Customer Relationship Practices of Five Star Hotels in Bangladesh

A Thesis Submitted in Fulfillment of the Requirements for the Award of Doctor of Philosophy in Marketing, Faculty of Business Studies, University of Dhaka

December
2015

By

SARA SARWARI
PhD Session: 2011-2012
Registration No: 131/2011-2012

Under the Supervision of
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DEDICATION

Dedicated To

My Wonderful Parents, Husband, My Three Sisters

And Loving Son Nameer Nusayr Ahmed

DECLARATION

I, Sara Sarwari, declare that the PhD thesis *Customer Relationship Practices of Five Star Hotels in Bangladesh* is a presentation of my original research work. Wherever contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature, and acknowledgement of collaborative research and discussions. The work was done under the guidance of Professor Dr. Razia Begum, Department of Marketing, Faculty of Business Studies, University of Dhaka.

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ACKNOWLEDMENTS

Those who completed their PhD would agree that, the end of it is one of the most satisfying events in one's life, looking back to the process leaves us wondering how it was ever accomplished. It's been a very wonderful journey to write a thesis, especially the parts concerning the understanding of how real world business works. After all those late nights and early mornings, I finally finish my PhD by the grace of Almighty Allah.

I would like to appreciate those who supported me in different ways.

At first I thanks to my supervisor Professor Dr. Razia Begum for her valuable guidance and support during this journey. I am deeply indebted, as her constructive criticism kept me constantly focused. I was very fortunate to be under her supervision, as she guided me in every single step in my research.

I also acknowledge with gratitude the support of Nasrin Akter, Associate professor, Faculty of Business Studies, University of Dhaka, who provided me the valuable assistance, especially in structural equation modeling (SEM).She showed a great deal of interest in discussing and giving feedback on most of the part of my thesis.

I want to thanks to Hasan Al Mamun, Assistant Professor, United International University, who has been a source of inspiration. I greatly appreciated his support and encouragement at the beginning of my thesis.

Along with those mentioned above, thanks go to my father in-law, my colleagues and friends for their love and company throughout this process. Their company distracted me from the loneliness encountered in the research process.

Finally, my enormous thanks are due to my family who were always in my mind and heart during this journey. Thanks to my sisters for their encouragement, inspiration, and strength. My husband, whose support allowed me to achieve this academic milestone. Specifically, I would like to thank my wonderful father and mother who have always supported me and taught me how to strive to achieve my goals and dreams. My mother always wanted to have a Doctor in the family. Well now you do have one! At long last!

Lastly, a very special thanks goes to my loving son Nameer Nusayr Ahmed, for not bothering me so much and help me to complete my thesis smoothly.

I thank you all!

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ABSTRACT

To keep the customer loyal, today relationship marketing get more and more attention in hospitality industry especially in the hotel business. It is necessary to keep in mind that acquiring new customers is far more expensive than maintaining existing ones. Different researchers prefer different antecedents to achieve this aim. In response, this thesis develops a model of relationship marketing to empirically investigate: (1) the affect of relational bonds (financial, social and structural) on customer emotions; (2) emotions on relationship quality; and (3) the ultimate affect of both relationship quality and emotions on customer loyalty. In particular, this thesis seeks to investigate the role of the emotions variable as a consequence of relational bonds (financial, social and structural), and antecedent of relationship quality. Here empirical findings are derived from a survey of 284 loyal guests at five-star hotels in Bangladesh by using structural equation modeling (AMOS 21.0). The findings of this thesis mostly support the hypothesized relationships proposed in the theoretical model. Specifically, the results revealed that financial, social are important in affecting relationship quality and whereas structural bonds are needed to create positive emotions of the customer. The results also provide strong evidence of the relationship between emotions and relationship quality, which in turn are necessary determinants of customer loyalty. The emotion, which is considered to be an important construct here is used never before to investigate the loyalty of the customers in five star hotels in Bangladesh. By using this construct the model become a complete one within a hospitality context. Findings imply the need of relational bonds in service firms especially in hotels business, to increase the positive emotions of customers which in turn increase the relationship quality between the hoteliers and the customers so that more loyal customers are introduce in the five star hotels in Bangladesh and make the hotels pursuit more competitive advantage, and long-term profit.

LIST OF ABBREVIATIONS

AMOS	**Analysis of Moment Structure**
AGFI	**Adjusted Goodness-of-Fit**
AVE	**Average Variance Extracted**
CFA	**CFA Confirmatory Factor Analysis**
CFI	**Comparative Fit Index**
CR	**Composite Reliability**
CR	**Critical Ratio**
DF	**Degree of Freedom**
EFA	**Exploratory Factor Analysis**
ML	**Maximum Likelihood**
NFI	**Normed Fit Index**
GFI	**Goodness-of-Fit Index**
PAD	**Pleasure-Arousal-Dominance**
RM	**Relationship Marketing**
RMSEA	**Root Mean Square Error of Approximation**
SEM	**Structural Equation Modelling**
SD	**Standard Deviation**
SPSS	**Statistical Package for Social Science**
TLI	**Tuker-Lewis Index**
WOM	**Word of Mouth**

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To keep the customer loyal, today relationship marketing gets more and more attention in hospitality industry especially in the hotel business. It is necessary to keep in mind that acquiring new customers is far more expensive than maintaining existing ones. Different researchers prefer different antecedents to achieve this aim. In response, this thesis develops a model of relationship marketing to empirically investigate: (1) the affect of relational bonds (financial, social and structural) on customer emotions; (2) emotions on relationship quality; and (3) the ultimate affect of both relationship quality and emotions on customer loyalty. In particular, this thesis seeks to investigate the role of the emotions variable as a consequence of relational bonds (financial, social and structural), and antecedent of relationship quality. Here empirical findings are derived from a survey of 284 loyal guests at five-star hotels in Bangladesh by using structural equation modeling (AMOS 21.0). The findings of this thesis mostly support the hypothesized relationships proposed in the theoretical model. Specifically, the results revealed that financial, social are important in affecting relationship quality and whereas structural bonds are needed to create positive emotions of the customer. The results also provide strong evidence of the relationship between emotions and relationship quality, which in turn are necessary determinants of customer loyalty. The emotion, which is considered to be an important construct here is used never before to investigate the loyalty of the customers in five star hotels in Bangladesh. By using this construct the model become a complete one within a hospitality context. Findings imply the need of relational bonds in service firms especially in hotels business, to increase the positive emotions of customers which in turn increase the relationship quality between the hoteliers and the customers so that more loyal customers are introduce in the five star hotels in Bangladesh and make the hotels pursuit more competitive advantage, and long-term profit.

INTRODUCTION

Today customer relationship marketing get more attention by academics and practitioners , because the economic as well as competitive advantages can be achieved by retaining existing customers as well as recruiting new ones (Anderson et al., 1994; Price and Arnold, 1997; Verhoef, 2003; Ndubisi, 2007). In order to remain competitive, firms need to build and enhance customer relationships by delivering value, which can't be satisfied by the core product alone (Zineldin, 2006).

For hotel businesses, loyal customers are more profitable because they are more attached to the hotel and easier to serve than those of non-loyal customers (Tepeci, 1999). Bowen and Shoemaker (1998) justify that that a small increase in loyal customers can result in a substantial increase in profitability. Further, Kim and Cha (2002) argue that the more the customer stays in the hotel, the more profitable it is for the hotel. According to Reichheld and Sasser (1990), hotels could improve their profits from two to eight percent by reducing customer defections by five percent. The benefits of customer relationship marketing, however, are not limited to service firms. Customers benefits include provide the information as needed, customization of product and services (Crosby et al., 1990), and reduced the purchase risk and give them more psychological comfort (Bejou, 1997; Grönroos, 2004; Berry, 2002).

In this thesis five-star hotels had been chosen because different research indicates that relationship marketing practice are occurred more in five star hotels than in midrange or budget hotels (Kim and Cha, 2002). The focus of this thesis was to find out how the customers view their relationships with hoteliers.

Here two five stars hotels in Bangladesh were included among the three five star hotels in Bangladesh (Pan Pacific Sonargaon hotel, Radisson Water Garden hotel and Westin hotel): Pan Pacific Sonargaon hotel, Radisson Water Garden hotel. To fulfill the requirements of a five star hotel, these three five star hotels in Bangladesh try to provide as much facilities as possible to their customers. Most of the hotels have more than 240 rooms with ample space, the finest furnishings and decor, premium bedding, and luxury bath products. Room amenities generally include high-speed Internet access and CD and/or DVD players, 24 hours room services. These hotels try to offer additional recreation facilities such as tennis court, On-site spa services, a top-notch fitness centre, and a pool. All of them have well planned dining facilities with different price ranges restaurant. These help the hotels to get on an average 35% to 55% repeated visitors in a year vary on the basis of hotel's facilities. This thesis will help managers of these hotels to deal with more different types of guests, with relevant information and can improve their relationship marketing programs and can increase the percentage of repeated visitors every year.

LITERATURE REVIEW

Within the relationship marketing literature, relational bonds including financial, social, and structural bonds have been treated as main components in buyer-seller relationships (i.e., Arantola 2002; Håkansson, 1982; Liang and Wang, 2005; Lin, Weng, and Hsieh, 2003). Bonds have been defined as "psychological, emotional, economic, or physical attachments in a relationship that are fostered by association and interaction and serve to bind parties together under relational exchange" (Smith, 1998, p. 78). Here the author discuss about these three types of bonds, before moving on to a discussion of the outcomes of increased relational bonds.

Financial Bonds

Financial bonds are referred to as frequency marketing or retention marketing, where the service provider uses economic benefits to secure customer loyalty (Berry and Parsuraman, 1991; Berry, 1995). Sometimes non-monetary, time savings are also proposed as 'financial' bonds, (Lin, Weng, and Hsieh, 2003). An example of financial bonds is a hotel chain providing free or discounted travel services to frequent guests through loyalty programs (Berry and Parsuraman, 1991). In Bangladesh, five star hotels try to provide discounts to those customers who always prefer their hotel to stay and during their check in, this kind of financial bonds are mostly provided. Berry and Parsuraman, (1991) and Berry (1995) point out that the problem associated with financial bonds is that they are the easiest type of bond for competitors to imitate.

Social Bonds

Social bonds represent personal ties between the consumer and organization, i.e. interpersonal relations, friendships and identifications. Berry and Parasuraman (1991) and Berry (1995) referred to social bonds as intermediate level where the service provider goes further than price incentives to build lasting relationships with the customer, building social bridges for securing customer loyalty. Liang and Wang (2005) also point out that firms build friendship by giving gifts to their customers, which serves to build stable relationships and enhance relationship quality. In Bangladesh five star hotels provide different types of gift for their loyal customers such as, as a member of Global Hotel Alliance, Pan Pacific Sonargaon hotel provide their customers with different types of traditional saris like Mosline, Jamdani. That's why the author prefers social bonds for this study.

Structural Bonds

Structural bonds are considered the highest level of relationship marketing as companies can maintain their relationships with customers through adding structural ties in addition to the financial and social relationship (Berry and Parasuraman, 1991, Berry, 1995). For example, the Scandic hotel chain introduced WAP-based technologies (i.e. web based communication) to improve communication with their customers (Louvieris, Driver, and Powell-Perry, 2003). Regular guests were provided with a WAP-enabled device, on which to access reservation and other information, which provided value-adding services for customers that were not readily available elsewhere. In Bangladesh, though the hoteliers can't provide WAP facilities, but try to provide the respected and renowned persons with personalized services.

Relationship Quality

Relationship quality has been used as one of the relationship outcomes in the proposed model in this study. Relationship quality has been viewed as "an overall assessment of the strength of the relationship and the extent to which it meets the needs and expectations of the parties based on a history of successful encounters or events" (Smith, 1998, p.78). While there is no specific components comprising relationship quality construct, there is general agreement that customer satisfaction with the service provider's performance, trust in the service provider, and commitment to the relationship with the service firm are key components of relationship quality (Palmer and Bejou, 1994; Dorsch et al., 1998; Smith, 1998, Hennig-Thurau, 2002; Palmatier et al., 2006; Wang et al. 2006). As pointed out by Garbarino and Johnson (1999), these three dimensions (or evaluations) can be used to summarize a consumer's knowledge and experience with a particular service provider and lead to subsequent consumer actions. Recently, Palmatier et al. (2006) identified that trust; commitment and satisfaction are the dimensions of relationship quality that most often studied. In accordance with Smith (1998) and De Wulf et al. (2001), the proposed model

treats these dimensions as interrelated rather than separate variables because it is hard for the customers to make distinctions between these three dimensions (DeWulf et al., 2001). As these three dimensions form the basis for in depth understanding of relationship quality in this study, they are discussed separately below:

Trust

Trust is an important factor in affecting relationship marketing and customer loyalty. If one party trusts another, such a party is willing to develop a positive relationship with other party. The more the customer trust the service provider, the more they satisfied with them and committed for the organization, which ultimately create loyalty. Trust as an element of customer loyalty has an influence on building customer loyalty (Aydin & Ozer 2005: 146; Chen & Xie 2007: 64; Du Plessis 2010: 91–92).

Satisfaction

Roberts-Lombard (2009: 73) defines customer satisfaction as "the degree to which a business's product or service performance matches up to the expectation of the customer. If the performance matches or exceeds the expectations, then the customer is satisfied, if performance is below par then the customer is dissatisfied". There is a direct link between relationship quality and satisfaction (Balaji 2009: 54–55). If a customer feels that he has a satisfying relationship with the organization, he may continue his relationship with that organization. (Rootman 2006: 77).

Commitment

According to Morgan and Hunt (1994), commitment comes from trust, shared values and the belief that it will be difficult to find another one that can offer the same value. Customers who are committed to a relationship might be act in a same way because they need to remain consistent with their commitment (Liang & Wang 2005: 66). More committed customers tend to form a positive overall impression of the total duration of the relationship, including different transactions, positive and negative, and these customers exhibit strong intentions to stay in the relationship (Du Plessis 2010: 96).

Customer loyalty

Customer Loyalty is considered as the most important part of relationship marketing (Palmer, 1994); and central to the paradigm of relationship marketing (Hart et al., 1999). The significance of this loyalty came from the idea that maintaining a customer is more profitable than winning a new one because: (1) the cost is less in serving loyal customers than other customers (2) A very few loyal customers are price sensitive, and (3) loyal customers spend more with the company than others (Berry and Parasuraman, 1991; Dowling and Uncle, 1997; Bowen and Shoemaker, 1998; Tepeci, 1998; Noon et al, 2003). Customer loyalty is also one major driver of success in the hospitality industry (the context of this thesis). Pullman and Gross (2004) acknowledge that loyal customers are the key to success in the hospitality setting. Bowen and Shoemaker (1998) also maintain that a small increase in loyal customers can result in a substantial increase in profitability. Further, Kandampully and Suhartano (2000) claim that, for the future survival of hotel organizations, customer loyalty is a necessary prerequisite. Furthermore, Tepeci (1999) found that loyal customers are more profitable because they are easier to serve than non-loyal customers. From a customer perspective, Reichheld (1996) maintains that customers are willing to invest their loyalty in businesses that can deliver superior value relative to competitors. Similar to this, Yang and Peterson (2004) also acknowledge that there is a tendency for customers to avoid searching, locating, and evaluating purchase alternatives, which predisposes them to be loyal to one

company. That is, when customers become loyal, they tend to avoid such processes that consume the time and effort required to be accustomed to new vendors.

RESEARCH PROBLEM

Today globally the hospitality industry is facing a more competitive environment that is forcing it to develop more loyalty opportunities and sustain them, the question is then that whether there is any successful component of a relationship marketing, which can lead to enhance loyal customers? This question leads to develop a thesis on customer relationship marketing, which can be used in securing customer loyalty in five star hotels.

The more the bonding is provided to the customers, the more committed the consumer will become. Though there is empirical evidence that suggest that relational bonds are associated with relationship quality (Smith, 1998; Wang et al., 2006), a number of critical research gaps remain there and one of these gaps is a lack of systematic investigation into the impact of relational bonds – financial, social and structural - on customer emotions in five star hotels in Bangladesh.

Today the emotional response of customers is becoming an important part in relationship marketing. Barnes (1997, p.774) argued that, "a relationship cannot be thought to exist without emotional content." Hence, this study proposed a relationship marketing theory in which relationship quality was not only the variable influenced by relational bonds – financial, social and structural-but customer emotions was also hypothesized to be an important variable.

Furthermore, this thesis also investigates the affect of emotions on relationship quality, as this association is important in customer relationship development. Although Shammout (2007) is the only researcher who investigate the association between emotions and relationship quality, but he did it only to find out the link between emotions and relationship quality in the Middle East five star hotels not anywhere else. This suggests that there was another gap in the literature that needs to be explored. Accordingly, the following four questions set out the problem of this thesis:

1. What are the common characteristics of successful relationship marketing programs that lead to customer loyalty?
2. What is the significant influence of relational bonds on relationship quality and customer emotions for customers of five-star hotels in Bangladesh?
3. Do emotions of customers influence relationship quality and customer loyalty?
4. Is relationship quality important in determining the loyalty that customers have with five-star hotels in Bangladesh?

RESEARCH AIMS

In order to answer the above research questions, the aims of this study were given below:
- Find out whether relational bonds – financial, social & structural bonds, relationship quality and emotion are the important components of relationship marketing program that make loyal customer for a hotel in Bangladesh or not.
- Find out whether relational bonds have any influence on relationship quality and customer emotion.
- Investigate the role of emotions in the course of relationship development as a consequence of relational bonds and as an antecedent to relationship quality, and ultimately customer loyalty.
- Investigate whether relationship quality serves as a predictor of customer loyalty.

THE SOCIO ECONOMIC STATUS OF THE HOTEL BUSINESS IN BANGLASESH

The hotel and hospitality sector has been growing steadily in Bangladesh due to the economic growth, rise in export earnings and high turnout of tourists as well as corporate clients. Industry insiders said local tourist are increasingly visiting Cox's Bazaar, Chittagong, Sylhet and Kuakata now than 10 years back as a new middle-class has emerged within the country who like to travel twice a year in the lucrative places of the country.

Demanding the government to reduce VAT, which is now 15 per cent, the entrepreneurs suggested that revenue collection will go up by twice or thrice if the rate is lowered to single digit. They also said the government should take an aggressive drive to brand the country as this will give an exposure of the country abroad that in turn would woo in-bound tourists.

According to the 2013 Hotel Industry Report by Bangladesh Bureau of Statistics, the country's hotel industry has seen a consistent growth of over 7.5 per cent annually since 2008, which is fuelled by the growth of the domestic middle class and high GDP growth rate. The direct contribution of the hospitality industry to the country's gross domestic product (GDP) is likely to rise by 8 per cent in 2015, which was Tk 243 billion in 2014, according to industry experts. In 2014 this industry contributed Tk 222.6 billion in GDP (2.1 percent of the total GDP), which is also 8 percent higher than the previous year that means in 2013. The investment in the hospitality industry was rise by 3.4 percent in 2014 than in the year 2013, which was approximately Tk 40.5 billion. According to World Travel and Tourism Council (WTTC), in 2013 hospitality industry directly supported 0.13 million jobs (1.8 percent of total employment) and this was rise by 4 percent in 2014. According to Tour Operators Association of Bangladesh (TOAB) the present volume of domestic tourism has been increasing as about 1.5 million tourists including 5 per cent foreigners visited Cox's Bazar in 2013. Dhaka Regency, the Six Seasons Hotel and the Le Meridien. Industry experts say the capital now has around 2,200 five-star rooms. While these hotels achieve full occupancy only during the winter months, an average occupancy rate of around 65-70 per cent throughout the year is good enough to keep the business profitable. An additional 1,000-1,200 five-star hotel rooms will be added as a number of international chains and local conglomerates plan to build more hotels in the capital in the next 2-3 years.

Apart from lodging and dining, the five-star hotels are catering to various other needs of the customer. Most of the hotels have walked the extra mile regarding business development for tapping the potential of the MICE (Meetings, Incentives, Conferencing and Exhibitions) sector that means general meetings of companies, press briefings, weddings and cultural-themed occasions are revenue generators. Not only that, hotels are serving people during special occasions. People flock to luxury hotels for celebrating Christmas, Pahela Baishakh, Valentine and Eid days and the hotels make special arrangements for them.

Among the many five star hotels, Dhaka Radisson Water Hotel and Pan Pacific Sonargaon Hotel have contributed to the national exchequer to the tune of approximately Tk 700 million. Not only these luxury hotels but some 100 small and medium sized hotels in Chittagong, Sylhet and Bogra are also doing sound business.

Bangladesh can reach the upper ladder of the economic development by promoting tourism, particularly the eco-tourism that has tremendous potentials. The hoteliers need to launch a massive campaign to improve its image in a bid to attracting tourists as the country has rich culture, historical monuments and natural beauty. The government can sponsor holding of festivals, exhibitions, seminars and symposiums to promote travel and tourism. Tax holiday

facilities, extensive training, increased government budget and a long-term policy will give a boost to the tourism and hospitality industry that holds tremendous potentials in Bangladesh.

CONCEPTUAL FRAMEWORK

This thesis is concerned with advancing the understanding of the long-term relationships, focusing on loyal customer within a hospitality service. Furthermore, for the first time linkages between relational bonds − financial, social and structural − and emotions, emotions and relationship quality have been integrated into one relationship model in Bangladesh context. This addresses a gap in the literature by providing a more complete model within the context of relationship marketing of five star hotels in Bangladesh. This is consistent with Anderson and Kumar (2006), who argue that even though many scholars have attempted to explain the development of buyer-seller relationships, few have paid attention to the role played by emotions in this process. In accordance with Anderson and Kumar (2006), this thesis then seeks to contribute to the existing literature by investigating the integration of emotions as an important component in buyer-seller relationship development. Though Shammout (2007) investigate the relationship among these variables but his research is based on Arab five star hotels only. In Bangladesh no research is based on five star hotels and no theses is done to show the link between relational bonds, relationship quality and customer loyalty and the effect of emotion on them in hotel businesses in Bangladesh. Based on the preceding literature review (see Chapter Two), the conceptual framework of the present research, shown in Figure 3.1, includes five main hypotheses, which will be tested. Hypotheses (H1a, H1b and H1c) and (H2a, H2b and H2c) reflect the influence of each type of relational bond - financial, social and structural - on relationship quality and customer emotions, respectively. Hypotheses H3 and H4 identify the effect of emotions on relationship quality and loyalty, where hypothesis H5 proposes the linkage between relationship quality and loyalty. In order to provide a more complete understanding of the cause and effect of these hypotheses, this chapter explains the consequences of relational bonds - financial, social and structural − relationship quality, and customer emotions. However, there is no hypothesized consequence of loyalty, as it is the final predicted construct in the proposed model. In this model, relational bonds have been treated as exogenous constructs, while relationship quality, emotions and loyalty have been treated as endogenous constructs.

Fig 1: Conceptual Framework of the Research (Shammout 2007)

RESEARCH METHODOLOGY

Nature of the research

When a particular phenomenon is under study, the research is needed to describe it, to clarify and explain its inner relationships and properties (Huczynski and Buchana, 1991). The descriptive research is focusing on an accurate profile of people, events or situations (Robson, 1993). Descriptive research in contrast with exploratory research answers the who, what, where, when, why and sometimes how questions by surveying data. The concern in causal analysis is how one variable affects, or is "responsible for," changes in another variable. Here the research purpose and research questions indicate that this thesis was mainly descriptive and causal research because the author wanted to answer 'what' question through survey and wanted to find out the causal relationship between independent variables(relational bonds) and dependent variables(customer emotion, relationship quality and customer loyalty).

Sample Design

The samples of the thesis were the loyal guests of three five-star hotels in Bangladesh who prefer to stay there not less than three nights a year in a hotel. Five star hotels were selected because, as previous research indicates, five-star hotels use relationship marketing practices more frequently than mid-range or budget hotels (Kim and Cha, 2002).Questionnaires were given out to the guests who are staying on those hotels. Using this procedure, 300 questionnaires were received from the guests in two hotels (Pan Pacific Sonargaon hotel, Radisson Water Garden hotel)

Hypotheses

The hypotheses that the author proved were as follows:
- H1a: Financial bonds will positively affect relationship quality.
- H1b: Social bonds will positively affect relationship quality.
- H1c: Structural bonds will positively affect relationship quality.
- H2a: Financial bonds will positively affect emotions.
- H2b: Social bonds will positively affect emotions.
- H2c: Structural bonds will positively affect emotions.
- H3: Customer emotions will influence relationship quality.
- H4: Customer emotions will influence customer loyalty.
- H5: Relationship quality positively affects customer loyalty.

