Account Manager, Purchasing Manager) and (2) the middle managers (e.g., (Administrative, Front Desk Executive and Housekeeper). Mann-Witney U Test was conducted to test whether these two independent groups create bias opinion in the survey.

The objective of Mann-Witney U Test in this research is to investigate whether the top managers and middle managers differs in terms of their levels of customer loyalty. The z-approximation test value obtained from the test is -0.755 with a significance level of $p = 0.45$. Since the probability value (p) is not less or equal to 0.05, so the result is not significant. There is no statistically significant difference in the customer loyalty levels of top managers and middle managers.

The z-approximation result can be used to calculate the effect size (r) using the following formula:

$$r = z / \text{square root of } N \text{ where } N = \text{total number of cases}$$

In this research, the effect size (r) is equal to $-0.755/12.57 = 0.06$. This would be considered a very small effect using Cohen (1988) criteria of $0.1 =$ small effect, $0.3 =$ medium effect, and $0.5 =$ large effect. Therefore, a Mann-Withey U test revealed no significant differences in the customer loyalty levels of top managers (Median = 34, $n = 106$) and middle managers (Median = 34.5, $n = 52$), $z = -0.755$, $p = 0.45$, $r = 0.06$.

4.12 Types of Services Outsourced by Hotels

Table 4.15 exhibits the services that are outsourced by the hotel organizations. The respondents were asked to identify various activities that have been outsourced to external service providers. Based on the table, three hundred seven responses were gathered from the respondents regarding the services outsourced by the hotels. The majority of the hotels outsourced their laundry services to outside service providers (33.2 percent), followed with pest control (31.9 percent), restaurants, and landscaping (5.2 percent). The least popular activities outsourced by the hotels are hotel administration and staff recruitment (0.7 percent).

The results reveal that hotels in Malaysia have a tendency to outsource services which required specialized equipment and machinery or skills to the external service providers. One of the reasons gathered from the interview session is that most of the hotels lack the spaces required to place the washing machines. In addition, for service that is considered core business (e.g. hotel administration) hotels preferred to manage the service on their own. This is also true for their front-line departments which handle many guests (e.g., housekeeping), in which, hotels are less willing to outsource the service.

Table 4.15: Types of Services Outsourced by Hotels

Activity Outsourced	Responses	Percent
Hotel Administration	2	0.7
Promotion	6	2.0
Information Technology	13	4.2
Staff Recruitment	2	0.7
Facilities Maintenance	7	2.3
Landscaping	16	5.2
Housekeeping	5	1.6
Common area	10	3.3
Pest control	98	31.9
Laundry	102	33.2
Security	12	3.9
Recreational	15	4.9
Restaurant	16	5.2
Decorations	3	1.0

4.13 Outsourced Services that Consumed the Highest Hotel Budget

According to Table 4.16, the majority of the respondents (62.0 percent) claimed that their outsourcing budget has been allocated the most on laundry service, followed with pest control (10.8 percent). In total, only 1.2 percent of the respondents agreed that housekeeping and hotel administration are the services that cost them the most. It is due to the fact that most hotels were unwilling to outsource these services to external service providers.

Table 4.16: The Outsourced Services that Consumed the Highest Budget

Services	Number of Respondents (n=158)	Percentage (%)
Laundry	98	62.0
Pest control	17	10.8
Housekeeping	1	0.6
Common area	4	2.5
Landscaping	5	3.2
Information Technology	6	3.8
Facility maintenance	7	4.4
Restaurant	8	5.1
Security	3	1.9
Promotion	3	1.9
Hotel Administration	1	0.6
Staff recruitment	2	1.3
Recreation	2	1.3
Stewarding	1	0.6

4.14 Sources of Information on Outsourcing Service Providers

The respondents were asked to choose several relevant sources from where they get the information on the service providers. From Table 4.17 the majority of the hotel management preferred word-of-mouth communication or recommendations from their friends (36.2 percent) as the primary source of information on the service providers. Even though information technology in Malaysia has been considered at the advanced stage, Internet only becomes the second source of getting information on service providers (17.9 percent) followed with personal selling (16.3 percent), information from Yellow Pages (13.1 percent), and mass media such as newspaper (11.9 percent). The other 4.7 percent of the responses agree that the sources of information come from instructions by the headquarters and owners, open tender, and service providers are known partners.

Table 4.17: Sources of Information on Outsourcing Service Providers

Sources	Number of responses (unit)	Percentage (%)
Yellow Pages	41	13.1
Word of mouth	113	36.2
Personal Selling	51	16.3
Mass Media	37	11.9
Internet	56	17.9
Others	14	4.5

4.15 Problems in Outsourcing

Table 4.18 presents the problems encountered by the hotels when they outsourced their services to the service providers. Most of the hotels faced various problems when they outsource their services to outside supplier. The mean for the problems faced on a seven point scale (‘1’ – strongly disagree to “7” – strongly agree). A higher mean represents the problems faced by the hotel management. Most of the hotel managers found that high cost of outsourcing and quality control (4.82 percent) are the two main problems faced by them when they outsource. However, only a few agree that cultural differences (3.94) is the problem faced by them.

Table 4.18: Problems in Outsourcing

Problems	Mean	Std. Deviation
Costly	4.82	1.603
Cultural differences	3.94	1.623
Quality control	4.82	1.622
Communication	4.35	1.745
Late delivery	4.40	1.572

4.16 Reasons to Outsource

Hotel managers also have various reasons to engage in outsourcing activities. Table 4.19 presents the mean and standard deviation for the problems faced on a seven point scale (‘1’ – strongly disagree to ‘7’ – strongly agree). A higher mean represents the most important reasons why hotel management chose to outsource. The most popular reason for the hotel to outsource is because they want to focus on the core competent activity (5.34 percent) of their hotel. The other reasons are because of improved service quality (5.30 percent) and limited space (5.24 percent).

Table 4.19: Reasons to Outsource

Reasons	Mean	Std. Deviation
Reduced cost	4.72	1.639
Improved service quality	5.30	1.264
Reliability	5.15	1.332
Improved technology	5.20	1.305
Core competence	5.34	1.182
Limited space	5.24	1.447
Uncertainty	4.90	1.438
Limited expertise	5.23	1.395
Reduce knowledge	4.52	1.500
Alternative use	4.90	1.376

4.17 Data Analysis and results

This research followed a two-stage approach to data analysis suggested by Anderson and Gerbing (1988) by conducting the exploratory (EFA) and confirmatory factor analysis (CFA). However, instead of conducting both EFA and CFA, only CFA was conducted in this study. This study followed Tojib et al. (2008) that conducted both EFA and CFA on their data set by splitting their samples randomly into two groups so that each group will have more than 100 respondents. Since the respondents in this study, is 158 and if the

samples were to be divided into two groups, each group will have less than 100 respondents. In this regard, the number of sample is not adequate to perform EFA (Hair et al., 1998). Therefore, only CFA is conducted in this research using 158 samples.

To conduct the CFA, data collected were analysed using Partial least Squares (PLS) approach. PLS considers all path coefficients simultaneously (Hutchinson et al., 2009). The PLS path analysis predominantly focuses on estimating and analyzing the relationship between latent variables in the inner model. However, latent variables are measured by means of a block of manifest variables (indicators).

First, the construct validity (convergent and discriminant validity) and reliability of the measurement model was assessed using confirmatory analysis (CFA) using Partial Least Squares (PLS). Based on the CFA results, the convergent validity, discriminant validity, and reliability (individual and construct or inter-item reliability) of the scales were analysed based on the guidelines by Fornell and Larker (1981). Second, the structural model was assessed to test the research hypotheses using the bootstrapping procedure. The next sections discussed in detail the results of the measurement and structural models.

4.17.1 Measurement Model

This section covers the specification of measurement model for each underlying construct with a discussion the using the path diagram. The diagrams on the proposed research model and the measurement model are presented in Figure 4.1 and 4.2, (and Appendices H and I) respectively. Under the PLS approach, the measurement model only includes the

relationships among the latent variables and manifest variables (indicators). The measurement model is assessed in terms of item loadings, and reliability coefficients (composite reliability), as well as the convergent and discriminant validity of all the multi-item scales. The measurement properties to assessed the convergent validity, discriminant validity, item loadings, and reliability are based on guidelines by previous authors (e.g., Anderson and Gerbing, 1988; Fornell and Larcker 1981; Hair et al., 2010; Hulland, 1999; Sanchez-Franco et al., 2009). The purpose of generating the measurement model is to examine for the evidence of convergence and discriminant validities as well as reliability or internal consistencies of the items. Once validity and reliability are confirmed, the items can be used in further analysis. Before the measurement model can be generated, all constructs should be linked in a path according to the proposed model using the SmartPLS 2.0 (Ringle et al., 2005) software.

Perceived value was conceptualized as a second-order construct containing five dimensions which are perceived service benefits (PQV), perceived social value (PSV), perceived emotional value (PEV), perceived value for money (PVFM), and image (IM). Each of the dimensions is represented by a number of items. In total thirty items were used to measure the perceived value construct. Perceived service benefits (PQV) were measured by six items and were labeled as PQV1, PQV2, PQV3, PQV4, PQV5 and PQV6. Perceived social value (PSV) was measured by five items and labeled PSV1, PSV2, PSV3, PSV4, and PSV5. Perceived emotional value (PEV) was measured using six items which were labeled as PEV1, PEV2, PEV3, PEV4, PEV5, and PEV6. In addition, perceived value for money (PVFM) was measured by eight items and labeled as PVFM1, PVFM2, PVFM3, PVFM4,

PVFM5, PVFM6, PVFM7, and PVFM8. Lastly, image was measured using five items, labeled IM1, IM2, IM3, IM4r, and IM5, respectively. In total, thirty items represented perceived value.

Relational norms were conceptualized as second-order construct containing three dimensions: flexibility (FX), information exchange (IE), and solidarity (SO). In total, sixteen items were used to measure relational norms. Flexibility was measured by five items and labeled FX1, FX2, FX3, FX4, FX5. Information exchange was measured using six items labeled IE1, IE2, IE3, IE4, IE5, and IE6. Solidarity was measured by five items, labeled SO1, SO2, SO3, SO4, and SO5. Switching cost was measured by eight items labeled as SC1, SC2, SC3, SC4, SC5, SC6, SC7, and SC8.

Relationship quality was also conceptualized as a second-order construct containing three dimensions: trust (TR), commitment (CO), and satisfaction (SAT). In total, twenty-two items were used to measure relationship quality. Trust was measured by nine items and labeled TR1, TR2, TR3, TR4, TR5, TR6, TR7, TR8 and TR9. Commitment was measured using six items labeled CO1, CO2, CO3, CO4r, CO5, CO6 while satisfaction was measured by seven items, labeled SAT1r, SAT2, SAT3, SAT4, SAT5, SAT6, and SAT7.

Loyalty was measured by seven items labeled LO1, LO2, LO3, LO4r, LO5r, LO6r, and LO7r. Dependence (AS) was measured by nine items labeled as SI1, SI2r, SI3, SI4, AS1r, AS2r, AS3r, AS4r, and AS5.

4.17.1.1 Convergent validity

Convergent validity refers to the extent to which the items measuring the same concept are in agreement (Ramayah et al. 2011). According to Hair et al. (2010), convergent validity can be assessed using factor loadings, average variance extracted (AVE), and composite reliability (CR). Figure 4.1 exhibits all items in the research model. All outer loadings were examined and following a suggestion by Hulland (1999) nineteen items that had loadings less than 0.5 were dropped from the initial proposed research model leaving seventy three items for further analysis. Hulland (1999) suggested items with loadings of less than 0.40 (a threshold commonly used for factor analysis results) or 0.5 should be dropped. Table 4.20 shows the loadings for all items that exceeded the recommended value of 0.5 (Hair et al., 1998; Hulland, 1999;)

In terms of loadings, sixty two items were over the recommended acceptable cut-off point of 0.7 (Nunnally, 1978) except for the other eight items: AS1r, CO5, FX5, PQV6, SC1, SC2, SC8, and SO5 with loadings greater than 0.6 but less than 0.7 and three items: CO6, PQV4, and PVFM5 with loadings greater than 0.5 but less than 0.6. According to Hulland (1999) in practice, it is common to find a few items in the measurement model that have loadings below the 0.7 threshold, particularly when new items or newly developed scales. Figure 4.2 presents the measurement model. In this study, the eleven items with loadings less than 0.7 cut-off point were retained because the rest of the reliability criteria were fulfilled (e.g., $AVE > 0.5$ and composite reliability > 0.7) (Sanchez-Franco et al., 2009). Based on Table 4.19 all items were found to load significantly on their respective constructs with values of the loadings ranging from 0.537 to 0.909.

In addition, all average variance extracted (AVE) values and composite reliabilities exceeded 0.5 and 0.8 respectively, suggesting good evidence of convergent validity (Anderson and Gerbing 1988; Fornell and Larcker 1981). A value of AVE exceeding 0.5 demonstrates that more than 50% of the variance of the construct is due to its indicators (Liu et al., 2011). Gefen et al. (2000) suggested that composite reliability should be 0.7 or higher to indicate adequate convergence or internal consistency.

Figure 4.1: Proposed Research Model

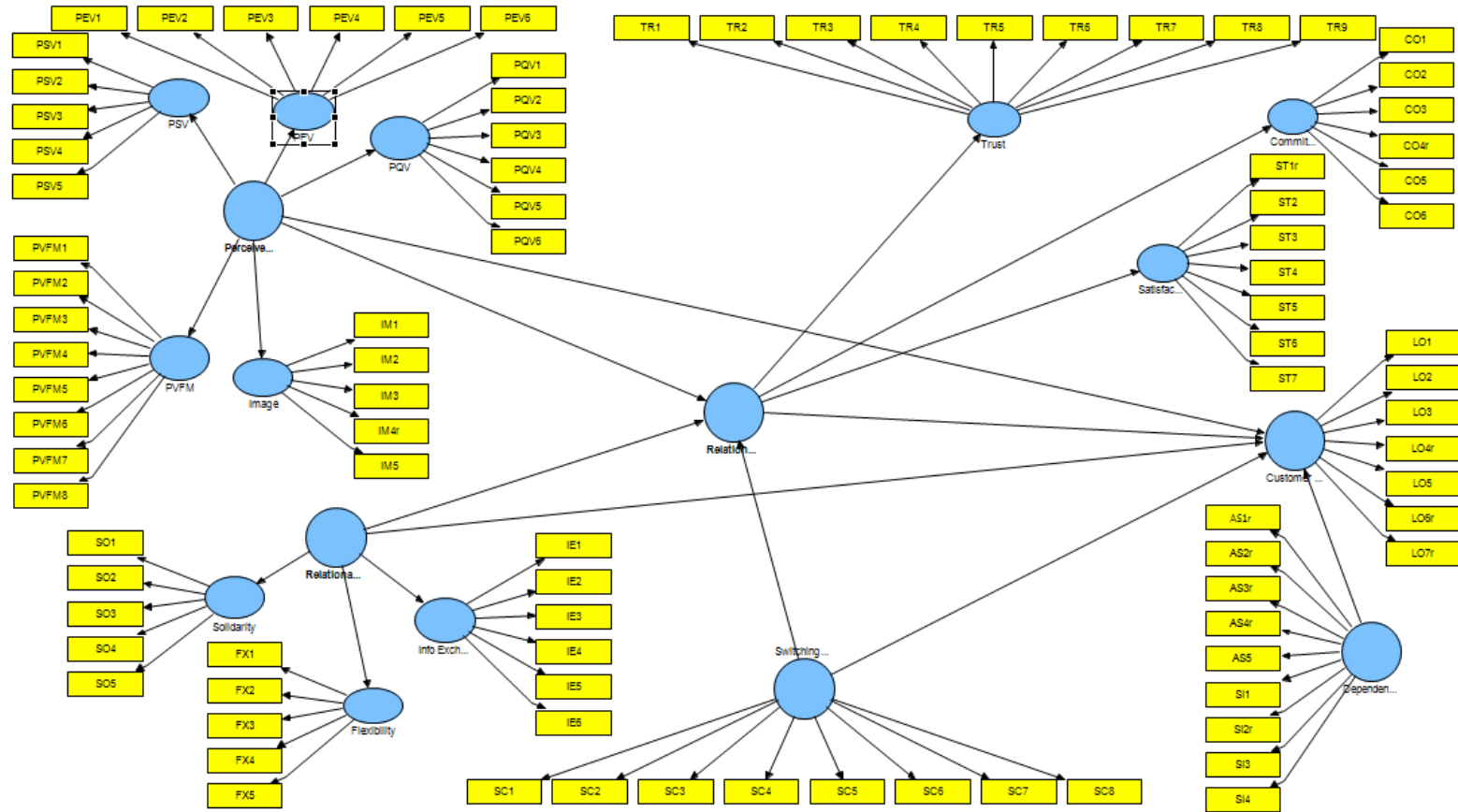


Figure 4.2: Measurement Model

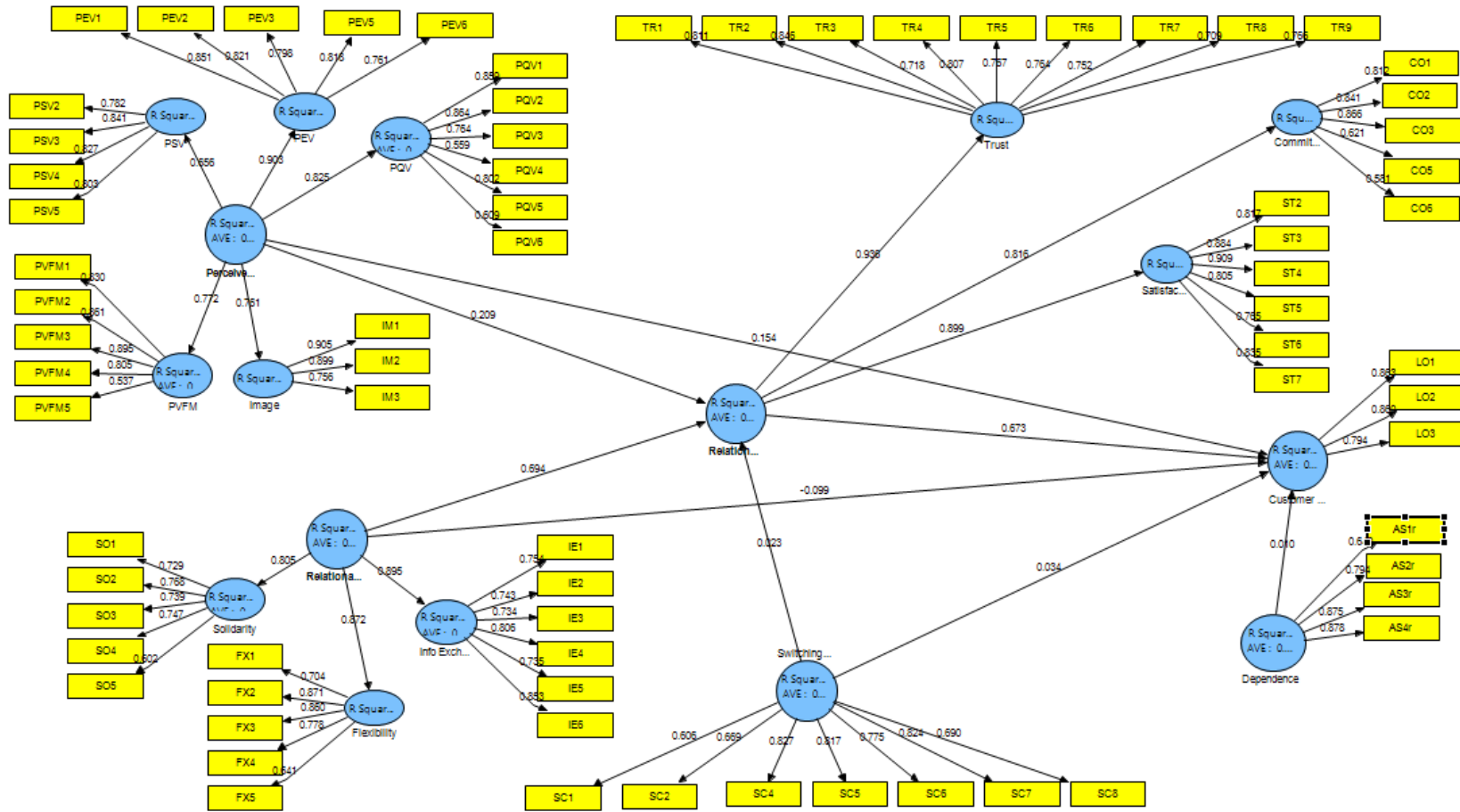


Table 4.20: Convergent Validity

Constructs	Items	Loadings	AVE ^a	Composite Reliability ^b	Cronbach Alpha
Dependence	AS1r	0.640	0.644	0.877	0.814
	AS2r	0.794			
	AS3r	0.875			
	AS4r	0.878			
Commitment	CO1	0.812	0.568	0.865	0.800
	CO2	0.841			
	CO3	0.866			
	CO5	0.621			
	CO6	0.581			
Flexibility	FX1	0.704	0.602	0.882	0.830
	FX2	0.871			
	FX3	0.860			
	FX4	0.778			
	FX5	0.641			
Information Exchange	IE1	0.754	0.596	0.898	0.864
	IE2	0.743			
	IE3	0.734			
	IE4	0.806			
	IE5	0.735			
	IE6	0.853			
Image	IM1	0.905	0.733	0.891	0.816
	IM2	0.899			
	IM3	0.756			
Customer loyalty	LO1	0.863	0.705	0.877	0.790
	LO2	0.860			
	LO3	0.794			

