

The Impact of Personal Connection on Customer Behaviours (Word-of-Mouth Intention and Retention) in Service Encounters

Abstract

In services marketing it is widely acknowledged that a relationship approach may facilitate in customer retention and enhance customer loyalty, and further influence customer post-purchase behaviours e.g. word-of-mouth. In this study, a specific relationship in service encounters, personal connections between customers and service employees, is explored in its indications on different outcomes from service encounters including three types of word-of-mouth behaviour intention and retention. The study takes China as the research context and conceptualise personal connection according to an equivalent concept “Guanxi” studied in marketing and management scope within Chinese culture. Further a three-dimension framework of “Guanxi” including dimensions of Ganqing (strength of personal connection), Xinren (trust), and Renqing (exchange of Social Capital) is applied to test potential effect of personal connection on different behaviours and intentions. The empirical study includes a quantitative survey on 301 service customers in China, and a Partial Least Square approach is applied to analyse the data. Xinren is found significantly positively influencing all behaviours and intentions, and Ganqing and Renqing are found to be affecting different types of word-of-mouth behaviour. It is interesting to find that Renqing has a negative effect on retention, suggesting that owing Social Capital to service employees becomes a burden to customers resulting in their intentions to defect.

Keywords: Personal Connection; Guanxi, Ganqing, Xinren, Renqing, Word-of-Mouth; Retention; Partial Least Square

1.0 Introduction

Building up a strong relationship with customers has been accepted by industries and academic as an important approach to retain customers in services. The longer a company maintains a relationship to its profitable customers, the more profit can be earned by means of it (Turnbull, Ford, & Cunningham, 1996). Long-term relationships generally profit companies (Reichheld & Sasser, 1990). High customer loyalty and low churn rates ensure the long-term business success and thoroughly loyal customers are the ultimate driver of a positive business development (Edvardsson, Johnson, Gustafsson, & Strandvik, 2000; Reichheld, 2004; Peppers & Rogers, 2005; Nerdinger & Neumann, 2007; Kotler, Keller, Brady, Goodman, & Hansen, 2009; Chen, Shen, & Liao, 2009; Huba, 2013).

Companies can take a more personal approach in establishing the relationships with customers, i.e. via building up personal connections between service employees and customers. Loyalty arises between two people much easier than between anonymous companies. Familiarity breeds sympathy - and thus willingness to buy. Trust takes time. It grows out of familiarity and is constructed by closeness and interpersonal conversations with a well-known person (Rus, 2005). A large part of research in the services literature has acknowledged the important of trust in maintaining satisfactory customer-service provider relationships (Crosby, Evans, & Cowles, 1990; Doney & Cannon, 1997; Dorsch, Swanson, & Kelly, 1998).

A service provider-customer relationship can be crucially beneficial to service providers: it would ensure revisiting customers who requires lower costs compared to obtaining new customers; it may encourage loyal existing customers to pass on positive word-of-mouth or recommendations to potential customers. In consequence, the most interesting questions arising are most likely: What effects have personal connections on customer loyalty, and further on word-of-mouth intention as well as customer retention?

Previous research in services marketing and customer relationship management has focused on how to foster a service provider-customer relationship from a management or marketing perspective taking the company/brand and customers into considerations. However, not many research have been done to study the personal connection and bond between a customer and one service employee or staff working for the service company/brand. In fact, personal connection may have a significant influence on the service provider-customer relationship, such as in the cases of choosing a hairdresser, lawyer, babysitter, or a cleaner. Having identifying a gap in the lack of research in this field, this study aims to understand how the existence of personal connection or bond will influence a customer's intentions in generating positive word-of-mouth in different circumstances, as well as his/her retention intention.

To set up the study context, the article starts with a literature review on personal connection (in the focus on the concept of "Guanxi" in Chinese culture), word-of-mouth intention and retention. Hypotheses are developed based on the conceptualisation of personal connection, word-of-mouth behaviours, and retention. Subsequently, an empirical study based in China is described, including the research methodology, and a description of the questionnaire and sample design. Finally the findings are presented and relevant theoretical and managerial implications are discussed, as well as suggestions for further research.