Questionnaire Design

The questionnaire was developed using 5-point Likert type scale, where for bonds, relationship quality and loyalty, the author use strongly agree to strongly disagree (1= strongly disagree) to (5 = strongly agree) and for emotion, never to very often that means (1= never) to (5= very often). With exception of the demographic questions, the instrument included a total of 64 items, reflecting the constructs of interest. These items were taken from previously valid scales (i.e., 17 items for relational bonds, 13 for relationship quality, 23 for emotions, and 11 for loyalty).

Data collection

Data for the research were collected using a quantitative, survey-based methodology. This approach is important when causal relationships among the theoretical constructs need to be examined. Survey questionnaire were considered to be the most appropriate tool. This method can be applied to a large sample size as it is quick, inexpensive, and efficient. (McCelland, 1994; Churchill, 1995, Sekaran, 2000; Zikmund, 2003).

Data Analysis

Descriptive analysis for the entire sample was performed using AMOS 21. Here in the structural model relational bonds- structural, financial and social bonds were exogenous variables and relationship quality, emotions, customer loyalty were endogenous variables. The statistical analysis may range from simple univariate analysis to multivariate techniques leading to test the statistical significance of the result. Here Statistical Mediation Analysis was used to prove, whether there is any intend relationship among the variables or not.

DATA ANALYSIS

As in the measurement model, the values appearing on the edge of the boxes are variance estimates in which the amount of variance in the observed variables is explained by latent variables or factors, and values next to the double headed arrows show correlations. The error terms (e) represent random error due to measurement of the constructs they indicate. The indices for goodness-of-fit demonstrate that this model fits the data adequately, even though chi-square was significant ($x2 = 583.64$, df = 1334, P = .000, N = 284). The GFI was .880, AGFI = .850, CFI = .900, RSMEA = .051, $x2$ /df = 1.74. The results obtained from goodness-of-fit indices show that model fit the data adequately, despite the chi-square being significant. This chi-square estimate rejecting valid model in large sample size is commonly accepted (Bagozzi and Yi, 1988).Having analyzed the measurement models; the next stage is to perform the analysis of the structural model.

Figure 2: The Measurement Model

Once all constructs in the measurement model were validated and satisfactory fit achieved (Anderson and Gerbing, 1988; Hair et al., 1995; Kline, 2005; Homles-Smith et al., 2006), a structural model can then be tested and presented as a second and main stage of the analysis. The structural model has been defined as "the portion of the model that specifies how the latent variables are related to each other" (Arbuckle, 2005, p.90). The structural model specified which latent constructs directly or indirectly influences the values of other latent constructs in the model (Byrne, 1989).

Hence, the purpose of the structural model in this thesis is to test the underlying hypotheses in order to answer the research questions. These hypotheses were represented in nine causal paths (H1a, H1b, H1c, H2a, H2b, H2c, H3, H4, and H5) to determine the relationships between the constructs under consideration. The underlying constructs were classified into two classes, including exogenous constructs (financial, social and structural) and endogenous constructs (relationship quality, emotions, and loyalty).

Table 1: Testing Hypotheses Using Standardized Estimates

Hypothesized path	Standardised estimate	z-value	Supported
H1a: Financial bonds→ Relationship Quality	.12	2.05**	Yes
H1b: Social bonds→ Relationship Quality	.16	2.73**	Yes
H1c: Structural bonds→ Relationship Quality	-.03	-.44*	No
H2a: Financial bonds→ Emotions	.09	1.41*	No
H2b: Social bonds→ Emotions	.00	.02*	No
H2c: Structural bonds→ emotions	.26	4.61**	Yes
H3: Emotions→ Relationship Quality	.27	4.75**	Yes
H4: Emotions→ Loyalty	.13	2.11**	Yes
H5: Relationship Quality → Loyalty	.22	3.75**	Yes

Notes: * indicates P >.05, ** indicates P<.05
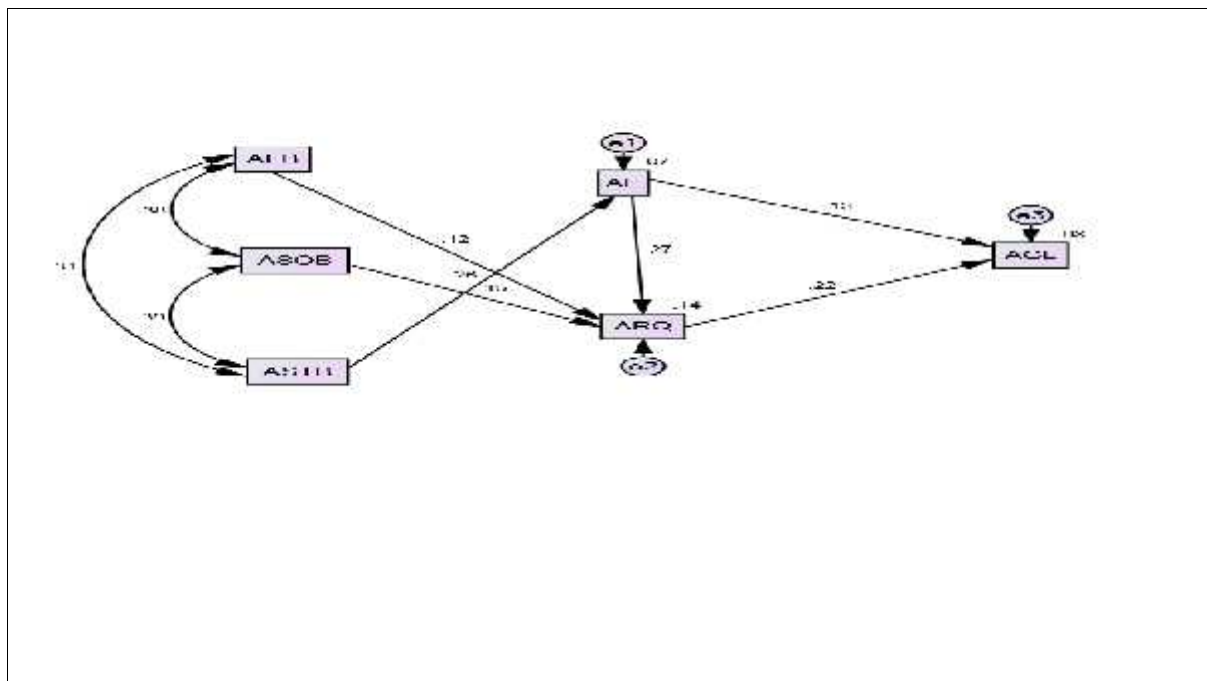
AFB- Composite Financial Bond, ASOB- Composite Social Bond, ASTB- Composite structural Bond,
AE- Composite Emotion, ARQ- Composite Relationship Quality, ACL- Composite Customer Loyalty

Figure 3: The Ultimate Structural Model

In summary, from Table 1 and Figure 3, this model fits with the hypotheses H1a, H1b, H2c, H3, H4 and H5 and those paths were significant. The standardized estimates for these hypotheses were ß =.12, .16, .26, .27, .13 and .22 respectively. It has been empirically and theoretically found that the best model was achieved after deleting H1c, H2a and H2b. Structural model was therefore accepted.

INTERPRETATION OF THE RESULT

In total, nine hypothesized relationship are examined (see Table 4). The implications of these results are discussed here:

Relational bonds (Financial, Social and Structural) and Relationship Quality

As shown earlier, the three hypotheses H1a, H1b, and H1c explain the relationships between the exogenous variables (relational bonds) and endogenous variable relationship quality. As outlined in Table 1, two of these three hypothesized relationships (H1a and H1b) were found to be significant (ß = .12, z-value = 2.05, ß = .16, z-value = 2.73, respectively). Thus, these were supported. However, the hypothesis representing the relationship between structural bonds and relationship quality (H1c) was not supported, as the parameter estimates were non-significant (ß = -.03, z-value = -.44) (see Table 1).

Relational bonds (Financial, Social and Structural) and Emotions

The three hypotheses (H2a, H2b and H2c) explain the relationship between relational bonds as exogenous variables and emotions as an endogenous variable. Results in Table 1 indicate that one of the hypotheses was statistically significant. The structural bonds (H2c) to emotions were significant (ß = .26, z-value = 4.61). Thus, this hypothesis was supported. According to Table 1 , the hypothesis explaining the relationship between financial bonds and emotions (H2a) and social bonds and emotions were rejected because they were not found to be significant in the hypothesized direction (ß = .09, z-value =1 .41 and ß = .00 , z-value = .02 respectively).

Emotions and Relationship quality

Hypothesis three (H3) is the relationship between emotions and relationship quality. Both of these variables were treated as endogenous. As hypothesized, emotions were found to be positively related to relationship quality. Results showed a significant path (ß =. 27, z-value, 4.81), and thereby H3 was supported (see Table 1).

Emotions and Loyalty

Hypothesis H4 represents the relationship between the two endogenous variables, emotions and relationship quality. According to the results presented in Table 4, it had been found that this hypothesis was statistically significant (ß = .13, z-value = 2.11), and thus accepted.

Relationship quality and Loyalty

The hypothesis represents the relationship between relationship quality and loyalty (H5). This hypothesized relationship was found to be significant (ß = .22, z-value = 3.74), supporting this hypothesis.

DISCUSSION

The Consequences of Relational Bonds

This section explains the results of testing the hypotheses related to the relationships between relational bonds – financial, social and structural — and relationship quality, and between these relational bonds and emotions. These two linkages have aimed to answer the first research question.

Q1: What is the significant influence of relational bonds on customer emotions and relationship quality for the loyal customers of five-star hotels in Bangladesh?

Relational Bonds and Relationship Quality

In the proposed model, this thesis hypothesized that the development of relational bonds influences relationship quality. Therefore, three hypotheses (H1a, H1b and H1c) were proposed, representing the influence of relational bonds – financial, social and structural - on relationship quality, respectively.

This thesis found mixed results for the relationship between the three types of relational bonds and relationship quality. While financial and social bonds were found to have a good positive relationship with relationship quality, but structural bonds did not. Hence, these results provide evidence to support H1a and H1b.These findings suggest that loyal guests possibly rely more on financial bonds (i.e., price discounts) and interpersonal aspects (i.e., social bonds) than on structural bonds. This suggests that these loyal customers are more affected by financial incentives and interpersonal relationships to enhance the quality of their relationships. Indeed, it might be also mean that the effect of each type of these relational bonds depends on the type of customer. That is, customers who stay less frequently (i.e., less than 10 nights) might be more affected by these kinds of financial incentives when the price becomes an issue. These results appriciate Smith (1998), who found a significant relationship between functional (i.e., financial), social bonds and relationship quality, but not structural bonds. Furthermore, while it is not the aim of this thesis, the results provide additional support for those who found significant relationships between the financial and social bonds, and separate dimensions of relationship quality such as trust (i.e., Lin et al., 2003), and commitment (i.e., Lin et al., 2003; Hsieh et al., 2005).

Relational Bonds and Emotions

One of the objectives of this thesis is to determine whether relational bonds will positively affect customer emotions. Therefore, three hypotheses (H2a, H2b, and H2c) were posited, representing the relationship between relational bonds – financial, social and structural – and emotions, respectively.

As in the first hypothesized relationships between the three types of relational bonds and relationship quality discussed above, the results of this thesis demonstrate that customer emotions are influenced by the implementation of only structural bonds, but not financial and social bonds. Hence, these results provide evidence to support H2c. A potential explanation for this might be that loyal guests already expect that financial incentives (i.e., discounts or cumulative points) are in place, and thus these economic offers do not affect their emotions. Another explanation could be that these customers only experience-consumer related emotions when they are in personal contact (proposed under social bonds) with the hoteliers, and when value added services and information (proposed under structural bonds) are more heavily used by these hoteliers. In other words, social bonds are not important for loyal

guests because such bonds include aspects that make these guests personally attached to the organization and feel they are in a special relationship with their hoteliers but those who visited this hotel are mainly businessman and their rooms are most of the time booked by the company, so it does not affect their emotion. Thus, a significant relationship between structural bonds and emotions is implied when innovative products or different ways of interaction are provided by hoteliers to their loyal guests. Therefore, structural bonds advantages affect loyal guests' emotional responses to their hoteliers, and thus strengthen their relationships. This might reflect why other competitors cannot easily imitate these types of bonds.

In answering the above research question to fulfill the first thesis aim , this thesis extends the research on relational bonds by showing that both relationship quality and emotions should be understood as consequences of financial, social and structural bonds. Specifically, this thesis makes a contribution to relationship marketing theory by demonstrating a positive linkage between structural bonds and emotions. That is, no studies could be found in the relevant literature in Bangladesh that had tested explicitly whether this relational bond was associated with customer emotions.

The Consequences of Emotions

This section explains the results of testing the hypotheses related to the linkage between emotions and relationship quality, and between emotions and customer loyalty. These two linkages aimed to answer the second research question.

Emotions and Relationship Quality

This thesis has aimed to examine the positive influence of customer emotions and relationship quality. In reviewing the relevant literature, it has been found that there is a lack of knowledge about this relationship. It was assumed in this thesis that when the emotions construct (as combined by positive and negative emotions) and relationship quality (as measured by trust, satisfaction, and commitment) is represented in one single model, this would provide us with a deeper understanding of the relationship development between customers and service providers. That's the reason, hypothesis H3 was proposed.

Consistent with expectations, the results of this thesis demonstrated that the emotions construct is an important variable in predicting relationship quality, showing the reason to support H3. More specifically, these results demonstrate that once positive emotions of loyal guests are enhanced, these guests have a higher level of relationship quality as measured by trust, satisfaction, and commitment. Wong (2004) argued that if the customer feels positively towards a service provider during the service encounter, the customer will also form positive perceptions of overall relationship quality. While Wong was the only notable author who found that feelings of happiness served as a predictor of relationship quality, he did not use the global dimensions of trust, satisfaction, and commitment to measure relationship quality.

The results of this thesis confirm that the use of these three dimensions to measure relationship quality are important because they summarize a consumer's knowledge and experience with their service provider and lead to subsequent consumer actions, i.e., increased loyalty . Given this significance, it is assumed that the results of this thesis are to provide a more comprehensive understanding of the relationship between emotions and relationship quality, which has been identified by empirically investigating both relationship quality and emotions as consequences of relational bonds and antecedents of customer loyalty in a single model. Furthermore, while it is not its purpose, new support has been provided by this thesis for those who have only found a significant link between emotions and one

dimension of relationship quality: trust (i.e., Dunn and Schweitzer, 2003; Anderson and Kumar, 2006), satisfaction (i.e., Daube´ and Menon 2000) or commitment (i.e., Steenhaut and Van Kenhove, 2005).

Emotions and Loyalty

Furthering the aim of investigating emotions as a consequence of relational bonds and antecedent of relationship quality, it was hypothesized that emotions will ultimately influence customer loyalty. Therefore, hypothesis H4 was formulated to examine this relationship.

As hypothesized, the results support emotions influencing customer loyalty (H4). That is, customers become more loyal, depends on how they feel towards relationships with hoteliers. This suggests that loyal guests in five star hotels are more likely to stay more at a hotel chain when they feel positive about that hotel chain. This supports the previous research in which emotions were found to be crucial in predicting loyalty. For example, Sherman et al. (1997) found that shoppers at a store buy more items if their positive emotions are enhanced. Emotions of loyal guests will lead them to stay more and most likely also resist switching to another hotel chain. Furthermore, the results of this thesis confirm previous research in the hospitality literature such as Barsky and Nash (2002), who suggest that emotions are crucial in decision-making related to loyalty in luxury hotel settings. Similarly, Pullman and Gross (2004) also found a significant relationship between positive emotions and loyalty for customers attending a hospitality tent. As such, based on the literature and findings in this thesis, it appears that emotions are an important antecedent of customer loyalty.

In answering the above research question to fulfill the second aim of the thesis, this thesis makes a further contribution to relationship marketing theory by providing evidence of the linkage between emotions (combining positive and negative) and relationship quality (measured by trust, satisfaction and commitment). Importantly, the use of emotions as a predictor of relationship quality in one single model has been found to provide a more complete understanding to the development of relationships between customers and their service providers. Consequently, this thesis has confirmed that an emotions construct is a necessary antecedent of customer loyalty.

The Consequence of Relationship quality

This thesis hypothesized that relationship quality is an important determinant of the future of relationships, and aims to examine whether relationship quality evokes customer loyalty. The relationship was tested using hypothesis H5, to answer the following research question.

Q3: Is *relationship quality* important in determining the loyalty that *customers have with their service providers at five-star hotels?*

Relationship Quality and Loyalty

As was expected, relationship quality was found to be a strong determinant of loyalty. The results indicate that the more loyal guests have a higher level of relationship quality with their hoteliers, the more they are likely to be loyal to them. In this case, this thesis confirms that in addition to emotions, relationship quality is also an important variable in predicting the future of the relationship between customers and service providers. Accordingly, this thesis provides additional support for a number of previous studies such as Wang et al. (2006), who demonstrated that customer loyalty is significantly affected by relationship quality. Within the particular context of hotels, Kim and Cha (2002) found that relationship quality is critical for hoteliers attempting to increase share of purchases through hotel usage, frequency, cross

selling, and to achieve positive impact of relationship continuity and WOM. This thesis confirms that this linkage is better captured when relationship quality is linked to customer loyalty. Furthermore, this thesis provide support to those who found a positive relationship between each dimension of relationship quality separately and customer loyalty, including trust (i.e., Lau and Lee (1999), satisfaction (i.e., Choi and Chu, 2001), and commitment (Too et al., 2001).

Finally, this thesis found support for the above research question that fulfils the third aim, by providing significant evidence on the significance of the relationship quality construct being a prerequisite of customer loyalty.

IMPLICATIONS

This thesis focused on relationship marketing in the services sector, focusing on a hospitality setting, and representing a business-to-customer relationship context. Therefore, the findings of this thesis offer important implications for theory and management to improve the effectiveness of relationship marketing in these contexts.

Theoretical Implications

Theoretically, in relationship marketing, attracting new customers costs organizations more than keeping existing ones. In the setting of hospitality, the focus of this thesis, researchers have found that a small increase in loyal customers results in substantial increases in profitability (Bowen and Shoemaker, 1998; Tepeci, 1999; Kim and Cha, 2002). However, developing and sustaining loyalty is becoming increasingly difficult to achieve (Liang and Wang, 2005). Hence, this thesis has attempted to provide a relationship marketing model that can be used effectively in securing customer loyalty in five-star hotels. More specifically, this thesis has extended the research on relational bonds - financial, social and structural - by investigating their influence on relationship quality and emotions. This linkage reflects the necessity for understanding whether these three relational bonds enhance relationship quality within this context. It has been argued that the three measures of trust, satisfaction, and commitment reflect the overall evaluation of customers' relationships with hoteliers, and thus determine the future of these relationships. The results of this thesis therefore demonstrate that relationship quality between customers and service providers can be achieved by employing financial and social bonds. However, the findings also demonstrate that this is not the case with structural bonds, and therefore this is not an important determinant of relationship quality in this research setting. Although the relationship between relational bonds and relationship quality has been investigated in previous research, evidence on this linkage within the context of the hospitality industry is new from Bangladesh perspective.

Through examining the influence of relational bonds on customer emotions, this thesis also helps us to understand how relationships between service providers and customers are developed. In examining how customers emotionally perceive relationships with their service providers, structural bonds rather than financial and social bonds have been found to be crucial in eliciting customer emotions. This suggests that the inclusion of emotions as consequences of relational bonds — financial, social and structural – in the proposed model has made a significant impact on the relationship marketing theory. This is especially so because although the importance of emotions as a critical variable in relational exchanges has been widely acknowledged, empirical evidence about the cause-effect of this construct has remained under-researched in Bangladesh and many more countries.

In furthering understanding about how customers become loyal to firms, this thesis contributes to the theory of relationship marketing by demonstrating that the construct of

emotions is important in determining relationship quality measured by three global components: trust, satisfaction and commitment. In addition, the results identify that relationship quality and customer emotions work well together in evoking customer loyalty — the purpose of relationship marketing. Although this linkage is not unusual, this thesis furthers the literature by investigating the two constructs in one single model.

Furthermore, this thesis offers a more accurate methodological process, attempting to clearly define each of the underlying constructs. For example, different global items were combined together to measure each of the constructs. Therefore, combining these methodologies with the purified measurement items of this thesis provides a useful direction for future empirical research into relationship marketing.

Managerial Implications

From a managerial perspective, managers should be aware that employing both financial and social bonds are necessary to enhance the quality of relationship that customers have with them. They also should keep in mind the need to increase the benefits obtained from financial and social interactions, as customers may be aware of the benefits that other competitors offer. If they neglect to do this, then it will be easy for competitors to build relationship quality with their customers.

The results of this thesis confirm that when customers feel they have high quality relationships with their service provider, they prefer to be loyal. In this context, Crosby et al. (1990) suggested that relationship quality is the best way to contact with the customer in the future by the service provider.

Furthermore, it has been confirmed by the results of this thesis that once customers become emotionally attached to their relationship with a service provider, it becomes harder for them to change their service provider. Wong (2004) emphasizes that emotions influence behavior, and customers respond to those events, which maintain positive emotions and avoid those, which brings negative ones. Results of this thesis therefore confirm that managers may want to pay more attention to customer emotions if they really wish to maintain their competitive edge. That is, knowing how customers feel about their relationships will help managers to develop appropriate strategies that focus on structural bonds. Then, when managers know which strategies they need to adopt and update, they will be able to enhance the positive emotions that lead to customer loyalty.

LIMITATIONS

Part of the strength of any research project is to recognize its limitations (Dolen and Lemmink, 2004). While this thesis makes a contribution to the body of relationship marketing literature, it has several limitations that need to be identified. These are discussed below in terms of the context of this thesis, the sample chosen, the constructs' measures, and the analytical technique used to perform the analysis (structural equation modeling).

- First, the number of loyal Bangladeshi customers who stayed in five star hotels in Bangladesh was very low. For recreation and business purpose they didn't prefer to stay in five star hotels in Bangladesh.
- Second, one of the most important limitations of this thesis is related to the criteria used in selecting loyal guests (the sample of this thesis). Guests who had stayed three nights or more a year with a hotel chain were identified as loyal. This criterion was used because there is no consensus among academics and the industry on definite standards to identify loyal customers. For example, Kim and Cha (2002) used twenty nights to identify loyal customers at five-star hotels, while Bowen and Shoemaker

(1998) considered those visiting the hotel at least three times as loyal. In the industry, some hotels consider guests who stay 50 qualifying nights as loyal (i.e., Holiday Inn hotel), while others are defined as loyal after staying one night (i.e., Hyatt hotel). Given that there is no agreement in the academic literature nor industry reporting on what constitutes loyal guests at five-star hotels, some may caution as to whether the criteria used in this thesis is definitive.

- Third, most of the customers in the five star hotel chains in Bangladesh were businessman as a profession. As a result some of their answers were almost similar and their preferences of bonds were almost same. Its became difficult to get variety of answers due to their profession.

- Fourth during the data collection time there was a political unrest. So it became difficult to get enough customers for survey. As a result the researcher had a little opportunity to get back enough surveyed questionnaires and choose the best ones.

- Fifth, though five star hotel chains try to maintain their worldwide hotel facilities same but a country's economic development has a great impact on all the sectors even in the hotel chains. As a result the amount of facilities that a loyal customer expect from the five star hotels in another countries, doesn't expect here, which ultimately affect the result in this thesis paper.

CONCLUSION

Because relationship marketing theory and practice is built to provide benefits to both customers and service providers through their relationships so the aim of the theory is to build and maintain customer loyalty. In this context, this thesis makes a significant contribution to the relationship marketing literature by proposing a model that empirically investigates loyal customers' perspectives of their relationships with hoteliers at five-star hotel chains in Bangladesh. This model provides a deeper understanding for the relationship between service providers and their customers by examining the association between relational bonds, relationship quality, emotions, and loyalty in one single model. Although there could be constructs other than those incorporated in this model, this research includes constructs that have provided a successful relationship marketing program. In particular, this thesis has extended the research of relational bonds – financial, social and structural – by investigating their impact on relationship quality (as measured by trust, satisfaction, and commitment) and emotions (positive and negative). Results have revealed that financial bonds (discount, cumulative points), social bonds (i.e., friendship, interpersonal interaction) and structural bonds (i.e., value-adding services), are important in building positive relationship quality and customer emotions. Although previous research has found a strong relationship between relational bonds and relationship quality, this thesis fills the gap existing in the relationship marketing literature in which a significant relationship between social and structural bonds and emotions is demonstrated. This indicates that service managers should put more effort into implementing structural bonds in order to develop a high level of relationship quality, and elicit positive emotions rather than negative.