^a Average variance extracted (AVE) = (summation of the square of the factor loadings)/{(summation of the square of the factor loadings) + (summation of the error variances)}

^b Composite reliability (CR) = (square of the summation of the factor loadings)/{(square of the summation of the factor loadings) + (square of the summation of the error variances)}

**Table 4.20: Convergent Validity
(continue)**

Constructs	Items	Loadings	AVE^a	Composite Reliability^b	Cronbach Alpha
Perceived Emotional Value	PEV1	0.851	0.657	0.905	0.869
	PEV2	0.821			
	PEV3	0.798			
	PEV5	0.818			
	PEV6	0.761			
Perceived Service Benefits	PQV1	0.859	0.566	0.884	0.839
	PQV2	0.864			
	PQV3	0.764			
	PQV4	0.559			
	PQV5	0.802			
	PQV6	0.609			
Perceived Social Value	PSV2	0.782	0.662	0.887	0.830
	PSV3	0.841			
	PSV4	0.827			
	PSV5	0.803			
Perceived Value for Money	PVFM1	0.830	0.633	0.894	0.846
	PVFM2	0.861			
	PVFM3	0.895			
	PVFM4	0.805			
	PVFM5	0.537			

^a Average variance extracted (AVE) = (summation of the square of the factor loadings)/{(summation of the square of the factor loadings) + (summation of the error variances)}

^b Composite reliability (CR) = (square of the summation of the factor loadings)/{(square of the summation of the factor loadings) + (square of the summation of the error variances)}

**Table 4.20: Convergent Validity
(continue)**

Constructs	Items	Loadings	AVE ^a	Composite Reliability ^b	Cronbach Alpha
Switching Costs	SC1	0.606	0.560	0.898	0.867
	SC2	0.669			
	SC4	0.827			
	SC5	0.817			
	SC6	0.775			
	SC7	0.824			
	SC8	0.690			
	SO1	0.729			
Solidarity	SO2	0.768	0.518	0.842	0.764
	SO3	0.739			
	SO4	0.747			
	SO5	0.602			
	ST2	0.817			
Satisfaction	ST3	0.884	0.701	0.933	0.914
	ST4	0.909			
	ST5	0.805			
	ST6	0.765			
	ST7	0.835			
	TR1	0.811			
	TR2	0.846			
Trust	TR3	0.718	0.596	0.930	0.915
	TR4	0.807			
	TR5	0.767			
	TR6	0.764			
	TR7	0.752			
	TR8	0.709			
	TR9	0.766			

^a Average variance extracted (AVE) = (summation of the square of the factor loadings)/{(summation of the square of the factor loadings) + (summation of the error variances)}

^b Composite reliability (CR) = (square of the summation of the factor loadings)/{(square of the summation of the factor loadings) + (square of the summation of the error variances)}

4.17.1.2 Discriminant validity

Discriminant validity refers to the extent in which a certain construct is different from other constructs in the study (Garver and Mentzer, 1999). Discriminant validity can be assessed in two ways. First, by comparing the square root of all average variance extracted values (AVE) for each construct so that they exceeded all the inter-factor correlations between that and each other construct or by comparing the average variance extracted with the squared correlation estimates. Fulfillments of these requirements provide evidence of discriminant validity (Fornell and Larcker, 1981). It is important to test the constructs for discriminant validity in order to verify that the scales developed to measure different constructs are indeed measuring different constructs (Garver and Mentzer, 1999).

As shown in Table 4.22 all items were loaded strongly on their own constructs and loaded low on other constructs in the model. This provides evidence of discriminant validity. In addition, Table 4.21 exhibits the outcomes of the discriminant validity associated with the constructs in this study. All square roots of average variance extracted values are reported diagonally while the correlation values are shown below the diagonal. From Table 4.21 the results show that all square roots of average variance extracted values are greater than the corresponding correlation estimates. The highest square root of average variance extracted is 0.856 (image) while the lowest square root of variance extracted is 0.719 (solidarity). Therefore, in this study discriminant validity or “the propensity of a measure to be distinct from measures of unrelated concept” (Steward et al., 2010, p. 137) was confirmed using the Fornell and Larcker’s (1981) procedure.

Second, by examining whether the items were loaded strongly on their own constructs and loaded low on other constructs in the model. From Table 4.22, it can be seen that the factor loading of each indicator is greater than all of its cross loadings. Both criteria fulfilled the requirements, demonstrating discriminant validity is achieved.

Table 4.21: Discriminant Validity

	CO	LO	FX	IM	IE	PEV	PQV	PSV	PVFM	SAT	SO	SC	TR
CO	0.754												
LO	0.600	0.839											
FX	0.508	0.497	0.776										
IM	0.520	0.577	0.578	0.856									
IE	0.647	0.501	0.652	0.549	0.772								
PEV	0.429	0.429	0.519	0.657	0.516	0.810							
PQV	0.384	0.440	0.426	0.504	0.346	0.695	0.752						
PSV	0.272	0.278	0.245	0.310	0.400	0.524	0.521	0.813					
PVFM	0.455	0.468	0.536	0.574	0.495	0.603	0.455	0.374	0.796				
SAT	0.632	0.749	0.680	0.715	0.600	0.615	0.486	0.244	0.621	0.837			
SO	0.488	0.488	0.587	0.542	0.584	0.456	0.352	0.356	0.563	0.604	0.719		
SC	0.399	0.258	0.232	0.167	0.322	0.252	0.172	0.362	0.277	0.240	0.334	0.749	
TR	0.683	0.548	0.736	0.615	0.780	0.540	0.391	0.265	0.542	0.739	0.592	0.282	0.772

Notes:

Diagonals are the square roots of AVE

CO = Commitment, AS = Dependence, FX = Flexibility, IM = Image, LO = Loyalty, PEV = Perceived Emotional Value,

PQV = Perceived Quality Value, PSV = Perceived Social Value, PVFM = Perceived Value for Money ,SAT = Satisfaction, SO = Solidarity,

SC=SwitchingCosts,TR=Trust

Table 4.22: Loadings and Crossloadings

	CO	LO	FX	IM	IE	PEV	PQV	PSV	PVFM	SAT	SO	SC	TR
CO1	0.812	0.459	0.383	0.345	0.459	0.248	0.257	0.088	0.215	0.530	0.312	0.352	0.553
CO2	0.841	0.486	0.368	0.419	0.533	0.346	0.341	0.263	0.448	0.475	0.359	0.358	0.537
CO3	0.866	0.502	0.363	0.400	0.460	0.352	0.240	0.144	0.392	0.512	0.340	0.313	0.529
CO5	0.621	0.410	0.450	0.414	0.509	0.384	0.376	0.283	0.358	0.465	0.468	0.139	0.548
CO6	0.581	0.394	0.358	0.391	0.492	0.291	0.230	0.282	0.298	0.378	0.380	0.344	0.382
LO1	0.481	0.863	0.480	0.586	0.436	0.417	0.382	0.229	0.448	0.712	0.403	0.160	0.493
LO2	0.453	0.860	0.398	0.443	0.426	0.355	0.416	0.258	0.378	0.626	0.453	0.144	0.489
LO3	0.588	0.794	0.367	0.410	0.400	0.299	0.305	0.211	0.344	0.536	0.371	0.362	0.391
FX1	0.392	0.330	0.704	0.414	0.512	0.407	0.313	0.257	0.463	0.484	0.519	0.241	0.532
FX2	0.472	0.426	0.871	0.453	0.497	0.418	0.406	0.201	0.408	0.567	0.430	0.161	0.628
FX3	0.438	0.412	0.860	0.521	0.559	0.356	0.333	0.173	0.420	0.565	0.459	0.153	0.626
FX4	0.370	0.429	0.778	0.416	0.495	0.411	0.307	0.178	0.451	0.544	0.474	0.164	0.556
FX5	0.280	0.320	0.641	0.433	0.460	0.431	0.284	0.136	0.327	0.470	0.393	0.188	0.498
IM1	0.471	0.555	0.531	0.905	0.518	0.618	0.549	0.371	0.532	0.652	0.516	0.217	0.579
IM2	0.510	0.545	0.515	0.899	0.504	0.540	0.409	0.273	0.502	0.631	0.478	0.145	0.560
IM3	0.342	0.359	0.433	0.756	0.374	0.525	0.309	0.118	0.434	0.547	0.385	0.042	0.425
IE1	0.468	0.410	0.600	0.484	0.754	0.458	0.274	0.245	0.386	0.586	0.469	0.249	0.630
IE2	0.556	0.552	0.607	0.554	0.743	0.457	0.430	0.284	0.473	0.589	0.511	0.142	0.625
IE3	0.474	0.293	0.329	0.378	0.734	0.351	0.250	0.356	0.403	0.351	0.361	0.290	0.527
IE4	0.475	0.309	0.475	0.354	0.806	0.367	0.191	0.325	0.301	0.360	0.449	0.294	0.542
IE5	0.429	0.254	0.389	0.284	0.735	0.301	0.135	0.326	0.308	0.296	0.459	0.270	0.502
IE6	0.581	0.460	0.566	0.457	0.853	0.430	0.295	0.332	0.411	0.545	0.440	0.264	0.754

Note: CO = Commitment, AS = Dependence, FX = Flexibility, IM = Image, LO = Loyalty, PEV = Perceived Emotional Value, PQV = Perceived Quality Value, PSV = Perceived Social Value, PVFM = Perceived Value for Money, SAT = Satisfaction, SO = Solidarity, SC = Switching Costs, TR=Trust

**Table 4.22: Loadings and Crossloadings
(continue)**

	CO	LO	FX	IM	IE	PEV	PQV	PSV	PVFM	SAT	SO	SC	TR
PEV1	0.373	0.322	0.390	0.541	0.458	0.851	0.626	0.463	0.446	0.501	0.372	0.179	0.436
PEV2	0.353	0.305	0.409	0.533	0.373	0.821	0.536	0.316	0.396	0.461	0.321	0.128	0.406
PEV3	0.286	0.291	0.435	0.430	0.420	0.798	0.584	0.534	0.434	0.411	0.376	0.234	0.402
PEV5	0.314	0.386	0.456	0.576	0.425	0.818	0.587	0.469	0.507	0.510	0.395	0.231	0.472
PEV6	0.414	0.428	0.413	0.576	0.408	0.761	0.478	0.331	0.656	0.604	0.378	0.244	0.468
PQV1	0.378	0.404	0.308	0.442	0.297	0.623	0.859	0.470	0.401	0.448	0.312	0.245	0.334
PQV2	0.349	0.394	0.371	0.393	0.273	0.656	0.864	0.363	0.439	0.454	0.255	0.187	0.346
PQV3	0.176	0.226	0.265	0.334	0.248	0.492	0.764	0.442	0.350	0.295	0.281	0.057	0.249
PQV4	0.194	0.275	0.247	0.330	0.324	0.340	0.559	0.375	0.282	0.230	0.211	0.204	0.268
PQV5	0.273	0.316	0.343	0.391	0.230	0.528	0.802	0.404	0.300	0.354	0.262	0.054	0.264
PQV6	0.343	0.361	0.397	0.387	0.201	0.436	0.609	0.295	0.250	0.377	0.268	0.002	0.301
PSV2	0.191	0.210	0.154	0.268	0.200	0.422	0.437	0.782	0.235	0.166	0.261	0.280	0.112
PSV3	0.266	0.285	0.261	0.304	0.377	0.497	0.512	0.841	0.377	0.294	0.331	0.334	0.281
PSV4	0.143	0.134	0.209	0.187	0.325	0.343	0.327	0.827	0.220	0.124	0.257	0.178	0.227
PSV5	0.265	0.250	0.162	0.232	0.387	0.416	0.391	0.803	0.358	0.181	0.296	0.363	0.233
PVFM1	0.360	0.377	0.492	0.512	0.340	0.514	0.329	0.159	0.830	0.571	0.332	0.150	0.465
PVFM2	0.400	0.374	0.509	0.473	0.424	0.505	0.350	0.244	0.861	0.532	0.421	0.217	0.486
PVFM3	0.410	0.461	0.410	0.495	0.400	0.527	0.441	0.323	0.895	0.571	0.531	0.237	0.462
PVFM4	0.322	0.322	0.383	0.493	0.371	0.462	0.387	0.377	0.805	0.441	0.506	0.157	0.414
PVFM5	0.308	0.315	0.330	0.278	0.456	0.377	0.285	0.414	0.537	0.324	0.451	0.383	0.312

Note:

CO = Commitment, AS = Dependence, FX = Flexibility, IM = Image, LO = Loyalty, PEV = Perceived Emotional Value, PQV = Perceived Quality Value, PSV = Perceived Social Value, PVFM = Perceived Value for Money, SAT = Satisfaction, SO = Solidarity, SC = Switching Costs, TR = Trust

**Table 4.22: Loadings and Crossloadings
(continue)**

	CO	LO	FX	IM	IE	PEV	PQV	PSV	PVFM	SAT	SO	SC	TR
ST2	0.494	0.648	0.552	0.555	0.442	0.545	0.461	0.211	0.512	0.817	0.452	0.232	0.578
ST3	0.620	0.698	0.622	0.640	0.589	0.521	0.483	0.280	0.595	0.884	0.593	0.245	0.710
ST4	0.553	0.681	0.563	0.596	0.516	0.551	0.442	0.181	0.553	0.909	0.523	0.171	0.643
ST5	0.446	0.454	0.606	0.597	0.455	0.528	0.312	0.123	0.508	0.805	0.502	0.141	0.635
ST6	0.482	0.580	0.596	0.548	0.503	0.468	0.373	0.214	0.422	0.765	0.477	0.293	0.558
ST7	0.566	0.688	0.482	0.651	0.501	0.478	0.358	0.210	0.517	0.835	0.476	0.131	0.577
SO1	0.431	0.477	0.435	0.440	0.480	0.405	0.289	0.389	0.519	0.519	0.729	0.344	0.510
SO2	0.270	0.287	0.449	0.436	0.358	0.339	0.312	0.227	0.409	0.478	0.768	0.151	0.388
SO3	0.251	0.228	0.393	0.214	0.458	0.243	0.162	0.302	0.397	0.303	0.739	0.244	0.442
SO4	0.275	0.226	0.360	0.365	0.338	0.251	0.210	0.143	0.328	0.343	0.747	0.257	0.360
SO5	0.511	0.511	0.461	0.484	0.444	0.384	0.285	0.192	0.350	0.510	0.602	0.193	0.410
SC1	0.318	0.202	0.146	0.040	0.234	0.075	0.065	0.236	0.108	0.124	0.128	0.606	0.153
SC2	0.222	0.130	0.156	0.011	0.225	0.077	0.027	0.198	0.147	0.101	0.175	0.669	0.192
SC4	0.359	0.224	0.221	0.239	0.301	0.272	0.153	0.328	0.311	0.239	0.250	0.827	0.253
SC5	0.348	0.161	0.185	0.196	0.307	0.245	0.125	0.229	0.158	0.209	0.229	0.817	0.258
SC6	0.269	0.245	0.163	0.161	0.218	0.224	0.249	0.285	0.211	0.202	0.283	0.775	0.198
SC7	0.317	0.206	0.206	0.081	0.255	0.216	0.181	0.329	0.274	0.200	0.334	0.824	0.234
SC8	0.230	0.163	0.118	0.098	0.122	0.146	0.035	0.270	0.200	0.144	0.338	0.690	0.173

Note:

CO = Commitment, AS = Dependence, FX = Flexibility, IM = Image, LO = Loyalty, PEV = Perceived Emotional Value, PQV = Perceived Quality Value, PSV = Perceived Social Value, PVFM = Perceived Value for Money, SAT = Satisfaction, SO = Solidarity, SC = Switching Costs, TR = Trust

**Table 4.22: Loadings and Crossloadings
(continue)**

	CO	LO	FX	IM	IE	PEV	PQV	PSV	PVFM	SAT	SO	SC	TR
TR1	0.524	0.461	0.560	0.503	0.702	0.449	0.334	0.252	0.395	0.590	0.415	0.195	0.811
TR2	0.608	0.568	0.688	0.615	0.663	0.473	0.337	0.154	0.495	0.690	0.470	0.157	0.846
TR3	0.512	0.326	0.503	0.439	0.550	0.449	0.294	0.218	0.502	0.538	0.502	0.244	0.718
TR4	0.558	0.425	0.553	0.535	0.644	0.554	0.380	0.322	0.462	0.590	0.454	0.272	0.807
TR5	0.510	0.393	0.558	0.536	0.567	0.423	0.362	0.158	0.462	0.561	0.531	0.187	0.767
TR6	0.461	0.353	0.558	0.368	0.595	0.360	0.181	0.188	0.353	0.472	0.415	0.330	0.764
TR7	0.485	0.357	0.583	0.386	0.557	0.319	0.221	0.130	0.341	0.493	0.430	0.193	0.752
TR8	0.499	0.430	0.571	0.427	0.512	0.322	0.269	0.223	0.389	0.588	0.494	0.190	0.709
TR9	0.575	0.461	0.530	0.431	0.613	0.380	0.314	0.197	0.359	0.592	0.412	0.209	0.766

Note: CO = Commitment, AS = Dependence, FX = Flexibility, IM = Image, LO = Loyalty, PEV = Perceived Emotional Value, PQV = Perceived Quality Value, PSV=Perceived Social Value, PVFM = Perceived Value for Money ,SAT = Satisfaction, SO = Solidarity, SC = Switching Costs, TR=Trust

4.17.1.3 Reliability Test

There are two types of reliability. Construct (inter-item) reliability and individual reliability. The construct reliability of measurement was assessed by examining the composite reliability (CR) and internal consistency (Cronbach's alpha) of all measures. Based on the composite reliability and internal consistency (Cronbach's alpha) values presented in Table 4.19 all constructs exhibited CR and Cronbach's alpha greater than the acceptable level of 0.7 which indicates that the measurement errors are relatively low (Nunnally, 1978; Fornell and Larker, 1981). In addition, the individual reliability of each item was evaluated by examining the loadings with their respective constructs (Liu et al., 2011). As recommended by Hair (1998), a factor loading was considered significant if the value was greater than 0.50. Based on Table 4.19 all items in the measurement model had loadings above 0.50 demonstrating adequate reliability and suitable for further analysis.

4.17.1.4 Assessment of second-order constructs

In this study, three variables have been specified as second-order reflective constructs. Second-order constructs are constructs with more than one dimension, where each dimension captures some portion of the overall latent variable (Wetzel et al., 2009; Akter et al., 2011). These variables are (i) perceived value that comprises five first-order reflective constructs (perceived social value, perceived emotional value, image, perceived value for money, and perceived service quality), (2) relational norms that consists of three first-order reflective constructs (flexibility, information exchange, and solidarity), and (3)

relationship quality that comprises of three dimensions (trust, commitment, and satisfaction).