2.0 Conceptual Foundations

2.1 Personal Connection

Some research can be found in discussing how personal connections in services can positively influence on customers' perceptions and evaluations of the services. Coulter and Coulter (2002) find that in the early stages of a particular service relationship, "*person-related*" service provider characteristics (i.e. politeness, empathy, and similarity) have a greater influence on trust. Furthermore, as time passes by service representatives do not only need to be perceived as extremely competent in their ability to deliver the basic service package but also must be accompanied by timely and reliable delivery and individual product customisation.

In China, this personal relation/connection is defined as "Guanxi" in three aspects as follows in the Modern Chinese Dictionary (1998): (1) a statement of common functions and related impacts amongst things and (2) the networks on clear natural objects between two individuals or groups, (3) connections or participation. Guanxi contains that to make use of close links and associates, a network of intermediate to support the common business behaviours within the business circumstance (Bruun, 1993). Existing literature suggests that the guanxi conception is related to three constructs ganqing, renqing and xinren, (Hwang, 1987; Jacobs, 1979; Wang, 2007) which give an index to the quality of guanxi (Kipnis, 1997). Ganqing can be explained as "*sensation*" in English which including attachment, affection, and sentiment. It is a phenomenon that shows the sense of a certain communal relationship among each single person or between two groups, also an emotive addition that has occurred amongst members in a network (Wang, 2007). Renqing in the Chinese background is parallel to a favour or Social Capital maintaining (Wong & Leung, 2001) that could be delivered and established as a deal (Wang, 2007). Renqing is a compounded concept that includes courtesy exchanging and reciprocity principle (Hwang, 1987; Luo, 2001). The more of favours exchanged, the closer relationship of the two parties gets. That is the reason why Renqing is based on long-term reciprocity. Xinren can be explained as credit, belief, dependence, trust conceptions combined together of guanxi. In the category of business relationship, Xinren takes time to build which by the way of communication, participating business activities, favour exchanging within a certain network (Wong & Chan, 1999).

2.2 Word-of-mouth (WOM)

The first type of WOM in this study refers to that generated by one person and communicated to another person or a small group of people in private, such as WOM through conversation with family or friends via emails, instant messaging, telephone, etc. This type of WOM is referred to as one-to-one WOM. This contrasts with two other types of WOM behaviour. Many-to-many and one-to-many WOM relate to situations where residents may use Web 2.0 social media websites such as Facebook and twitter, as well as online communities such as TripAdvisor to influence a customer's service brand choice (Tussyadiah & Fesenmaier, 2009; Xiang & Gretzel, 2010). A group of motivations has been identified from previous studies. For instance, Anderson (1998) suggests the disconfirmation of consumption-related expectations may motivate WOM communication; Sundaram, Mitra, & Webster (1998) stress that there is a difference in motivating positive WOM and negative WOM; other motivations have also been identified such as involvement (Dichter, 1966), altruism (Sundaram, Mitra, & Webster, 1998), self-enhancement (Engel, Blackwell, & Miniard, 1993). The applications of these findings to services marketing have not been validated, while empirical examples

suggest the discussion on the motivation in generating positive WOM for a service may be more complex.

2.3 retention

Consumer retention can be described as an attitudinal reaction headed for a service company or a product brand from previous studies. It is believed that consumers more truthfully recollect information that relate to their culture background, educational stage and interests, standards and beliefs, than those that are different with their beliefs and opinions, picking out the messages which to save in the memory, reducing the amount of information (Arndt, 1967 cited in Carl, 2006).