Adopting Anderson and Kumar's (2006) observation that marketing practitioners are keen to understand the significant role of emotions in the course of relationship marketing, it can be concluded that this thesis is the first to make a contribution to the literature in finding a significant relationship between emotions (combining positive and negative) and relationship quality (measured by trust, satisfaction and commitment). This supports previous findings (i.e., Barnes, 1997; Liljander and Strandvik, 1997; Anderson and Kumar, 2006) that customer emotions (positive and negative) are crucial in shaping the relationships between guests and

their hoteliers. Thus, the investigation of emotions in this thesis has provided us with a further understanding of relationship development, which will be useful for both academics and practitioners in services.

The relationship quality and emotions proposed in this thesis have not only been found to be important consequences of financial , social and structural bonds but they have also served as important determinants of customer loyalty. In this context, it has been found that when loyal customers present high relationship quality based on the history they have had with their hoteliers – and experience positive emotions - they are more likely to revisit the hotel and not switch to other competitors.

Finally, this research has reinforced the understanding of relationship marketing within the context of loyal customers at five-star hotels in Bangladesh. The research has extended this understanding to include the association between relational bonds, relationship quality, emotions and customer loyalty as key variables in relationship marketing.

RECOMMENDATION

Although this thesis has developed a model that provides an effective relationship marketing program, several recommendations for future research are remained there.

- It would be informative to study the differences between five-star hotel chains and small hotel chains. De Wulf et al. (2001) argued that the degree of social exchange and the possibilities for interpersonal communications in retail settings are generally greater in smaller stores than bigger ones. By adapting this argument to the hotel context, other research could see whether customers in small hotel chains (i.e., 3-star) perceive more interpersonal relationships than they do in five-star hotel chains.

- Additional research is needed to extend our understanding of the constructs used in this thesis, by using different ways to investigate them. For instance, future research could explore the role of relational bonds in other service settings to see if indeed the results are generalisable across other premium services. Comparisons could be undertaken to explore differences between premium and other services, as financial bonds may be more important when price is integral to the purchase context.

- Another recommendation might be to examine the relative differences of influence among these bonds on various types of customers, including high-loyalty and low-loyalty. For example, in their investigation of the positive affect of each type of relational bonds - financial, social and structural – on commitment, Hsieh et al. (2005) found that financial bonds are more powerful in strengthening customer commitment in search good/services than they are in experience-credence goods/services.

- Emotions could be further described by arousal, more specifically in terms of high and low-arousal and positive and negative valence. Thus, four emotions groups could be explored within an expanded model where higher arousal positive emotions might include excitement and delight; lower-arousal positive emotions may include contentment and relaxation. High-arousal negative emotions might include rage and anger and low- arousal negative emotions might include sadness and disappointment. Each of these four groups may have different antecedents and consequences in a relationship marketing model beyond simply positive and negative effect.

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CHAPTER ONE
INTRODUCTION

1.1 Introduction

This chapter provides an introduction to the scope of this thesis. It is divided into six sections. Following the introduction, section (1.2) presents issues related to the research background, and the second section (1.3) specifies the research problem. Section (1.4) identifies the research question, formulated to achieve the objectives of this research. The methodology used to achieve the aims is briefly discussed in section (1.5) and section (1.6) describes its significance. Finally, the overall structure of thesis content is outlined in section (1.7).

1.2 Research Background

Today customer relationship marketing get more attention by academics and practitioners, because the economic as well as competitive advantages can be achieved by retaining existing customers as well as recruiting new ones (Anderson et al., 1994; Price and Arnold, 1997; Verhoef, 2003; Ndubisi, 2007). In order to remain competitive, firms need to build and enhance customer relationships by delivering value, which can't be satisfied by the core product alone (Zineldin, 2006).

For hotel businesses, loyal customers are more profitable because they are more attached to the hotel and easier to serve than those of non-loyal customers (Tepeci, 1999). Bowen and Shoemaker (1998) justify that that a small increase in loyal customers can result in a substantial increase in profitability. Further, Kim and Cha (2002) argue that the more the customer stays in the hotel, the more profitable it is for the hotel. According to Reichheld and Sasser (1990), hotels could improve their profits from two to eight percent by reducing customer defections by five percent. The benefits of customer relationship marketing, however, are not limited to service firms. Customers benefits include provide the information

as needed, customization of product and services (Crosby et al., 1990), and reduced the purchase risk and give them more psychological comfort (Bejou, 1997; Grönroos, 2004; Berry, 2002).

In this thesis five-star hotels had been chosen because different research indicates that relationship marketing practice are occurred more in five star hotels than in midrange or budget hotels (Kim and Cha, 2002). The focus of this thesis was to find out how the customers view their relationships with hoteliers.

Here two five stars hotels in Bangladesh were included among the three five star hotels in Bangladesh (Pan Pacific Sonargaon hotel, Radisson Water Garden hotel and Westin hotel): Pan Pacific Sonargaon hotel, Radisson Water Garden hotel. To fulfill the requirements of a five star hotel, these three five star hotels in Bangladesh try to provide as much facilities as possible to their customers. Most of the hotels have more than 240 rooms with ample space, the finest furnishings and decor, premium bedding, and luxury bath products. Room amenities generally include high-speed Internet access and CD and/or DVD players, 24 hours room services. These hotels try to offer additional recreation facilities such as tennis court, On-site spa services, a top-notch fitness centre, and a pool. All of them have well planned dining facilities with different price ranges restaurant. These help the hotels to get on an average 35% to 55% repeated visitors in a year vary on the basis of hotel's facilities. This thesis will help managers of these hotels to deal with more different types of guests, with relevant information and can improve their relationship marketing programs and can increase the percentage of repeated visitors every year.

1.3 Research Problem

Today globally the hospitality industry is facing a more competitive environment that is forcing it to develop more loyalty opportunities and sustain them, the question is then that whether there is any successful component of a relationship marketing, which can lead to enhance loyal customers? This question leads to develop a thesis on customer relationship marketing, which can be used in securing customer loyalty in five star hotels.

The more the bonding is provided to the customers, the more committed the consumer will become. Though there is empirical evidence that suggest that relational bonds are associated with relationship quality (Smith, 1998; Wang et al., 2006), a number of critical research gaps remain there and one of these gaps is a lack of systematic investigation into the impact of relational bonds – financial, social and structural - on customer emotions in five star hotels in Bangladesh.

Today the emotional response of customers is becoming an important part in relationship marketing. Barnes (1997, p.774) argued that, "a relationship cannot be thought to exist without emotional content." Hence, this study proposed a relationship marketing theory in which relationship quality was not only the variable influenced by relational bonds – financial, social and structural-but customer emotions was also hypothesized to be an important variable.

Furthermore, this thesis also investigates the affect of emotions on relationship quality, as this association is important in customer relationship development. Although Shammout (2007) is the only researcher who investigate the association between emotions and relationship quality, but he did it only to find out the link between emotions and relationship quality in the Middle East five star hotels not anywhere else. This suggests that there was another gap in the literature that needs to be explored. Accordingly, the following four questions set out the problem of this thesis:

1. What are the common characteristics of successful relationship marketing programs that lead to customer loyalty?

2. What is the significant influence of relational bonds on relationship quality and customer emotions for customers of five-star hotels in Bangladesh?

3. Do emotions of customers influence relationship quality and customer loyalty?

4. Is relationship quality important in determining the loyalty that customers have with five-star hotels in Bangladesh?

1.4 Research Aims

In order to answer the above research questions, the aims of this study were given below:

- Find out whether relational bonds – financial, social & structural bonds, relationship quality and emotion are the important components of relationship marketing program that make loyal customer for a hotel in Bangladesh or not.

- Find out whether relational bonds have any influence on relationship quality and customer emotion.

- Investigate the role of emotions in the course of relationship development as a consequence of relational bonds and as an antecedent to relationship quality, and ultimately customer loyalty.

- Investigate whether relationship quality serves as a predictor of customer loyalty.

1.5 Research Methodology
1.5.1 Nature of the research

When a particular phenomenon is under study, the research is needed to describe it, to clarify and explain its inner relationships and properties (Huczynski and Buchana, 1991). The descriptive research is focusing on an accurate profile of people, events or situations (Robson, 1993).

Descriptive research in contrast with exploratory research answers the who, what, where, when, why and sometimes how questions by surveying data. When the focus is on cause-effect relationships, the study can be causal explaining which causes produce which effects (Yin, 1994). The concern in causal analysis is how one variable affects, or is "responsible for," changes in another variable. Here the research purpose and research questions indicate that this thesis was mainly descriptive and causal research because the author wanted to answer 'what' question through survey and wanted to find out the causal relationship between independent variables(relational bonds) and dependent variables(customer emotion, relationship quality and customer loyalty).

1.5.2 Sample Design

The samples of the thesis were the loyal guests of three five-star hotels in Bangladesh who like to revisit the same hotel every year and prefer to stay there not less than three nights a year in a hotel. Five star hotels were selected because, as previous research indicates, five-star hotels use relationship marketing practices more frequently than mid-range or budget hotels (Kim and Cha, 2002).Questionnaires were given out to the guests who are staying on those hotels. Using this procedure, 400 questionnaires were distributed among the guests in two hotels (Pan Pacific Sonargaon hotel, Radisson Water Garden hotel)

1.5.3 Hypotheses

The hypotheses that the author proved were as follows:

- H1a: Financial bonds will positively affect relationship quality.

- H1b: Social bonds will positively affect relationship quality.

- H1c: Structural bonds will positively affect relationship quality.

- H2a: Financial bonds will positively affect emotions.

- H2b: Social bonds will positively affect emotions.

- H2c: Structural bonds will positively affect emotions.

- H3: Customer emotions will influence relationship quality.

- H4: Customer emotions will influence customer loyalty.

- H5: Relationship quality positively affects customer loyalty.

1.5.4 Questionnaire Design

The questionnaire was developed using 5-point Likert type scale, where for bonds, relationship quality and loyalty, the author use strongly agree to strongly disagree (1= strongly disagree) to (5 = strongly agree) and for emotion, never to very often that means (1= never) to (5= very often). With exception of the demographic questions, the instrument included a total of 64 items, reflecting the constructs of interest. These items were taken from previously valid scales (i.e., 17 items for relational bonds, 13 for relationship quality, 23 for emotions, and 11 for loyalty).

1.5.5 Data collection

Data for the research were collected using a quantitative, survey-based methodology. This approach is important when causal relationships among the theoretical constructs need to be examined. Survey questionnaire were considered to be the most appropriate tool. This

method can be applied to a large sample size as it is quick, inexpensive, and efficient. (McCelland, 1994; Churchill, 1995, Sekaran, 2000; Zikmund, 2003).

1.5.6 Data Analysis

Descriptive analysis for the entire sample was performed using AMOS 21. Here in the structural model relational bonds- structural, financial and social bonds were exogenous variables and relationship quality, emotions, customer loyalty were endogenous variables. The statistical analysis may range from simple univariate analysis to multivariate techniques leading to test the statistical significance of the result. Here Statistical Mediation Analysis was used to prove, whether there is any intend relationship among the variables or not.

1.6 Statement of Significance

In a review of the literature, it was found that few studies have focused on testing relationship marketing in the hotel industry context (Kim and Cha, 2002). In response, this thesis furthers academic understanding by extending the knowledge of both relationship marketing and hospitality theory and practice. Thus, the proposed theory was contribute to existing theories on relationship marketing by empirically investigating the association between its derived components — relational bonds, relationship quality, emotions, and loyalty — applied to customers of five-star hotel in Bangladesh. Here emotion was included as a consequence of relational bonds-financial, social and structural — and an antecedent of relationship quality provide an additional contribution.

1.7 Structure of Thesis

This section provides a brief idea of the structure of the thesis.

First, *Chapter One* is introduction- it introduces the topics of research background; research problem; research aims; research methodology and statement of significance

The *Chapter Two* provides an overview of relationship marketing theory. It reviews the construct relevant literature related that form the proposed relationship marketing model. These constructs include: relational bonds (i.e., financial, social and structural), relationship quality, emotions, and loyalty.

The *Chapter Three* discusses socio-economic status of the hotel business in Bangladesh. It focuses on how the hotel businesses affect the social and economic development of country. The *Chapter Four* discusses the conceptual framework of relationship marketing proposed in this thesis. It discusses the nine tested and analyzed hypotheses. H1a, H1b, H1c, H2a, H2b, and H2c, relate to the influence of each type of relational bond — financial, social and structural — on relationship quality and customer emotions, respectively. H3 and H4 represent the influence of emotions on both relationship quality and loyalty, and H5 reflects the relationship between relationship quality and loyalty.

In *Chapter Five*, the methodology used to empirically examine the proposed relationship marketing model. This methodology justifies the use of quantitative methods, discusses the scale items selected to measure the underlying constructs, describes the instrument used to collect the data, discusses the pre-test and final survey and justifies the techniques used to analyze the collected data and discusses the reliability and validity of the constructs.

Chapter Six reports the results of the analyzed data using the techniques justified in Chapter Five. This includes testing the underlying hypotheses by using the two-stage approach of structural equation modeling.

The *Chapter Seven* interprets the results drawn from testing the nine hypotheses. Theoretical and managerial implications are discusses from the results.

In *Chapter Eight* limitations of this thesis are discussed with recommendations and conclusions from the research findings.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature related to the proposed relationship marketing model used in this thesis. This includes a discussion of relationship marketing as a new paradigm, which is used as a basis for further discussion about constructs chosen for testing the proposed theoretical model of this thesis. This review is organized into seven sections. The next section (2.2) presents the overview of relationship marketing theory in order to provide a background for discussing the constructs of interest. The following four sections are then devoted to discussing the constructs forming the proposed relationship marketing model, including relational bonds (i.e., financial, social and structural) (2.3), relationship quality (2.4), emotions (2.5), and loyalty (2.6). A summary of the chapter is presented in the last section (2.7). Here argument based literature review was done not the year based review.

2.2 Relationship Marketing Evolution

The term 'relationship marketing' was first introduced by Berry in a services marketing context, he viewed that relationship marketing as a strategy to attract, maintain and enhance customer relationships (Grönroos, 1997). Other researchers agree that the main purpose of RM is to create mutual benefits and values, or meeting objectives in business relationship of both suppliers and customers. RM is defined as:

a. *"Relationship Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises."* (Grönroos, 1997: p.327)

b. *"RM has the aim of building mutually satisfying long-term relations with key parties – customers, suppliers, distributors – in order to earn and retain their businesses."* (Patrick *et al*, 2007: p.38)

c. *"RM is… the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic vale at reduced cost. The process of identifying and establishing, maintaining, enhancing and when necessary terminating relationships with customers and other stakeholders at a profit, so that theobjectives of all parties involved are met, where this is done by a mutual giving and fulfilling of promises."* (Baran *et al*, 2008: p. 83)

A key concept of relationship marketing is the development of an individualized, one-to-one relationship with a customer that becomes increasingly relevant and focused, as the supplier learns about the customers' needs and wants over time. As Peter Drucker wrote, "the basic purpose of any business is not to sell products but to create and keep customers." (Drucker, 1964: p.541) The rationale for RM is to increase customer loyalty and customer retention, maintaining a continuous relationship with customers. It focuses on building long-term bond rather than short term relationships, as the longer the customer stays with a supplier, the better the profitability. The concept of relationship marketing started to emerge in research in the mid- 1980s, when the notion of developing a long-term, mutually satisfying relationship between customers and service providers was realized to be an asset (Weber, 1992). Over the past 20 years, relationship marketing has become an increasingly popular approach to services marketing and engendering loyalty; especially in the hospitality industry. In fact, it appears that many service organizations strive to infiltrate relationship marketing into the culture of the organization through their mission and vision. In regards to the hospitality industry, since the early 1990s, hotels, restaurants, airlines and cruise lines has focused much

of their marketing attention and budget on building customer loyalty through relationship marketing.

Although research has found that customers respond favorably to these monetary relationship tactics, their actions are not truly driven by an established, emotional connection with the service provider. Therefore, in the event of a service failure and the customer's dissatisfaction, the customer's loyalty is based on a pecuniary relationship and switching behavior is more probable.

Relationship marketing is usually discussed as the new marketing paradigm based not on transactional exchanges but on relational exchanges. Authors generally agree that this new paradigm emphasises a shift in marketing from short-term transactions (also called traditional marketing or marketing mix) to long-term relations (Dwyer et al., 1987; Kotler, 1992; Morgan and Hunt, 1994; Palmer, 1994; Lin et al, 2003). Here, it can be said that the bulk of literature distinguishes between these two types to deliver a better understanding of relationship marketing. Gummesson (1994, p.9) points out that, "the marketing mix would always be needed, but that it had become peripheral in comparison to relationships." Within the hospitality context (the interest of this thesis), Bowen and Shoemaker (1998) also maintain that relationship marketing means developing the customer as a partner, and is a process that is markedly different from traditional transaction-based marketing. That is, it focuses on attracting customers to activities for having customers and taking care of them (Grönroos, 1996). Indeed, relationship marketing aims to retain profitable customers by building and maintaining strong relationships, whereas traditional marketing aims to acquire new customers. In reviewing related literature, it has been found that relationship marketing is handled in different ways by different authors (see Gummesson, 1996), influenced by a diversity of disciplinary and research traditions leading to four different schools of thought: Nordic, Industrial Marketing and Purchasing (IMP) and North American (see Table 2.1).

Table 2.1: Schools of Thought in Relationship Marketing

Schools	Key Issues
Nordic	Integrate the network approach with issues related to service relationships and relationship economics.
Industrial Marketing and Purchasing (IMP)	Buyer-seller relationships are built from a series of interaction and close link between the concept of adoption and the process of evolving relationship.
North American	Focus on buyer and seller in context of Organizational environment.

Sources: Shammout(2007)

First, the Nordic school authors (i.e., Grönroos and Gummesson, 1985) emphasise on the long-term relational aspects of service marketing. To indicate the relational nature of this kind of marketing, they used terms such as buyer-seller interactions and interactive marketing, customer relationship life cycle, the new marketing concept; phase of the service consumption process; and interactive relationships. According to Parvatiyar and Sheth (2000), the Nordic school tried to integrate the network approach (popular among Scandinavian and European schools) with issues related to service relationships.

Second, the European IMP group – consisting of approximately 300 member firms - studied relationship marketing as it is occurred in distribution channels (i.e., Håkansson 1982; Håkansson and Snehota, 1995). They found that buyer-seller relationships are built on a series of interactions in which the word adoption is closely related with the process of developing relationships.

Thirdly, the North American school (i.e., Berry, 1983; Perrien et al., 1993) focuses on the relationship between buyer and seller in organizational environments within business-to-business markets.

2.2.1 Towards a Definition of Relationship Marketing

A key feature of the relationship marketing is that not only retain the customer and increase the profitability of the company, but it also provides a sustainable competitive advantage for the service company. In addition, they are not replicated easily by competitors (Reichheld and Sasser, 1990). Customer Relationship Marketing definition varies from author to another since they define customer relationship from different academic or practical points of view. But they agree that relation marketing identifies, establishes, maintains, enhances and, terminates relationships with customers when necessary (Rashid, 2003).

Though relationship marketing has been widely investigated in marketing but the majority of relationship marketers agree that it is not an easy concept to formulate (Egan, 2004). Indeed, relationship marketing could mean different to different companies (Palmer,1994; Morris et al., 1998) in varying contexts (Too et al., 2001).Parvatiyar and Sheth (2000) also pointed out that the term 'relationship marketing' has become ambiguous within the marketing literature, and for this reason some authors have listed a range of selected definitions. For example, Harker (1999) listed 26 substantial definitions, whereas Dann and Dann (2001) found about 50 definitions in the literature. Indeed, there are many definitions for the term 'relationship marketing', and discussing some of them in this thesis. However, the most commonly used definitions are discussed below in order to identify the most suited to this thesis. Table 2.2 presents these definitions, identifying the key elements.

In an early conference paper, Berry (1983) defines relationship marketing as attracting, maintaining, and enhancing customer relationships. This is similar to the popular definition proposed by Grönroos(1990). However, Grönroos (p.5) while viewing relationship marketing "to establish, maintain, enhance with customers and other partners, at profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and

fulfilment of promises." Others (i.e., Palmer, 1994) view relationship marketing in terms of strategies that increase profit through a focus on the buyer-seller relationship over time. Guemmesson (1996, p.32) also sees relationship marketing as comprising three key elements including relationships, networks, and interaction. In his definition, relationships refer to a contact between two or more people, which could also exist between people and objects, whereas a network refers to a set of relationships. Interaction refers to activities performed within relationships and networks. In the spirit of Grönroos (1990), Morgan and Hunt (1994) defined relationship marketing as "all marketing activities directed toward establishing, developing, and maintaining successful relational exchange" (p.22). Peterson (1995, p.279) states that "definition is true, then relationship marketing and marketing are redundant terms and one is unnecessary and should be stricken from the literature because having both only leads to confusion". In contrast, Kim and Cha (2002) conducted research in the context of hospitality industry, and considered Morgan and Hunt's definition as a major shift in marketing theory and practice. Kim and Cha seem to have adopted Morgan and Hunt's definition, making minor changes when they focused on mutual benefits with targeted customers to make the definition more suited to the hospitality context. They defined relationship marketing as "a set of marketing activities that attract, maintain, and enhance customer relationships for the benefit of both sides, emphasizing on retaining existing customers" (p. 323). Parvatiyar and Sheth (2000) define relationship marketing as "the ongoing process of engaging in cooperative and collectivise activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost" (p.9). Harker (1999, p.16) concludes that "the definition presented by Grönroos (1994, 1995) is the "best" in terms of its coverage of the underlying conceptualisations of relationship marketing and its acceptability through the RM community". Grönroos (1994, p.9) sees relationship marketing as " … to identify and establish, maintain and enhance and

when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, and this is done by a mutual exchange and fulfilment of promises"(p.9). Grönroos's (1994) definition was found to be appropriate for the needs of this thesis. Because it's not only used in the literature but also maintain long-term relationships between service providers and customers. However, as seen above authors in general have identified the aim of relationship marketing through their contributions. Grönroos's (1994) definition is particularly concise, as it includes all aspects of the relationships that service provider and customer could have. Therefore, it has been regarded as the most applicable definition for use in this thesis.

Table 2.2 : Definitions of Relationship Marketing

Authors	Definition	Context	Key elements
Berry (1983)	Attracting, maintaining and enhancing customer relationships	Services	Attracting, maintaining, and enhancing
Grönroos (1990)	To establish, maintain, and enhance relationships with customers and other partners, at profit, so that the fulfilment of promises achieved by a mutual exchange and objectives of the parties involved are met. This is	Valid to be used in all contexts	Non-customer partnership, mutual benefit, promise keeping, and profitability
Grönroos (1994)	Identify and establish, maintain and enhance, and when necessary, also terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met. This is done by a mutual exchange and fulfilment of promises	Valid to be used in all contexts	This is slightly different to Grönroos's (1990) definition, which includes identifying and terminating relationships with customers and stakeholders
Christopher et al. (1991)	Concerns the dual focus of getting and keeping customers	Services	Keeping customers
Morgan and Hunt (1994)	All marketing activities directed toward establishing, developing and maintaining successful relational exchange	Business-business	All types of ongoing relationship as a process in relational exchange
Palmer (1994)	Strategies that enhance profitability through a focus on the value of buyer-seller relationships over time	Marketing education	Mutual value between buyer and seller

Gummesson, (1996)	Relationships, networks, and interaction	Network marketing	Relationships, networks, and interaction
Parvatiyar and Sheth (2000)	Ongoing process of engaging in cooperative and collectivised activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost	Business-to - customer	Cooperative and collaborative
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	Mutual benefits emphasized for existing Customers

Sources: Shammout (2007)

2.2.2 Benefits of Relationship Marketing

The importance of relationship marketing has been seen in terms of the benefits received by parties, the service provider and the customer. These benefits are discussed in this section in order to identify aspects leading customers in this thesis to be in relationships with service providers (five-star hotels). Although some researchers have questioned whether the practice of relationship marketing implies reciprocity of benefits for both customer and service provider (Sheth and Parvatiyar, 2000), empirical evidence has established several benefits for both. Palmer (1994) argues that relationship marketing can allow buyer and seller to work together in joint problem solving in which the seller relieves the buyer of the need to specify many aspects of their purchase requirements. For example, from the perspective of the service provider, developing and enhancing a relationship with customers allow the firm to remain competitive (Rashid, 2003; Zineldin, 2006). It is widely accepted that retaining a customer is five to ten times more profitable than acquiring a new one. For example, based on the analysis of more than 100 companies in two-dozen industries, Reichheld and Sasser (1990) found that companies could improve their profits from two to eight percent by reducing customer defections of five percent. These findings have also been supported in context of the hospitality industry, where Kim and Cha (2002) established that the longer a customer stays in a relationship with a hotel, the more profit the hotel achieves in this

relationship. From the customer perspective (the interest of this thesis), Sheth and Parvatiyar (1995) maintain that customers want to reduce their choices by maintaining an ongoing relationships with marketers. Similarly, Bejou (1997) points out that long-term relationship reduce customer risk and the need for customers to search for a new information. Further, Grönroos (2004) suggests that an on-going relationship may provide the customer with security, a feeling of control, a sense of trust, and a minimized purchasing risk, which ultimately reduced costs to the customer. However, although the benefits received by service providers and customers are clear, Rashid (2003) questions how successful relationships are developed. This question led this thesis to identify how loyal customers perceive their relationships with five-star hotels. The objective here is to examine relationship marketing from a loyal customer perspective.