The degree of explained variance (R^2) of perceived value is reflected in its dimensions: perceived social value (43 percent), perceived emotional value (81.5 percent), image (58 percent), perceived value for money (59.7 percent), and perceived service benefits (68.1 percent). For relationship quality, the degree of explained variance (R^2) for each dimensions are: trust (87.6 percent), commitment (66.6 percent), and satisfaction (80.9 percent). Lastly, the degree of explained variance (R^2) for relational norms dimensions are: flexibility (76.0 percent), information exchange (80.1 percent), and solidarity (64.7 percent). According to Cohen (1988), R^2 values of 0.26 and above are considered substantial. All the path coefficients (β value) from relationship quality to its dimensions, perceived value to its dimensions, and from relational norms to its dimensions are greater than 0.10 and significant at $p < 0.01$. The results shows that all the dimensions of the second-order constructs are significant at 99 percent confidence level ($p < 0.01$). Results support the conceptualization of perceived value, relational norms, and relationship quality as higher-order constructs. In addition, 73.5 percent variance in relationship quality had been explained by perceived value, relational norms, and switching costs. Table 4.23 presents the results of second order construct assessment.

Table 4.23: Second-order relationship quality, relational norms, and perceived value constructs and their associations with first-order components

Second Order Construct	First Order construct	R Square	AVE	CR	β-value	t-value
Relationship Quality	Commitment	0.666	0.568	0.865	0.816	14.409
	Satisfaction	0.809	0.701	0.933	0.899	55.409
	Trust	0.876	0.596	0.930	0.936	78.383
Relational Norms	Solidarity	0.647	0.518	0.842	0.805	23.727
	Flexibility	0.760	0.602	0.882	0.872	46.956
	Info Exchange	0.801	0.596	0.898	0.895	45.231
Perceived Value	Perceived Emotional Value	0.815	0.657	0.905	0.903	53.087
	Perceived Service Benefit	0.681	0.566	0.884	0.825	22.224
	Perceived Social Value	0.430	0.662	0.887	0.656	10.428
	Perceived Value for Money	0.597	0.633	0.894	0.772	18.954
	Image	0.580	0.733	0.891	0.761	16.297

4.17.2 Structural Model

Structural model evaluation is the assessment of the predictive or causal relationship between constructs in the model (Kijasanayotin et al., 2009). In the same manner, this involves the causal links between the latent variables, namely the inner path model, which are usually a hypothesized theoretical model (Ringle et al., 2010). The structural model was assessed after checking for validity and reliability of the constructs in the measurement model. Firstly, the measurement model was evaluated by running the PLS

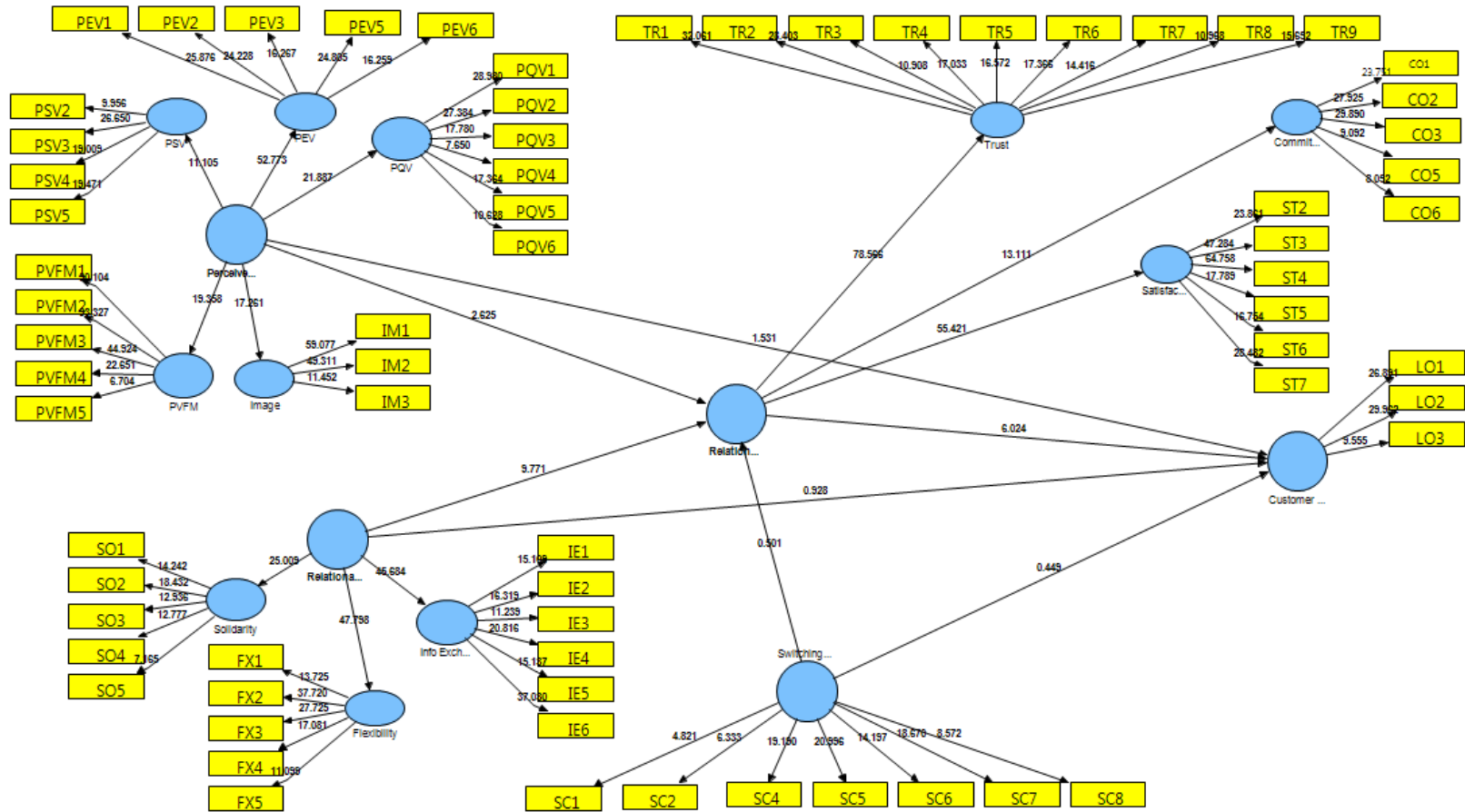
Algorithm to examine the β -value of the path coefficient and R^2 . In the next stage, a bootstrap re-sampling procedure (500 sub-samples) was used to generate the standard errors and t-values, which permits the β values (path coefficients) to be made statistically significant (Sanchez-Franco et al., 2009). This step involved testing the statistical significance of each path coefficient and to provide confidence intervals for all parameter estimates.

To begin with, a direct effects model was estimated without the moderator. It was then followed with the tests of mediator and moderators. Figure 4.3 and Appendix J illustrate the results of the structural model, where the t-values of the path indicate the significance of the predictor upon the predicted latent constructs.

Results from the structural model in Table 4.26 indicate that perceived value exhibited a strong positive influence ($\beta = 0.209$, $p < 0.01$), as did relational norms ($\beta = 0.694$, $p < 0.01$). However, switching costs have a weak positive influence ($\beta = 0.023$, $p < 0.01$) on relationship quality. Relationship quality also exhibited a strong positive influence ($\beta = 0.674$, $p < 0.01$) on customer loyalty. Perceived value exhibited weak positive effect ($\beta = 0.125$, $p < 0.01$) on loyalty. Relational norms also showed weak negative influence ($\beta = -0.095$, $p < 0.01$) on customer loyalty, as with switching costs but in the positive direction ($\beta = 0.016$, $p < 0.01$). Based on the t-values, all other paths are significant except for four paths which are the paths from switching costs to relationship quality and perceived value, relational norms, and switching costs to loyalty. The direct influence of perceived value

and relational norms accounted for approximately 73.5 percent of the variance ($R^2=0.735$) in relationship quality, while relationship quality accounted for approximately 50.7 percent of the variance ($R^2 = 0.507$) in customer loyalty. According to Cohen (1988) the structural model is considered to have substantial predictive power (e.g., 0.26 = substantial, 0.13 = moderate, 0.02 = weak). Therefore, it can be concluded that the R^2 for the endogenous variables in this model are considered substantial.

Figure 4.3: Structural Model



4.17.3 Test for Mediator

Since the research model consist of a mediating variable (relationship quality), tests should be conducted to examine whether relationship quality mediates the relationship between perceived value and customer loyalty, between relational norms and customer loyalty, and between switching costs and customer loyalty. Following Baron and Kenny (1986) the examination of the mediating role of relationship quality requires the estimation of two types of models as presented in Figure 4.4a and 4.4b.

In Figure 4.4a, the direct effects of perceived value, relational norms, and switching costs on customer loyalty were estimated, without the inclusion of relationship quality. Perceived value (Path c_1) and relational norms (Path c_2) were shown to have strong significant positive influence on customer loyalty. On the other hand, switching costs do not show any significant impact on loyalty (Path c_3).

The second model presented in Figure 4.4b showed results of the effects of perceived value, relational norms, and switching costs on customer loyalty with the inclusion of relationship quality. Except for the path from switching costs (Path a_3), paths from perceived value (Path a_1) and relational norms (Path a_2) to the mediator variable (e.g., relationship quality) are significant. The path from relationship quality to customer loyalty (Path b) is also significant. However, all paths from perceived value (Path c_1'), relational norms (Path c_2'), and switching costs (Path c_3'), to customer loyalty are non-significant, with the path values (β values) less than without the mediator variable. Therefore, based on

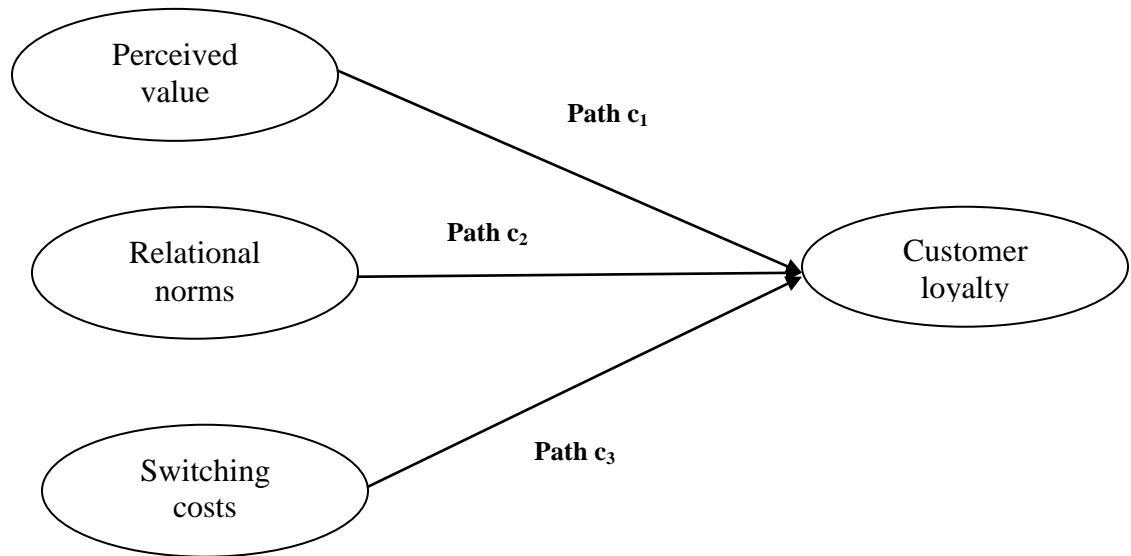


Figure 4.4a: Direct Effects between Independent Variables and Dependent Variable

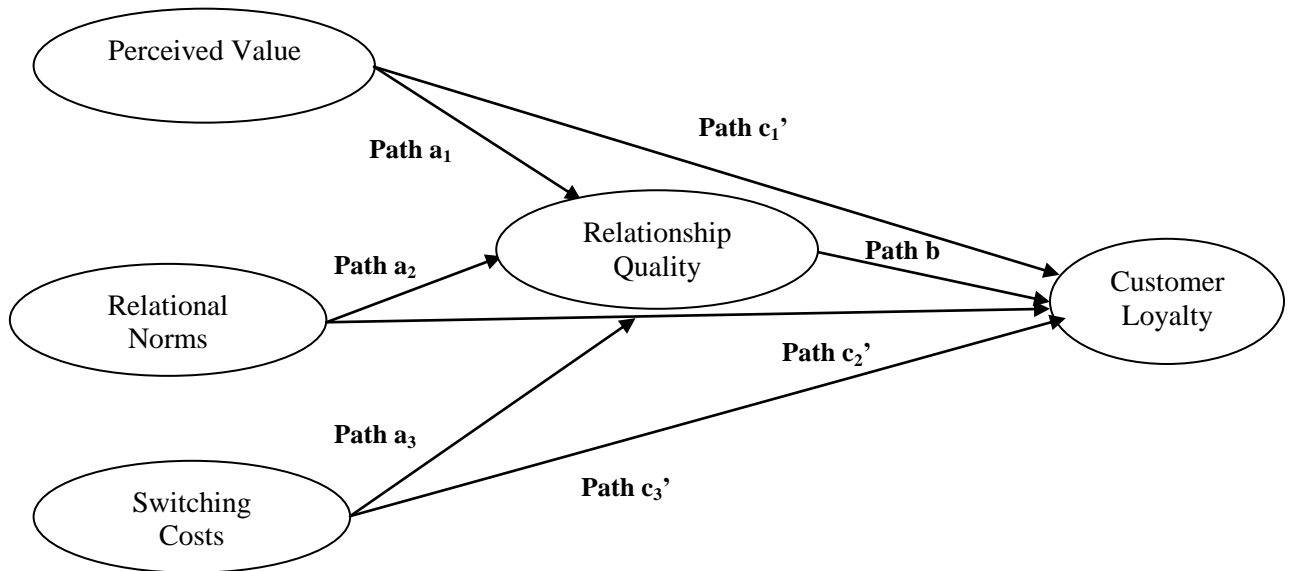


Figure 4.4b: Direct Effects between Independent Variables and Dependent Variable with the Inclusion of Mediator Variable

Figure 4.5: Direct Effects between Independent Variables and Dependent Variable without the Inclusion of Mediator Variable

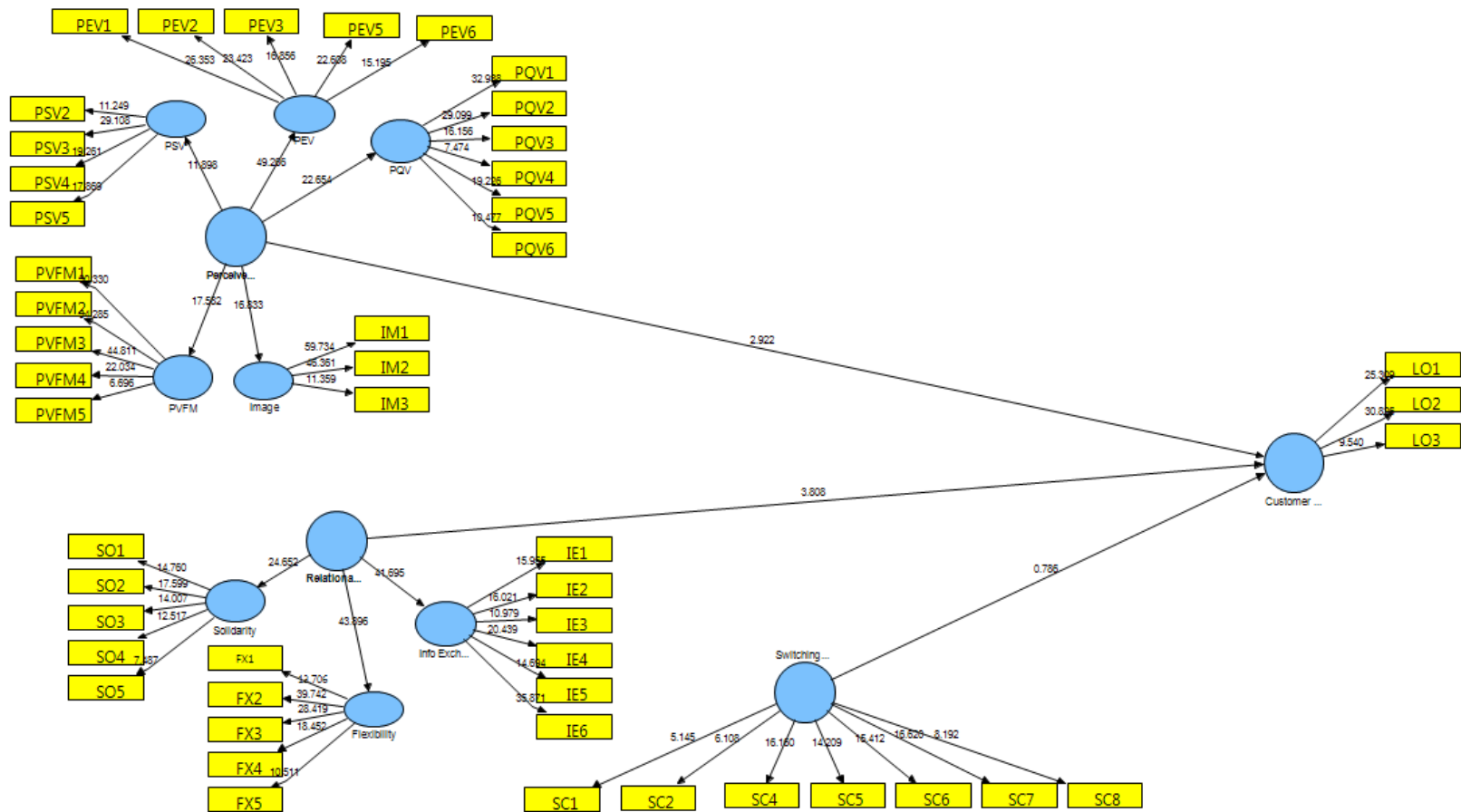


Table 4.24: Direct Effects between Independent and Dependent Variables with and without the Inclusion of Mediator Variable

Path	Variables	β Value	t –value	Decision
Without Mediator variable (see Figure 4.4a)				
c ₁	Perceived value - Customer loyalty	0.290 *	2.922	Significant
c ₂	Relational norms - Customer loyalty	0.367*	3.808	Significant
c ₃	Switching costs – Customer loyalty	0.050	0.780	Not significant
With mediator variable (see Figure 4.4b)				
a ₁	Perceived value - Relationship quality	0.209*	2.981	Significant
a ₂	Relational norms - Relationship quality			
a ₃	Switching costs - Relationship quality	0.694*	11.179	Significant
b	Relationship quality - Customer loyalty	0.023	0.489	Not Significant
c ₁ '	Perceived value – Customer loyalty	0.674	5.940	Significant
c ₂ '	Relational norms – Customer loyalty	0.152	1.566	Not significant
c ₃ '	Switching costs – Customer loyalty	-0.100	0.918	Not significant
		0.029	0.449	Not significant

*p<0.01

the criteria suggested by Baron and Kenney (1986), it can be concluded that relationship quality fully mediates the relationships between perceived value and customer loyalty and relational norms and customer loyalty. Table 4.24 shows the summary of path values (β values) with and without the inclusion of mediator variable (e.g., relationship quality).

4.17.4 Test for Moderator

The PLS product-indicator approach (Chin, 1998a) was applied to detect the moderating effect of dependence on the relationship between relationship quality and loyalty. To test the effect, the predictor variable (relationship quality) and dependence (moderator) were multiplied to create an interaction construct (relationship quality x dependence) to predict loyalty. In this case, relationship quality is a hierarchical construct which comprises of twenty items and dependence is a latent construct with four items, thus the interaction constructs represents eighty items.

To test the moderating effect, these estimations should be made: (Chin et al., 2003).

Figures 4.6 and 4.7 show the moderator model which comprises of:

- i) The influence of predictor variable (relationship quality) on the criterion variable (loyalty)
- ii) The direct impact of the moderating variable (dependence) on the criterion variable (loyalty), and
- iii) The influence of the interaction variable (relationship quality x dependence) on the criterion variable (loyalty).