2.4 Hypotheses

From previous studies, the nature of Guanxi is similar to social bonding. The impact of Guanxi to consumer behaviour can draw on the experience of social bonding. Therefore, a high level of Guanxi with a brand leads to high behaviour intention related to a brand such as retention and word of mouth. It is suggested that Ganqing, Renqing and Xinren have different impact on these behaviours. As the intimate dimension of Guanxi, Ganqing is hypothesised to have a positive influence on word-of-mouth behaviour in private conversations, while Renqing as a form of favour exchanging may have a positive effect on word-of-mouth intention in a more public context. As to retention, Guanxi is in general considered to be positively influencing customers' intention to stay with the service provider. However, the owing of Renqing (Social Capital) may lead to difficulties in expressing authentic opinions for customers especially when these opinions are negative or critical. When customers feel not able to be straightforward they may choose to defect. Hence the hypotheses are:

H1: There is a positive relationship between Ganqing and one-to-one WOM intention.

H2: There are positive relationships between Xinren and all types of WOM intentions.

H3: There are positive relationships between Renqing and one/many-to-many WOM intentions.

H4: The more Xinren there is, the less a customer intends to switch services.

H5: The more Renqing there is, the more a customer intends to switch services.

3.0 Research Methodology

3.1 Data Collection & Measurement

A survey approach was employed to test the hypotheses. Data was collected from different cities in China. Most of the items selected in the questionnaire are from past research which has been shown able to be reliably applied to a different context. This study used a stratified sample of 301 customers who have used a certain service. The survey was conducted from November 2014 through March 2015. Data was analysed using Smart PLS software. PLS based Structural Equation Modelling (SEM) was used to identify relationships among the constructs in the hypotheses.

Previous research on WOM has used a single-item Likert-type scale to assess the effectiveness of WOM (Swan & Oliver 1989; Singh 1990; Danaher & Rust 1996). Another main stream of research on WOM measures the intention of WOM instead of actual action (Danaher & Rust, 1996). The measurement of WOM intention in this study is applied from

different empirical studies in different research realms. Arnett, German, & Hunt (2003) developed a three-item scale to examine the general WOM. This measure was applied by Morhart, Herzog, & Tomczak (2009). In the present study, this measure was applied to test one-to-one WOM behaviour intention. In addition a three-item scale on retention was replicated from the same study, and the scale was reversely coded as intention to switch. One-to-many and many-to-many WOM measurements were respectively adopted from Hsu, Ju, Yen, and Chang (2007) and Lu, Lin, Hsiao, and Cheng (2010). Yen, Barnes, and Wang's (2011) GRX scale was applied to test the dimensions of Guanxi.

3.2 Data Analysis and Results

This study used a random sample of 301 Chinese customers from mainland China who are currently using a service. The demographic profile information of the respondents is listed in Table 1 (in the appendix).

The standard coefficients and statistical significance of parameter estimates are shown in the structural model (Figure 1 in the appendix). Examination of the structural parameter estimates for the model indicates that, the path from Ganqing to one-to-one WOM, the paths from Renqing to one-to-many and many-to-many WOM, and the paths from Xinren to all three WOM are evident since the parameters are statistically significant. The path from Xinren to retention is statistically significant and the coefficient is negative. This is because retention is negatively coded in the questionnaire and measurement. In addition, the path from Renqing to retention is statistically significant and the coefficient is positive. All t values are outside the threshold range of ± 1.96 to be considered significant (Byrne, 2001).

4.0 Discussions, Conclusions and Implications

In this study, WOM behaviours and intentions were categorised into three types to illustrate WOM in different forms and on different platforms. Different dimensions of Guanxi were found having different influences on the outcome constructs i.e. the behaviour intentions.

First of all, the factor loadings for each constructs included in the study were satisfactory. All loadings from the items included were larger than 0.7, indicating a satisfactory degree of reliability. Secondly, all hypotheses were tested and supported by the sample with significant outer loading and coefficients. All t-values were found larger than 2.3 and some were up to 7, suggesting significant relationships found in the sample between tested constructs.