2.3 Relational Bonds

Within the relationship marketing literature, relational bonds are focal components (Håkansson, 1982; Wilson and Mummalaneni, 1986; Dwyer et al., 1987; Turnbull and Wilson 1989; Liljindar and Strandivik, 1995; Wilson, 1995; Smith, 1998; De Wulf et al., 2001; Arantola, 2002; Lin et al., 2003; Walls, 2003; Liang and Wang, 2005; Wang et al., 2006). That is, building strong bonds with the customer is a basic objective in relationship marketing (Liljander and Strandvik, 1995; Smith, 1998; Arantola, 2002). Taking this into account, bonds are widely regarded as the cornerstones for keeping customers loyal to the firm. Roberts et al. (2003) acknowledged that, "one strategy that has gained considerable attention is the strategy of relationship marketing in which firms invest in developing long-term bonds with individual customers." They further emphasize that the importance of this strategy is not only increasing customer retention, but also provides a sustainable competitive advantage to the firm. Turnbull and Wilson (1989) argue that if the firm needs to survive itself from competitors by keeping customers, marketing activities that provide values to

these customers are strongly required. These activities should invest in creating social as well as structural bonds (both of these types are discussed below) with customers. Sheth and Parvtiyar (1995) proposed that providing more customer value could create a greater bonding between consumers and marketers. Thus, customers will be more committed to seller when bonding enhanced the relationships. Following this introduction to the significance of relational bonds in the course of buyer-seller relationship, this section further seeks to investigate these bonds in terms of their nature, role in relationship development, number, and types. This is followed by a discussion for each type of relational bond — financial, social and structural — used in this thesis.

2.3.1 The Nature of Relational Bonds

The term 'bond' was initially introduced by Bowlby (1969) to explain the closeness between two parties in a social interaction. Different definitions used within the literature taking into account different context perspectives. In order to clearly define key elements of these definitions, Table 2.3 has been compiled.

In discussing bonds, some authors consider bonds as 'exit barriers' (i.e., Strobacka et al. 1994). Strobacka et al. (1994, p.25) took this mode of thinking to define bonds as "exit barriers that tie the customer to the service provider and maintain the relationship." On the other hand, relational bonds have been seen as relational benefits (Gwinner et al., 1998; Liljander, 2000). This has been defined as "the advantages that the customers enjoy or perceive in a relationship, in addition to the core product" (Liljander, 2000, p.9). For example, psychological benefits and psychological bonds, social benefits and social bonds, economic benefits and financial bonds, customisation benefits and knowledge bonds, and time saving and time bonds, are examples of this kind of matching. With making a distinction between positive and negative bonds, Liljander (2000) adds that these bonds are positive or negative based entirely on the situation. For example, economic bonds (one type of relational

bonds) could be negative as customers are tied to a product because they do not have the financial resources to switch, or would lose money by switching. Arantola (2002) defines a bond as "… a perception by the customer of disincentive for switching suppliers. The context of bonds is a relationship. Negative bonds are barriers to exit when the customer has an incentive to leave the relationship, while positive bonds are incentives to continue the relationship even when a switching possibility presents itself "(p.103).

From an industrial marketing perspective, Holmlund and Kock (1996, p.289) maintain that the bonds "are outcomes of adoptions and investment made by the interacting partners aiming at higher efficiency and more cost effective exchange." However, in the business-to- business context, Smith (1998, p.19) based his definition on earlier works such as Turner (1970) and includes other components when he conceptualized bonds as "the psychological, emotional, economic, or physical attachment in a relationship that are fostered by association and interaction and serve to bind parties together under relational exchange."

Table 2.3: Definitions of Relational Bonds

Authors	Definition	Context	Key elements/Themes
Parsuraman and Berry (1991), Berry (1995)	Practicing multiple levels of relationship marketing based on types of bonds used to foster customer loyalty	Services	The higher the level at which relationship marketing practiced, the greater its potential for sustained competitive advantages
Strobacka et al. (1994)	Exit barriers that tie the customer to the service provider and maintain the relationship	Services	Exit barriers
Håkansson and Snehota (1995)	Actors between key individuals in organisations that evolve overtime, occurring as the product of both task and social interaction	Industrial marketing	Interaction
Liljander (2000)	Advantages that the customer enjoys or perceives in a relationship, in addition to the core product	Services	Relational bonds are similar to relational benefits
Holmlund and Kock (1996)	Outcomes of adoptions and investments made by interacting partners aiming at higher efficiency and more cost effective exchanges	Industrial marketing	Adoption and investment based on interactions
Smith (1998)	The psychological,	Business-to business	Psychological,

	emotional, economic, or physical attachment in a relationship fostered by association and interaction serves to bind parties together under relational exchange		emotional, economic, or physical attachment which are based on interaction between parties
DeWulf et al. (2001, 2003)	They have been described as marketing tactics	Business-to customer	They adopted the approach of Berry and Parsuraman (1991) and Berry (1995)
Liang and Wang, (2005), Wang et al., (2006)	They have been described as relationship bonding tactics, and defined as an ongoing process	Business-to customer	They adopted the approach of Berry and Parsuraman (1991
Peltier and Westfall (2000), Lin et al. (2003), Hsieh et al. (2005), and Palmatier et al. (2006)	They have been described as relational bonds	Business-to customer	They adopted the approach of Berry and Parsuraman (1991), and Berry (1995)

Sources: Shammout(2007)

In the business-to-customer setting (the context of this thesis), more recent research has viewed the term 'bond' in a more practical sense. It has been described as relationship marketing tactic (DeWulf et al. 2001; De Wulf et al., 2003), relationship bonding tactic (Liang and Wang, 2005; Wang et al., 2006), and relational bond (Peltier and Westfall; 2000; Lin et al., 2003; Hsieh et al., 2005). This thesis has also adopted the way that Berry and Parsuraman (1991), and Berry (1995) describe bonds, agreeing with those who calling them relational bonds.

2.3.2 Relational Bonds Types

Lin et al. (2003) suggest that customer relationships can be developed by one or several types of bonds. Vieira and Ennew (2004) also maintain that certain types of bonds or ties are required to develop relationships between two parties, customer and service provider. Other authors have argued that to strengthen the relationship between customers and service providers, different types of bonds are needed (Liljindar and Strandivik, 1995; Wilson and Mummalaneni, 1986). Several types of bonds have been investigated in relationship marketing literature. For instance; the industrial marketing literature proposes six different types (i.e., Håkansson, 1982; Wilson and Mummalaneni, 1986). These include social bonds,

technological, knowledge, planning, legal and economics. In service marketing context, Liljander and Strandvik (1995) introduce another four bonds: geographical, cultural, ideological and psychological. Therefore, the ten different types that were applied in the consumer market are legal, economics, technological, geographical, time, knowledge, social, cultural, ideological and psychological.

Table 2.4: Types and Numbers of Relational Bonds Used in Related Literature

Authors	Types of Bonds	Number of Bonds	Context	Key elements/ Themes
Berry and Parsuraman (1991)	Financial, social, structural	3	Service	Treated as relationship marketing levels.financial (level one), social (level two), and structural (level three).
Berry (1995)	Financial, social, structural	3	Service	Same as Berry and Parsuraman (1991)
Liljander and Strandvik (1995)	Legal, economics, technological, geographical, time, knowledge, social, cultural, ideological and psychological	10	Service	The first five perceived as negative by customers, whereas the second five seen as positive
Smith (1998)	Functional (or economics bonds), social and structural	3	Business-to business	Treated as one construct including all three types of bonds.
Williams et al. (1998)	Social and structural	2	Business-to business	Treated as separate variables.
Rodríguez and Wilson (2000)	Social and structural	2	Business-to business	Treated as separate variables.
Peltier and Westfall (2000)	Financial, social and structural bonds	3	Health maintenance organisations	Adopted the approach of Berry and Parsuraman (1991), and Berry (1995)
DeWulf et al. (2001, 2003)	Financial and social tactics	2	Retail	Treated as separate variables and levels: financial (level one), and social (level two)
Lin et al. (2003)	Financial, social and structural bonds	3	Financial services	Adopted the approach of Berry and Parsuraman (1991), and Berry (1995)
Liang and Wang (2005)	Relationship bonding tactics, including financial, social and structural	3	Service finance	Adopted the approach of Berry and Parsuraman (1991), and Berry (1995)
Wang et al. (2006)	Relationship bonding tactics, including financial, social and structural	3	Information service industry	Adopted the approach of Berry and Parsuraman (1991), and Berry (1995)

Sources : Shammout (2007)

While ten different types of bonds have been identified, the main focus of relationship marketing researchers is to examine three types: financial, social and structural (which are defined separately in the following pages, as they are the focus of this thesis). With the exception of Smith (1998), in the early year business-to-business authors have only established empirical evidence for two of them, social and structural bonds (see Han, 1991; Wilson, 1995; Holmlund and Kock, 1996; Rodríguez and Wilson, 2002). This is because they are applicable for the long term buyer-seller relationships. Holmlund and Kock (1996) argue that social and structural bonds are more widely discussed in relationship marketing than others. Williams et al. (1998, p.137) point out that bonding is typically conceptualised as "a dichotomy between structural and social bonding." However, within the same setting Smith (1998) argues that functional or economic bonds also serve to create bonding between parties. Thus, relational bonds in his study have been treated as a higher order construct comprising the three types of functional, social and structural relational bonds. This can be seen in the studies of Peltier and Westfall (2000), Lin et al. (2003), Hsieh et al., (2005), Liang and Wang (2005), and Wang et al. (2006), who have separately investigated the impact of each of the three relational bonds on other relational outcomes, rather than treating them as one higher-order construct. This way is consistent with earlier works of Berry and Parsuraman (1991) and Berry (1995), who theorised that relationship marketing can be practiced on one of three levels, depending on the type and number of bonds implemented to secure customer loyalty. According to Berry and Parsuraman (1991) and Berry (1995), the first level of relationship marketing relies on pricing incentives to secure customer loyalty (i.e., financial bonds). This is usually referred to as level one the lowest level because competitors can easily duplicate price stability. The second level focuses on the social components through personalisation of the relationship, which is less easily imitated by competitors (i.e., social bonds). Level three of relationship marketing offers structural solutions to customer problems, providing the most

potential for competitive differentiation. Peltier and Westfall (2000), Lin et al. (2003), Hsieh et al. (2005), Liang and Wang (2005), and Wang et al. (2006) have suggested that firms can create relationships with their customers by using these three types of relational bonds: financial, social, and structural. In agreement with these authors, this thesis explores how loyal customers evaluate their relationships with five-star hotels, based on these three relational bonds. Hence, these three relational bonds are considered as the basis of the proposed relationship marketing model of this thesis, and thus treated as separate variables in order to investigate the impact of each one on relational outcomes. These three relational bonds are discussed more fully below:

2.3.2.1 Financial Bonds

Financial rewards are customer incentives that have a financial value (also called "hard benefits"). These include discounts on purchases, loyalty program rewards such as frequent flier miles and the cash-back programs provided by some credit card issuers. Besides airlines and hotels, an increasing number of service firms ranging from retailers (such as department stores, supermarkets, book shops, and petrol stations), telecommunications providers, and café chains to courier services and cinema chains all of them try to launch similar reward programs in response to the increasing competitiveness of their markets. In short, air miles have become a form of promotional currency in the service sector.. In a hospitality context, for example, hotel chains may provide free or discounted travel services to frequent guests through loyalty programs (Berry and Parsuraman, 1991). Airlines may design financial programs enabling frequent travellers to accumulate mileage redeemable for free or upgraded travel is another example (Lin et al., 2003).

Berry and Parsuraman, (1991) and Berry (1995) point out that the problem related with financial bonds is that they can be easily imitated by the competitors. They provided an example about how during three years of American Airlines creating its advantage frequent

flyer program, 23 other airlines offered their own frequent flyer programs. This type of bond does not offer long-term competitive advantages and Berry and Parsuraman, (1991) and Berry (1995) referred this type as level one that is considered the the lowest level of relationship marketing building. More recent empirical research has found that financial bonds need to be added with other relational bonds, such social and structure (Smith, 1998; Lin et al., 2003; Hsieh et al., 2005; Liang and Wang, 2005). That is, researchers agree that saving money is one of the reason for engaging in a relationship with the service provider (Berry, 1995; Peterson, 1995; Lin et al., 2003; Hsieh et al., 2005; Liang and Wang, 2005; Wang et al., 2006). In agreement, this thesis considered financial bonds as important components in investigating the relationship between buyer and seller, especially within the hospitality context.

2.3.2.2 Social Bonds

The social bond is a related with personal relationships that develop between the parties involved from both the buyer and the seller organization. Wilson (1995) explains that social bonding maintain a strong personal relationship develops between the buyer and the seller, where both the parties will be more interested in continuing the relationship. Focus groups that were undertaken by Berry and Parasuraman (1991) and Cann (1994) emphasize the importance of a strong personal link between the vendor firm and the customer, and the desire that many customers have to form close relationships with the service provider. A close social relationship between the customer and the salesperson should lead to more open, two-way communication, which according to Morgan and Hunt (1994), and Wilson (1995) will lead to more trust between the two parties involved. Trust will lead to greater commitment in the relationship. Wilson (1995) suggests that once commitment is reached, there is a strong desire on the part of both parties to continue the relationship for the long-term.

Perry et al. (2002, p. 76) define social bonds as 'investments of time and energy that produce positive interpersonal relationships between the partners'. Social bonds include familiarity, friendship and personal confidence that can be developed by the exchange process (Rodriguez and Wilson, 2002). These bonds are usually based on personal relationships between the service providers and customers. There is an element of trust, which is important for loyalty. Though these bonds are difficult to build than financial bonds and may take longer time to achieve, but they are also harder for other suppliers to imitate. A firm that has created social bonds with its customers has a better chance of keeping them for the long term because of the trust the customers place in the staff. When social bonds include shared relationships or experiences between customers, such as in country clubs or educational settings, they can be a major loyalty driver for the organization.

They are the outgrowth of personal relationships that develop between the parties involved from both the buyer and the seller organization. Focus groups that were undertaken by Berry and Parasuraman (1991) and Cann (1994) emphasize the importance of a strong personal link between the vendor firm and the customer, and the desire that many customers have to form close relationships with the service provider. A close social relationship between the customer and the salesperson should lead to more open, two-way communication, which according to Morgan and Hunt (1994), and Wilson (1995) will lead to more trust between the two parties involved. Trust will lead to greater commitment in the relationship. Wilson (1995) suggests that once commitment is reached, there is a strong desire on the part of both parties to continue the relationship for the long-term. Some authors (McCall, 1970; Perry et al., 2002; Wilson and Mummalaneni, 1986) include attachment, commitment, trustworthiness, conflict, benevolence and equity as social bonds. In conceptualising social bonds, Han (1991, p.61) describe these as "the degree to which certain ties link and hold a buyer and seller together closely in a personal (emotional sense)." Other studies extended this

definition and included buyer-seller interactions. For example, Smith (1998), and Ling and Wang (2005) define social bonds as personal ties or linkages between two parties during the interaction at work. Thus, social bonds include linking of identities through self-disclosure, closeness, providing support or advice, being empathetic and responsive, feelings of affiliation, attachment, or connectedness, and shared experience. Lin et al. (2003) and Hsieh et al. (2005) provide a more comprehensive view by defining social bonds as personal ties in service sector that offer interpersonal interactions, friendships, and identifications. This view is related with this thesis, as it includes all aspects of personal treatment that loyal guests may experience during their interaction with hotels. Berry and Parasuraman (1991) and Berry (1995) referred to social bonds as level two of relationship marketing in securing customer loyalty. In this level the relationship is go far away than a monetary relationship They claim that customers who are treated personally should have stronger reasons not to switch companies, although social bonds do not overcome price differences or any weaknesses in service delivery (Berry and Parasuraman, 1991). Liang and Wang (2005, p.68) also argue that "although social bonds cannot replace price attraction, social bonding provides customised services that develops an independent relationships, allows the customers to trust and be satisfied with the retailers' service, and assists understanding and learning about the customer's needs and expectations."

In general, social bonds consist of many aspects, including familiarity, friendship, social support, keep in touch, self-disclosure, or any interpersonal interaction (Price and Arnold, 1999). This type of relationship is likely to range from a business relationship to a close social relationship. Zeithaml and Bitner (1996) maintain that these bonds can be derived from both customer-customer and customer provider interactions. Voss and Voss (1997) viewed these kinds of bonds as dependent on shared values. Liang and Wang (2005) also point out that firms maintain their friendship by giving gifts to their customers, which serves to build

stable relationships and enhance relationship quality. Given above advantages, social bonds have been included for this thesis.

2.3.2.3 Structural Bonds

Structural bonds have been included in this thesis as important components in secure customer loyalty. According to Smith (1998), structural bonds have been seen as "ties relating to the structure, governance, and institutionalization of norms in a relationship. The rules, policies, procedures, or agreements that provide formal structure to a relationship; the norms or routines that informally govern interaction; and organizational systems and technologies, such as electronic mail or electronic data interchange, that enable or facilitate interaction can provide psychological, legal, and physical ties that bind parties to a relationship and make it difficult to consider other exchange partners" (p.79). Thus, business may offer integrated services that meet customer needs (Lin et al., 2003). Accordingly, the view of both Smith and Lin et al. are considered for this thesis because they both cover fundamental aspects that hoteliers may use to maintain loyal guests. By implementing these activities, hotels can provide advantages for guests that cannot be easily copied or imitated by competitors. For example, Scandic provided WAP-based technologies to its customers, which fosters loyalty because regular guests are provided with a WAP- enabled device on which to access reservation and other information (Louvieris et al., 2003).

Structural bonds also can be generated when the two parties make investments that are not easy to terminate, or when it becomes difficult to terminate the relationship because of the complexity and cost of changing resources (Thrunbull and Wilson, 1989). Structural bonds are considered the highest level of relationship marketing because the fact that companies can maintain their relationships with customers by adding structural bridges in addition to the financial and social bonds (Berry and Parasuraman, 1991, Berry, 1995). Structural bonds are necessary for organisations such as hotels because they provide value-adding services for

customers that are not r available in another place. Berry and Parasuraman (1991) maintain that such services are both difficult and expensive for customers to provide for themselves. Liang and Wang (2005) also argue that value-adding services help customers to be more efficient and productive. They further maintain that competitors find difficul to imitate such services due to the height costs in transformation. Furthermore, Peltier and Westfall (2000) point out that structural bond build feelings of what they called 'empowerment' and offer some level of psychological control of the buyer-seller relationship. This section summarised the literature related to the three types of relational bonds that were included in the proposed theoretical model of this thesis. Relational bonds have been discussed in terms of how they defined in the literature, how they develop within the relationship process, and finally how they are divided to three different types – financial, social and structural. Hence, these three types: of bonds have been modelled and used as foundation constructs in the proposed relationship marketing model.

2.4 Relationship Quality

Relationship Quality as measure of RM In relationship marketing, an agreed upon set of defining relationship attributes, has yet to be identified in a formal definition of relationship quality. Hennig-Thurau and Klee's (1997) defines relationship quality as the 'degree of appropriateness of a relationship to fulfill the needs of the customer associated with the relationship'. Therefore, relationship quality captures the nature of a relationship, which in turn provides positive benefits to the customer. Hennig-Thurau(2002) conduct a similar review of the literature and conclude that the interrelated core dimensions of relationship quality are satisfaction, trust, and commitment, the empirical researches indicate that trust and satisfaction are antecedents of commitment (Gerrard, 2007). The importance of relationship satisfaction, trust and commitment can be linked together as an overall indicator of the higher-order construct of relationship quality. It is assumed that better relationship quality is accompanied by greater satisfaction, trust, and

commitment, although these three attitudinal dimensions are distinct, consumers tend to view and evaluate them as a group together (Ruben, 2007; Gerrard M. and Lawrence S.L., 1997; Nelson, 2007b; Julie, 2006; Roger, 2007; P. Rauyruen & K.E. Miller, 2007). Therefore, trust, satisfaction, and commitment are intimately interconnected in the conceptualization of relationship quality (Yang & Wu, 2008).

Relationship quality in the context of service marketing is defined as a situation where "the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance because the level of past performance has been consistently satisfactory" (Crosby, Evans, & Cowles, 1990). Dwyer et al. (1987, p. 13) point out that relationship quality is stated as "a higher order construct consisting of several distinct, although related dimensions."However, there is some disagreement as to the dimensions that make up relationship quality: "There is no consensus on which dimensions make up relationship quality, they only exist in the various conceptualizations" (Dorsch, et al., 1998, p. 129). The most used components of relationship quality in empirical papers are trust, commitment and satisfaction. For example, in a service study performed by Dwyer et al. (1987), relationship quality was determined with the combination of at least two dimensions in terms of salespeople: trust and satisfaction. Later, Crosby et al. (1990) used trust and satisfaction as dimensions in their study. Morgan and Hunt (1994) sketched out the KMV model and found trust and commitment to be two more relevant constructs in the theoretical conceptualization of relationship quality. Still, few studies on buyer-seller relationships share many common dimensions of relationship quality (Heide & John, 1990). These dimensions are; commitment (Dorsch et al., 1998; Dwyer et al., 1987; Morgan & Hunt, 1994), trust (Berry, 1995; Crosby et al., 1990), satisfaction (Ganesan, 1994), social bonding (Smith, 1998) , conflict (Kumar, et al., 1995; Morgan & Hunt, 1994), communication (i.e., Anderson and Narus, 1990; Bejou et al., 1996), cooperation (Woo and Ennew, 2004), customer orientation (Palmer and Bejou,

1994; Dorsch et al, 1998), seller expertise (Palmer and Bejou, 1994), seller ethics (Palmer and Bejou, 1994), opportunism (Dwyer et al., 1987; Dorsch et al., 1998), willingness to invest, and expectation to continue (Kumar et al., 1995), and conflict (Dwyer et al., 1987; Kumar et al., 1996; Roberts et al., 2003). Scholars, such as Garbarino and Johnson (1999), De Wulf, Odekerken-Schroder and Lacobucci (2001) and Dwyer et al. (1987) use satisfaction, trust, and commitment as dimensions of relationship quality. Johnson (1999) simply describes relationship quality as "the overall depth and climate of the interim relationship". Building on past research, relationship quality was comprised of two different but related dimensions, which are trust and satisfaction (Parsons, 2002). It has been viewed as "an overall assessment of the strength of the relationship and the extent to which it meets the needs and expectations of the parties based on a history of successful encounters or events"(Smith, 1998, p.78). In other words, relationship quality means in which level the relationship will meet customers' needs, perceptions, goals and desires (Wong and Sohal, 2002). Relationship quality can also be seen from the service provider's perspective. Leuthesser (1997, p.246) states that, "in the area of relationship marketing, the primary emphasis of studies to date has been on understanding the factors that influence the relationship quality." In one of the earliest studies of relationship quality, Dwyer et al. (1987) argued that high levels of satisfaction, trust, and minimal opportunism make a difference between quality relationships from non quality relationship. While there is no consensus on the dimensions or components comprising relationship quality construct, there is general agreement that customer satisfaction with the service provider's performance, trust in the service provider, and commitment to the relationship with the service firm are key components of relationship quality (Palmer and Bejou, 1994; Dorsch et al., 1998; Smith, 1998, Hennig-Thurau, 2002; Palmatier et al., 2006; Wang et al. 2006). Recently, Palmatier et al. (2006) identified that trust; commitment and satisfaction are the dimensions of

relationship quality that most often studied, as relationship quality is a composite measure of relationship strength. To this end, this thesis views relationship quality as a higher order construct that comprises the three dimensions trust, satisfaction and commitment; reasons each of these dimensions are incorporated in this thesis are discussed next. As these three dimensions form the basis for in depth understanding of relationship quality in this thesis, they are discussed separately below.