According to Baron and Kenny (1986) proof of moderation would be proven if the influence of the interaction variable on the criterion variable was found to differ significantly from zero. Results from Table 4.25 showed that dependence was not a moderating variable between relationship quality and customer loyalty. It is because with the inclusion of moderator variable (dependence), the influence of interaction variable is non-significant

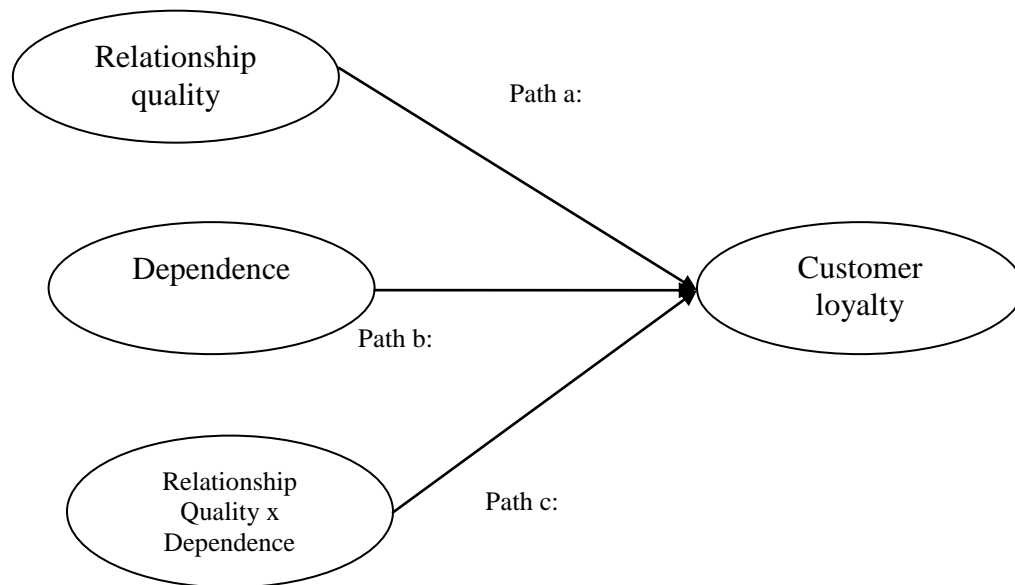


Figure 4.6: The Direct Effects of Predictor, Moderating, and Interaction Variable on Criterion Variable

Figure 4.7: Measurement Model with Moderator Variable

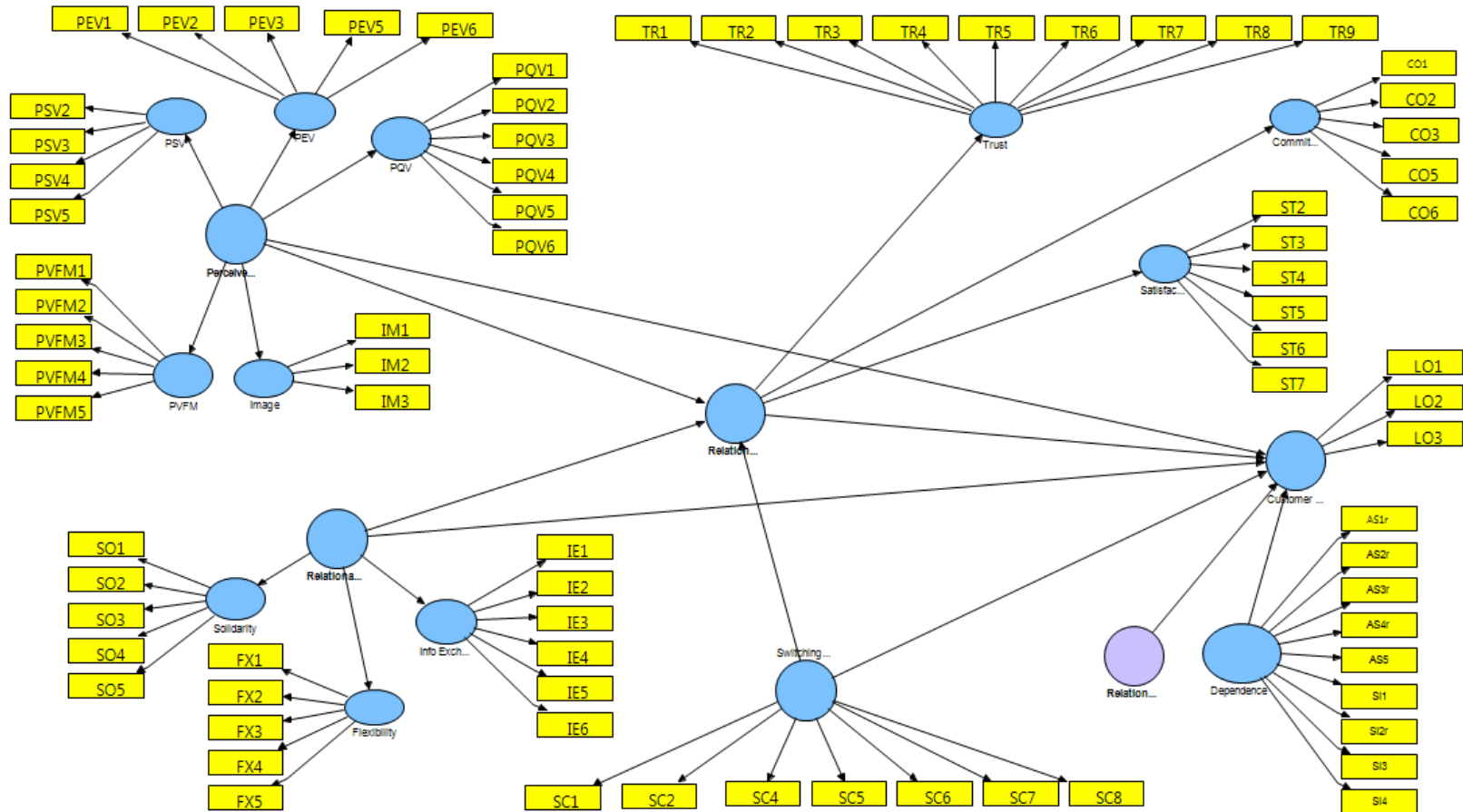


Table 4.25: The Effects of Predictor, Moderating, and Interaction Variable

Path	Relationship	Beta	T-value	Decision
a	Dependence -> Customer loyalty	0.040	0.496	Do not support
b	Relationship Quality -> Customer loyalty	0.652*	5.294	Support
c	Relationship Quality x Dependence -> Customer loyalty	-0.098	0.704	Do not support

p<0.01

4.18 Hypotheses Testing

The results of the structured coefficients presented in Figure 4.3 are now used to examine the research hypotheses.

H1: Perceived value positively affects the relationship quality of outsourcing practice in the hotel industry.

The results indicate that the direction for the hypothesized path for H1 was as predicted. A more favorable business customer's perceived value of their service provider has positive effects on their relationship quality. The path coefficient from perceived value to relationship quality (β -value = 0.209) was strong and significant with t-value = 2.981 at (e.g., $p < 0.01$). Therefore, H1 is supported.

H2: Relational norms positively affect the relationship quality of outsourcing practice in the hotel industry.

The results indicate that the direction for the hypothesized path for H2 was as predicted. A higher business customer's perceived relational norms of their service provider have positive effects on relationship quality. The path coefficient from relational norms to relationship quality (β -value = 0.694) was strong and significant with t -value = 11.179 at (e.g., $p < 0.01$). Therefore, H2 is supported.

H3: Switching costs positively affect the relationship quality of outsourcing practice in the hotel industry.

The results indicate that the direction for the hypothesized path for H3 was as predicted. A higher business customer's perception of their service provider switching costs has positive effects on relationship quality. However, the path coefficient from switching costs to relationship quality (β -value = 0.023) was very weak and non-significant with t -value = 0.489 at (e.g., $p < 0.01$). Therefore, H3 is not supported.

H4: Relationship quality positively affects customer loyalty of outsourcing practice in the hotel industry.

The results indicate that the direction for the hypothesized path for H4 was as predicted. A higher business customers' relationship quality with their service providers has positive effects on their loyalty. The path coefficient from relationship quality to loyalty (β -value =

0.674) was strong and significant with $t\text{-value} = 5.940$ at (e.g., $p < 0.01$). Therefore, H4 is supported.

H5: Perceived value positively affects customer loyalty of outsourcing in the hotel industry.

The results indicate that the direction for the hypothesized path for H5 was as predicted. A higher business customers' perceived value of their service providers has positive effects on their loyalty. However, the path coefficient from relationship quality to loyalty ($\beta\text{-value} = 0.152$) was quite weak and non-significant with $t\text{-value} = 1.566$ at (e.g., $p < 0.01$). Therefore, H5 is not supported.

H6: Relational norms positively affect customer loyalty of outsourcing in the hotel industry.

The results indicate that the direction for the hypothesized path for H6 was not as predicted. Higher business customers' perceived relational norms of their service providers have negative effects on their loyalty. The path coefficient from relational norms to loyalty ($\beta\text{-value} = -0.100$) was very weak and non-significant with $t\text{-value} = 0.918$ at (e.g., $p < 0.01$). Therefore, H6 is not supported.

H7: Switching costs positively affect customer loyalty of outsourcing in the hotel industry.

The results indicate that the direction for the hypothesized path for H7 was as predicted. A higher business customer's perception of their service provider switching costs has positive effects on their loyalty. However, the path coefficient from switching costs to loyalty (β -value = 0.029) was very weak and non-significant with t -value = 0.449 at (e.g., $p < 0.01$). Therefore, H7 is not supported.

Predictions that relationship quality is a mediating variable are hypothesized through Hypotheses 8, 9, and 10. To measure the mediating effect two models were estimated based on Barron and Kenny (1986) procedure as shown in Figure 4.4a and 4.4b respectively. Table 4.26 presents the summary of results on the direct effects between independent and dependent variables, the effects between independent variables and mediating variable, and the effect of mediating variable on dependent variable.

H8: Relationship quality mediates the relationship between perceived value and customer loyalty.

Table 4.26 shows that perceived value has a significant direct effect on customer loyalty with β -value equals to 0.290 (t value = 2.922) at $p < 0.01$. Once the mediating variable was included in the model, the path coefficient between perceived value and customer loyalty was reduced to 0.152 and non-significant (t value = 1.566) at $p < 0.01$. Therefore it can be

concluded that relationship quality fully mediates the relationship between perceived value and customer loyalty. Therefore, hypothesis H8 is supported.

H9: Relationship quality mediates the relationship between relational norms and customer loyalty.

Results in Table 4.26 also shows that relational norms had a significant direct impact on customer loyalty with path coefficient (β value) equals to 0.367 (t value = 3.808) at $p < 0.01$. When relationship quality was included in the model, the direct effect was reduced and become non-significant with β value equals to -0.100 (t value = 0.918) at $p < 0.01$. Therefore, it can be concluded that relationship quality is a full mediator between relational norms and customer loyalty. Therefore, hypothesis H9 is supported.

H10: Relationship quality mediates the relationship between switching costs and customer loyalty.

However, H10 is not supported. Relationship quality does not mediate the relationship between switching costs and customer loyalty because both direct paths before and after the inclusion of the mediating variable are not significant.

H11: Dependence moderates the relationship between relationship quality and customer loyalty

According to Baron and Kenny (1986) a moderator effect exists if the interaction effect (e.g., path c) is significant, independently of the magnitude of the path coefficient a and b.

Based on the moderating model, the path coefficient for path c is -0.098. However, the effect is not significant (t-value = 0.704, $p < 0.01$). Thus, hypothesis H11 is not supported.

The moderating effect can be assessed by comparing the proportion of variance explained (as expressed by the determination of coefficient R^2 of the main model (e.g., the model without moderating effect) with the R^2 of the full model (e.g., the model including the moderating effect). The effect size f^2 is calculated as follows (Cohen, 1988; Chin et al., 2003):

$$f^2 = \frac{R^2_i - R^2_m}{1 - R^2_i}$$

Where:

R^2_i = R square for the interaction model (model with moderator)

R^2_m = R square for the main effect model (model without moderator)

Based on the formula:

$$f^2 = \frac{R^2_i - R^2_m}{1 - R^2_i} = (0.516 - 0.507) / (1 - 0.516) = 0.009 / 0.484 = 0.02$$

According to Cohen (1988) the size of the moderating effect is small if $f^2 = 0.02$, medium if $f^2 = 0.15$ and large if $f^2 = 0.36$. In this study, since the moderator is not significant, the effect size ($f^2 = 0.02$) is therefore considered as weak. Table 4.26 exhibits the summary of the results of the structural model.

Table 4.26 : Summary of the results of the structural model

Hypothesis		β Value	t –value	Decision
H1	Perceived value -> Relationship quality	0.209*	2.981	Supported
H2	Relational norms -> Relationship quality	0.694*	11.179	Supported
H3	Switching costs -> Relationship quality	0.023	0.489	Not Supported
H4	Relationship quality -> Loyalty	0.674*	5.940	Supported
H5	Perceived value -> Loyalty	0.152	1.566	Not supported
H6	Relational norms -> Loyalty	-0.100	0.918	Not Supported
H7	Switching costs -> Loyalty	0.029	0.449	Not Supported
		Direct Effects Without Mediator (β value)	Direct Effect with Mediator (β value)	Decision
H8	Relationship quality mediates the relationship between perceived value and customer loyalty	0.209* (t value = 2.922)	0.152 (t value = 1.566)	Supported Relationship quality is a full mediator
H9	Relationship quality mediates the relationship between relational norms and customer loyalty	0.367* (t value = 3.808)	-0.100 (t value = 0.918)	Supported Relationship quality is a full mediator
H10	Relationship quality mediates the relationship between switching costs and customer loyalty.	0.050 (t value = 0.780)	0.029 (t value = 0.449)	Not Supported
		Interaction Effect		Decision
		β Value	t -value	Decision
H11	Dependence moderates the relationship between relationship quality and customer loyalty	-0.098	0.704	Not Supported

*p<0.01

4.19 Model Evaluation

Next sections will present the results of model evaluation based on the findings from the Goodness-of-Fit (Gof) and Q^2 statistics. The Q^2 statistic consists of cross-validation communality (H^2) and cross-validation redundancy (F^2) estimations.

4.19.1 Goodness-of-Fit

Goodness-of-fit (GoF) for PLS path modeling refers to the geometric mean of the average AVE (average communality) and average R^2 for the endogenous constructs (Tenenhaus et al., 2005). It is a global fit measure for PLS based on R^2 for the endogenous variables, The purpose of measuring GoF is to obtain the cut-off values for PLS models validation (Akter et al., 2010). The formula to measure the GoF is as follows: (Wetzel et al., 2009).

$$\begin{aligned}\text{Gof} &= \sqrt{\text{Average AVE} \times \text{Average } R^2} \\ &= \sqrt{0.588 \times 0.685} \\ &= \sqrt{0.402} \\ &= 0.634\end{aligned}$$

In this study the GoF value is 0.634 for the complete main effects (model with no moderator variable) model, which exceeds the cut-off value of 0.36 for large effect sizes of R^2 . As such, it can be concluded that this model is large of effect or strength and has better

explaining power in comparison with the baseline values ($\text{GoF}_{\text{small}} = 0.1$, $\text{GoF}_{\text{medium}} = 0.25$, $\text{GoF}_{\text{large}} = 0.36$). This value also provides adequate support to validate the PLS model globally (Wetzel et al., 2009).

4.19.2 Q-square Statistic

The Q-squares statistics measure the predictive relevance of the model by reproducing the observed values by the model itself and its parameter estimates. A Q-square greater than 0 means that the model has predictive relevance; whereas Q-square less than 0 mean that the model lacks predictive relevance (Fornell & Cha, 1994). In PLS, two kinds of Q-squares statistics are estimated, that is, cross-validated communality (H^2) and cross-validated redundancy (F^2). However, Hair et al. (2011) recommended using the cross-validated redundancy (F^2). The cross-validated redundancy (F^2) measures the capacity of the path model to predict the endogenous MVs indirectly from a prediction of their own LV using the related structural relation, by crossvalidation (Tenenhaus et al., 2005)

The results reveal that for this model the cross-validated redundancy (F^2) is 0.366. Since the endogenous construct's (customer loyalty) cross-validation redundancy (F^2) value is larger than zero, its explanatory latent constructs exhibit predictive relevance. In other words, the model is able to adequately predict each endogeneous latent variable's indicators.

4.20 Chapter Summary

This chapter examined the result of the study. The profile of the respondents and the organisations, the hotel outsourcing practices in Malaysia were illustrated. Eleven hypotheses were tested using Partial Least Squares Path Modeling in which SmartPLS Version 2 (Ringle et al., 2005) was employed to test the hypotheses and to test the mediating and moderating effects. A complete main effect model was presented to examine all the relationships in the proposed model. In addition, the Global Fit Measures (GoF) was also conducted on the model to measure whether the model is valid and can be used for prediction globally.

CHAPTER FIVE

DISCUSSION OF RESULTS AND CONCLUSIONS

5.1 Introduction

This chapter aims to interpret the results reported in the previous chapter and answer all the research questions formulated in Chapter 1. This chapter starts by explaining the results obtained from the hypothesis testing, followed by the theoretical, methodological, and practical contributions of the study. Finally, the chapter concludes with the limitations of the study and suggestions for future research.

5.2 Summary of the Results

This thesis empirically tested a model that was developed to better understand the relationship between service providers and business customers in the context of outsourcing of hotel services. In order to answer the research questions, this model extends relationship marketing research by investigating the effect of perceived value, relational norms, and switching costs on relationship quality (trust, commitment, and satisfaction) and customer loyalty. In addition, the influence of dependence, a moderating variable in the proposed research model, on the link between relationship quality and customer loyalty was also investigated.

5.2.1 Demographic Characteristics of Respondents

Based on the data analysis conducted in Chapter 4, and also after deletion for outliers (e.g., one case), it was found that respondents in the 20-29 years age group accounted for the majority of the sample (32.3 percent), followed by respondents in the 30-39 years group (27.8 percent). More than half of the respondents were females (52.5 percent), while males represented 47.5 percent of respondents. With respect to educational background, about 31.0 percent of the respondents have a university degree, with an additional 8.2 percent holding postgraduate degrees. An income of RM2,000 to RM4,000 was earned by the majority of respondents (44.9 percent). The majority of the respondents are Human Resource Managers (29.1 percent), followed by the General Managers (17.7 percent).

The majority of the hotels that participated in this study were independent hotels (43.0 percent), followed by the chain hotels (30.4 percent). Hotels that are located in the central part of Peninsular Malaysia (39.9 percent) made up most of the survey participants. The majority of the participating hotels have more than 15 years experience in the industry (28.5 percent). In terms of the hotel Star ratings, the majority of the hotels were hotels with a 3-Star rating (43.7 percent).

5.2.2 Research Question 1:

How do perceived value, relational norms, and switching costs affect relationship quality in outsourcing practices in the hotel industry?

In the proposed research model, it is hypothesized that perceived value, relational norms, and switching costs influence relationship quality. Therefore, three hypotheses (H1, H2, and H3) were proposed to investigate the relationships between the variables.

The results indicate that Hypothesis 1, where perceived value positively affects relationship quality, was significant and as predicted. The results indicate that the more Malaysian hotel managers have a higher level of perceived value with their service providers, the more they are likely to have higher level of relationship quality. The results were expected and in agreement with findings from previous research (McDougall and Levesque, 2000; Liang and Wang, 2006; Ndbusi, 2007; Kuo et al., 2009) that showed perceived value has a positive and significant influence on relationship quality. The results indicate that if the service provider in the Malaysian hotel industry improved the perceived value of their service offerings from the customers' perspectives, this will lead to a stronger and better relationship quality between the customers and the service providers.

Findings of this research provide additional support for a number of previous studies, such as Yang and Patterson (2004), who demonstrated that customer perceived value has a significant impact on satisfaction. Patterson and Spreng's (1997) research findings also suggest that if service providers can enhance the level of perceived value of their service offerings, then they can improve customer satisfaction. In addition, findings by Lai et al. (2009) proved that perceived value directly influenced satisfaction among Chinese Telecom customers. Within the hotel industry, Jones et al. (2007) found that hotel quality

with perceived value as one of its dimensions, positively affects customer satisfaction with the hotel's services. Research findings by Meng et al. (2011) suggest that tourists perceived value should be enhanced in order to increase their satisfaction. Accordingly, this thesis also provides additional support to those who found a positive relationship between dimensions of perceived value separately (e.g., emotional value) and relationship quality (see Deng et al., 2010). Therefore, it can be concluded that in the relationship marketing literature, perceived value is found to be an important construct that influences relationship quality (Yang and Patterson, 2007).

H2 hypothesizes that relational norms will positively affect relationship quality. As was expected, and consistent with past research, the results demonstrate that relational norms are also an important construct that influence relationship quality (Doucette, 1996; Boniface et al., 2009; Al-alak and Alnawas, 2010). The results show that if relational norms of the service providers in the Malaysian hotel industry are enhanced, high levels of relationship quality between the business customers and their service providers will exist. According to Bordanaba-Juste and Polo-Redondo (2009) the development of relational norms would increase the level of commitment among the partners that leads to service providers' success. Results of this thesis also provide additional support to those who found a positive relationship between dimensions of relational norms separately, and relationship quality such as flexibility (see Martin, 2008; information exchange (see Doucette, 1996; Martin, 2008), and solidarity (see Doucette, 1996; Martin, 2008).