In general, the results illustrate a strong positive and direct relationship between personal connection (i.e. Guanxi in this study) and different post-purchase behaviours including WOM and retention. The results are consistent with previous research on the focus of relationship approaches in services marketing. In addition, strong relationships were found between different dimensions of Guanxi and different dimensions of WOM. The findings suggest that Ganqing as an intimate dimension of personal connection remains a key factor to influence how a customer talks up his/her service experiences in a private conversation, and that Renqing has a significant effect on how a customer positively mentions the service in public as a form to return the favour. Xinren or trust remains a key factor to generally motivate customers to generate positive WOM on different platforms, which is consistent with previous consumer research in services marketing. These results suggest that Chinese service providers may foster personal attachment between existing customers and service staff to encourage referral, and give out small favours to customers to motivate them in generating

positive comments and mentions on social media and group conversations as an alternative C2C communication campaign. On top of these, trust between customers and service providers have a crucial effect on how much customers are motivated in C2C communications.

In addition, Xinren (trust) is significantly important in the decision whether to switch to a new service provider for customers. The implication is clear: for service providers to build up trust remains the first priority in retaining existing customers. On the other hand, the negative relationship between Renqing and retention needs more attention from both Chinese academic and service industries. A service provider needs to balance on doing favours for customers to keep them grateful, while not scaring them away by giving out too much.

Future research may be taken to explore why the relationship between Renqing and retention is negative, and to compare customers and service industries in different cultures on what role personal connection may play in motivating behaviours.

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Appendix

Table 1 Demographic Profile of Respondents

Sample Size (n)		301
Age		%
	18–25	26
	26–35	24
	36–45	23
	46–55	27
Gender		%
	Male	51
	Female	49
Education		%
	Postgraduate	16
	Bachelor degree	52
	Diploma	20
	Certificates	6
	High school or less	6
Income		%
	<¥ 20K	34
	¥20K to ¥49,999	25
	¥50K to ¥99,999	25
	¥100K to ¥199,999	9
	¥200K to ¥499,999	4
	¥500K or more	3

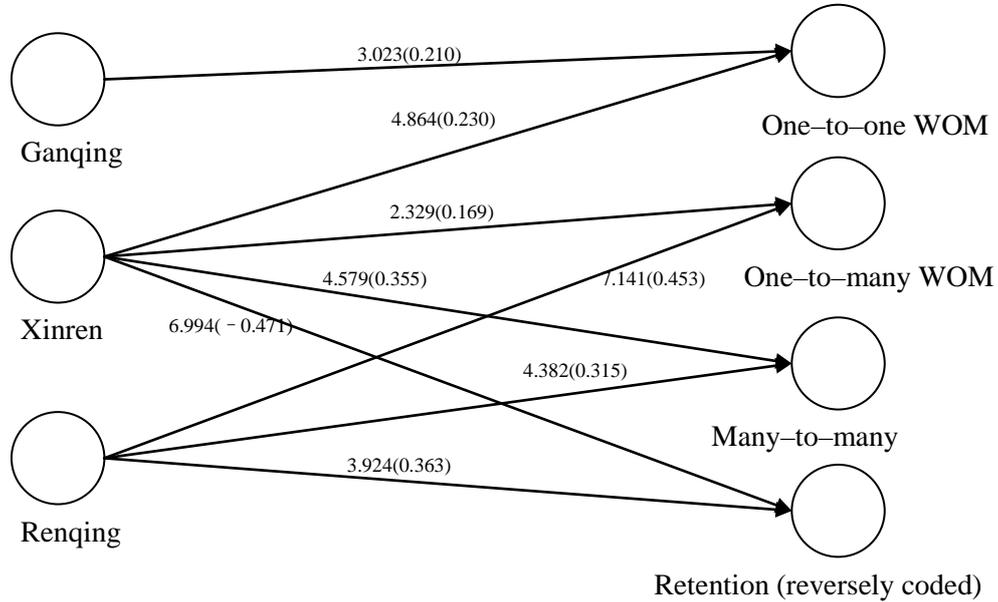


Figure 1. Structural Model: t value (coefficient)