Table 2.5: Review of Literature on Dimensions of Relationship Quality

Authors	Dimensions	Definition	Context
Dwyer et al. (1987)	Satisfaction, trust, and minimal opportunism	Relationship quality is reflected in satisfaction with and trust of one's exchange partner, and minimal opportunism	Buyer-seller relationships in channels
Crosby et al. (1990)	Trust, satisfaction	High relationship quality means that the customer is able to rely on the salesperson's integrity, and has confidence in the sales person's future performance because the level of past performance was consistently satisfactory	Life insurance
Palmer and Bejou (1994)	Satisfaction, trustworthiness, seller's customer orientation, selling orientation, sellers' expertise, sellers' ethics	None	Service relationships within the investment services sector
Bejou et al. (1996)	Ethics, salesperson's expertise, relationship duration, selling orientation, and customer orientation	None	Financial services consumers
Kumar et al. (1995)	Conflict, trust, commitment, willingness to invest in the relationship, and expectation of continuity	Relationship quality encompasses conflict, trust, commitment, willingness to invest in the relationship, and expectation of continuity	Buyer-seller relationships in business-to business market
Hennig-Thurau and Klee (1997)	Product-or service-related quality perception, trust, and commitment	Relationship quality can be seen generally as the degree of appropriateness of a relationship in fulfilling the needs of the customer associated with the relationship	Buyer-seller relationships (General approach)
Dorsch et al. (1998)	Trust, satisfaction, commitment, minimal opportunism, customer orientation, and ethical profile	Relationship quality is considered as a higher-order construct that encompasses trust, satisfaction, commitment, minimal opportunism, customer orientation, and ethical profile	Buyer-vendor relationships
Smith (1998)	Trust, satisfaction and commitment	Relationship quality is a general assessment of relationship strength and the extent to which a relationship meets the needs and expectation of the parties involved based on a history of	Industrial purchasing

		successful or unsuccessful encounters or events	
Shamdasani and Balakrishan (2000)	Trust and satisfaction	Relationship quality is the degree of trust in and satisfaction with all possible customer-service firm interfaces including interactions with contact personnel, the physical environment, and the customer environment	Service encounter and customer
De Wulf et al. (2001)	Satisfaction, trust and commitment	Relationship quality is considered as an overall assessment of the strength of a Relationship	Retailer consumer relationships
Kim and Cha (2002)	Trust and satisfaction	Relationship quality refers to customer perceptions and evaluations of individual service employees' communication and behaviour, such as respect, courtesy, warmth, empathy, and helpfulness	Hotel employees and customers
Roberts et al. (2003)	Trust in integrity, trust in benevolence, commitment, affective conflict, and satisfaction	None	Service firms and their customers
Beloucif et al. (2004)	Trust, satisfaction and commitment	None	Brokers and clients in Insurance industry
Woo and Ennew (2004)	Cooperation, adoption, and atmosphere	Relationship quality is an overall evaluation of the relationship between buyer and seller, and focuses on identifying the construct	Business-to business market
Lin and Ding (2005)	Trust and satisfaction	Relationship quality is a general assessment of relationship strength and the extent to which a relationship meets the needs and expectations of the parties involved, based on a history of successful or unsuccessful encounters or events	IT experience of relationships in ISP service

Sources: Shammout(2007)

2.4.1 Trust

Trust defined as a willingness to rely on an exchange partner in whom one has confidence, which means that there has to be a belief in the other partner's trustworthiness that results from the expertise, reliability or intentionality of that partner(Ha *et al*, 2004). Trust acts as a behavioral intention or behavior that reflects reliance on the other partner and involves uncertainty and vulnerability on the part of the trustor. Trust develops over time, but once it has been established between the two parties, it works as a catalyst to draw the two parties

continuously closer until they reach total commitment. Trust is perceived to be a mediator to satisfaction and can also serve as an enabler of loyalty between the hotel and the guest. Other notable researchers have each defined trust differently over the course of the past four decades. Rotter (1967, p. 651) defined trust as "A generalized expectation upheld by an individual, as to whether the word of the other party is trustworthy." Its application to guest loyalty is simple: if guests do not trust the property or the company, they will not be loyal. As an hotelier, if efforts are to be made to begin or increase loyalty efforts, it will be important that trust serves as a major determinant. In this study, the intentions are to identify all potential determinants of loyalty rather than to find out the potential relationship within each determinant. Trust, generally perceived to be a mediator of satisfaction, is treated as the same determinant.

Long-term relationships encourage customer honesty, which motivates both sides to recognize each other better and allows service provider better understand and satisfy client demands, what in turn develops stronger client trust (Czepiel 1990). Garbarino and Johnson (1999) suggested that when a customer trusts an organization, he/she has the confidence in the quality and reliability of the service offered. Chow and Holden (1997) argue that the more trusting a relationship, the higher the value a customer places on the relationship; in response, the customer is more likely to maintain a trusting relationship than risk uncertainty in the building of new exchange processes.

Moorman et al. (1992) viewed trust as a belief, sentiment, or expectation about an exchange partner's trustworthiness that results from the partner's expertise, reliability, or intentionality and behavioural intention reflects reliance on a partner and involves vulnerability. In this context, Doney and Cannon (1997) maintained that repeated interactions between customers and service providers can help customers to assess the service firm's credibility and benevolence. This view has also been incorporated in recent works similar to this thesis. For

example, Lin et al. (2003) examined how much the implementation of relational bonds — financial, social and structural— enhance customer trust as measured by credibility and benevolence in the financial service business context. Roberts et al. (2003) also use credibility and benevolence to measure trust as a dimension to assess the quality of relationship between service firms and their customers. Consistent with Roberts et al's (2003) view, this thesis assumes that a two-dimensional definition of trust (credibility and benevolence) is also important for use in the hospitality context.

2.4.2 Satisfaction

Satisfaction plays a key role in the service industry and especially in the hospitality industry (Edvardsson, Johnson, Gustafsson & Strandvik, 2000). The emphasis to comprehend what truly creates satisfied customers has lead to satisfied customers and the effects that satisfaction has on businesses today (Oliver, 1997; Barsky & Nash, 2002). To a certain degree, relationships may keep the customer loyal but the customer must be fulfilled on other levels too; thus, the customer must be truly satisfied with the quality and value of the services and products. Blodgett, Granbois, and Walters (1993) revealed that satisfied customers are far more valuable to a service organization when compared to dissatisfied customers; thus, the organization's primary objective should be to satisfy the customer. Fornell (1992) described satisfaction as the cumulative overall evaluation of a customer's purchase and consumption experience based on numerous interactions between the customer and the service provider. To support the importance of cumulative satisfaction, Olsen and Johnson (2003) found that customer loyalty and repurchase intentions are based on a broader consumption history and are able to explain more variation in loyalty; therefore, service providers must focus on satisfaction over the course of the service provider-customer relationship. Taylor, Celuch, & Goodwin (2004) show that satisfaction has a direct influence on customer loyalty. Mittal & Lassar (1998) discuss how satisfaction has been proven to directly affect loyalty. They further

analyze this impact by discussing the importance of looking at satisfaction and service quality together as they relate to guest loyalty and likeliness to return. They state "satisfaction" alone only tells whether the customer is satisfied or not. However, when measured with "quality", there is greater ability to determine what aspects of service are below par and need improvement as they relate to guest satisfaction. Karatepe (2005) took the same measurement approach as Taylor, Celuch, & Goodwin (2004), and other researchers just mentioned. However, his research focus was directed towards measuring hotels' responses to customer complaints. The researcher's measurement of atonement, facilitation, promptness, apology, and other determinants also enabled the assessment of customer satisfaction and long-term loyalty. Skogland &Siguaw (2004) measured the degree to which satisfaction influenced loyalty. These two particular researchers felt the degree to which the customer was involved in the purchase decision had a strong effect on the propensity to switch service providers. They measured this impact by using the confirmation-disconfirmation and comparison-level theories. The satisfaction antecedents used included service quality, product quality, price, and location. They felt this construct, along with the measurement of satisfaction's affect on involvement, all culminated to assess the overall impact of satisfaction on loyalty.

The emphasis firms are placing on customer satisfaction these days stems from the realization that keeping a current customer is much less expensive than attracting a first time buyer (Alford & Sherrell, 1996). Research has proven that service quality (Bitner, 1990), relationship quality (Crosby et al., 1990; Crosby & Stephens, 1987), and overall service satisfaction (Cronin & Taylor, 1992) can improve customers' intentions to stay with a firm (Keaveney, 1995). Some researchers argue that there is a distinction between satisfaction and service quality. Rust & Oliver (1994) suggested that customer satisfaction and dissatisfaction; a cognitive or affective reaction emerges as a response to a single or prolonged set of service encounters. Satisfaction is a post consumption experience which compares perceived quality

with expected quality, whereas service quality refers to global evaluation of a firm's service delivery system (Anderson & Fornell, 1994; Parasuraman et al., 1985). Iacobucci et al. (1995) concluded that the key difference between service quality and customer satisfaction is that quality relates to managerial delivery of the service while satisfaction reflects customers' experiences with that service.

Taylor, Celuch, & Goodwin (2004) show that satisfaction has a direct influence on customer loyalty. Mittal & Lassar (1998) discussed how satisfaction has been proven to directly affect loyalty. They further analyzed this impact by discussing the importance of looking at satisfaction and service quality together as they related to customer loyalty and likeliness to return. They stated "satisfaction" alone only tells whether the customer is satisfied or not. However, when measured with "quality", there is greater ability to determine what aspects of service are below par and need improvement as they relate to guest satisfaction. Karatepe (2005) took the same measurement approach as Taylor, Celuch, & Goodwin (2004), and other researchers just mentioned. Skogland & Siguaw (2004) measured the degree to which satisfaction influenced loyalty. These two particular researchers felt the degree to which the customer was involved in the purchase decision had a strong effect on the propensity to switch service providers. It is satisfaction that allows a basic business relationship to progress to the point where a high level of commitment exists between the parties involved, and where dissolution of the relationship becomes increasingly difficult because of the strong bond that has developed. This scenario suggests that satisfaction is not transaction-specific, but rather cumulative in nature (Boulding et al. 1993). Anderson, Fornell and Lehmann (1994, p. 54) describe cumulative customer satisfaction as"...an overall evaluation based on the total purchase and consumption experience with a good or service over time." As an example, the quality of the service that the customer receives from the sales representative during the on-going relationship may be considered a factor in influencing the customer's overall

satisfaction with the relationship (Anderson and Sullivan 1993; Cronin and Taylor 1992; Fornell 1992). As Valdani (2009) points out: enterprises exist because they have a customer to serve. The key to achieve sustainable advantage lies in delivering high quality service that results in satisfied customers (Shemwell et al, 1998). Service quality and customer satisfaction are key factors in the battle to obtain competitive advantage and customer retention. Customer satisfaction is the outcome of customer's perception of the value received in a transaction or relationship, where value equals perceived service quality, compared to the value expected from transactions or relationships with competing vendors (Blanchard & Galloway, 1994; Heskett et al., 1990; Zeithaml et al., 1990). In order to achieve customer satisfaction, it is important to recognize and to anticipate customers' needs and to be able to satisfy them. Enterprises which are able to rapidly understand and satisfy customers' needs, make greater profits than those which fail to understand and satisfy them (Barsky & Nash, 2003). Since the cost of attracting new customers is higher than the cost of retaining the existing ones, in order to be successful managers must concentrate on retaining existing customers implementing effective policies of customer satisfaction and loyalty. This is especially true in the hotel industry. Nowadays one of the biggest challenges for managers in the hotel industry is to provide and sustain customer satisfaction. Customer's requirements for quality products and service in the tourism industry has become increasingly evident to professionals (Lam & Zhang, 1999; Yen & Su, 2004). Guest relationships are a strategic asset of the organization (Gruen et al., 2000) and customer satisfaction is the starting point to define business objectives. In this context, positive relationships can create customer's higher commitment and increase their return rate. Long-term and reciprocally advantageous relationships between customers and the hotel is becoming progressively important because of the highly positive correlation between guests' overall satisfaction levels and the probability of their return to the same hotel (Choi & Chu, 2001). Hotels are increasing their

investments to improve service quality and the perceived value for guests so as to achieve better customer satisfaction and loyalty, thus resulting in better relationships with each customer (Jones et al., 2007). Relationship quality has a remarkable positive effect on hotel guests' behavior: it creates positive word of mouth (WOM) and increments repeated guest rates (Kim et al., 2001).

Gunderson et al. (1996) defines customer satisfaction as, ''a guest's postconsumption judgment of a product or service that can, in turn, be measured byassessing guest's evaluation of a performance on specific attributes.'' The purpose of measuring customer satisfaction is to assess the quality of the existing management practices and identify directions for improvement. The aim of managing satisfaction is to obtain a higher rate of customer retention and improve a company's market share and profits (Gilbert and Horsnell, 1998). Many researchers propose that customer satisfaction influences customer loyalty, which in turn affects profitability (Anderson and Fornell, 1994; Gummesson, 1993; Heskett et al., 1990, 1994; Reicheld and Sasser, 1990; Rust et al.,1995; Schneider and Bowen, 1995; Storbacka et al., 1994; Zeithaml et al.,1990). Customer satisfaction is a business philosophy which tends to the creation of value for customers, anticipating and managing their expectations, and demonstrating ability and responsibility to satisfy their needs. Quality of service and customer satisfaction is critical factors for success of any business (Gronoos, 1990; Parasuraman et al., 1988). As Valdani (2009) points out: enterprises exist because they have a customer to serve. The key to achieve sustainable advantage lies in delivering high quality service that results in satisfied customers (Shemwell et al, 1998). Service quality and customer satisfaction are key factors in the battle to obtain competitive advantage and customer retention. Customer satisfaction is the outcome of customer's perception of the value received in a transaction or relationship, where value equals perceived service quality, compared to the value expected from transactions or relationships with competing vendors

(Blanchard & Galloway, 1994; Heskett et al., 1990; Zeithaml et al., 1990). In order to achieve customer satisfaction, it is important to recognize and to anticipate customers' needs and to be able to satisfy them. Enterprises which are able to rapidly understand and satisfy customers' needs, make greater profits than those which fail to understand and satisfy them (Barsky & Nash, 2003). Since the cost of attracting new customers is higher than the cost of retaining the existing ones, in order to be successful managers must concentrate on retaining existing customers implementing effective policies of customer satisfaction and loyalty. This is especially true in the hotel industry. Nowadays one of the biggest challenges for managers in the hotel industry is to provide and sustain customer satisfaction. Guest relationships are a strategic asset of the organization (Gruen et al., 2000) and customer satisfaction is the starting point to define business objectives. In this context, positive relationships can create customer's higher commitment and increase their return rate. Long-term and reciprocally advantageous relationships between customers and the hotel is becoming progressively important because of the highly positive correlation between guests' overall satisfaction levels and Customer satisfaction is one of the most important components in a customer's decision to keep or switch a product or service provider (Lemon et al., 2002). the probability of their return to the same hotel (Choi & Chu, 2001). Hotels are increasing their investments to improve service quality and the perceived value for guests so as to achieve better customer satisfaction and loyalty, thus resulting in better relationships with each customer (Jones et al., 2007). Relationship quality has a remarkable positive effect on hotel guests' behavior: it creates positive word of mouth (WOM) and increments repeated guest rates (Kim et al., 2001). Satisfaction is the second dimension used to measure relationship quality in this thesis. The choice of satisfaction is consistent with previous research in relationship marketing that has found satisfaction to be a key determinant of the relationship between customer and service provider (Hennig-Thurau and Klee, 1997; Smith and Barklay 1997; Rosen and

Surprenant, 1998; Shamdasani and Balakrishan, 2000; Hennig-Thurau et al., 2002; Kim and Cha, 2002; Roberts et al., 2003; Hsieh and Hiang, 2004, Leverin and Liljander, 2006). In relationship marketing, authors have generally drawn on the service marketing literature to develop their notion of satisfaction. Thus, this section reviews satisfaction within service literature to provide the basis for discussing it from a relationship marketing perspective. In reviewing the service literature, customer satisfaction has been generally viewed within the expectation-disconfirmation theory or paradigm describing the process in which customers evaluate satisfaction (Oliver, 1980; Oliver, 1981; Churchill and Surprenant, 1982; Swan, 1983; Tse and Wilson, 1988; Westbrook and Oliver, 1991; Wirtz and Bateson, 1999). In this traditional view, satisfaction is treated as the outcome of a comparison process between expectation and perceived performance. This comparison leads to one of two outcomes: customer satisfaction (CS,) in which perceived performance was at least same or higher than expectation, and customer dissatisfaction (CD), in which perceived performance is less than customer expectation. The first outcome can be considered as a positive confirmation, while the second outcome as a negative disconfirmation. Satisfaction in this case refers to the degree to which the performance meets customers' expectation (Wilson 1995; Parsons, 2002). Selnes (1998) argues that the expectation-disconfirmation theory does not distinguish between different types of expectations, and thus makes no distinction between the expectation towards the core product and expectation towards the supplier. This argument may have led Payne and Holt (2001) to argue that there are other aspects that customers use to evaluate their relationship satisfaction, such as values (i.e., benefits received) rather than expectation. This also has been suggested by Rosen and Surprenant (1998), who noticed that perceived values provide better predictors of satisfaction because values are more enduring than pre-purchase expectation.

In an attempt to further explore customer satisfaction as a concept, service marketing researchers have preferred to make a distinction between satisfaction and related constructs. For example, Bitner (1990) argues that satisfaction is not the same as a customer's general attitude towards the service. That is, satisfaction assessment relates to individual transactions, and satisfaction as an attitude is more general. Liljander and Strandvik (1994), Parasuraman et al. (1994), and Shemwell et al. (1998) also distinguished between service quality and satisfaction. For example, according to Liljander and Strandvik (1994), perceived service quality can be viewed as an outsider perspective, a cognitive judgment of a service; satisfaction, on the other hand, refers to an insider perspective (the customer's own experiences of a service, where the outcomes have been evaluated in terms of what value was received). Here, the customer's own experience of a service, in which the outcome has been evaluated, is based on what values (i.e., benefits) that have been received. More recently, Zeithmal and Bitner (2003) have argued that satisfaction is generally viewed as a broader concept, and service quality is a component of satisfaction. However, despite satisfaction being conceptualised differently in the service marketing literature, Fornell's (1992) conclusion that satisfaction is a post-purchase assessment leading to an overall feeling about specific transaction provides a useful summary for the term. In reviewing the relationship marketing literature (the focus of this thesis), Crosby et al. (1990) conceptualised satisfaction as an emotional state that occurs in response to an evaluation of interaction experiences. Similar to this view, Anderson and Narus (1990, p.45), in business-to-business context, defined satisfaction as "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm". This view has also been incorporated in subsequent research in business-to-consumer market (see De Wulf et al. 2001, De Wulf et al., 2003; Liang and Wang, 2005; Palmatier et al., 2006). Anderson and Narus (1990) maintained that satisfaction, by its nature, is not only a close proxy for the concept perceived

effectiveness, but also predictive of future actions by partners. Therefore, they viewed satisfaction as leading to the long–term continuation of relationships. In contrast, Liljander and Strandvik (1994) suggested that cognition is also part of the evaluation when defining satisfaction as "customer's cognitive and affective evaluation based on their personal experience across all service episodes within the relationship" (p.25). Their definition was used by Roberts et al. (2003), who investigated the role of satisfaction as a measure of relationship quality. In their definition, however, they included that the cognition aspect to evaluate satisfaction was not only important to model relationship quality, but also for the determination of service quality.

Because satisfaction in this thesis is one measure of relationship quality, it is reasonable to discuss it accordingly. That is, this thesis does not treat satisfaction as a separate construct in the proposed theoretical model (see Figure 3.1). In a review of similar literature discussing the role of satisfaction as a measure of relationship quality, satisfaction has been defined as an affective state without the cognitive aspect. This may be because the affective-based component of satisfaction is more important than the cognitive component (Mano and Oliver, 1993), especially when satisfaction is evaluated in terms of ongoing relationships exchange between partners (Shemwell et al., 1998). Support for using the affective state definition of satisfaction can be found in the work of Sanzo et al. (2003), who focused on satisfaction as an outcome of a buyer-seller orientation. They argue that the definition includes an evaluation of the economical and non-economical aspects of such relationships. First, they consider economic-based satisfaction as having a positive affective response in which one of the participants looks for rewards. This type of satisfaction refers to the effectiveness and productivity of the relationship, and to the obtained financial results. Second, they regard non-economic-based satisfaction as having a positive affective response towards the relationship's psychological aspects, with satisfied participants enjoying working with

partners, who are concerned with their welfare. This provides participants with the motivation to share information with their partners. Here it can be seen that aspects of both economic and non-economic relationships are similar to financial and social bonds used in this thesis. Within this context, Liang and Wang (2005) argue that different kinds and degrees of relational bonds may result in different degrees of customer satisfaction. In other words, customer satisfaction varies according to the quality of interpersonal interaction between the customer and service provider (Shamdasani and Balakrishan, 2000). The above definition of affective state has also been used in a large number of studies, including Smith and Barclay (1997), De Wulf et al. (2001), De Wulf et al. (2003), Liang and Wang (2005), and Palmatier et al. (2006). In the same vein, these authors argue that satisfaction is a cumulative effect within the course of a relationship, rather than a satisfaction specified with each transaction. According to Anderson and Narus (1990), the benefit of long-term cumulative customer satisfaction "is what motivates firms to invest in customer satisfaction" (p.54). Therefore, given the intention in this thesis is to evaluate satisfaction as a measure of relationship quality based on the relationship experience that the customers have with their hotelier, this definition is appropriate.

In sum, although satisfaction has been discussed in a variety of ways, Leverin and Liljander (2006) maintain that customer satisfaction could be understood better within the transactional exchange (i.e., each transaction is evaluated separately) or relational exchange. This is because the role of satisfaction in the context of relationship marketing differs from customer satisfaction in an overall exchange (Palmatier et al., 2006). Based on this view, this thesis investigates the role of satisfaction in the context of relationship marketing only. That is, loyal customers in this thesis evaluate their satisfaction based on the relationship experience with hoteliers, not satisfaction as a specific service encounter.

2.4.3 Commitment

Commitment exists when a partner believes the relationship is important enough towarrant maximum efforts at maintaining that relationship in the long term. Zineldin defines relationship commitment as:

"An exchange partner believing that an ongoing collaborative relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely" (Zineldin M., 2000: p.249).

Relationship commitment is an enduring desire to maintain a valued relationship. Relational commitment exists only when the relationship is considered important. It also means that the partners will try to build their relationships slowly and will seek to minimize their commitment until the potential outcome clearer. (Zineldin M. & Jonsson P., 2000) Commitment is positively related to loyalty and repeated purchase, because relationship performance is critical to repurchase decisions in a relational exchange, business loyalty is similar to relationship commitment (Morgan and Hunt, 1994). Business Loyalty is described as "a deeply held commitment to re-buy or repurchase a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver, 1999: p.34). Oliver (1999) describes the consumer who 'fervently desires to re-buy a product or service and will have no other', as a consumer who will pursue this quest 'against all odds at all costs'. These latter conditions define the concept of 'ultimate loyalty'. Commitment and loyalty are two concepts connected but different. Beyond the favorable or unfavorable appreciation of the brand, commitment plays the role of establishing the behaviors in time irrelevantly of the circumstances, being an essential component of long-term loyalty (Morgan and Hunt, 1994). Commitment helps customers to develop positive intentions towards an extension of the brand to new categories of products moderating the effects of negative information about the brand on the changes of consumers' attitudes (Ruben, 2007). Commitment is positively related to loyalty and repeated

purchase, because relationship performance is critical to repurchase decisions in a relational exchange, business loyalty is similar to relationship commitment (Morgan and Hunt, 1994). Business Loyalty is described as "a deeply held commitment to re-buy or repurchase a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver, 1999: p.34). Oliver (1999) describes the consumer who 'fervently desires to re-buy a product or service and will have no other', as a consumer who will pursue this quest 'against all odds at all costs'. These latter conditions define the concept of 'ultimate loyalty'. Commitment and loyalty are two concepts connected but different. Beyond the favorable or unfavorable appreciation of the brand, commitment plays the role of stabilizing the behaviors in time irrelevantly of the circumstances, being an essential component of long-term loyalty (Morgan and Hunt, 1994). Commitment helps customers to develop

Commitment refers to persisting desire to maintain valuable relationship (Moorman, Zaltman and Deshpande 1992; Morgan and Hunt 1994). Commitment emerges as relationship develops gradually and the parties may be committed because of different reasons (Venetis and Ghauri 2004). Morgan *et al*. (2000) consider commitment one of the two most important factors (another factor is trust) determining relationship lasting and approach it as the synonym of customer loyalty. Commitment based on emotions has positive impact on customer intentions (Garbarino and Johnson 1999), on positive verbal communication (White and Schneider 2000; Hennig-Thurau *et al*. 2002), furthermore, encourages and fosters customer collaboration (Morgan and Hunt 1994) and loyalty (Hennig-Thurau *et al*. 2002). Therefore, similar as trust, commitment is one of the most significant variables that help to evaluate relationship strength level, and is a useful element of presumable client loyalty measuring.