This study also hypothesized a positive relationship between switching costs and relationship quality that leads to customer loyalty (H3). Results from the study found the influence of switching costs on relationship quality was not significant. The results show that the existence of switching costs for the business customers does not have any influence on the quality of the relationship with the service providers. The results are consistent with Vieira et al. (2011), which found no significant effect of switching costs on satisfaction and commitment. These results show that the decision of the service provider to impose switching costs on the business customers in the Malaysian hotel industry does not strengthen their relationships with the service providers. The business customers do not value the switching costs they have placed in the existing service providers when they decided to stick with the current providers or switch to a new one.

The results of this study did not find empirical evidence to support the study by Jones et al. (2007) on the positive impact of switching costs on relationship quality. The results show that the path coefficient from switching costs to relationship quality was very weak and non-significant (β value = 0.021, t value = 0.481) at $p < 0.01$. Thus, customer perceived switching costs have a non-significant impact on relationship quality. Therefore, hypothesis H3 is not supported. The result is rather unexpected, because according to Bendapudi and Berry (1997), a customer will be continually committed with his or her service provider if he or she anticipated high termination costs or high switching costs associated with quitting a given relationship.

The unexpected result may be due to the nature of the field study in a low involvement context. In a high involvement context, customers tend to spend more time, effort, and need higher levels of expertise to search for information and evaluation due to the risks associated with using the services. Customers would be willing to compare and evaluate the difference in services offered in the markets, which leads to higher perceived switching costs ((Zaichkowsky, 1986; Burnham et al., 2003) and having a significant positive effect on relationship quality (Heide and John, 1990).

Findings from this study show that majority (36.2 percent) of the hotel managers relied in word of mouth communication as a source of information on the potential service providers. This is an indicator that hotel managers do not have to spend a lot of time and effort to search for the service providers. Hotel managers do not have to face high switching costs which it will be a barrier for them to switch to other service providers. Thus, switching costs is not an important in affecting the relationship between the hotel managers and their service providers (Zhang and Feng, 2009).

Another explanation for the unexpected result may be due to the nature of the study context, where there are a vast number of equivalent and better alternative service providers in the market. In a market with few better alternative service providers, business customers will be highly dependent on the existing service providers, and cannot easily switch to an alternative service provider without facing higher switching costs (Bonner and Calantone, 2005), and having significant positive effect on future interactions and

commitment (Heide and John, 1990). Based on the results of the personal interviews, it is found that most of the hotels have many alternative service providers that can serve them in the market. As a result, they will not have to face high switching costs if they have to switch to other service providers. Therefore, switching costs does not affect the relationship between the hotels and their service providers.

5.2.3 Research Question 2:

How do relationship quality, perceived value, relational norms, and switching costs affect customer loyalty in outsourcing practices in the hotel industry?

This study also hypothesized that relationship quality positively influenced customer loyalty (H4). As was expected, relationship quality was found to be a strong predictor of customer loyalty. The results indicate that the more Malaysian hotel managers have a higher level of relationship quality with their service providers, the more likely they are to be loyal to them. In this study trust, commitment, and satisfaction are the dimensions of relationship quality, therefore, it can be concluded that hotel managers that have high levels of trust, commitment, and satisfaction with their service providers will continue their relationships and stay with the existing service providers. These findings are in agreement with the findings from previous research (Liu et al., 2011), in which the results of this relationship is significant and in the hypothesized direction. The result indicates that good relationship quality makes customers want to stay with the existing service providers (Liu et al., 2011). The research findings were also consistent with research by Tsai et al. (2010). These authors found a significant and positive effect of satisfaction on customer

loyalty. An explanation for the strong relationship between relationship quality and customer loyalty is due to the competitive environment and industrial structure, in which a service provider whose product/service has a monopoly power will exhibit higher impact of satisfaction on customer loyalty (Jones and Sasser, 1995).

Accordingly, this thesis provides additional support for a number of previous studies, such as De Cannière et al. (2009), who demonstrates that relationship quality has positive effects on customer loyalty. Shamdasani and Balakrishnan's (2000) findings also suggest that by enhancing relationship quality, customer loyalty can be increased. In the telecommunication industry, Mirpuri and Nirwani (2012) found that relationship quality is critical to service providers that intend to increase customer loyalty. This thesis also provides additional support to those who found a positive relationship between each dimension of relationship quality separately, and customer loyalty, such as trust (e.g., Deng et al., 2010), commitment (e.g., Morgan and Hunt, 1994; Garbarino and Johnson, 1999), and satisfaction (e.g., Oliver 1999; Jamal and Anastasiadou, 2009; Deng et al., 2010; Woisetschlager et al., 2011)

With the aim of investigating the direct and indirect effects of perceived value, relational norms, and switching costs on customer loyalty, it was hypothesized that all the variables positively influenced customer loyalty as hypothesized in hypotheses 5, 6, and 7, respectively.

Contrary to hypothesis H5, perceived value was found to have a non-significant impact on customer loyalty. This result suggests that business customers in the outsourcing relationship do not consider value delivered by the service providers when making their decision to stay with the current service providers. The findings do not support the study by Lai et al. (2009), where perceived value positively and significantly affects customer loyalty.

An explanation for the lack of influence of perceived value on loyalty may be due to the dimensions of perceived value used in this study not having been tested in the outsourcing context. Therefore, further refinement of the constructs is warranted. Another explanation would be the small sample size used in this study. As claimed by Lam et al. (2004), the power of hypothesis testing is positively related to sample size. Therefore, the non-significant result is due to the small sample used, which needs further investigation. Therefore, to improve the power of hypothesis testing the number of respondents should be increased.

Contrary to prediction, in hypothesis 6, relational norms were found to have a non-significant impact on customer loyalty. The findings indicate that relational norms do not have any effect on customer loyalty. An explanation for the lack of support may be due to the selection of dimensions of relational norms in this study. Flexibility, solidarity, and information exchange were chosen as the dimensions of relational norms in this study. However, a review of literature revealed that there are other dimensions of relational

norms, such as role integrity, planning, effectuation of consent, mutuality, conflict resolution, restraint in the use of power, long-term orientation, and monitoring (Heide and John, 1992; Ivens, 2006). Prior studies show that numerous authors concentrated on single norms suitable for their studies. However, the choice of the actual norms used is questionable, and it may be classified as selective, fragmentary, and sometimes arbitrary (Ivens, 2006).

Results of this study also indicate that switching cost has a non-significant impact on customer loyalty, contrary to hypothesis 7. This result suggests that the existence of switching costs will not have any impact on the decision of the business customers to stay loyal with the present service providers. The result of this study is consistent with the research findings by Lee et al. (2001) in the mobile phone service in France and Zhang and Feng (2009) in the Swedish telecommunication industry. According to these authors, once switching costs exceed a certain level, switching becomes difficult and customers accept whatever the service provider has to offer. In addition, a comparatively low switching costs perceived by consumers is not taken into account when customers making decision to consume. Consequently, customers will seek continuation in the relationship, irrespective of switching costs.

Another explanation for the lack of support is that switching costs was measured as a single dimensional construct that is not specifically used by the business customers in the outsourcing context in the hotel industry. As suggested by Jones et al. (2007), a

multidimensional switching construct is more effective in modeling the decision-making process.

5.2.4 Research Question 3:

How does relationship quality mediate customer loyalty in outsourcing practices in the hotel industry?

The research findings indicate that relationship quality is a mediator for the relationship between perceived value and customer loyalty. This result added to the literature by providing additional support to the findings in previous empirical studies (e.g., McDougall and Levesque, 2000; Lin and Wang, 2006; Ulaga and Eggert, 2006). Studies by McDougall and Levesque, 2000 and Lin and Wang (2006) found that customer loyalty is mediated by relationship quality in the customer market. In the business-to-business relationship, Eggert and Ulaga (2006) also found that customer loyalty is mediated by relationship quality. These results also confirm that perceived value is a contributing factor to high quality and long-term relationships.

Relationship quality was also found to mediate the link between relational norms and customer loyalty. This finding is supported by previous empirical research by Boniface et al. (2009) and Al-alak and Alnawas (2010). In a survey conducted on 133 dairy producers in Malaysia, Boniface et al. (2009) found that relationship quality mediated the link between relational norms and customer loyalty. In another study conducted on clients of Jordanian commercial banks, Al-alak and Alwanas (2010) found relationship quality

mediates the links between mutual disclosure to relationship continuity and word-of-mouth. Therefore, it is also confirmed that relational norms are important in determining relationship quality, which in turn leads to customer loyalty.

The study reveals that relationship quality is not a mediator in the relationship between switching costs and customer loyalty. One reason for this non-significant effect of relationship quality as a mediator between switching costs and customer loyalty is that switching costs was measured as a unidimensional construct that is not specifically used by the business customers in the outsourcing context in the hotel industry. Thus, switching costs do not have any influence on relationship quality.

Other explanations may be due to the nature of the field study in a low involvement context. In a high involvement context, customers tend to spend more time and effort to search for information and evaluation due to the risks associated with using the services. Customers would be willing to compare and evaluate the difference in services offered in the markets (Zaichkowsky, 1986), which leads to higher perceived switching costs (Burnham et al., 2003) and having a significant positive effect on relationship quality.

5.2.5 Research Question 4:

What is the impact of dependence in moderating the relationship between relationship quality and customer loyalty in outsourcing practices in the hotel industry?

The overall result for the hypothesized path for H11 was not as predicted. Dependence of the buyer firms on their service providers does not moderate the relationship between relationship quality and customer loyalty. The path coefficient of the interaction variable is not significant, and this therefore confirmed that dependence is not a moderating variable in this model. The finding suggests that relationship quality was found to play an important role in determining business customers' loyalty toward the service provider irrespective of the level of dependence perceived by business customers.

A possible explanation for this non-significant moderating effect is that business customers who are highly dependent on the service provider are business customers who have invested a relatively large amount of time, money, and effort to get the service providers' services. Such business customers may seek continuance in their relationships with the service providers due to the relationship building effort by the service providers, as well as their high perception of their importance to the service provider. In addition, the clients who are highly dependent on the service providers may be those that have spent much time communicating what they need to their service providers. Therefore, they are most likely to be satisfied with the service, and committed and trust the relationship. In other words, relationship quality remains important even though at various levels of dependence.

5.3 Theoretical Contributions

The purpose of this thesis is to investigate how Malaysian hotel managers view relationships with their outsourcing service providers. One important reason to pursue

research in this area is based on the fact that hotel outsourcing is expected to grow in the future. Therefore, understanding the factors that may lead to the strengthening of the relationship may enable outsourcing service providers to increase the rate of continued relationships and improve their profitability.

First, this study contributes to the body of knowledge of relationship quality in hotel service outsourcing in Malaysia by proposing relational variables (e.g., perceived value, relational norms, and switching costs) that may have different effects on relationship quality. Even though relationship quality have been extensively studied, especially in the service marketing industry, limited research to date has combined perceived value, relational norms, and switching costs in one integrated model to examine their impact on relationship quality and customer loyalty.

Second, the study findings not only contribute directly to the body of knowledge about the relationships between perceived value, relational norms, relationship quality, and customer loyalty, but also contribute indirectly to the marketing theory. This study significantly contributes to the literature in terms of the indirect relationship between perceived value and customer loyalty, and between relational norms and customer loyalty. The relationship between perceived value and customer loyalty, and between relational norms and customer loyalty, are mediated by relationship quality. This means that perceived value and relational norms will not have any impact on customer loyalty unless relationship quality between the service providers and the hotel managers is enhanced.

Third, there is limited prior research concerned with relationship quality conducted in Malaysia. With the exception of a study by Jamil and Aryaty (2010) in the retail setting, to the best of the author's knowledge hardly any study has been carried out in Malaysia to investigate further the quality of relationship and customer loyalty, as well as the determinants of relationship quality. Malaysia's situation may be different because of its different cultures, and the context of implementation of outsourcing policy differs from those nations where most of the studies were done. Therefore, this study is important for considering the quality of relationship between client firms and their service provider, adds a positive image to the entire system, and is crucial for the delivery of the benefits of any outsourcing arrangement.

Fourth, various researchers employed different theories in determining the antecedents of relationship quality and customer loyalty. This study incorporated the Theory of Reasoned Action, the Relational Exchange Theory, Principles of Reciprocity, and Resource Dependence Theory. To the best of the researcher's knowledge, limited studies were found to have combined and applied these theories in one single research model. Theoretically, the Theory of Reasoned Action, Relational Exchange Theory, and Principles of Reciprocity represent important constructs that should be considered to improve the quality outsourcing relationships between hotel managers and their service providers. It is hoped that this study contributes to the body of knowledge on customer loyalty by incorporating a comprehensive theory of customer loyalty from the customer's perspective.

Fifth, the study fills the gap in providing a study on relationship marketing in a business-to-business environment, reported before as limited and lacking (Sirdeshmukh et al., 2002; Lam et al., 2004). It is hoped that the additional empirical evidence from this study will contribute to the body of knowledge in relationship marketing aimed at building business customers' loyalty.

Finally, it is believed that customer's behavior can be measured by attitude, based on the Theory of Reasoned Action (Ajzen and Fishbein, 1980). Results of the study provide the empirical evidence that the stronger the belief towards an object or behavior (e.g., perceived value, relational norms, switching costs), the more favorable the attitude with respect to the behavior (e.g., relationship quality), and the greater the behavioral intention (e.g., customer loyalty) of the customer. Therefore, the results of this study support the Theory of Reasoned Action model (Ajzen and Fishbein, 1980), and the implication of these results will be beneficial to outsourcing relationships in the hotel industry.

5.4 Methodological Contributions

The first methodological contribution of this study is the adoption of Partial Least Square Path Modeling (PLS) as the data analysis methodology. In this study, SmartPLS Version 2 statistical package developed by Ringle et al. (2005) was utilized to analyze the data gathered from the survey. Review of the literature showed that numerous studies in relationship marketing were conducted using covariance-based Structural Equation Modeling (e.g., Leong and Wang, 2006; Lin and Wang, 2006; Moliner et al., 2007;

Nasution and Mavondo, 2008; Chen and Hu, 2009; Han et al., 2011). Partial Least Squares is a component-based Structural Equation Modeling and it is appropriate for research with very small amounts of respondents and where the normality assumption has been violated (Gregoire and Fisher, 2006). The use of PLS to test hypotheses within the business-to-business marketing study, particularly in the context of outsourcing, is still relatively underutilized since very limited studies in the business-business relationship have employed Partial Least Squares as their data analysis methodology (e.g., Bordonaba-Juste and Polo-Redondo, 2009; Farn and Huang, 2009).

Moreover, in this study, perceived value, relational norms, and switching costs are modeled as exogenous variables, while relationship quality and customer loyalty are both endogenous variables. Perceived value, relational norms, and relationship quality were operationalized as higher-order constructs. Many of the relationship marketing studies either, (1) examine the dimensions as an individual variable. For example, perceived emotional value, which is a dimension of perceived value is measured as one single variable, or (2) integrating all the dimensions and measuring them as a single construct. In the first situation, dimensions of perceived value were examined as several individual constructs (Moliner et al., 2007; Moliner, 2009; Wang and Wang, 2009), relational norms (e.g., Carr and Kaynak, 2007), and relationship quality (e.g., Ivens, 2004; Moliner et al., 2007; Moliner, 2009; Liu et al., 2011). In the latter situation, dimensions of perceived value were summed-up as an individual construct by Lin and Wang (2006), Chen and Chen (2009), Lai et al. (2009) and Hutchinson, et al. (2009), relational norms (e.g., Smith,

1998; Ivens (2004), and relationship quality (Wong and Sohal, 2002; Huntley, 2006; Zhang et al, 2011). By using the second-order constructs, the relative effects of the dimensions on the variable can be measured. For example, results of this study found that trust is the most important dimensions of relationship quality in hotel outsourcing practices, followed by customer satisfaction, and commitment. Therefore, more precise and detailed information can be gathered and used as a guide to formulate strategies in enhancing customer loyalty.

This study also combined both qualitative and quantitative methods in developing measures for the constructs. Eight hotel managers were interviewed to gather information on their perceptions regarding perceived value, relational norms, switching costs, and relationship quality. The information gathered were grouped into similar themes, and based on the literature, items that were similar to the themes were adopted and reworded to suit the research context. Limited study in marketing has adopted both qualitative and quantitative methods in scale development.

5.5 Practical Contributions

This study provides important implications for practice as well. This study highlights the importance of service providers in enhancing relationship quality that will increase customer loyalty, particularly in the context of outsourcing in the Malaysian hotel industry. As noted by Reichheld and Sasser (1990), developing and maintaining a loyal customer base is viewed as the single most important driver of long-term financial performance of a

firm. Based on the study findings and their conclusions, recommendations focusing on improving customer loyalty in the hotel outsourcing activities can be made. The study has the following practical implications to the service providers, hotel managers, the Ministry of Tourism Malaysia, and the Malaysian Association of Hotels (MAH).

5.5.1 Ministry of Tourism Malaysia (MOTOUR)

Ministry of Tourism Malaysia (MOTOUR) together with the Malaysian Association of Hotels (MAH) should emphasis relational norms in service providers and superior service delivery as tools to increase relationship quality and customer loyalty towards the service providers. One of the areas within the control of MOTOUR is licensing. MOTOUR should enforce licensing regulations in which service providers that want to supply hotel-related services should apply to the Ministry for the license. Service providers should fulfill several requirements set-up by MOTOUR, such as attending courses organized by the Malaysian Association of Hotels (MAH) related to service quality and handling customers before they can apply for a license to provide services for the hotels. Once the license is approved, they will be given a probation period, such as three months, to show their performance to the customer. A series of interviews with the customers is the method used to monitor the service providers' performance. If the service providers failed to provide services according to the benchmark set by MOTOUR, based on the recommendations by the hotels, the license will be revoked. Delivering superior customer value and exhibiting relational characteristics should be emphasized as the main requirement by the service providers when they provide services for hotels.

The license renewal will only be approved by MOTOUR after they are satisfied with the performance of the service providers for the past year. MOTOUR should set up an enforcement committee to monitor whether the service providers are providing services according to the standards set by MOTOUR. In the first year of operation, the service providers will be monitored by the enforcement committee through interviews conducted by the committee with the hotels that are using their services.

MOTOUR can set-up a database that consists of the name of companies with their expertise based on the lists of registered service providers. The database should be constantly updated so that it will be a useful source of information for the hotel managers.

5.5.2 Malaysian Association of Hotels (MAH)

On the other hand, managers and the staff of the Malaysian Association of Hotels (MAH) should also play an important role in supporting the hotels and the service providers in making outsourcing a success. MAH should play the role as a liaison between MOTOUR and hotel managers. As a supporting agent, MAH can offer training to companies that intend to offer hotel-related services in the future. Following guidelines given by MOTOUR, MAH can be a useful platform to train service providers in providing services to hotels. The content of the training module should focus on the aspects of delivering superior service, exhibiting high levels of relational values, and portraying a good company image to the hotels. Once the companies have attended the courses, a certificate

will be issued by MAH, and this can be proof that can be used to apply for the license from MOTOUR.

MAH can also develop a database on service providers that may assist the hotel managers in searching for service providers. This database should be available to hotels in cases where they really need the right source of information on the service providers. The lists of service providers in the database should be recommended by the hotels that have experience their services previously so that it would be a reliable source of information.

5.5.3 Service providers

As suggested by our model, customer loyalty will develop if the formation of perceived value, relational norms, and relationship quality is well managed. Therefore, service providers should implement customer loyalty improvement programs that will develop potential and maintain existing relationships with customers that will result in competitive advantage and increased profitability. Customer loyalty should be pursued as a marketing strategy to improve firms' performance, and this can be achieved through focusing on these psychological processes. Understanding of perceived value, relational norms, and relationship quality from the customers' perspectives on their experience toward the service providers are the requirements needed to develop customer loyalty. Service providers should adopt the loyalty model established in this study, consisting of the three constructs of perceived value, relational norms, and relationship quality. The findings of this study showed that the three constructs have a joint positive impact on customer

loyalty. Therefore, the current research model established from this study will contribute to improve the service providers' performance in hotel outsourcing activities in Malaysia using a loyal customer base. The results from this study provide a new framework for thinking about customer-perceived value, relational norms, and their relationships to relationship quality and customer loyalty, which is undeniably important and valuable for service providers that are seeking to improve their profitability and maintaining competitiveness in the marketplace.

The findings indicate that a pull-in strategy (relationship quality in the model) is important for service providers who are trying to keep customers. The study established a strong direct relationship between relationship quality and customer loyalty. This suggests that for the sake of customer retention, service providers should implement strategies that will improve the quality of the relationship with their customers. They should monitor changes in the quality of the relationship with their customers by assessing the levels of customer trust, satisfaction, and commitment. Customers want to stay with the existing service provider because they have good relationship quality with the service provider. In this study, trust, satisfaction, and commitment were used as dimensions of relationship quality. The results can be used by service providers to identify which relationship quality dimensions should be prioritized in achieving good relationship quality with the customers. Based on Table 4.22, the β values for trust, satisfaction, and commitment are 0.936, 0.899, and 0.816, respectively. This means in the hotel outsourcing practices, the most important dimension of relationship quality is trust, followed by satisfaction and commitment.

Therefore, service providers should put their priorities in looking into methods that can build customer trust when they trying to improve customer loyalty. Service providers must try to establish the impression that they are honest with their customers, care about their customers' needs, and are willing to provide assistance to the customers if they encounter any problems related to the services offered, contracts, or business relationships. As such, this can then enhance the degree of customers' perceptions of trust toward the service providers.

The findings suggest that among the total relative influence of perceived value and relational norms, relational norms have a stronger impact on relationship quality than perceived value. Service providers will need to prioritize their marketing strategy in order to win customers' trust, commitment, and satisfaction that will lead to customer loyalty. While delivering superior customer value is important in enhancing relationship quality, service providers should focus more on improving their relational norms with their customers. A firm's success depends on the levels of relational norms with their customers (Bordonaba-Juste and Polo-Redondo, 2009). The presence of relational norms supports the improvement in the level of relationship quality between customer and service provider. Relational norms support relationship quality through the setting of mutual objectives, joint problem-solving, exchanging information about their needs and goals, and flexibility in adapting to uncertainty. These actions enhance coordination between customers and service providers that will improve customer trust, and thus improve relationship quality and customer loyalty. According to Lee and Whang (2000), coordination and information-

sharing complement each other. Valta (2013) suggests that service providers can enhance relational norms through brand or service characteristics. When a customer perceives a brand or a service as warm, the higher the relational norms, and the more service providers should invest in the services to fulfill customer expectations.

Solely relying on relational norms to improve relationship quality and to enhance customer loyalty is not adequate enough. Based on the research findings, perceived value was shown to be one of the significant determinants of relationship quality and customer loyalty. Therefore, to discourage business customers from switching to other service providers, the service providers should continuously work to enhance customer value. Based on the results in Table 4.22 perceived emotional value (PEV) was found to be the most important dimension of perceived value (β value = 0.903), followed by perceived service benefits (β value = 0.825). Therefore, the service provider should prioritize improving their services so that it will inject emotional values for the customers. The perception from the customers, which is “we are comfortable with the service outsourced” (item that produced the highest loadings for perceived emotional value), shows that the customers are happy with the services they received. Therefore, service providers should at least maintain the current service quality, or try to improve on it. Previous studies have shown that perceived value was influenced by service quality (Choi et al., 2004; Hutchinsons et al., 2009; Kuo et al., 2009; Lai et al., 2009). Therefore, to increase customer loyalty service providers can deliver superior customer value by improving the quality of their services, and by the reasonable prices offered for their services. They

should evaluate whether the improved service and the price that they offered gives more value than the costs to the customers. In this way, customers will feel the value added to the service and keep them from switching to another service provider. Findings from this research provide information to the service providers on services that are highly in demand by the hotel managers. From Table 4.11, laundry service is the most demanded services outsourced by the hotels (62 percent), followed by pest control (17 percent), and then restaurant (5.1 percent). With this information, service providers can improve the perceived value received by the customers on these services. By satisfying the needs of the customers, appreciating the customer, and making the customer feel comfortable, the value perceived by the customers on the services will increase and influence relationship quality and customer loyalty.

Although switching costs do not have a significant impact on relationship quality and customer loyalty in this research setting, service providers should also consider utilizing switching costs as a tool to create high levels of relationship quality that lead to customer loyalty. One of the suggestions is that service providers should improve the overall working environment with the customers so that customers incorporate this element into their switching costs and “lock” themselves in the relationship with the service providers, and stay loyal with the existing service providers. It may be that service providers may need to demonstrate high switching costs as a necessary, but not sufficient, condition of loyalty building. Likewise, Lam et al. (2004) also suggested that switching costs help service providers to retain their customers, and when companies have loyal customers they

will recommend the service provider to other customers. In conclusion, switching costs will not only help companies to enhance customer's loyalty and profits, but also acts as a tool to increase the degree of customer's inelasticity, so that they will stay with the service provider no matter what the price levels are (Chebat et al., 2011).

5.5.4 Hotel Managers

Hotel managers, or the business customers in this study, should understand the factors that will improve their loyalty toward the service providers. Hotel managers should be aware that both perceived value and relational norms are necessary to enhance the quality of relationship that the service providers have with them that leads to their loyalty towards the service providers. Therefore, they should put a high degree of awareness to searching for and employing service providers that deliver services that are high in value, and that demonstrate high relational norms.

Hotel managers should search for service providers that are flexible and can adapt to changing condition, that accept and value their opinions, provide relevant information, and provide services high in value when they intend to outsource their hotel services. It will be quite difficult for the hotel managers to build high levels of relationship quality with service providers that neglect to do this. The findings of this study confirm that when customers feel that they have high quality relationships with service providers they are more likely to stay loyal to the service providers.

Hotel managers should give a trial period of six months, for example, for the service providers to perform their operations for the customers. During this period, hotel managers should monitor and assess the service provider's performance. In cases where service providers were unable to provide superior service, the hotel managers are free to withdraw from receiving their services.

In term of getting information on the service providers, hotel managers should increase their networking to get better informed of the services providers. Findings from this study shows that word of mouth communication is one of the most popular sources of information and a large number of hotel managers rely on this source of information to find the appropriate service provider.

In addition, hotel managers should also know of their rights when dealing with service providers. They should consult the Customer Tribunal if they feel that the service providers have cheated on them in terms of the services provided, or not according to the agreement. In conclusion, it is very important for the hotel managers to create awareness and understanding regarding factors that increase their levels of loyalty towards their service providers. A service provider that is able to deliver superior services to hotels will be able to improve the hotels' image in the mind of the hotel guests.

In conclusion, all key players in the hotel industry (e.g., service providers, hotel managers, Ministry of Tourism Malaysia, and Malaysian Association of Hotels) should cooperate

with each other to support the outsourcing activities so that it will be a success. Service providers that manage to retain their customers will have the benefit of increased profitability. On the other hand, hotels that obtain superior services from the companies will be able to portray a good image to their guests. This is important because the hotel industry is one of the key supporting industries in the tourism industry, and is known to be one of the largest contributors to the Malaysian economy.

5.6 Limitations and Future Research

There are some limitations in this study that need to be identified that may offer opportunities for future research. The ability of a researcher to identify the limitations of the research is part of the strength of any research project (Dolen and Lemmink, 2004). First, data for this study was gathered from the hotel industry, which embodies most the characteristics of service industries. On one hand, this study focused on one industry, which helped to keep unexplained variances small for the model estimation that resulted in the increased power of hypothesis testing (Lam et al., 2004). Even though this may increase the focus of this research, it may also reduce the level of generalization of the research findings. Numerous authors (Hernande-Lobato, 2006; Anuwichanont and Mechinda, 2009; Athanasopoulou, 2009) suggested that generalizability of the findings can be enhanced by replicating the research framework with samples from other industries, especially in those industries that share a number of important characteristics with the hotel industry, such as healthcare and educational industries. Naturally, these findings are most likely to hold for similar industries which comprise dependent parties, high customer

contact with continuous purchasing activities. Firmer conclusions can be drawn from such replications (Balabanis et al., 2006).

Second, this study relies solely on business customers' views as the source of information to understand the determinants of loyalty between the customers and their service providers. It is likely that the service providers view the relationship differently than the customers. This situation may provide incomplete views of the relationships, and result in common method/source bias, which is a normal concern for studies using one questionnaire (Liu et al., 2011). According to Podsakoff and Organ (1986, p. 533) common method bias occurs "when measures are collected from the same respondents and the attempt is made to interpret any correlation among them." As suggested by Podsakoff and Organ (1986), Harman's one factor test was performed to test whether a single factor would emerge for the majority of the variance in the variables. Even though the reliance on one respondent to answer all items in a questionnaire in this study does not cause common method bias, as demonstrated by the results of Harman's one factor test, where the first factor did not account for the majority of the variance, future research may consider collecting data from both parties - business customer and service provider and multiple informants of the business customer-service provider relationship within the same organization to eliminate the common method bias. In addition, another suggestion is to apply the model in other exchange dyads. Other customer-service provider dyads may require higher switching costs, which could make switching costs important.

Third, lack of support from the hotel managers and confidentiality of data are other limitations of this study. A few of the hotel managers that were approached to be respondents for this study were reluctant to reveal the answers to some of the items in the questionnaire because the information is very confidential, and for security reasons they were not allowed to give out the information. While the researcher has stated that data gathered from the survey will strictly be used for the research purposes, lack of support from the hotels is still a barrier to the data collection process. To overcome the problem, the researcher has taken the step to request a support letter from the Malaysian Association of Hotels (MAH) to request for support from the hotels to participate and cooperate in the study.

Fourth, the interaction effect of dependence between the link of relationship quality and customer is not significant in this study. Since the power of hypothesis testing is related to sample size, the sample size in this study should be increased in future studies to improve the findings (Lam et al., 2004). Hence, to increase the number of respondents in this study, other methods of collecting data should be utilized during the data collection stage. For example, using email as a tool to distribute the questionnaire, and using Malaysian Hotel Association members' meetings or gatherings as platforms to distribute the survey questionnaire to the hotel managers.

Fifth, another limitation of this study is the usage of selected variables (e.g., perceived value, relational norms, switching costs, and relationship quality) to test the impact on

customer loyalty. Based on the results, perceived value, relational norms, and relationship quality accounted for approximately 50.7 percent of the variance ($R^2 = 0.507$) in customer loyalty. Therefore, there are other variables that could be interesting to be studied in future research in order to examine the predictors of customer loyalty toward their service providers. Accordingly, practitioners should pay attention to factors other than those mentioned in this model. Variables such as customer involvement should be incorporated in the research model, because different levels of customer involvement (e.g., outsourcing highly technical services such as Information Technology requires high customer involvement) that may result in different levels of trust. Such variations in trust will affect the level of relationship quality and could affect customer loyalty.

Finally, the data collected for this study was cross-sectional data. The knowledge of relational influence (e.g., relational norms, relationship quality) on customer loyalty can be improved by increasing the number of longitudinal studies of buyer-service provider relationships. Data can be collected several times during a time period to see the influence of relational variables on loyalty. According to Doucette (1996), a longitudinal study allows for an assessment of causality relationships that are not possible in cross-sectional data.

5.7 Conclusions

This study was intended to investigate factors that influenced business customer loyalty in the context of outsourcing in the Malaysian hotel industry. The study was based on the

assumption of relationship marketing, whereby, attracting and maintaining customer relations will increase customer loyalty. In this context, this study contributes to the body of relationship marketing by proposing a model that empirically investigates from the perspectives of business customers' of the Malaysian hotel of their relationship with the service providers.

The model provides an in-depth understanding of the relationship between the business customers and their service providers in the outsourcing relationship in the hotel industry by incorporating and examining relationships between perceived value, relational norms, switching costs, relationship quality, customer loyalty, and dependence in one single model.

The results of this study provide evidence that relationship quality between business customers and their service providers is a key predictor of loyalty from the business customers' perspectives in the outsourcing relationship, where high competition and environmental uncertainty are highlighted. Thus, the findings will be helpful to the outsourcing service providers. Needless to say, it is important for the service providers in the hotel industry to develop well-designed program that will increase the quality of relationship with their customers, and further increase customer loyalty. Results of this study show that such a program should be accompanied with superior customer value and relational norms.

The confirmation of the mediating role of relationship quality between perceived value and relational norms to customer loyalty has an important implication on management. It suggests that in order to maintain customer loyalty, it is essential for service providers to monitor changes in customer relationship quality with their customers, since relationship quality rather than perceived value and relational norms directly affects customer loyalty. Even though other constructs were not incorporated in this model, specifically, this study has contributed to the understanding of relationship marketing and customer loyalty in the context of outsourcing relationships in the hotel industry in Malaysia.

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APPENDIX

Appendix A: List of Participating Hotels

No.	Hotel	Location	Star Rating
1	Avillion Legacy	Melaka	5
2	Langkawi Laguna	Langkawi	5
3	Reinassance	Kota Bharu	5
4	Eastern & Oriental	Penang	5
5	Grand Millenium	Kuala Lumpur	5
6	The Zon Regency	Johor Bahru	5
7	Parkroyal Hotel	Kuala Lumpur	5
8	Equatorial Hotel	Pulau Pinang	5
9	Traders Hotel	Penang	5
10	Pan Pacific	Sepang	5
11	G Hotel	Pulau Pinang	5
12	Copthorn Hotel	Pulau Pinang	4
13	EDC	Sintok	4
14	Cititel	Pulau Pinang	4
15	Le Paris Hotel	P Dickson	4
16	Putra Palace	Kangar	4
17	Grand Paragon	Johor Bahru	4
18	Ancasa Hotel	Kuala Lumpur	4
19	Strawberry Park	Cameron Highlands	4
20	Golden Sands	Pulau Pinang	4
21	Grand Continental	K Trengganu	4
22	Bayview Hotel	Pulau Pinang	4
23	Mercure Johor	Johor Bahru	4
24	Rosa Pasadena Hotel	Cameron Highlands	4
25	Hotel Melia	Kuala Lumpur	4
26	Flamingo Hotel	Pulau Pinang	4
27	Impiana Hotel	Ipoh	4
28	Awana Porto Malai	Langkawi	4
29	Corus Paradise	Port Dickson	4
30	Permai Hotel	K Trengganu	4
31	Equatorial	Melaka	4
32	Mahkota H	Melaka	4
33	Tower Regency	Ipoh	4

**Appendix A: List of Participating Hotels
(continue)**

No.	Hotel	Location	Star Rating
34	Dynasty Hotel	Kuala Lumpur	4
35	La Grandeur Hotel	Senai	4
36	Palm Garden	Putra Jaya	4
37	Intekma Hotel	Shah Alam	3
38	The Regency Darul Aman	Jitra	3
39	Bina Darulaman	Jitra	3
40	Harvard Suasana Hotel	Bedong	3
41	The Regent	A. Setar	3
42	The Regency Hotel	A. Setar	3
43	Putra Palace	Kangar	3
44	Hotel Maluri	Kuala Lumpur	3
45	Fully Inn	Gua Musang	3
46	Sentosa Regency	A Setar	3
47	Melaka Straits	Melaka	3
48	Lake House Hotel	Cameron Highlands	3
49	The Summit	B Mertajam	3
50	G. Continental	Melaka	3
51	Putra Brasmana Hotel	K Perlis	3
52	Shahzan Inn Hotel	Kuantan	3
53	Banding Island	Gerik	3
54	Grand Continental	Pulau Pinang	3
55	Hotel Capitol	Kuala Lumpur	3
56	Swiss Inn	Kuala Lumpur	3
57	Firefly Resort	Kuala Selangor	3
58	Hotel D'99	Muar	3
59	Shahzan Inn	Fraser Hill	3
60	Demong Beach	Besut	3
61	Yellow Mansion	Melaka	3
62	Sudara Beach	Bachok	3
63	Reglodge Hotel	Ipoh	3
64	Merang Suria	Setiu	3
65	Suria Cherating	Cheratin	3
66	Felda Residence	Jerantut	3
67	Seri Malaysia	Kulim	3
68	De Palma Hotel	Ampang	3
69	Bukit Bendera	Mentakab	3
70	Hotel Orkid	Melaka	3

**Appendix A: List of Participating Hotels
(continue)**

No.	Hotel	Location	Star Rating
71	Wesria Hotels	Dungun	3
72	Riverview Hotel	Muar	3
73	Prescot Metro	Kajang	3
74	Felda Residence	K Trengganu	3
75	Tanjung Bungah	Pulau Pinang	3
76	Grand Kampar Hotel	Kampar	3
77	Midah Hotel	Kuala Lumpur	3
78	Taiping Golf	Taiping	3
79	Hotel Brisdale	Kuala Lumpur	3
80	Sutra Beach Resort	Setiu	3
81	Selesa Resort	Bukit Tinggi	3
82	Citiview Hotel	Kuantan	3
83	Aldy Hotel	Melaka	3
84	Klang Histana	Klang	3
85	Casa Rachado Hotel	Port Dickson	3
86	J.A Residence	Johor Bahru	3
87	Naza Talya Hotel	Melaka	3
88	Pulai Desaru	Desaru	3
89	Muar Traders	Muar	3
90	Seri Malaysia	Johor Bahru	3
91	Ayer Keroh Country	Melaka	3
92	Hotel Puri	Melaka	3
93	Hotel Selesa	Johor Bahru	3
94	Hotel Sentral	Kuala Lumpur	3
95	Naza Talyya	Pulau Pinang	3
96	Citin Hotel	Kuala Lumpur	3
97	Krystal Suites	Pulau Pinang	3
98	Agora Hotel	Kuala Lumpur	3
99	Superior Hotel	Melaka	3
100	D Hotel East	Ipoh	3
101	JL Fara Hotel	Kota Bharu	3
102	New Pacific	Kota Bharu	3
103	Swiss Inn	S Petani	3
104	Hillcity	Ipoh	3
105	Hotel Seri Petaling	Kuala Lumpur	3
106	Silver Inn	Batu Pahat	2
107	Dynasty Inn	Kota Bharu	2

**Appendix A: List of Participating Hotels
(continue)**

No.	Hotel	Location	Star Rating
108	Seri Malaysia	Seremban	2
109	Seri Malaysia	S.Petani	2
110	Garden Inn	Penang	2
111	Seri Malaysia	Mersing	2
112	Sutra Inn Prima	Kota Bharu	2
113	Seri Malaysia	Kuantan	2
114	Landmark Hotel	Batu Pahat	2
115	S Malaysia	A. Setar	2
116	Ridel Hotel	K Bharu	2
117	University inn	Sintok	2
118	Hotel 91	Kajang	2
119	S Malaysia	Taiping	2
120	Palm Inn	B Mertajam	2
121	Citipark Hotel	Melaka	2
122	YT Midtown	K Trengganu	2
123	Teluk Batik Resort	Lumut	2
124	Hotel Panorama	Taiping	2
125	Hotel 1926	Penang	2
126	Seaview Resort	Pangkor	2
127	Hallmark Hotel	Melaka	2
128	Classic Hotel	Kuantan	2
129	Majestic Stat	Ipoh	2
130	Damai Hotel	P Buntar	2
131	S Malayasia	K Batas	2
132	B & S Hotel	Batu Pahat	2
133	Twin Peaks	Langkawi	2
134	Selectstar	Melaka	2
135	Prescott H	Klang	2
136	Smile Botique	Kuala Lumpur	2
137	Crystal Inn	Batu Pahat	2
138	Regal Hotel	Kampar	2
139	G Paradise	Pulau Pinang	2
140	Palace Hotel	Kuala Lumpur	2
141	De Palma H	Shah Alam	2
142	S Malaysia	Seremban	2
143	First Business	Kuala Lumpur	2
144	Melor Inn	Parit Buntar	2

Appendix A: List of Participating Hotels
(continue)

No.	Hotel	Location	Star Rating
145	Eurohotel	Klang	1
146	Seri Temenggong	K Kangsar	1
147	DJ Palace	Lumut	1
148	SSL Traders	Taiping	1
149	Trengganu Equestarian	K Trengganu	1
150	Ritz Garden	Ipoh	1
151	Muar Traders	Muar	1
152	Pasir Belanda	Kota Bharu	1
153	Gohtong Jaya	Genting Highlands	1
154	Bintang Fajar	Sitiawan	1
155	Sri Indar	B Mertajam	1
156	Era Hotel	Bahau	1
157	H Universal	Kuantan	1
158	Bayu Hotel	Baling	1