The success of any organization, in general (and service organizations and residential centers in particular) not only depends on the organization in taking advantages of its human resources but also mainly on its staff organizational commitment (Beukhof et al., 1998; Thorn hill et al., 1996). Commitment is such a variable which is related to both staff outputs and organization outputs. High commitment would energize the factors such as sense of belonging to organization, safety, self-efficacy, career development, and intrinsic encouragement (Rowden, 2000) for staffs, and will result in dependency employment, job rotation decrement, reducing educational costs, increasing job satisfaction, and acceptance of organization demands by the staffs. High commitment can provide the organization with accomplishing the goals such as the quality of services for organization (Moday et al., 1982). Many authors have presented different definitions and measurable tests about organizational commitment. Mullins (1994) defines this structure with the interpretation of identity and continuity degree of individual with organization.

Meyer and Allen (1997) argue that organizational commitment consists of individual's psychological status which specifies the individual's relation with organization that leads to making decision about staying with the organization. Mowday, et al (1982) also define organizational commitment as staff's holding conviction to organization goals and values, having tendency toward significant efforts representing organization as well as high interest in maintaining one's membership in organization. As the interactions between the two parties begin to exhibit a consistency over time, a commitment to one another and to the longevity of the relationship develops (Gundlach, Achrol and Mentzer 1995). By its very definition, commitment suggests a binding agreement, where two parties pledge to perpetuate a relationship (Neufeldt, ed. 1990). Anderson, Hakansson and Johanson (1994) suggest that cooperation is essential in a dyadic relationship and that commitment is the consequence of that need. Dwyer, Schurr and Oh (1987) argue that commitment between the two parties is

indicative of the most advanced stage of the relationship and therefore, at this point, both parties are actively involved in maintaining the relationship. Morgan and Hunt (1994) consider commitment as the keystone of relationship marketing. We propose that once commitment is reached by the salesperson and the customer, the emphases in the relationship moves toward cooperation and long-term maintenance of that relationship so that the parties involved continue to experience positive, profitable outcomes (Morgan and Hunt 1994).

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Gundlach et al., 1995; Morgan and Hunt, 1994; Dwyer et al., 1987). Wilson (1995) observed that commitment was the most common dependent variable used in buyer-seller relationship studies. In sociology, the concept of commitment is used to analyze both individual and organizational behaviour (Becker, 1960) and mark out forms of action characteristic of particular kinds of people or groups (Wong and Sohal, 2002), while psychologists define it in terms of decisions or cognitions that fix or bind an individual to a behavioural disposition (Kiesler, 1971). In the marketing literature, Moorman et al. (1992) have defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995; Morgan and Hunt, 1994). Since, commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received (Mowday et al., 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity. Commitment is the third dimension used to measure relationship quality within this thesis. A number of views have been put forward in the literature about the significance of commitment in long-term relationships. For instance, Berry and Parasuraman (1991, p.139) maintained that "relationships are built on the

foundation of mutual commitment," and according to Morgan and Hunt (1994) commitment is regarded as an essential component for successful long-term relationships. Furthermore, it has been considered to be an important outcome of good relational interaction (Dwyer et al., 1987) and an important variable in discriminating between "stayers and leavers" (Mummalaneni, 1987). Bennet (1996) argued that the strength of customers' commitment to a firm depends on their perceptions of the firm's efforts. Because commitment is a critical variable in measuring the future of the relationship between buyer and seller, most authors in relationship marketing regard it as an important dimension of relationship quality (see Dorsch, 1998; Smith, 1998; De Wulf et al., 2001; Hennig-Thurau et al., 2002; Parsons, 2002; De Wulf et al., 2003; Roberts et al., 2003; Bansal, 2004; Palmatier, 2006; Wang et al., 2006). In this context, Roberts et al. (2003, p.178) maintain that, "customer's commitment to a service organisation is an important indicator of the health of a relationship, and thus should be included as a dimension of relationship quality." Therefore, the choice of commitment as a measure of relationship quality in this thesis is consistent with these studies. To provide a deep understanding to commitment used in this thesis, this section reviews how this concept is broadly viewed in marketing literature, prior to reviewing it in literature related to relationship marketing (the focus of this thesis). Commitment has been viewed in different ways. Authors in marketing have borrowed their conceptualisation of commitment from two disciplines: social exchange (i.e., Kanter, 1968; Cook and Emerson, 1978), and organizational behaviour (i.e., Becker, 1960; Mowday et al., 1979; O'Reilly and Chatman, 1986; Allen and Meyer, 1990; Mathieu and Zajac, 1990; Meyer and Allen, 1991). From organisational behaviour perspective, Porter et al. (1974, p.604) define organizational commitment as "the strength of an individual's identification with the involvement in a particular organization." This definition includes an assessment of motivation, intent to remain with the organization, and the employees' identification with the values of the

organization (Han, 1991). In their comprehensive review of organizational commitment literature, Meyer and Herscovitch (2001) found that a large body of research supports the three-component model of organizational commitment proposed by Allen and Meyer (1990). In Meyer and Herscovitch's study, commitment is conceptualised as: *affective* (a desire-based attachment to organization), *continuance* (cost-based attachment of leaving an organization), and *normative* (obligations-based attachment to stay with an organisation). Roberts et al. (2003) maintain that these types of commitment work through different psychological mechanisms. They state that, "employees with strong affective commitment stay with the organization because they want to, employees with strong continuance commitment stay because they feel they have to, and those with strong normative commitment stay because they feel they ought to" (p.179). However, relationship marketing authors in general opertionalise commitment as affective commitment (Fullerton, 2005a). This type of commitment has generally been treated as an attitudinal construct (Gundlach et al., 1995; Bansal et al., 2004; Fullerton, 2003). In addressing the significance of this component, Roberts et al. (2003) acknowledged that of the various kinds of commitment, only affective commitment influences the degree to which a consumer wants to maintain a relationship with the firm. Additional support for affective commitment has been proposed by Fullerton (2005a), who suggests that customers overall should be viewed as being affectively committed to a service provider when they like their service provider, regardless of the type of service that is being consumed. Affective commitment exists where an individual consumer identifies with, and is also attached to their relational partner (Gruen et al. 2000, Fulletron, 2003). Furthermore, commitment represents customers' feelings about the act of maintaining a relationship with a commercial partner, which is rooted in shared values, identification and attachment (Gundlach et al., 1995; Fullerton, 2005a). Such claims provide insight for this thesis to also see commitment from an affective perspective. Wong and Sohal

(2002) point out that the term 'valued relationship' enhanced the belief that commitment exists only when the relationship is considered important. This view is consistent with Morgan and Hunt's (1994) work, where they modelled both commitment and trust as a key mediating variable in context of a business-to business market. Morgan and Hunt acknowledged that 'valued relationship' is similar to their belief that commitment exists only when a relationship is considered important. That is, there is an enduring desire for a committed partner wanting the relationship to endure, and therefore there is more willingness to work to maintain it. They defined commitment as "an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it" (1994, p.23). Bowen and Shoemaker (1998) provide an example of how hotels are willing to make short-term sacrifices to realise long-term benefits. According to them, "a hotel would make the short-term sacrifices of holding a block of rooms at a reduced corporate rate for the long-term benefit of working with a regular customer, even though those rooms might be sold at a higher rate if the block were released" (p.15). In agreement with those measured commitment as a dimension of relationship quality, it is believed that Moorman's et al. (1992) and Morgan and Hunt's (1994) definitions are adequate to be used in this thesis. In reviewing the literature related to commitment, it has been found that marketers have developed their definitions based on the three components model - continuance, normative and affective - proposed by Allen and Meyer (1990). Most marketing authors, particularly those in relationship marketing found that commitment is better seen as affective, as it works more effectively in long-terms relationships. It also has been found that Moorman et al. (1992) and Morgan and Hunt's (1994) definitions dominated the discussion on commitment in relationship marketing literature. That is, most subsequent studies, particularly those treating commitment as a dimension of relationship quality, have adopted

these definitions. In agreement, these two definitions have been found adequate for this thesis.

2.5 Emotions

The connection between emotions and satisfaction has been recognized by managers and academics, most forms of satisfaction research do not address emotional output (Liljander & Strandvik, 1997; Yu & Dean, 2001). To some degree the elimination of emotion as it relates to customer satisfaction, future behavioral intentions and the customer's willingness to be loyal to an organization has been due in part to the complexity of the construct and the challenges presented when measuring customer emotion. Over the past decade researchers have made great strides with the development of various scales to scrutinize the importance of emotion in a customer satisfaction scenario; however, the most effective way to measure emotion is still debated (Westbrook & Oliver, 1991; Mattila & Wirtz, 2000; Smith & Bolton, 2002). Current literature serves evidence to the theory that the relationship between satisfaction and loyalty is moderated by positive emotions in high involvement services; that is, the stronger the positive emotions experienced during the service encounter, the stronger the relationship between satisfaction and loyalty (Bloemer & de Ruyter, 1999; Scanlan & McPhail, 2000). In addition to the above, previous research has overwhelmingly focused on cognitive components of customer satisfaction and much of this has used some form of disconfirmation to compare perceived levels of performance with some form of benchmark standard (Liljander & Strandvik, 1997; Yu & Dean, 2001). While these studies have concluded that there is a significant relationship between service quality, customer satisfaction and future behavioral intention, the validity of the findings is more closely related to the cognitive components of the satisfaction construct opposed to the emotion construct (Liljander & Strandvik, 1997; Yu & Dean, 2001). Liljander and Strandvik (1997) explain that service quality and satisfaction are believed to contain an affective (emotional) component;

thus, without the analysis of the customers. Responses the emotion component cannot be fully appreciated. A growing body of literature clearly indicates that the positive and negative emotions that customers associate with the service experience play an important role in satisfaction and future behavioral intention (Allen, Machleit & Kleine, 1992; Oliver, 1993; Richins, 1997; Barsky & Nash, 2002). Without a doubt, it is widely accepted that customer satisfaction, loyalty and future behavioral intentions are to some degree influenced by pre-encounter emotions and post-consumption emotions (Oliver, 1997; Cronin, Brady & Holt, 2000; Barsky & Nash, 2002).

Numerous researchers (Westbrook & Oliver, 1991; Matilla & Wirtz, 2000; Smith & Bolton, 2002) have conducted research around consumption emotions in the service industry and specifically in the hospitality industry. As a result of their research efforts, consumption emotion has been defined as a set of emotional responses elicited specifically during product usage or consumption experiences. Each of their research efforts explores various elements of emotion as described either by the distinctive categories of emotional experience, expression (joy, anger and fear), or by the structural dimensions underlying emotional categories, such as pleasantness/unpleasantness, relaxation/action, or calmness/excitement emotions (Westbrook & Oliver, 1991). When looking at consumption emotion, recent literature clearly indicates that the customer associates both positive and negative emotions with the service encounter; which in turn, plays a significant role in the customer's degree of satisfaction, loyalty and future behavioral intention (Allen, Machleit & Kleine, 1992; Oliver, 1993; Richins, 1997 Barsky & Nash, 2002). Research also lends evidence that customer satisfaction, loyalty and future behavioral intentions are, to some extent, influenced by the customer's emotions prior to the service encounter and directly after the service encounter (Oliver, 1997; Cronin, Brady & Holt, 2000; Barsky & Nash, 2002). Mattila and Wirtz (2000) recognized that in order to truly understand a customer's emotional state, research should be conducted in two phases; 1)

the customer's pre-consumption stimuli and emotion, and 2) the customer's post-consumption stimuli and emotion. This would aid in an effort to fully understand the cognitive process, on-going satisfaction, degree of loyalty and their future behavioral intentions.

Sui and Baloglu.s (2003) pointed out that a customer's emotional attachment to the service organization was based on the degree of trust he or she felt toward the service organization and the emotional or financial switching costs associated with patronizing the competition. Their model signified that a customer's emotional attachment toward the organization influenced five loyalty and behavioral attributes; 1) word of mouth, 2) cooperation, 3) time spend, 4) revisit and 5) other product usage.

Since customers tend to experience strong emotional reactions in response to service failures, many customers rely on their emotions as the deciding factor in whether or not to continue their relationship with the organization (Smith & Bolton, 2002). Smith and Bolton's (2002) research found that when combining the responses collected from the selected restaurants and hotels there was a significant relationship between emotion and satisfaction. Consequently, when analyzing the two industries individually, there was no significant relationship in the restaurant segment and a minimal relationship between emotion and satisfaction in luxury hotels. This was attributed to two situations 1) the experimental design for the restaurant segment did not control for heterogeneity where the hotel segment did, and 2) more negative emotions and harsher comments were reported in the responses collected from the hotels. Thus, the researchers concluded that the more negative the emotion, the more important the recovery efforts. The Market Matrix research has demonstrated that emotions play an important role in hotel customers' satisfaction and loyalty, and that those emotions are a better predictor of customer loyalty than are traditional measures of product and service satisfaction. Guests are willing to pay substantially more per night for the promise of

experiencing certain emotions during their stay. The sets of key loyalty-inducing emotions are slightly different for each hotel-industry segment. For the luxury segment, for instance, the key loyalty emotions involve feelings of being pampered, relaxed, and sophisticated. At the other end of the scale, the key emotions for economy hotels are feeling comfortable, feeling welcome, and being practical. Other emotions that drive loyalty in one segment or another are feeling important (upscale), secure (midscale), and welcome (midscale and upscale). An emotions construct has been included in the proposed theoretical model for the following two reasons. First, although emotions have previously been considered as an important component in relationship marketing, further empirical investigation into their effect within this context is needed (Barnes, 1997; Ruth et al., 2004; Anderson and Kumar, 2006; Bagozzi, 2006). Second, the importance of investigating the role of emotions has not only been emphasised within the long-term relationships literature, but has also been strongly suggested within the hospitality literature as an issue needing more exploration (Barsky and Nash, 2002; Pullman and Gross, 2004). To understand the nature of emotions as used in this thesis, this section is structured as follows. It provides a review of the literature that discusses customer emotions in relationship marketing (the focus of this thesis).

2.5.1 Emotions in Relationship Marketing

Several authors have argued that customers' emotional experience is an important component in the course of relationship marketing (Barnes 1997; Liljander and Strandvik, 1997; Pullman and Gross, 2004; Ruth et al., 2004; Wong, 2004; Anderson and Kumar, 2006; Bagozzi, 2006). Researchers in relationship marketing have used different scales to investigate the role of emotions (see Table 2.6). For example, in his attempt to assess the closeness of relationships, Barnes (1997) acknowledged that these cannot exist without emotional content, and adopted ten different emotions (five positive and five negative) to focus on the concept of emotional tone (which is the difference between total positive and total negative emotions;

i.e. it is positive if positive emotions are stronger than negative emotions). By asking respondents to indicate the frequency with which they experience particular emotions in their interaction with the particular provider, their results provide strong support for the fact that the emotional tone of the relationship is the best predictor of the closeness of that relationship. Within the hospitality context, Pullman and Gross (2004) investigate the importance of only positive emotions as an outcome of relational context by including fifteen words on positive emotions. Relational context in their study refers to two types of interaction: (1) between the guest and service provider, and (2) between the guest and other guests. Their findings suggest that if the service provider keeps along-relationship with customers, an emotional response affecting future interactions can occur. Within other services contexts, Liljandar and Strandvik (1997) employed seven emotions (three positive and four negative) and argue that emotions can be studied at two levels: episode 2 and relationship. In their study, relationship consists of several episodes, whereas post-purchase reactions serve as input into the next repurchase stage. They reminded us that emotions might be present in all interactions between the customer and service provider. As a result, past experiences may affect perceived emotions either positively or negatively. More recent studies propose similar views; for example, Ruth et al. (2004) maintain that when positive or negative emotions are experienced, the overall preconceptions of the recipients to their relationship are also positive or negative. They used five basic emotions and five subordinate emotions (both positive and negative). Their scale focus on systematic correspondence with recipients, to find their views of relationship outcomes, in an attempt to examine the multiple emotions experienced in gift-receipt context. Their study included basic emotions and other descriptors representing these basic emotions. By using four positive emotions and four negative emotions, Wong (2004) proposes that if customers present positive emotions during interactions with service providers, then it is expected that they will also present positive

perceptions of overall relationship quality. All above views seem consistent with the idea discussed by Edwardson (1998) that different emotions may arise in a consumer context in response to events that are important to the individual's goals, motives, and concerns.

Table 2.6: Review of Emotions Scales using Relevant Literature on Relationship Marketing

Authors	Context	Scales
Mehrabian and Russell (1974)	Psychology	PAD scale (pleasure-arousal-dominance) Pleasure: happy- unhappy, pleased satisfied, contented, hopeful, relaxed Arousal: stimulate, excited, frenzied, Jittery, wide a wake, and aroused Dominance: controlling, influential, in control, important, dominant, autonomous
Izard (1977)	Psychology	Positive: Interest, and joy Negative: fear, anger, sadness, disgust and surprise
Plutchik (1980)	Psychology	Positive: joy, expectancy, acceptance, and surprise Negative: fear, anger, sadness and disgust,
Richins (1997)	Consumption experience	Positive and negative emotions called Consumption Emotions Set (CES), including thirteen sets (anger, discontent, worry, sadness, fear, shame, envy, loneliness, romantic love, love, peacefulness, contentment, optimism), and 47 descriptors
Barsky and Nash (2002)	Hotels	Sixteen positive emotions (comfortable, welcome, content, practical, secure, important, entertained, extravagant, relaxed, elegant, pampered, hip/cool, excited, inspired, sophisticated, respected)

Sources: Shammout(2007)

Although the emotions construct is an important variable in the development of customer relationships, yet it has been found that there is no agreement on which emotions should be studied or how emotions should be measured. This is because a number of authors have used different scales and ways to measure emotions. Therefore, this thesis attempts to employ multiple emotions that measure the positive and negative effects that loyal customers at five-star hotels may experience, taking into account the specific domain of relationship marketing. The purpose here is not to distinguish between emotions, but to see whether emotions

(combining positive and negative emotions) are experienced by customers, based on their relationship with the service provider. In agreement with Barnes (1997), positive and negative emotions are combined in this thesis to form a measure of emotional tone, referring to the balance between total positive and total negative emotions (i.e., it is more positive if positive emotions are stronger than negative emotions). Following Barnes' approach in measuring emotions, this thesis seeks to examine the emotional experience of customers by employing 23 emotions (13 positive and 10 negative). Consistent with Richins (1997), who found that scholars usually adopt emotions from many possible domains without focusing on a particular one, this thesis employed a range of emotions, reflecting basic emotions widely accepted within the literature (Ruth et al., 2003; Barnes, 1997; Ruth et al., 2004); and in a hospitality context (Barsky and Nash, 2002; Pullman and Gross, 2004).

2.6 Customer Loyalty

According to Olorunniwo, Hsu and Udo (2006), loyal customers impact the profitability and overall success of the organization in three ways. First, a customer's repeat business generates income for the company, second, due to the cost of marketing and advertising, an organization makes less of a financial commitment in retaining customers compared to recruiting new customers and third, loyal and satisfied customers often spread the good news and recommend the services to others. In 1969, Day revealed that the concept of customer loyalty was the combination of repeat purchases from one service provider or brand coupled with the customers. In 1978, Jacoby and Chestnut stated that the only way to understand brand loyalty was to examine the belief, attitude, and conative structure of the customer's orientation of the focal brand. In 1994, Dick and Basu found that customer loyalty was viewed as the strength of the relationship between a customer's relative attitude and repeat patronage. Their research examined relative and attitudinal loyalty in four dimensions; true loyalty, latent loyalty, spurious loyalty and no loyalty. In 1997, Oliver states: loyalty is

described as a deeply held commitment to rebuy or repartonize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior. (p. 392). To contradict Newman and Werbel's definition of customer loyalty, Oliver (1997) further stated that a customer could only be loyal to a service or brand when the customer is aware of the competitor's services, amenities, and value and yet fervently desires to rebuy a product or service; will have no other, against all odds and at all costs. (p. 392). McMullan and Gilmore (2003) explored the relationship between four phases of customer loyalty described by Oliver. The researchers explored the customer's attitude over the four phases of loyalty despite the impact that marketing tactics or situational influences have on customer loyalty. As outlined in Figure 8, McMullan and Gilmore (2003) explained that a customer begins at level 0, when he or she holds no information or have not developed an attitude toward the product or service. During level one, the customer develops a set of beliefs that may find a certain product or service superior to others. Level two is the point in which the customer develops a favorable or unfavorable attitude toward the service or provider; which in turn, leads to the third phase; the customer's intention to return or recommend. The fourth and final phase requires the customer to take action and act on his or her beliefs and attitude. McMullan and Gilmore (2003) suggested that a customer may progress through each phase of loyalty, disregarding situational and marketing tactics. Situational tactics include poor service, quality or service failures. Marketing tactics include advertising, promotions or other influences the competition may create to influence a customer's purchase.

McMullan (2005) suggested that although numerous studies have distinguished between attitudinal and behavioral dimensions of loyalty (Jacoby & Kyner, 1973; Jacoby & Chestnut, 1978; Dick & Basu. 1994; Knox & Walker, 2001), .these have not adequately explored the

complex inter-relationships between the two dimensions and the dynamic processes by which loyalty is initiated and sustained. (p. 470). As customers progress through the phases of loyalty development, the sustainers and vulnerability elements change to reflect the degree of involvement (McMullan, 2005). This in turn led to the need to further explore and define this element of customer loyalty; therefore, McMullan.s (2005) research sought to once again apply Oliver.s (1997) framework to further explore and define the dimensions of customer loyalty and the process in which customer loyalty is initiated and sustained. The findings of the research revealed that a customer must have a sense of loyalty to the service organization during all four phases of the cognition-affect-conation-action pattern in order to overcome vulnerabilities introduced by the competition. In addition, McMullan (2005) highlighted the fact that a customer may prefer one brand or service over the others; however, if an alternative brand or offer is more appealing and the customer feels that the preferred service organization is not worthy of their loyalty, the possibility of switching to the competition increases. McMullan.s (2005) contribution led to the construction of a multi-item scale to measure customer loyalty development. McMullan (2005) supported the belief of Reichheld (2003) when he stated: a loyal customer is one who values the relationship with the company enough to make the company a preferred supplier. Loyal customers do not switch for small variations in price or service, they provide honest and constructive feedback, and provide enthusiastic referrals. (p. 126).

2.6.1 Loyalty in the Hospitality Industry

Shoemaker and Lewis (1999) defined loyalty as it pertains specifically to the hospitality industry: loyalty is when the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set; these customers buy almost exclusively from the preferred service organization- referring to the organization as *their* hotel or *their* restaurant. (p. 349).

Loyalty in the hospitality industry has been one of the most researched areas in recent years (Tideswell & Fredline, 2004) and over the last two decades, customer loyalty in hospitality research has focused on various aspects. Knutson (1988) investigated a customer's likelihood to return to a hotel property based on the most important features offered at the hotel and found that a clean and comfortable room was the determining factor. Even though their research considered the impact of return visitation, Knutson(1988) failed to investigate the effects on other loyalty related attitudes such as the impact on word of mouth or price sensitivity issues (Tideswell & Fredline, 2004). In terms of service quality and its effect on customer loyalty, Dube and Renaghan (1999) explored the effect of several functional areas of the hotel on customer loyalty outcomes and found that service quality and the quality of the employees were two of the most important factors effecting loyalty and intentions to repurchase and recommend.

In 1999, Shoemaker and Lewis reviewed a range of loyalty-generating strategies used in the hotel industry. Their research revealed that for true loyalty to be achieved, service organizations should focus on customer recognition, service quality, personalized service, emotional rewards and tailor made offers. Once again, Shoemaker and Lewis (1999) recognized that reward programs in the hospitality industry, specifically in the hotel segment, result in loyalty to the frequency program opposed to the actual brand or hotel. Further contributions of their research also revealed six types of value-added or value-recovery strategies used when generating customer loyalty. The six loyalty generating strategies in the hotel industry are:

Social: Interpersonal links with the hotel via regular communications.

Emotional: Providing a sense of recognition using guest's name

Experiential: Providing extra services such as turndown services

Functional: Providing extra facilities such as Internet access

☐☐Temporal: Time savings through quick check-in services.