Appendix B: Scale Measures

	Code	Original Measure	Measures used in the Study	Authors
Perceived service benefits	PQV1	Supplier A provides us with superior service quality.	The service provider provides our hotel with good service quality.	Adapted from Ulaga & Eggert (2005) incorporating feedback from exploratory interviews
	PQV2	Supplier A provides us with superior service reliability.	The service provider provides our hotel with good service reliability.	Ulaga & Eggert (2005)
	PQV3	The staffs know their job well.	The service provider is an expert in the outsourced activity.	Adapted from Moliner (2009) incorporating feedback from exploratory interviews
	PQV4	They were up-to-date about new items and trends.	The service provider uses new technology to perform the outsourced activity.	Sanchez et al. (2006)
	PQV5	Generally, the employees are willing and able to provide service in a timely manner.	The service provider is able to provide the service in a timely manner.	Adapted from Cronin et al. (2000) incorporating feedback from exploratory interviews
	PQV6	Generally, the employees are approachable and easy to contact	The service provider is approachable.	Adapted from Cronin et al. (2000) incorporating feedback from exploratory interviews
Perceived Social Value	PSV1	The travel agency performs services for many people that I know.	The service provider performs services for many companies that we know.	Sanchez et al. (2006)
	PSV2	Using its services has improved the way others perceived me.	Using its services has improved the ways others perceived our hotel.	
	PSV3	The fact I use the item would make a good impression on other people.	Using its services would make a good impression on other people.	Sweeney and Soutar (2001)

Appendix B: Scale Measures
(continue)

Perceived Social Value	Code	Original Measure	Measures used in the Study	Author
	PSV4	The people who use its services obtain social approval.	The company who uses its services obtains social approval.	Sanchez et al. (2006)
	PSV5	The use of SMS service helps me feel acceptable.	Using services offered by the service provider would help our hotel to feel acceptable.	Turel et al. (2007)
Perceived Emotional Value	PEV1	I am comfortable with the tourism package purchased.	We are comfortable with the service outsourced.	Moliner et al. (2006); Sanchez et al. (2006)
	PEV2	The personnel are always willing to satisfy my wishes as a customer, whatever product I wanted to buy.	The service provider is always willing to satisfy our needs as a customer.	
	PEV3	The item would arouse positive feelings to me.	The service provider gives our hotel a positive feeling.	Sweeney and Soutar (2001)
	PEV4	The personnel did not pressure me to decide quickly.	The service provider did not pressure our hotel to decide quickly.	Sanchez et al. (2006)
	PEV5	I felt really appreciated by the travel agency staff.	We feel really appreciated by the service provider.	
	PEV6	The item is the one I would enjoy	We like the service that we outsourced.	Sweeney and Soutar (2001)
Perceived Value for Money	PVFM1	The item is reasonably priced.	The service provided by the service provider is reasonably priced.	Petrick (2002); Sweeney and Soutar (2001)
	PVFM2	This product is a good value for money.	The service provider offers value for money.	Sweeney et al. (1999)
	PVFM3	It was a good purchase for the price paid.	The service provided by the service provider is a good purchase for the price paid.	Adapted from Sanchez et al. (2006) incorporating feedback from exploratory interviews
	PVFM4	At the price shown, this product is economical.	The service provided by the service provider would be economical.	Sweeney et al. (1999)
	PVFM5	Your time and effort spent in developing working business relationship with your major IT supplier.	Our hotel spent a lot of time in developing a working business relationship with the service provider.	Lapierre (2000)

**Appendix B: Scale Measures
(continue)**

	Code	Original Measure	Measures used in the Study	Author
Perceived Value for Money	PVFM6	The bargaining effort with the supplier's staff in reaching an agreement.	Our hotel spent a lot of time negotiating with the service provider before reaching an agreement.	Lapierre (2000)
	PVFM7	Supplier A costs us more in terms of time.	The service provider costs us more in terms of time.	Ulaga & Eggert (2005)
	PVFM8	Supplier A costs us more coordination efforts.	The service provider costs us more coordination efforts	
Image	IM1	The service provider has good reputation.	The service provider has a good reputation.	Adapted from Petrick (2002) incorporating feedback from exploratory interviews
	IM2	Its credibility.	The service provider is credible.	Lapierre (2000)
	IM3	I perceived the managers of XY as cooperative.	The service provider is cooperative.	Adapted from Schulze et al. (2006) incorporating feedback from exploratory interviews
	IM4	I perceived the managers of XY as unfair	The service provider is unfair.	Schulze et al. (2006)
	IM5	I perceived the managers of XY as close-mouthed	The service provider is close-mouthed.	
Supply Importance	SI1	Compare to other purchases your firm makes, this product is important.	The service is important to our hotel's current performance.	Cai and Yang (2008)
	SI2	Compare to other purchases your firm makes, this product is unimportant.	The service is not a core activity to our hotel.	
	SI3	Compare to other purchases your firm makes, this product is high priority.	The outsourced service is our priority.	
	SI4	Other suppliers could provide what we get from this firm.	We can get the same service from other service provider	

**Appendix B: Scale Measures
(continue)**

	Code	Original Measure	Measures used in the Study	Author
Availability of Alternatives	AS1	This supplier almost has a monopoly power for what it sells.	The service provider has a monopoly power for what it produces.	
	AS2	This is really the only supplier we could use for this product.	The service provider is the only one that we can rely on for the service.	
	AS3	It would be difficult for us to replace this retailer in this trading area.	The service provider is difficult to replace if our relationship is discontinued.	Ganesan (1994)
	AS4	No other supplier has this supplier's capabilities.	The service provider has the capabilities that no other service providers have.	Cai and Yang (2008)
	AS5	Though circumstances change, we believe that the supplier will be ready and willing to offer us assistance and support	The service provider is always available.	Kumar et al., (1995a)
Switching Costs	SC1	I worry that the service offered by the other service provider will not work well as expected.	We worry that the service offered by other service provider will not work as well as expected.	Burnham et al. (2003).
	SC2	If I try to switch service providers, I might end up with bad service for a while.	If we switch to a new service provider, our hotel might end up with bad service for a while.	
	SC3	I cannot afford the time to get the information to fully evaluate other service providers.	It is time consuming to get information on other service provider.	
	SC4	It is tough to compare the other service providers.	It is difficult to compare this service provider with other service providers.	
	SC5	The process of starting up a new service is quick/easy.	The process of starting up with a new service is difficult.	

Appendix B: Scale Measures
(continue)

	Code	Original Measure	Measures used in the Study	Author
	SC6	There are a lot of formalities involved in switching to a new service provider	There are a lot of formalities involved in switching to a new service provider.	Burnham et al. (2003).
Switching Costs	SC7	I will lose benefits of being long-term customer if I leave my service provider.	Leaving the service provider will affect the long-term business benefits.	
	SC8	Switching to a new service provider involves some up-front costs.	Switching to a new service provider involves some up-front costs.	
Solidarity	SO1	Our major supplier is committed to improvements that may benefit relationships with our major supplier as a whole and not only themselves.	The service provider is committed to bring improvement to our hotel.	Lusch and Brown (1996)
	SO2	When we incur problems, our major supplier tries to help us.	The service provider tries to help us when we face problems.	
	SO3	The supplier helps us with tasks that go beyond his core competencies.	The service provider helps us with the tasks outside his core competencies.	Heide and John (1992)
	SO4	Problems that arise in this relationship are treated as joint rather than individual responsibilities.	The service provider treated problems as joint responsibilities with our hotel.	
	SO5	Our relationship with our major supplier is a long term alliance.	The relationship between our hotel and the service provider is a long- term venture.	Griffith et al. (2006)

Appendix B: Scale Measures
(continue)

	Code	Original Measure	Measures used in the Study	Authors
Flexibility	FX1	We are flexible when dealing with our major supplier.	The service provider and our hotel are flexible with each other.	Adapted from Griffith et al. (2006) incorporating feedback from exploratory interviews
	FX2	When some unexpected situation arises, both parties would rather work out a new deal than hold each other to the original terms.	The service provider and our hotel always reach mutual agreement on transactions.	Heide and John (1992);
	FX3	Their ability to adjust their products and services to meet unforeseen needs.	The service provider and our hotel are able to react to changing environment.	Lapierre (2000)
	FX4	We expect to make adjustments in dealing with our major supplier to cope with changing circumstances.	The service provider has the ability to make adjustments in the relationship to cope with uncertainty.	Lusch and Brown (1996))
	FX5	Both parties are open to each other's request to modify a prior agreement.	For unforeseen circumstances, our hotel and the service provider can reach into agreement easily.	
Information Exchange	IE1	This supplier provides us all necessary information that is useful to us.	The service provider provides us useful information.	Heide and John (1992)
	IE2	This supplier informs us in a timely manner about changes that concern us.	The service provider informs changes in a timely manner.	
	IE3	This supplier provides us confidential information.	The service provider provides us confidential information.	
	IE4	We and our service provider share business knowledge of core business processes if necessary.	The service provider and our hotel share business knowledge at times.	Lee and Kim (1999)

Appendix B: Scale Measures
(continue)

	Code	Original Measure	Measures used in the Study	Authors
Information Exchange	IE5	We and our service provider exchange information that help the establishment of business planning.	The service provider and our hotel exchange information for business planning.	Adapted from Lee and Kim (1999) incorporating feedback from exploratory interviews
	IE6	The manner and method of information between us and our service provider are accurate.	The service provider provides us with accurate information.	Lee and Kim (1999)
Trust	TR1	Promises made by this distributor are reliable.	The service provider made reliable promises.	Baker et al. (1999)
	TR2	When it comes to things that are important to us, we can depend on the suppliers support	The service provider can be counted on to help us.	Kumar et al. (1995a)
	TR3	This distributor is knowledgeable about the product.	The service provider is capable to fix any problem related to its service.	Adapted from Baker et al. (1999) incorporating feedback from exploratory interviews
	TR4	In the future, we can count on the supplier to consider how its decisions and actions will affect us.	The service provider can be counted on in the future.	Kumar et al. (1995a)
	TR5	Though circumstances change, we believe that the supplier will be ready and willing to offer us assistance and support.	The service provider is willing to offer us support in any circumstances.	
	TR6	When making important decision, the supplier is concerned about our welfare or interests as well as its own.	The service provider considers our welfare as well as its own, when making important decisions.	

**Appendix B: Scale Measures
(continue)**

	Code	Original Measure	Measures used in the Study	Authors
Trust	TR7	When we share our problems with the supplier, we know that it will respond with understanding.	The service provider responds with understanding when we share our problems with him/her.	Adapted from Kumar et al. (1995a) incorporating feedback from exploratory interviews
	TR8	Their advice was valuable.	The feedback from our service provider is useful.	Kumar et al. (1995a)
	TR9	We believe in information the supplier provides us with.	The service provider provides information that can be trusted.	
Commitment	CO1	We intend to maintain the relationship with this service provider as long as possible.	We will continue working with the service provider.	Ivens (2005)
	CO2	We want to remain a member of the supplier's network because we genuinely enjoy our relationship with it.	We want to remain as a member of the service provider's network.	Kumar et al. (1995a)
	CO3	We expect our relationship with the supplier to continue for a long time.	We expect our relationship with the service provider to continue for a long time.	
	CO4	It is unlikely that our firm will still be doing business with this supplier in two years.	We are unlikely to still be doing business with this service provider in future.	
	CO5	We believe the distributor will provide better service in the future.	We believe the service provider will provide better service in the future.	
	CO6	We are willing to put more effort and investment in building our business in the supplier's product.	We would be willing to make further investment in the service provider's service.	

Appendix B: Scale Measures
(continue)

	Code	Original Measure	Measures used in the Study	Authors
Satisfaction	ST1	The relationship of my company with the distributor has been an unhappy one.	The relationship of our hotel with this service provider has been an unhappy one.	Baker et al. (1999)
	ST2	Generally, my company is very satisfied with its overall relationship with this distributor.	Our hotel is very satisfied with its relationship with this service provider.	Baker et al. (1999)
	ST3	Overall, my primary wholesaler is a good company to do business with.	This service provider is a good company to do business with.	Ping (1993)
	ST4	I have always felt satisfied.	Overall, we are satisfied with the services/products we get from this service provider.	Adapted from Moliner et al. (2006) incorporating feedback from exploratory interviews
	ST5	Overall, my primary wholesaler treats me fairly.	Overall, the service provider treats our hotel fairly.	Ping (1993)
	ST6	My choice to purchase this service was a wise one.	Our decision to contract with this service provider was a wise one.	Cronin et al. (2000)
	ST7	I think that I did the right thing when I purchase this service.	We think we did the right thing by outsourcing from this service provider.	
Loyalty	LO1	I would say positive things about my ISP to other people.	We would say positive things about our service provider.	Zeithaml et al.(1996)
	LO2	I would recommend my ISP to someone who seeks my advice.	We would recommend our service provider to other companies.	
	LO3	I shall intend to do more business with my ISP in the next few years.	We intend to do more business with our service provider in the future.	
	LO4	I would take some of my business to a competitor that offers better prices.	We would move to a new service provider that offers better prices.	

**Appendix B: Scale Measures
(continue)**

	Code	Original Measure	Measures used in the Study	Authors
Loyalty	LO5	I would continue to do business with my ISP if its prices increase somewhat.	We would still continue doing business with our service provider regardless of the prices.	Zeithaml et al.(1996)
	LO6	I would complain to other customers if I experience a problem with my ISP's service.	We would inform other hotels if we experience problems with our service provider.	
	LO7	I would complain to external agencies, such as CUO (Customers' and User' Organization), if I experience a problem with my ISP's service.	We would report to external agencies if we experience problems with our service provider.	

Appendix C: Cover Letter to Guests Participating in Survey

A Study of Relationship Quality in Outsourcing Practices in Malaysia Hotel Industry

Dear Sir/Madam

This survey is being conducted to investigate factors that influence the quality of relationship between hotels and their outsourcing service providers. This survey will take approximately 20-minutes of your time. The information gathered from this study will help hotel managers, service providers, and policy makers in the hotel industry to improve their working relationships. We would greatly appreciate if all hotels managers could participate in this study by responding to this questionnaire.

To assist you in completing this questionnaire, please note the following:

- This questionnaire is preferably completed by the **Head / Manager / Executive of the Finance / Account / Human Resources Department who has the knowledge of outsourcing activities at your hotel. Getting the right feedback from the right people** is very important to us (*Note: Outsourcing refers to giving out contracts to other parties to provide services for your hotels*).
- Please be assured that all your responses will be kept **STRICTLY CONFIDENTIAL** and will only be used for academic research purposes only.
- Please **answer all questions** in all sections and **return the completed** questionnaire using the enclosed stamped self-addresses envelope by
- If you have any enquiries pertaining this study, please do not hesitate to contact Maria Abdul Rahman at 012-5663451 (Mobile) or 04-9284120 (Office) or email to: maria@uum.edu.my.

Thank you for your time and cooperation.

Yours sincerely,

Maria Abdul Rahman
Faculty of Business and Accountancy
University of Malaya
Kuala Lumpur

Supervised by:

Dr. Yusniza Kamarulzaman
Faculty of Business and Accountancy
University of Malaya
Kuala Lumpur

Appendix D: Questionnaire

SECTION A: ABOUT YOU AND YOUR HOTEL

1. Name of your hotel.

2. Location of your hotel (e.g. Sungai Petani, Shah Alam etc).

3. Your current position in the hotel:

4. Your age

<input type="checkbox"/>	20-29 years
<input type="checkbox"/>	30-39 years
<input type="checkbox"/>	40-49 years
<input type="checkbox"/>	50-59 years
<input type="checkbox"/>	More than 60 years
5. Your gender

<input type="checkbox"/>	Male
<input type="checkbox"/>	Female
6. Your highest level of education achieved.

<input type="checkbox"/>	SPM
<input type="checkbox"/>	STPM
<input type="checkbox"/>	Certificate/Diploma
<input type="checkbox"/>	Bachelor Degree
<input type="checkbox"/>	Postgraduate Degree
<input type="checkbox"/>	Others: _____
7. Your monthly income

<input type="checkbox"/>	Less than RM2,000
<input type="checkbox"/>	RM2,000- RM4,000
<input type="checkbox"/>	RM4,001-RM6,000
<input type="checkbox"/>	RM6,001-RM8,000
<input type="checkbox"/>	Above RM8,000
8. Years of hotel establishment.

<input type="checkbox"/>	0-5 years
<input type="checkbox"/>	6-10 years
<input type="checkbox"/>	11-15 years
<input type="checkbox"/>	More than 15 years
9. Type of hotel

<input type="checkbox"/>	Independent/stand alone
<input type="checkbox"/>	Chain/Franchise
<input type="checkbox"/>	Family owned
<input type="checkbox"/>	Others: _____
10. Hotel classification according to standards set by the Ministry of Tourism Malaysia.

<input type="checkbox"/>	1 Star
<input type="checkbox"/>	2 Star
<input type="checkbox"/>	3 Star
<input type="checkbox"/>	4 Star
<input type="checkbox"/>	5 Star
<input type="checkbox"/>	Orchid/Budget
11. Does your hotel involved in **outsourcing** activity at present or in the past?
(Note: Outsourcing means other parties produce/ run hotel related services on your behalf based on written contract (e.g. laundry, restaurant, car rental, IT etc)).
- ☐ Yes (Please proceed to Question 12 and onwards).
- ☐ No (Stop here by giving the reasons in the space below).
- _____
- _____

12. Please tick (✓) whether the following activities are currently produced in-house (self-managed) or outsourced (third-party managed).

	Hotel Activities	Production			
		In-house (Self- managed)		Out-sourced (Third-party managed)	
		Partly	Fully	Partly	Fully
Example	Restaurants		✓		
i.	Hotel administration				
ii.	Marketing & Promotion				
iii.	Computer and information systems				
iv.	Staffs recruitment				
v.	Facilities maintenance				
vi.	Landscaping				
vii.	Housekeeping				
viii.	Common area cleaning				
ix.	Pest control				
x.	Laundry service				
xi.	Security service				
xii.	Recreational facilities rental				
xiii.	Restaurants				
xiv.	Decorations				
xv.	Others				

13. Of all the activities above, please specify **THE MOST IMPORTANT OUTSOURCED ACTIVITY** for your hotel based on the highest percentage of budget. _____
14. How do you search/get to know outsourcing service provider(s)? You may tick (✓) more than one answer.

<input type="checkbox"/>	Yellow Pages
<input type="checkbox"/>	Word of mouth (business contacts)
<input type="checkbox"/>	Personal selling
<input type="checkbox"/>	Mass media (e.g. TV, newspaper or magazines)
<input type="checkbox"/>	Internet
<input type="checkbox"/>	Others: _____

15. **Problems in outsourcing** (Please indicate your level of agreement from the given scale)

		Strongly Disagree	Disagree	Slightly Disagree	Neither Disagree Nor Agree	Slightly Agree	Agree	Strongly Agree
		1	2	3	4	5	6	7
a.	Costly							
b.	Cultural differences							
c.	Quality control							
d.	Communication							
e.	Late delivery							
	Others: _____							

16. **Reasons to outsource** (Please indicate your level of agreement from the given scale).

		Strongly Disagree	Disagree	Slightly Disagree	Neither Disagree Nor Agree	Slightly Agree	Agree	Strongly Agree
		1	2	3	4	5	6	7
a.	Reduced cost							
b.	Improving service quality							
c.	Improve delivery/reliability							
d.	Improve technology							
e.	Focus on core competences							
f.	Limited space							
g.	Uncertainty situation.							
h.	Limited expertise							
i.	Reduce knowledge needed							
j.	Alternative use of capital							
k.	Others: _____							

SECTION B: By referring to the **most important outsourcing activity** to your hotel please tick (✓) the boxes which best describes your level of agreement with each statement.

		Strongly Disagree	Disagree	Slightly Disagree	Neither Disagree Nor Agree	Slightly Agree	Agree	Strongly Agree
	For the MOST important outsourcing activity at my hotel.....	1	2	3	4	5	6	7
PQV1	The service provider provides our hotel with good service quality.							
PQV2	The service provider provides our hotel with good service reliability.							
PQV3	The service provider is an expert in the outsourced activity.							
PQV4	The service provider uses new technology to perform the outsourced activity.							
PQV5	The service provider is able to provide the service in a timely manner.							
PQV6	The service provider is approachable.							
PSV1	The service provider performs services for many companies that we know.							
PSV2	Using its services has improved the ways others perceived our hotel.							
PSV3	Using its services would make a good impression on other people.							
PSV4	The company who uses its services obtains social approval.							
PSV5	Using services offered by the service provider would help our hotel to feel acceptable.							
PEV1	We are comfortable with the service outsourced.							
PEV2	The service provider is always willing to satisfy our needs as a customer.							
PEV3	The service provider gives our hotel a positive feeling.							
PEV4	The service provider did not pressure our hotel to decide quickly.							
PEV5	We feel really appreciated by the service provider.							

	For the MOST important outsourcing activity at my hotel.....	Strongly Disagree	Disagree	Slightly Disagree	Neither Disagree or Agree	Slightly Agree	Agree	Strongly Agree
		1	2	3	4	5	6	7
PEV6	We like the service that we outsourced.							
PVFM1	The service provided by the service provider is reasonably priced.							
PVFM2	The service provider offers value for money.							
PVFM3	The service provided by the service provider is a good purchase for the price paid.							
PVFM4	The service provided by the service provider would be economical.							
PVFM5	Our hotel spent a lot of time in developing a working business relationship with the service provider.							
PVFM6	Our hotel spent a lot of time negotiating with the service provider before reaching an agreement.							
PVFM7	The service provider costs us more in terms of time.							
PVFM8	The service provider costs us more coordination efforts.							
IM1	The service provider has a good reputation.							
IM2	The service provider is credible.							
IM3	The service provider is cooperative.							
IM4	The service provider is unfair.							
IM5	The service provider is close-mouthed.							
SI1	The service is important to our hotel's current performance.							
SI2	The service is not a core activity to our hotel.							
SI3	The outsourced service is our priority.							
SI4	We can get the same service from other service provider.							
AS1	The service provider has a monopoly power for what it produces.							
AS2	The service provider is the only one that we can rely on for the service.							
AS3	The service provider is difficult to replace if our relationship is discontinued.							
AS4	The service provider has the capabilities that no other service providers have.							
AS5	The service provider is always available.							
SC1	We worry that the service offered by other service provider will not work as well as expected.							
SC2	If we switch to a new service provider, our hotel might end up with bad service for a while.							
SC3	It is time consuming to get information on other service provider.							
SC4	It is difficult to compare this service provider with other service providers.							
SC5	The process of starting up with a new service is difficult.							
SC6	There are a lot of formalities involved in switching to a new service provider.							
SC7	Leaving the service provider will affect the long-term business benefits.							
SC8	Switching to a new service provider involves some up-front costs.							

		Strongly Disagree	Disagree	Slightly Disagree	Neither disagree Nor Agree	Slightly Agree	Agree	Strongly Agree
	For the MOST important outsourcing activity at my hotel.....	1	2	3	4	5	6	7
SO1	The service provider is committed to bring improvement to our hotel.							
SO2	The service provider tries to help us when we face problems.							
SO3	The service provider helps us with the tasks outside his core competencies.							
SO4	The service provider treated problems as joint responsibilities with our hotel.							
SO5	The relationship between our hotel and the service provider is a long- term venture.							
FX1	The service provider and our hotel are flexible with each other.							
FX2	The service provider and our hotel always reach mutual agreement on transactions.							
FX3	The service provider and our hotel are able to react to changing environment.							
FX4	The service provider has the ability to make adjustments in the relationship to cope with uncertainty.							
FX5	For unforeseen circumstances, our hotel and the service provider can reach into agreement easily.							
IE1	The service provider provides us useful information.							
IE2	The service provider informs changes in a timely manner.							
IE3	The service provider provides us confidential information.							
IE4	The service provider and our hotel share business knowledge at times.							
IE5	The service provider and our hotel exchange information for business planning.							
IE6	The service provider provides us with accurate information.							
TR1	The service provider made reliable promises.							
TR2	The service provider can be counted on to help us.							
TR3	The service provider is capable to fix any problem related to its service.							
TR4	The service provider can be counted on in the future.							
TR5	The service provider is willing to offer us support in any circumstances.							
TR6	The service provider considers our welfare as well as its own, when making important decisions.							
TR7	The service provider responds with understanding when we share our problems with him/her.							
TR8	The feedback from our service provider is useful.							
TR9	The service provider provides information that can be trusted.							
CO1	We will continue working with the service provider.							
CO2	We want to remain as a member of the service provider's network.							
CO3	We expect our relationship with the service provider to continue for a long time.							

		Strongly Disagree	Disagree	Slightly Disagree	Neither Disagree Nor Agree	Slightly Agree	Agree	Strongly Agree
	For the MOST important outsourcing activity at my hotel.....	1	2	3	4	5	6	7
CO4	We are unlikely to still be doing business with this service provider in future.							
CO5	We believe the service provider will provide better service in the future.							
CO6	We would be willing to make further investment in the service provider's service.							
ST1	The relationship of our hotel with this service provider has been an unhappy one.							
ST2	Our hotel is very satisfied with its relationship with this service provider.							
ST3	This service provider is a good company to do business with.							
ST4	Overall, we are satisfied with the services/products we get from this service provider.							
ST5	Overall, the service provider treats our hotel fairly.							
ST6	Our decision to contract with this service provider was a wise one.							
ST7	We think we did the right thing by outsourcing from this service provider.							
LO1	We would say positive things about our service provider.							
LO2	We would recommend our service provider to other companies.							
LO3	We intend to do more business with our service provider in the future.							
LO4	We would move to a new service provider that offers better prices.							
LO5	We would still continue doing business with our service provider regardless of the prices.							
LO6	We would inform other hotels if we experience problems with our service provider.							
LO7	We would report to external agencies if we experience problems with our service provider.							

THANK YOU FOR YOUR COOPERATION.

Appendix E: Common Method Bias Analysis

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	27.460	29.848	29.848	27.460	29.848	29.848
2	6.373	6.927	36.775	6.373	6.927	36.775
3	4.416	4.800	41.576	4.416	4.800	41.576
4	3.266	3.550	45.126	3.266	3.550	45.126
5	2.828	3.074	48.200	2.828	3.074	48.200
6	2.530	2.750	50.950	2.530	2.750	50.950
7	2.306	2.507	53.457	2.306	2.507	53.457
8	2.055	2.234	55.690	2.055	2.234	55.690
9	2.006	2.180	57.870	2.006	2.180	57.870
10	1.868	2.030	59.900	1.868	2.030	59.900
11	1.676	1.822	61.722	1.676	1.822	61.722
12	1.595	1.734	63.456	1.595	1.734	63.456
13	1.516	1.647	65.104	1.516	1.647	65.104
14	1.478	1.607	66.711	1.478	1.607	66.711
15	1.425	1.549	68.259	1.425	1.549	68.259
16	1.299	1.412	69.671	1.299	1.412	69.671
17	1.223	1.330	71.001	1.223	1.330	71.001
18	1.156	1.257	72.258	1.156	1.257	72.258
19	1.137	1.235	73.494	1.137	1.235	73.494
20	1.106	1.202	74.696	1.106	1.202	74.696
21	1.061	1.153	75.849	1.061	1.153	75.849
22	.939	1.021	76.870			
23	.891	.969	77.839			
24	.854	.929	78.767			
25	.830	.902	79.669			
26	.818	.889	80.558			
27	.750	.815	81.374			
28	.744	.809	82.182			
29	.696	.756	82.939			
30	.679	.738	83.677			
31	.656	.713	84.390			
32	.647	.704	85.094			
33	.614	.668	85.762			
34	.614	.667	86.429			
35	.564	.613	87.042			

Appendix E: Common Method Bias Analysis
(continue)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
36	.543	.591	87.632			
37	.530	.577	88.209			
38	.521	.567	88.776			
39	.479	.520	89.296			
40	.458	.498	89.793			
41	.444	.483	90.277			
42	.431	.468	90.745			
43	.417	.453	91.198			
44	.397	.432	91.630			
45	.388	.422	92.051			
46	.377	.410	92.461			
47	.355	.386	92.847			
48	.342	.372	93.219			
49	.334	.363	93.582			
50	.326	.354	93.936			
51	.319	.347	94.283			
52	.309	.336	94.619			
53	.299	.325	94.944			
54	.281	.306	95.250			
55	.265	.288	95.538			
56	.244	.266	95.804			
57	.236	.257	96.061			
58	.232	.252	96.313			
59	.214	.233	96.546			
60	.201	.219	96.765			
61	.194	.211	96.975			
62	.186	.202	97.177			
63	.174	.189	97.366			
64	.167	.182	97.547			
65	.163	.177	97.725			
66	.152	.165	97.889			
67	.148	.161	98.050			
68	.143	.155	98.205			
69	.138	.150	98.355			

Appendix E: Common Method Bias Analysis
(continue)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
70	.130	.141	98.497			
71	.119	.130	98.626			
72	.112	.121	98.747			
73	.107	.116	98.864			
74	.096	.104	98.968			
75	.089	.097	99.065			
76	.085	.092	99.157			
77	.080	.087	99.244			
78	.078	.085	99.329			
79	.073	.079	99.408			
80	.065	.071	99.479			
81	.061	.067	99.546			
82	.058	.063	99.609			
83	.054	.059	99.668			
84	.053	.058	99.725			
85	.046	.051	99.776			
86	.042	.045	99.821			
87	.034	.037	99.858			
88	.033	.036	99.894			
89	.030	.032	99.926			
90	.027	.029	99.955			
91	.022	.024	99.980			
92	.019	.020	100.000			

Appendix F : Mahalanobis d squared

Case No.	Mahalanobis	Case No.	Mahalanobis
94	29.543	106	3.05
34	12.558	43	2.948
55	8.733	142	2.914
81	7.981	158	2.8
120	7.536	102	2.798
157	7.536	17	2.786
32	6.934	123	2.761
54	6.695	115	2.724
49	6.672	92	2.566
7	6.554	107	2.556
119	4.831	134	2.417
36	4.749	136	2.407
9	4.624	147	2.359
145	4.576	8	2.269
19	4.44	129	2.23
21	4.415	108	2.229
35	4.383	111	2.197
74	4.383	104	2.117
90	4.373	156	2.027
101	4.367	31	2.015
63	3.985	62	1.995
69	3.888	96	1.994
86	3.875	15	1.949
87	3.762	79	1.923
148	3.749	155	1.904
143	3.534	98	1.87
139	3.513	73	1.811
77	3.478	60	1.809
97	3.339	37	1.74
126	3.243	122	1.676
23	3.124	89	1.633
105	3.05	4	1.623

**Appendix F : Mahalanobis d squared
(continue)**

Case No.	Mahalanobis	Case No.	Mahalanobis
53	1.531	25	0.681
80	1.453	33	0.639
133	1.449	65	0.639
18	1.429	114	0.639
50	1.415	91	0.638
38	1.34	153	0.622
67	1.318	39	0.608
61	1.299	42	0.601
100	1.299	130	0.569
41	1.289	110	0.561
64	1.247	135	0.558
47	1.245	26	0.549
144	1.193	52	0.549
109	1.162	138	0.547
5	1.12	121	0.538
124	1.098	22	0.489
1	1.098	112	0.484
150	1.097	146	0.471
117	1.037	30	0.467
48	0.97	72	0.46
58	0.968	3	0.452
95	0.935	137	0.448
127	0.931	125	0.417
46	0.928	154	0.407
140	0.927	152	0.376
128	0.892	13	0.374
20	0.877	88	0.371
83	0.87	159	0.367
24	0.817	56	0.323
12	0.786	151	0.299
103	0.749	10	0.295
11	0.71	76	0.293

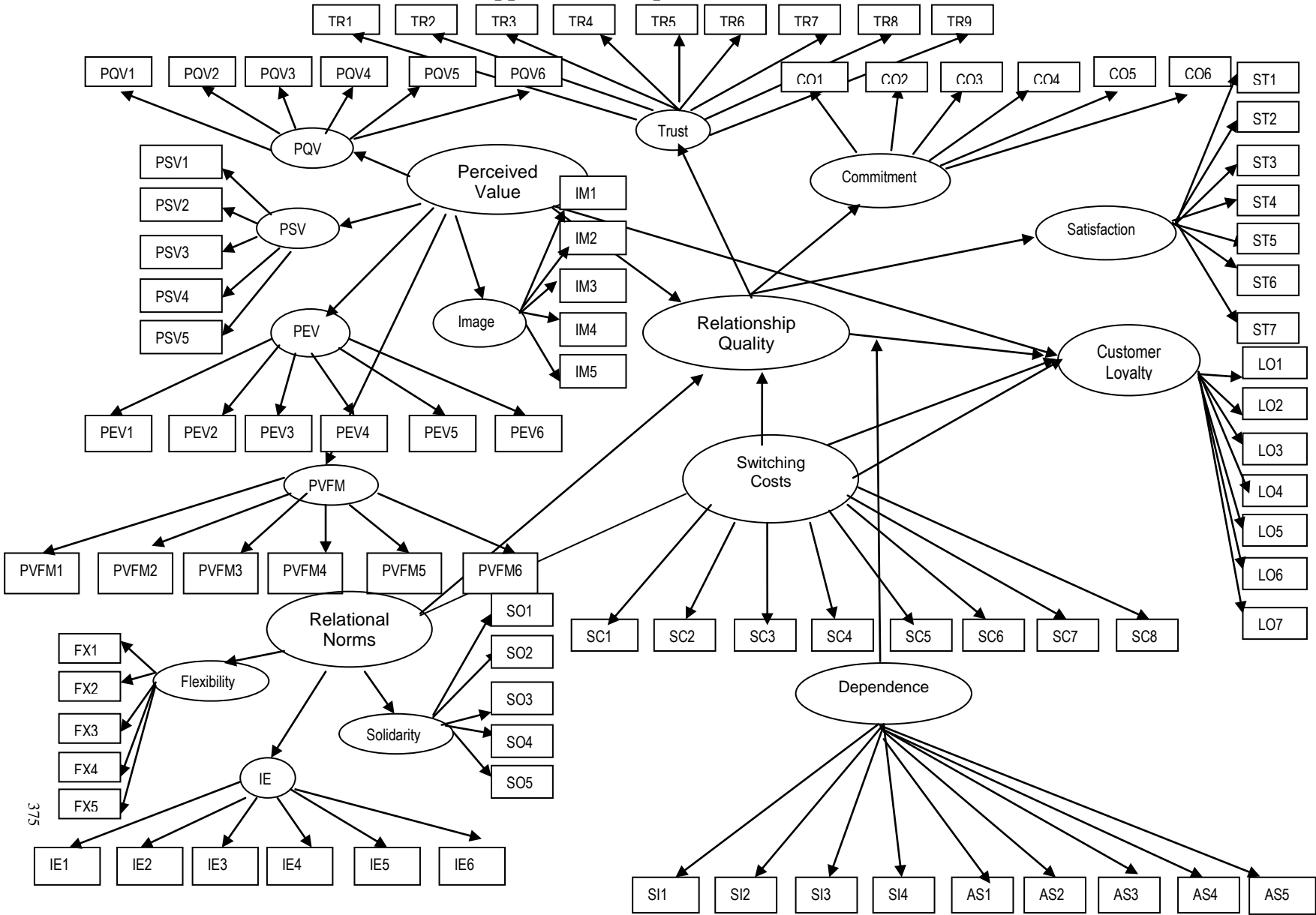
**Appendix F : Mahalanobis d squared
(continue)**

Case No.	Mahalanobis
113	0.293
40	0.282
45	0.225
82	0.225
28	0.21
68	0.186
131	0.186
16	0.186
51	0.186
78	0.186
149	0.186
116	0.171
59	0.151
66	0.151
27	0.15
132	0.15
6	0.146
44	0.116
84	0.116
85	0.116
57	0.102
14	0.096
2	0.094
93	0.086
71	0.069
118	0.063
99	0.062
70	0.038
141	0.033
75	0.006
29	0.005

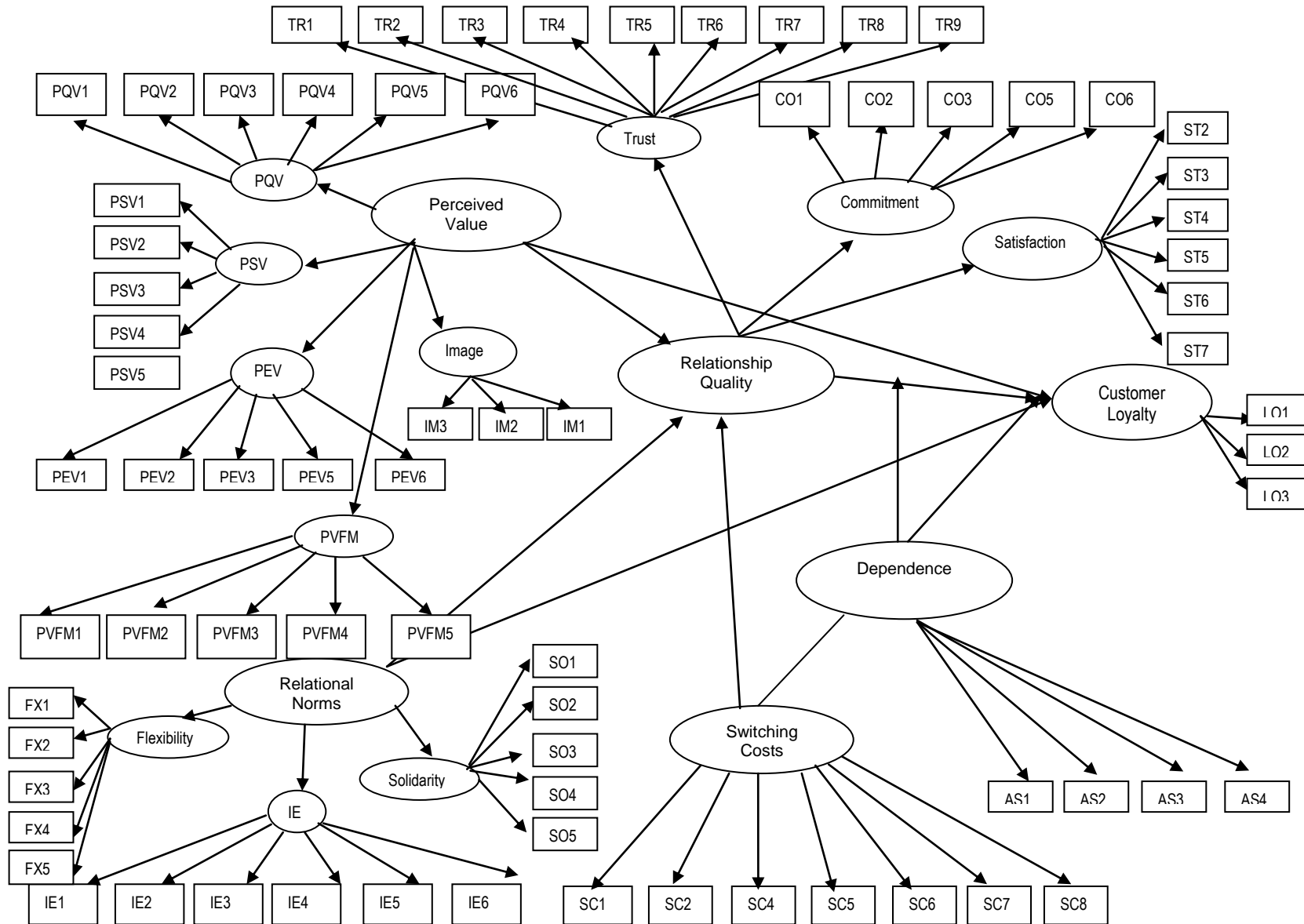
Appendix G : List of Hotel Managers that Participate in the Personal Interviews

	Position	Hotel Name	Type	Star Rating	Gender	Age
Hotel Manager 1	Finance Manager	Paradise Sandy Beach Hotel, Penang	Independent	4	Male	45
Hotel Manager 2	Finance and Administrative	Darulaman Suites, Jitra, Kedah	Independent	3	Female	40
Hotel Manager 3	Human Resource Manager	Intekma Resort and Convention Center, Shah Alam	Independent	3	Male	43
Hotel Manager 4	Assistant Account Manager	Harvard Suasana, Gurun, Kedah	Independent	3	Female	45
Hotel Manager 5	General Manager	Hotel Singgahsana, Petaling Jaya, Selangor	Independent	3	Male	47
Hotel Manager 6	General Manager	Hotel Seri Malaysia, Alor Setar, Kedah	Franchise	2	Male	65
Hotel Manager 7	Human Resource Manager	Juita Inn, Kota Bharu, Kelantan	Independent	2	Female	39
Hotel Manager 8	General Manager	Regent Hotel, Alor Setar, Kedah	Independent	2	Female	47

Appendix H: Proposed Research Model



Appendix I: Measurement Model



Appendix J: Structural Model