☐☐Financial: Monetary savings through discounts on services

Although their loyalty-generating strategy research does not reveal the degree of loyalty associated with each type of strategy listed, it is reasonable to assume that the highest 54degree of loyalty is likely to result from the Social, Emotional and Experiential strategies with the Functional, Temporal and Financial strategies generating a lesser degree of loyalty (Tideswell & Fredline, 2004). As stated previously in this chapter, service quality in a vital antecedent to customer loyalty. In 2001, Fu and Parks analyzed the relationship between service quality and customer loyalty in elderly restaurant customers in the United States. Their findings revealed that elderly diners were more likely to revisit a specific restaurant because of the friendliness and empathy of the restaurant employees opposed to the speed of service or the quality of the product. Bowen and Shoemaker's (1998) research on service quality and customer loyalty revealed that customer's searched for service quality in terms of receiving hotel upgrades, being able to request a specific hotel room or being advised when the hotel had a special event or limited availability.

Within the hospitality industry, the number of accommodation choices from which customers can choose cannot be any more apparent. Because of the design of and purpose behind the services offered, hotels particularly, are unable to patent services and products have been developed to attain a competitive advantage. This creates an issue, from the hotel's perspective, in being able to offer a product that will attract and create loyal customers primarily based on this product or service offering. Concepts have been developed within the guest room, from the entrance door to the bathroom, to provide an increased product or service offering to impress the guest. For a period of time, the product or service concept will stand alone in the industry and prompt attention towards this hotel's or that company's innovation. However, within a relatively short period of time, another hotel or company will

produce a similar concept, thereby shifting the center of attention and prompting increased competition. One example of this is the "bedding revolution" prompted by the 1999 premiere of the Heavenly Bed™ by Starwood Hotel and Resorts. Soon after the Heavenly Bed™ debut, Marriott released a signature bed called The Marriott Bed™ within months after the debut of the Heavenly Bed™. Wyndham also responded to this release by upgrading its bedding system (Marta, 2005).

In the years following these debuts, other hotel corporations revamped bedding systems for their guest rooms. In more recent years, Hyatt unveiled its Grand Bed™ (Hyatt Corporation, 2005) and Radisson began offering its Sleep Number™ bed (Road & Travel, 2006).

In realizing the ongoing competitiveness that is to occur within the industry, many hotel corporations have shifted their focus to relationship marketing, particularly through the concept of loyalty. With the increased bargaining power consumers are obtaining, hotel corporations are realizing the key to their success will be to foster strategic relationship marketing efforts, particularly through the usage of loyalty measures. Several major hospitality corporations have incorporated loyalty programs into its company's offerings to guests. These programs are free and offer a range of services, increasing in level as the number of stays with hotels (regardless of brand) within the company also increases. Marriott Hotels and Resorts "Rewards Program" has three tiers: silver, gold, and platinum. According to its loyalty program website, offerings provided include guaranteed room type and lounge access/continental breakfast to gold and platinum guests. Each tier also offers a bonus percentage on the base points accumulated and "Platinum" guests have a dedicated reservations line (www.marriottrewards.com). Starwood Hotels and Resorts' "SPG (Starwood Preferred Guest) Program" offers three levels of membership; they are as follows: preferred, gold, and platinum. In reviewing the offerings provided on its loyalty program website, "Preferred" members receive two points per U.S. dollar spent. "Platinum" guests

receive a complimentary amenity of their choice upon check-in to the hotel. All members can also receive points through purchases made in a Starwood hotel as a "non-guest." (www.spg.com). According to an article obtained from *Hotels* (2005), America's Best Value Inn has began offering complimentary travel insurance to its "Value Club" members who book a reservation on the company's website (p. 34H). America's Best Value Inn chairman, Roger Bloss, commented, "We're looking for ways to stand out and bring value to consumers." He asked, "What do customers want today that they aren't willing to pay for" (p. 34H)?" The article highlighted the offering of services found to be comparable to other hotel "loyalty programs." Bloss commented, "In efforts to compete and also develop customer loyalty, the offering of free travel insurance should provide companies with a competitive advantage (p. 34H)." As an hotelier in the industry, it is important to offer products or services that enable sustainability in the industry. If not, the ability to derive necessary market share may be jeopardized. At the same time, it is important to be knowledgeable of the guests who patronize your hotel(s). Knowing their needs and demands, and utilizing this information for product or service implementation purposes, will go a long way towards long-term sustainability and loyalty creation efforts. It is also important to give considerable attention to the efficiency of the facilities and services provided. Guests expect service to be delivered in an expedient manner. Gold (2005) validates this inherent belief and also discusses how instant gratification and convenience are important from the guests' perspective (p. 1). Gold (2005) further states, "Failing to offer efficiency can prompt guest rooms to be sold as commodity [and]…commodities trade at market, not premium prices….Truly successful hoteliers in the years to come will be those that deliver memorable, differentiated experiences and efficient service (p. 2)."

2.6.2 The Benefits of Customer Loyalty

"When a company consistently delivers superior value and wins customer loyalty, market share and revenues go up, and the cost of acquiring and serving customers goes down" (Reichheld 1993, p64). However, it is not only the organization that benefits from loyalty but customers benefit as well. Organizational and customer benefits are summarized below:

2.6.2.1 Loyalty Benefits for the Organization

2.6.2.1.1 Acquiring new customer costs more than retaining an existing one

Establishing contact with a customer and achieving the first sales often costs so much that the net return on the transaction is minimal or even negative. But as the relationship continues, leading to more business, the customer becomes profitable to the seller (Grönroos 1990; Sheth and Parvatiyar 1995). Some services, for example traditional life insurance, only reach break-even point after five years such that if any customers leave before that, they generate a loss for the firm (Sherden 1992). In the credit-card finance business, the break-even time for a new customer is often more than six years because of high marketing and bad debt costs in the first year of a relationship with a cardholder (Heskett, Jones, Loveman, Sasser and Schlesinger 1994). The longer the relationship, the lower the amortized cost of acquisition (Clark and Payne 1995).

2.6.2.1.2 Loyal customers tend to be less deal prone

Loyal customers have been found to be less deal prone than non-loyal customers (Bowen and Shoemaker 1998; Jain, Pinson and Malhotra 1987). Moriarty, Kimball and Gay (1983) found that because customers in long-term relationships with banks received significant intangible benefits, the demand for banking services by such customers was less sensitive to price than the demand by non-relationship customers. Similarly, Goodwin and Gremler (1996) found that some customers who had a friendly, personal relationship with their service provider did not consider alternatives and were willing to override price or convenience attributes.

2.6.2.1.3 Loyal customers are likely to provide free word-of-mouth advertising and referral

Customer loyalty is consistent with a favorable attitude towards the service provider (Jain, Pinson and Malhotra 1987) promoting positive word-of-mouth (Gremler and Brown 1997). For example, Beatty et al. (1996), found that customers who formed relationships with their sales associates appeared to engage in extensive word-of-mouth advertising. Similarly, Bowen and Shoemaker (1998) found that a guest who felt loyal to a specific hotel relayed positive comments about the hotel to a median of 10 people. In addition to strong, positive word-of-mouth, loyal customers offer other promotional advantages to service firms. For example, loyal hotel customers have been found to make business referrals, provide references and publicity, and serve on advisory boards (Bowen and Shoemaker 1998).

2.6.2.1.4 Loyal customers are likely to purchase additional products with less marketing effort

The longer a customer stays with a firm, the higher the likelihood that they will place a greater share of their business with the firm, even to the extent of single sourcing (Payne, Christopher, Clark and Peck 1995). Existing customers who like a company's services are less expensive to serve with new services (Blattberg and Deighton 1996). This is because there is less need to conduct a wide variety of activities that are a major part of the new prospect sales process such as: awareness building, qualifying activities, "comfort building", competitive proposals and presentations, etc. (Maister 1995). Also loyal customers are more receptive to new service offerings (Gremler, Gwinner and Bitner 1997).

2.6.2.1.5 Loyal customers tend to place frequent, similar orders and, therefore usually cost less to serve

When customers have a good relationship with their service providers, co-operation is increased and the match between product flow and consumption can be more easily accomplished (Mummalaneni 1987; Sheth and Sisodia 1995). Also, regular customers are

easier to serve because they understand the service provider's operation and therefore make fewer demands on employee time (Chow and Holden 1997; Congram 1991).

2.6.2.1.6 Customer loyalty and employee loyalty tend to be positively correlated

Improved customer retention leads to increased employee retention because employee job pride and satisfaction increase (Gremler, Gwinner and Bitner 1997; Shetty 1993). Long-term customers are easier to serve because they know the system and how to use it and have built up good working relationships with loyal employees. Increased employee retention leads to improved customer retention because long serving customer contact personnel become increasingly experienced in creating value for their customers (Reichheld 1993).

2.6.2.1.7 Loyal customers allow a service provider to recover in the event of service failure

Loyal customers provide organizations with a "goodwill" or credibility factor that encourages customer tolerance in the event of a service failure (Oliver 1997; Parasuraman, Berry and Ziethaml 1991). In fact a customer in a communal relationship will attribute service failures, such as excessive waiting time, to factors beyond the service provider's control (Goodwin and Gremler 1996). Alternatively, a customer will express a desire to work at overcoming core service failures in order to maintain the relationship (Goodwin and Gremler 1996). Loyal customers also show a willingness to voice dissatisfaction and to give time to the firm to overcome its shortcomings, as opposed to exit (Kandampully 1998).

2.6.2.2 Loyalty Benefits for the Customer

Long-term relationships with service providers minimize risk, simplify choice, and provide a feeling of optimal satisfaction for the customer (Cowles 1994; Gremler and Brown 1996). A long-term relationship with an organization reduces a customer's perceived risk and fosters customer confidence that the firm will not supply an inappropriate or non-performing product, or if such a product is inadvertently sold, the customer is assured that the organization will take effective corrective action (Gremler et al. 1997; Gwinner et al. 1998;

Jarvis and Wilcox 1977; Moriarty, Kimball and Gay 1983). Loyalty is also seen as a means by which customers can economize on decision effort by substituting habit for repeated, deliberate decisions (Bauer 1967; Day 1969). A greater understanding of a customer's needs derived from a long-time association with a service provider reduces the time and effort expended by the customer in supplying new information, communicating problems or product needs (Goodwin and Verhage 1989; Moriarty et al. 1983; Ziethaml 1981). By staying with the same service provider customers avoid the cost of learning new procedures (Goodwin and Verhage 1989). Also long term customers encourage service providers to become more interested in their satisfaction and this may result in the receipt of "special treatment" from the service provider, which may take the form of price breaks, faster service and/or customization. Customization may include preferential treatment, extra attention, personal recognition and special services not available to other customers (Gremler et al. 1997; Gwinner et al. 1998). Finally, customers derive social benefits from long-term relationships with service providers that include feelings of familiarity, personal recognition, friendship, rapport, and social support (Adelman, Ahuvia and Goodwin 1994; Berry and Gresham 1995; Goodwin and Verhage 1989).

2.7 Summary

This chapter defines the boundaries of the thesis by discussing the constructs that are to be empirically examined within the proposed relationship marketing model. This model incorporates the constructs of relational bonds (financial, social and structural), customer emotions (positive and negative), relationship quality (trust, satisfaction, and commitment), and loyalty.

In reviewing the relevant literature, it should be noted that the constructs used in this thesis have not previously been presented in one single model in Bangladesh. Further, the inclusion of customer emotions as an important variable in the proposed model provides a better

understanding for the relationship development between customers and service providers within the hospitality context of this thesis. Although there could be constructs other than those incorporated in the proposed model above, it is believed that this research has included the constructs that are most suited to answer the research questions posed in Chapter One.

In order to provide a basis for identifying the above-proposed model, a number of issues of relationship marketing assumed to be relevant to this thesis, are discussed. This is followed by four sections that review each construct, providing a better understanding of the role that they play in the proposed theoretical model. For this reason, it has been necessary to review marketing literature with a particular focus on relationship marketing. This discussion is also supported by reviewing the relevant literature specific to the context of hospitality industry.

In the next chapter, the hypotheses established by the theoretical model to be empirically tested, are discussed. These hypotheses represent the relationships between the underlying constructs discussed in this chapter: relational bonds – financial, social and structural — relationship quality, emotions, and loyalty.

CHAPTER THREE

SOCIO - ECONOMIC STATUS OF THE HOTEL BUSINESS IN BANGLADESH

3.1 Introduction

Bangladesh, home to the largest mangrove forest and the longest unbroken sea beach in the world, is fast witnessing the welcome growth of the hospitality industry in the country. To support this industry, hotels, motels, resorts, aviation companies and tour operators of international standard have come up in the last two decades and competing successfully with their counterparts in the region.

Truly indeed, the index of "Start-Studded" hotels in Bangladesh records a steady rise in number, which supports and compliments the growing hospitality industry of the country. The phenomenal 'boom for the best' began in the nineties and reached its peak in the current decade when many five, four and three star hotels came up in Dhaka as well as in some district towns like Chittagong, Cox's Bazaar, Sylhet, Barisal, Bogra, Khulna, Rajshahi, Jessore and so on. Competition and Comfort are the two Cs they circled in their notebook to achieve success and earn dividends at the end of the day.

The management of these international standard hotels proudly publicizes their cutting-edge offers that truly reflect in the quality and décor of the bed rooms, lobbies, dining rooms, fitness centers, banquet halls, baths and VVIP suits. It, therefore, would not be any bit of exaggeration if the management of these hotels wants to take pride in announcing that because of their round-the-clock service and zero tolerance for compromise with quality, the overall hospitality industry has been growing in tandem to boost our economy.

Authenticity of cuisines, immaculate professionalism in service, highlighting local traditions and heritage in the ambience are essential elements that help hotels add stars to their caps.

And the top ranking hotels here are quite aware of it and as a result are ever ready to maintain the standard. This sets in the mood and motion for a healthy competition for improvement, which ultimately takes the hospitality industry in general to a newer height.

At present there are 28 five-star, four-star and three-star hotels and resorts in the country. Besides, twenty-six hotels and resorts with five, four and three-star standards are in the private sector in the country and these hotels and resorts are located in Dhaka, Chittagong and Cox`s Bazar. Among these hotels, Pan Pacific Sonargaon Hotel and Radisson Water Garden Hotel were chosen for this thesis.

3.2 The meaning of Hotel

Hotel is a commercial establishment providing lodging, meals, and other guest services. In general, to be called a hotel, an establishment must have a minimum of six letting bedrooms, at least three of which must have attached private bathroom facilities. Although hotels are classified into 'Star' categories (1-Star to 5-Star), there is no standard method for rating these hotels.

A US hotel with a certain rating, for example, is may look very different from a European or Asian hotel with the same rating, and would provide a different level of amenities, range of facilities, and quality of service. Whereas hotel chains assure uniform standards throughout, non-chain hotels (even within the same country) may not agree on the same standards. In Germany, for example, only about 30 percent of the hotels choose to comply with the provisions of the rules established by the German Hotels & Restaurants association. Although both WTO and ISO have been trying to persuade hotels to agree on some minimum requirements as world-wide norms, the entire membership of the Paris-based International Hotel & Restaurant (IH&RA) opposes any such move.

According to IH&RA, to harmonize hotel classification based on a single grading (which is uniform across national boundaries) would be an undesirable and impossible task. As a rough guide:

- A 1-Star hotel provides a limited range of amenities and services, but adheres to a high standard of facility-wide cleanliness.

- A 2-Star hotel provides good accommodation and better equipped bedrooms, each with a telephone and attached private bathroom.

- A 3-Star hotel has more spacious rooms and adds high-class decorations and furnishings and color TV. It also offers one or more bars or lounges.

- A 4-Star hotel is much more comfortable and larger, and provides excellent cuisine, room service, and other amenities.

- A 5-Star hotel offers most luxurious premises, widest range of guest services, as well as swimming pool and sport and exercise facilities.

The Official Hotel Guide (published in the US, and followed worldwide) has its own classification scheme that ranks hotels in nine categories as (1) Moderate Tourist Class, (2) Tourist Class, (3) Superior Tourist Class, (4) Moderate First Class, (5) Limited Service First Class, (6) First Class, (7) Moderate Deluxe, (8) Deluxe, and (9) Superior Deluxe.

3.3 The Socio- Economic Status of the hotel business in Bangladesh

The hotel and hospitality sector has been growing steadily in Bangladesh due to the economic growth, rise in export earnings and high turnout of tourists as well as corporate clients. Industry insiders said local tourist are increasingly visiting Cox's Bazaar, Chittagong, Sylhet and Kuakata now than 10 years back as a new middle-class has emerged within the country who like to travel twice a year in the lucrative places of the country.

Demanding the government to reduce VAT, which is now 15 per cent, the entrepreneurs suggested that revenue collection will go up by twice or thrice if the rate is lowered to single digit. They also said the government should take an aggressive drive to brand the country as this will give an exposure of the country abroad that in turn would woo in-bound tourists. According to the 2013 Hotel Industry Report by Bangladesh Bureau of Statistics, the country's hotel industry has seen a consistent growth of over 7.5 per cent annually since 2008, which is fuelled by the growth of the domestic middle class and high GDP growth rate. The direct contribution of the hospitality industry to the country's gross domestic product (GDP) is likely to rise by 8 per cent in 2015, which was Tk 243 billion in 2014, according to industry experts. In 2014 this industry contributed Tk 222.6 billion in GDP (2.1 percent of the total GDP), which is also 8 percent higher than the previous year that means in 2013. The investment in the hospitality industry was rise by 3.4 percent in 2014 than in the year 2013, which was approximately Tk 40.5 billion. According to World Travel and Tourism Council (WTTC), in 2013 hospitality industry directly supported 0.13 million jobs (1.8 percent of total employment) and this was rise by 4 percent in 2014. According to Tour Operators Association of Bangladesh (TOAB) the present volume of domestic tourism has been increasing as about 1.5 million tourists including 5 per cent foreigners visited Cox's Bazar in 2013.

Industry experts say the capital now has around 2,200 five-star rooms. While these hotels achieve full occupancy only during the winter months, an average occupancy rate of around 65-70 per cent throughout the year is good enough to keep the business profitable. An additional 1,000-1,200 five-star hotel rooms will be added as a number of international chains and local conglomerates plan to build more hotels in the capital in the next 2-3 years.

Apart from lodging and dining, the five-star hotels are catering to various other needs of the customer. Most of the hotels have walked the extra mile regarding business development for tapping the potential of the MICE (Meetings, Incentives, Conferencing and Exhibitions) sector that means general meetings of companies, press briefings, weddings and cultural-themed occasions are revenue generators. Not only that, hotels are serving people during special occasions. People flock to luxury hotels for celebrating Christmas, Pahela Baishakh, Valentine and Eid days and the hotels make special arrangements for them.

Among the many five star hotels, Dhaka Radisson Water Hotel and Pan Pacific Sonargaon Hotel have contributed to the national exchequer to the tune of approximately Tk 700 million. Not only these luxury hotels but some 100 small and medium sized hotels in Chittagong, Sylhet and Bogra are also doing sound business.

Bangladesh can reach the upper ladder of the economic development by promoting tourism, particularly the eco-tourism that has tremendous potentials. The hoteliers need to launch a massive campaign to improve its image in a bid to attracting tourists as the country has rich culture, historical monuments and natural beauty. The government can sponsor holding of festivals, exhibitions, seminars and symposiums to promote travel and tourism. Tax holiday facilities, extensive training, increased government budget and a long-term policy will give a boost to the tourism and hospitality industry that holds tremendous potentials in Bangladesh.

CHAPTER FOUR
CONCEPTUAL FRAMEWORK

4.1 Introduction

Chapter Two discussed the theoretical foundation for the thesis. Chapter Three discusses the development of the proposed model that is to be analyzed and the hypotheses to be tested. This will establish how guests at five-star hotel chains perceive their relationships with these hotels.

4.2 The Proposed Theoretical Model Overview

As discussed in Chapters One and Two, this thesis is concerned with advancing the understanding of the long-term relationships, focusing on loyal customer within a hospitality service. Furthermore, for the first time linkages between relational bonds − financial, social and structural − and emotions, emotions and relationship quality have been integrated into one relationship model in Bangladesh context. This addresses a gap in the literature by providing a more complete model within the context of relationship marketing of five star hotels in Bangladesh. This is consistent with Anderson and Kumar (2006), who argue that even though many scholars have attempted to explain the development of buyer-seller relationships, few have paid attention to the role played by emotions in this process. In accordance with Anderson and Kumar (2006), this thesis then seeks to contribute to the existing literature by investigating the integration of emotions as an important component in buyer-seller relationship development. Though Shammout (2007) investigate the relationship among these variables but his research is based on Arab five star hotels only. In Bangladesh no research is based on five star hotels and no theses is done to show the link between relational bonds, relationship quality and customer loyalty and the effect of emotion on them in hotel businesses in Bangladesh. Based on the preceding literature review (see Chapter

Two), the conceptual framework of the present research, shown in Figure 4.1, includes five main hypotheses, which will be tested. Hypotheses (H1a, H1b and H1c) and (H2a, H2b and H2c) reflect the influence of each type of relational bond - financial, social and structural - on relationship quality and customer emotions, respectively. Hypotheses H3 and H4 identify the effect of emotions on relationship quality and loyalty, where hypothesis H5 proposes the linkage between relationship quality and loyalty. In order to provide a more complete understanding of the cause and effect of these hypotheses, this chapter explains the consequences of relational bonds - financial, social and structural − relationship quality, and customer emotions. However, there is no hypothesized consequence of loyalty, as it is the final predicted construct in the proposed model. In this model, relational bonds have been treated as exogenous constructs, while relationship quality, emotions and loyalty have been treated as endogenous constructs.

Figure 4.1: Conceptual Framework of the Research (Shmmout 2007)

4.3 Consequences of Relational Bonds

Researchers have investigated several techniques that service providers can use to strengthen

relationships with their customers. Creating relational bonds is the key technique that is used

in successful buyer-seller relationships (Wilson, 1995). Such bonds can help strengthen and

maintain a relationship, and therefore positively influence other relational outcomes (De Wulf

et al., 2001; Arantola, 2002, Lin et al., 2003; Ling and Wang, 2005). In other words, the

development of different types of relational bonds is used to secure customer loyalty.

Therefore, to achieve customer loyalty for the purpose of this thesis, the proposed theoretical

model includes relational bonds - financial, social and structural – and assumes, based on the

literature, they have impact on relationship quality and emotions (see Figure 4.1). This model

presents these relational bonds as foundational constructs and treats them as exogenous

constructs. The affect of relational bonds – financial, social and structural – on relationship quality and emotions (explaining hypotheses H1a, H1b, H1c, H2a, H2b, and H2c, respectively) are discussed below.

4.3.1 Relational Bonds and Relationship Quality

Smith (1998) maintains that relational bonds are developed through a series of successive interactions, which can be either successful or unsuccessful. Because relational bonds are considered to be the most important one to keep customers loyal to the firm, relationship marketing authors empirically link these bonds with other relational outcomes in their conceptual frameworks. One important outcome frequently studied is relationship quality (Smith, 1998; Palmatier et al., 2006; Wang et al., 2006). The reason for the importance of the linkage between relational bonds and relationship quality can be seen in Smith (1998, p.79), who stated that such "bonds reduce the risk inherent in voluntary exchange relations, and provide a foundation for the trust needed to risk greater commitment, and feel satisfied with the overall relationship." Furthermore, Wang et al. (2006) maintained that attractive financial premiums (i.e., financial bonds), and social and structural bonding tactics are important factors for promoting a higher level of relationship quality. Empirically, previous research provides evidence for supporting a positive relationship between relational bonds — financial, social and structural — and relationship quality as an overall construct comprising trust, satisfaction, and commitment. In his study of members of the Purchasing Management Association of Canada, Smith (1998) examined the impact of each type of bond - functional, social and structural - on relationship quality, adopting the idea that these bonds provide the basis from which relational outcomes including trust, satisfaction, and commitment, can be evaluated. His results suggest a strong relationship between functional (i.e., financial) and social bonds and relationship quality, but not between structural bonds and relationship quality. More recently, Wang et al. (2006), in the context of information services in Taiwan,

found additional empirical evidence for the impact of each bonding tactic - financial, social and structural - on relationship quality as measured by trust, satisfaction and commitment. In contrast to Smith (1998), they found that all these bonding tactics have positive effects on relationship quality. Their results also indicate that structural bonding tactics are the most important factor influencing relationship quality. The current thesis attempts to provide further evidence between specific relational bonds and relationship quality. Although this thesis considers relationship quality to be a composite measure comprising trust, satisfaction and commitment, it is nonetheless important to consider previous studies that have explored the links between any of the three bonds and trust, satisfaction, and commitment individually. For instance, Garbarino and Johnson (1998) and Gruen et al. (2000) point out that relationship marketing tactics (i.e., relational bonds) can effectively increase customers' trust and commitment. Lin et al. (2003) developed a model for business-to-customer exchanges in which economic, social and structural bonds were positively related to trust and commitment. Hsieh et al. (2005) also investigate the relationship between the three types of relational bonds - financial, social and structural - and commitment across search-experience-credence goods/services on the Internet. Their empirical results suggest that these relational bonds have a positive impact on customer commitment. Their results also suggest that financial bonds are more powerful in strengthening customer commitment in the case of search good/services than for experience-credence goods/services.

In summary, the above discussion indicates that a generally positive relationship exists between relational bonds - financial, social and structural — and relationship quality comprising trust, commitment and satisfaction. Accordingly, this thesis assumes that the greater the level of each type of these bonds, the more that service providers will be rewarded by customers' trust, commitment and satisfaction (high relationship quality). Therefore, the

proposed theoretical model focuses on the impact of the three bond types on relationship quality. This theorizing is summarized in the following hypothesis:

H1a: Financial bonds will positively affect relationship quality.

H1b: Social bonds will positively affect relationship quality.

H1c: Structural bonds will positively affect relationship quality.

4.3.2 Relational Bonds and Emotions

One of the aims of this thesis is to determine whether relational bonds – financial, social and structural — affect customer emotions. Relational bonds include marketing activities that service providers use to develop and maintain relationships with their customers. Considering emotions as an important component in customer relationships, the objective of this thesis, therefore, is to determine whether or not there is a linkage between such bonds and customer emotions. Although this linkage is discussed in the literature, the concept that bonds seek to capture and give consideration to an emotional link between customers and a firm has not been fully investigated (Doney and Canon, 1997; Fien and Anderson, 1997; Gruen et al., 2000; Walls, 2003). Though there is an empirical evidence of the impact of these relational bonds - financial, social and structural - on customer emotions by Shammout(2007) but this suggests that a gap exists within the literature, calling for further empirical investigation in Bangladesh perspective because Shammout(2007) only do the investigation on the basis of five star hotels in Arab.

One of the most important aspects influencing the intensity of emotional response between buyer-seller partnerships is the nature of their previous relationships. For example, comparatively higher levels of positive emotions may correspond to feelings that the relationship is being strengthened rather than merely affirmed as positive. Not only is this association seen within the relationship between customers and service providers, but also within the service context where positively perceived performances are seen to encourage

positive emotions and negative experience encourage negative emotions (Liljander and Strandvik, 1997; Daube and Menon, 2000). Consideration of these arguments lead to the suggestion that the more service providers build relationships with their customers through practicing relational bonding activities, the more they encourage customers' positive emotions and vice versa. Thus, in order to evaluate how customers experience emotions within this thesis, positive and negative emotions were combined to form a composite measure of emotions. Turning to the link between relational bonds and emotions, Walls (2003), more specifically, maintains that within the marketplace, bonds provide added feelings of comfort, security and familiarity, and they also reduce anxiety, sadness and separation distress. He further points out that "it is possible that the emotional link between the consumer and the firm could conceivably be evident in the bonding process and may exist at an abstract or very deep personal level" (p.92). Bagozzi (2006) also maintains that people emotionally appraise situations they perform in and the events they experience. Thus, the evidence seems to suggest that in relationships, emotions are influenced by the actions and activities of the seller. These emotions in turn can influence the course and outcomes of business-to-customer relationships — the context of this thesis.

In this thesis a body of literature conceptually supports the association between financial and social bonds with emotions. First, focusing on financial bonds, the earlier work of Kelley (1984) suggested that receiving rewards from interaction with another person can make individuals feel happy. Similarly, Delta Airlines offers a cumulative points reward such as a "corporate privilege" program that links the Fort and Le Meridien Hotels and Resorts through a Sky Miles partnership. Delta Airlines describes the offer of this program as "what a good relationship is made of" (Stern, 1997, p.9). This kind of offer, according to Stern, capable Delta to make relationship with the passengers, which can transform harried, stressed, groups of passengers into relaxed, comfortable, loved individuals. Second, regarding the linkage

between social bonds and emotions, Han (1991) discussed that social bonds make a personal relationships with the customer that ultimately link and hold buyer and seller together and that result in a positive emotional attachment. Conversely, termination of personal relationships in a business context is a significant source of emotional stress (Dwyer et al., 1987). Except Shammout(2007) there has been no literature previously discussing the linkage between structural bonds and emotions. It can be proposed, however, that structural bonds lead to positive emotional responses. In order to fill this gap and build on the above conceptual arguments, it is important to provide empirical evidence for these associations. Therefore, this thesis empirically explores the affect of each of three relational bonds – financial, social and structural — on emotions. In summary, conceptually, but as yet not tested empirically in Bangladesh, there appears to be linkage between financial and social relational bonds and emotions. The relationship between structural bonds and emotion is yet unknown in Bangladesh. This thesis therefore fills a gap by empirically testing the linkages between financial, social and structural bonds, and emotions. Therefore, this thesis formulates the following hypothesis to test this gap:

H2a: Financial bonds will positively affect emotions.

H2b: Social bonds will positively affect emotions.

H2c: Structural bonds will positively affect emotions.

4.4 Consequences of Emotions

Considering emotions as an important aspect of buyer-seller relationship development, Anderson and Kumar (2006) acknowledge that researchers should seek to articulate the consequences of emotional processes. Here, when one allows the possibility of different consequences, it is natural to raise the question of which consequences emotions are more or less likely to predict. Models that include intentions to engage in future relationships as a function of relationship quality have not previously incorporated emotional variables (i.e., De

Wulf et al., 2001; Wang et al., 2006). Furthermore, a number of models have included emotions without considering the intervention of relationship quality (i.e., Barns, 1997; Pullman and Gross, 2004). So, it is assumed that an investigation of the link between emotions, relationship quality, and loyalty will provide a deeper understanding of how relationships between customers and service providers are developed in the long-term. This suggests an opportunity to provide a more complete model for this thesis, by including both relationship quality and loyalty as consequences of emotions within a single framework. Therefore, for the purposes of this thesis, the association between the two constructs of relationship quality and loyalty with emotions (representing hypotheses H3 and H4) are discussed next.

4.4.1 Emotions and Relationship Quality

Though a limited number of authors (i.e., Wong, 2004) have investigated the linkage between emotions and relationship quality, theoretical and empirical grounds for this linkage have been established. That is, some authors, as discussed below, have linked emotions (combining positive and negative) with relationship quality as an overall construct comprising trust, satisfaction, and commitment, while others have linked emotions positive and/or negative with each one of their relationship quality dimensions. The linkage between emotions and relationship quality as an overall construct is first discussed. This is then followed by a discussion of the linkage between emotions and each of relationship quality dimensions. In regard to the first linkage, Wong (2004) provides a justification for this relationship, arguing that, "during the consumption experience, various types of emotions can be elicited, and these customer emotions convey important information about how the customer will ultimately assess the service encounter and subsequently, the overall relationship quality" (p.368). This means that if the customer is displaying positive emotions during the service encounter, it is expected that he or she will also form positive perceptions

of overall relationship quality. This is supported by Wong's empirical finding that customer emotions (including pleased, displeased, happy, unhappy, disgusted, contented, enjoyable, and frustrating) positively influence relationship quality in the context of service encounters. While Wong has been the only researcher to empirically study the relationship between emotions and relationship quality, he did not use any one of the global components that are usually used to measure relationship quality. Rather, he limited his description to relationship quality as the overall impression that a customer has concerning the whole relationship, including different interactions. This suggests that the use of trust, satisfaction, and commitment as measures of relationship quality will possibly provide a fuller picture of the relationship between emotions (combining positive and negative) and relationship quality, as relationship quality is best captured by these three measures or dimensions. The linkage between emotions and relationship quality — where relationship quality is comprised of trust, satisfaction, and commitment — is a further contribution of this thesis.

The second linkage between emotions and the dimensions of relationship quality is now discussed, first focusing on trust, then satisfaction, and finally commitment. Dunn and Schweitzer (2005) found a strong relationship between emotions as a composition of both positive and negative emotions (i.e., happiness, anger and sadness) and trust. More specifically, they found that when a person has been asked to give trust in an unfamiliar situation, then incidental gratitude and happiness increases trust, whereas incidental anger decreases trust. Similarly, Anderson and Kumar (2006) found that positive emotions reinforce trust, while negative emotions undermine trust. As for satisfaction, it has been found that the more customers report positive emotions towards their providers, the more satisfied they are with service providers and vice versa (Oliver, 1993). There is now an extensive literature examining customer emotions and satisfaction. For instance, studies including Westbrook (1987), Oliver (1993), Price et al. (1995), and Daube and Menon (2000)

have found that positive and negative emotions are related to measures of overall satisfaction. The relationship between emotions and satisfaction has also been found in buyer-seller relationships, where positive emotions have been found to significantly influence relationship satisfaction (Dolen et al., 2004). Finally, emotions have also been found to have an impact on commitment. Steenhaut and Van Kenhove (2005) found that guilt-related feelings play an important role in a high commitment relationship, where guilt was described as "an individual's unpleasant state associated with possible objections to one's own action, inaction, circumstances or intentions" (p.339). In summary, although limited studies have been found linking emotions to relationship quality, theoretical justification supporting this linkage in the proposed model exists. However, this thesis contributes to the existing literature by investigating the link between emotions (combining positive and negative) and relationship quality as an overall construct measured by trust, satisfaction, and commitment. Therefore, the following hypothesis is proposed:

H3: Customer emotions will influence relationship quality.

4.4.2 Emotions and Loyalty

Customer loyalty is theorized as the target of relationship marketing between customers and their service providers, it is therefore necessary to see whether emotional responses of customers, in the proposed model, impact on their loyalty. Examining this linkage builds on previous literature that has examined the relationship between emotions and customer loyalty. Dick and Basu (1994) argue that emotions lead to either positive or negative feelings that are capable of disrupting ongoing behavior. Similarly, Wong (2004) also emphasises that emotions influence behavior, for instance repurchase intentions, as customers tend to respond to events in ways that maintain positive emotions and avoid negative ones. Thus, positive emotions may result in positive WOM, whereas negative emotions may lead to complaining behaviors (Liljander and Strandvik, 1997; Bagozzi et al., 1999).

In the retail setting, Sherman et al. (1997) demonstrated that customers' emotional states positively influence the amount of money spent in a store, how much they like the store and the number of items they purchase in the store. In the hospitality setting, Pullman and Gross (2004) found a significant relationship between fifteen different types of positive emotions and behavioral loyalty for customers attending a hospitality event. Moreover, Bloemer and de Ruyter (1999) demonstrated a significant relationship between positive emotions (interested, excited, strong, enthusiastic, proud, alert, inspired and active) and loyalty. Within a hotel context, it has been shown that positive emotions significantly strengthen customers' motivation to revisit a hotel and customers' willingness to recommend a hotel brand to others (Barsky and Nash, 2002). Specifically, in their study positive emotions (pampered, relaxed and sophisticated) play a strong role in the decision-making process regarding loyalty in hotel settings. The evidence would therefore suggest that emotions need to be included as a determinant of loyalty, and as such the proposed model in this thesis includes emotions as an endogenous variable that links to loyalty. Therefore, the following hypothesis is proposed:

H4: customer emotions will influence customer loyalty.

4.5 Consequences of Relationship Quality

Palmatier et al. (2006) maintain that increased customer loyalty is one of the most common outcomes anticipated from adopting relationship marketing activities. This is because the main objective of relationship marketing is to establish long-term relationships that translate into customer loyalty (as discussed in Chapter Two). In order to achieve this goal, it has been suggested that relationship quality should be treated as a one of the predictor construct of customer loyalty (see Crosby et al., 1990; Hennig-Thurau and Klee, 1997; Shamdasani and Balakrishnan, 2000; De Wulf et al., 2001; De Wulf et al., 2003; Kim and Cha, 2002; Lian and Wang, 2005; Palmatier et al., 2006; Wang et al., 2006). This is because, according to Crosby et al. (1990), the quality of the relationship is the best predictor of seeking future contact with

a service provider with customer. Because relationship quality influences customer loyalty as its only consequence in the proposed theoretical model, this section explains H5, exploring the relationship between these two constructs.

4.5.1 Relationship Quality and Loyalty

Previous research provides strong evidence of the linkage between relationship quality consisting of trust, satisfaction and commitment and loyalty. Kim et al. (2001) found that relationship quality, including trust and satisfaction, are positively linked with repeat purchase and WOM. In another recent investigation of the association between relationship quality and loyalty in banks, instead of using trust and satisfaction, Ling and Wang (2005) used trust and commitment to measure relationship quality. In similar fashion, Wang et al. (2006) demonstrated that relationship quality has significant effects on customer loyalty, although the difference between the high and low involvement customers was not significant. In addition, Palmatier et al. (2006) found a significant relationship between relationship quality (measured by trust, satisfaction, and commitment) and loyalty (defined as a composite or multidimensional construct combining different groupings of intentions, attitudes, and seller performance indicators).

Other research has explored the effect of the components of relationship quality - trust, satisfaction and commitment - separately. That's why a linkage between relationship quality and loyalty as hypothesized in this thesis. First, examining trust, Reichheld and Schefter (2000, p.107) argue that, "to gain the loyalty of customers, you must first gain their trust."

Second, examining satisfaction, Bitner (1990) maintained that satisfaction is considered to act as an antecedent to loyalty. Choi and Chu (2001) also found that satisfied travelers show a high possibility of relationship continuity with the same provider in a subsequent trip. Furthermore, Cronin and Taylor (1992) found that the guest satisfaction can reinforce customers' to buy a particular brand of service on a given occasion.

Finally, commitment also has a positive impact on customer loyalty. Reichheld and Sasser (1990) argue that "committed customers are less likely to switch to a competitor simply due to a minor price increase, and thus tend to spend more than comparable non-committed customers". Furthermore, researchers including Garbrino and Johnson (1999) Pritchard et al. (1999) Gruen et al. (2000), Fullerton (2003), Fullerton (2005a), and Fullerton (2005b) found that commitment positively affects customer retention. In this thesis, relationship quality is treated as a higher order-construct (including trust, satisfaction and commitment) and loyalty is measured as important construct .Therefore, the following hypothesis is suggested:

H5: Relationship quality positively affects customer loyalty

4.6 Summary

As discussed earlier, the objective of this thesis is to examine the proposed model of relationship marketing from a loyal customers' staying in five star hotels in Bangladesh, and provide a deeper understanding of the development of this relationship within the hospitality domain. To achieve this goal, the proposed model examines the association between the constructs of relational bonds - financial, social and structural — relationship quality, emotions, and loyalty (as conceptualized in Chapter Two), in a single framework. Nine hypotheses (H1a, H1b, H1c, H2a, H2b, H2c, H3, H4 and H5) have been formulated to reflect the causal relationships between these underlying constructs, in which relational bonds including financial, social, and structural, have been considered as exogenous constructs, while the remaining constructs are endogenous.

CHAPTER FIVE
METHODOLOGY

5.1 Introduction

This section provides an overview of the methods undertaken in this thesis to answer the research questions in Chapter One, and to test the hypotheses proposed in Chapter Three. A quantitative survey methodology using self-administered questionnaires has been adopted to collect data about the underlying constructs proposed in the theoretical model. These constructs are relational bonds – financial, social and structural — relationship quality, emotions, and loyalty. These constructs were operationalized by multi-item measures using 5-point Likert scales, and the items used to measure them were adopted from previously tested scales. The instrument used to collect the data of this thesis was divided into five parts, including questions measuring the intended constructs and demographic questions. To ensure that the wording of this questionnaire was clear and understandable and the equivalence of the instrument was achieved, a pre-test was conducted prior to conducting the final survey. A pre-test is necessary to discover any problems in the instrument, and to determine the face validity of the measures. Following pre-testing procedures, the final survey was conducted. The loyal guests from the two five-star hotels (Pan Pacific Sonargaon hotel, Radisson Blu Water Garden hotel) within international chains existing in Bangladesh were surveyed between February to October 2014. These guests were given a questionnaire when they checked in, and they were asked to return the survey to the front desk staff when they checked out. In total, 400 questionnaires were distributed to the loyal guests. From the 300 questionnaires that were returned, only 284 loyal guests were included in the data analysis. The criteria for choosing loyal guests was those 'who had stayed three nights or more a year with a hotel chain'.

To analyze the data, two statistical techniques were adopted. The Statistical Package for the Social Sciences (SPSS) version 21 was used to analyze the preliminary data and provide descriptive analyses about thesis sample such as means, standard deviations, and frequencies. Structural Equation Modeling (SEM using AMOS 21.0) using Confirmatory Factor Analysis (CFA) was used to test the measurement model. SEM was conducted using the two-stage approach recommended by Anderson and Gerbing (1988). The first stage includes the assessment of the measurement model, while the second stage includes assessment of the structural model. The first stage (measurement model) aims to develop the underlying measures. By using CFA, the measurement model stage in this thesis was conducted in two steps. This involves the assessment of the unidimensionality, followed by the assessment of reliability and validity of the underlying constructs. In investigating reliability, the internal consistency of measures was assessed using Cronbach's alpha and CFA. Validity criterion, construct (including convergent and discriminant) validity was also assessed. Once the scale had been developed in stage one, the hypotheses discussed in Chapter two were tested in stage two (the structural model).

5.2 Quantitative Approach

This section provides a justification for the quantitative approach used in this thesis. It further justifies the use of a survey methodology using self-administered questionnaires as being appropriate for collecting data from the sample of guests at the five-star hotel chains. Drawing on the existing literature of relationship marketing, this thesis developed a theoretical model to test the research questions identified in Chapter One, and the hypotheses in Chapter Three. Punch (1998) maintains that there must be research questions to conduct the research . Therefore, a quantitative approach was carried out in this thesis to test the hypotheses and then to answer the research questions. Quantitative methods, according to Neuman (1997, p. 63), have been described as "an organized method for combining

deductive logic with precise empirical observations of individual behavior in order to discover and confirm a set of probabilistic causal laws that can be used to predict general patterns of human activity". Amaratunga et al. (2002) maintain that quantitative research helps the researcher to establish statistical evidence to show the relationships between both exogenous and endogenous constructs. They also emphasize that the statistical results provide directions of relationships when combined with theory and literature. Hence, this thesis aims to measure underlying variables, as "measurement of the variables in the theoretical framework is an integral part of research and an important aspect of quantitative research design" (Cavana et al., 2001, p.186). This methodology has been successfully used in similar studies of buyer-seller relationships (see Hennig-Thurau et al., 2002; Hsieh and Hiang, 2004; Wong and Sohal, 2002; Lin et al., 2003), and particularly those in a hotel setting (see Bowen and Shoemaker, 1998; Kim and Cha, 2002), have also widely used this approach. Put it in other words, because the objective of this thesis is to empirically investigate casual relationships among the underlying constructs, this methodology was appropriate (Churchill, 1995; Clarke, 1999; Punch, 1998).

5.2.1 Survey-Based Research

As discussed in Chapter One, the proposed theoretical model was evaluated using a sample of loyal guests at five-star hotel chains (Pan Pacific Sonargaon hotel and Radisson Blu Water Garden hotel) in Bangladesh. For this purpose a self administered survey methodology was found to be the most appropriate tool to collect the data for the following five reasons. First, it is designed to directly deal with the nature of respondents' opinions and feelings (Shaughnessy and Zechmeister, 1997) and collect information on belief, attitudes and motives (Burns, 2000). Second, it provides accurate means of assessing information about the sample and enables the researcher to draw conclusions about generalizing the findings from a sample of responses to a population (Chisnall, 1992; Creswell, 1994). Finally, it is useful

because it is quick, inexpensive, efficient, and can be reached to a large sample (McCelland, 1994; Churchill, 1995; Sekaran, 2000; Zikmund, 2003). Although the survey method has its advantages, criticisms have arisen in regards to its reliance on self-report data (Spector, 1992). A lack of control that researchers have over timeliness, difficulty in determining whether the selected respondents are being truthful, and lack of detail and depth of information, are seen as other problems associated with survey methods (Hair et al., 2003). For these reasons, the guidelines recommended by Hair et al. (2003) were taken into account to ensure precision, and to avoid those problems associated with the survey methods. In order to address these issues, the following steps were taken. First, when possible previously tested reliable and valid scales to measure the underlying constructs were used. Systematic response distortion was addressed by ensuring that the questionnaire was designed in a way that was easy for the respondents to understand and was free of response bias. As for the issue of research control, any research method has its own limitations. However, the above mentioned five reasons for choosing the survey method are strong factors for use in this thesis. The next section addresses the type of survey method used.

5.2.2 Self-Administered Questionnaire

Data collection can be gathered in a number of ways and from a range of sources such as personal interviews, telephone interview, and self-administered questionnaires. Self-administered questionnaires, the methodology used in this thesis, is described as "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). Self-administered questionnaires present a challenge in which they rely on the clarity of the written word more than on the skill of interviewers (Zikmund, 2003). However, this method also has a number of advantages as follows: 1) the population in this thesis includes a large number of respondents, and thus a self administered questionnaires can be used to survey

quickly and economically compared with other methods such as personal interview or telephone interview; 2) the questionnaire can be completed whenever respondents have time; and 3) it reaches a geographically widespread sample with lower cost because the researcher is not required (Zikmund, 2003). Furthermore, studies relevant to this thesis (in the domain of relationship marketing) have utilized self-administered questionnaires (see Morgan and Hunt, 1994; Shamdasani and Balakrishnan, 2000; Liang and Wang, 2004; Wong, 2004; Wang et al., 2006). The self-administered questionnaire form used within this thesis is called a drop-off survey. This method involves the researcher traveling to the respondents' location and a representative of the researcher (i.e., front-desk staff in this research) hand delivering survey questionnaires to respondents. Following this, the completed surveys are picked up by the representative after the respondents have finished (Hair et al., 2003; Zikmund, 2003). The two advantages of using this method are outlined by Hair et al. (2003). They include: the availability of a person to answer questions (i.e., guests staying at each hotel approached); and the ability to generate interest in completion of questionnaires (i.e., staff can encourage guests to complete questionnaires through interaction with them). Furthermore, other means of survey data collection such as mail, web-based survey, and telephone were not possible because it was inappropriate for hotels to provide such personal information, and the hotels were unwilling to collect the data in this way.

5.3 Scale Development

This section of the chapter explains the selection of scale items that were used to measure the constructs in this thesis. These are: three relational bonds – financial; social and structural; relationship quality (trust, satisfaction and commitment); emotions (comprising positive and negative emotions); and loyalty. To choose the correct items that measure these constructs, the following considerations have been made. First, it was important to include items that represent a business-to-customer market context rather than business-to-business. For this

reason, the items chosen for this thesis have been selected from the literature to be the most representative of consumers' perceptions as end users of buyer-seller relationships. Second, the purpose of this thesis was to include items that measure each of the construct in this research very well. This is consistent with Churchill's (1979, p.68) recommendation that "the researcher probably would want to include items with slightly different shades of meaning because the original list will be refined to produce the final measure". Third, all scales used have been adopted from studies with valid and reliable measures of corresponding constructs. In this thesis, as new scales were developed using items from various scales in these previous studies, validity and reliability were examined to ensure the new scales were acceptable. The scales used in this thesis have been developed from a review of the relevant literature. Among the 70 scale items used by the Shammout (2007) a total of 64 scale items were used to measure the constructs in this model. Table 5.1 shows a summary of the number and source of the items used to test each construct. These items are further discussed later in this section. Constructs have been operationalised using 5-point Likert scales, ranging from (1= strongly disagree) to (5 = strongly agree), with exception of the emotions construct, which was assessed on a scales ranging from (1 = never) to (5= very often). The Likert-scales were selected because they take less time, and are easy to answer (McCelland, 1994; Churchill, 1995; Frazer and Lawley, 2000). While the most serious drawback of the Likert scale is its lack of reproducibility (Oppenheim, 1992), it is highly desirable in numerically ordering respondents, particularly in defining attitudes (Davis and Cosenza, 1993). In accordance with Nunnally (1978), Churchill (1979), Peter (1979), and Han (1991), multi-items for each construct were selected to provide a detailed evaluation and help the researcher to overcome the shortcoming of a single item. In this section, all the underlying constructs in the proposed theoretical model are presented, and items used to measure them are discussed.

Table 5.1: Total of Scale Items Used in this Thesis

Constructs	Number of Items	Sources
Relational Bonds	**17 items**	
Financial	4 items	Lin et al. (2003)
Social	5 items	
Structural	8 items	
Relationship Quality	**13 items**	
Trust	4 items	Roberts et al. (2003)
Commitment	5 items	Morman et al. (1992), Morgan and Hunt et al. (1994), and Roberts et al. (2003)
Satisfaction	4 items	De Wulf et al. (2003), and Hsieh and Hiang (2004)
Emotions	**23 items**	
Positive emotions	13 items	Barnes (1997), Rust and Oliver (2000), Barky and Nash (2002), Pullman and Gross (2004), and Ruth et al. (2004)
Negative emotions	10 items	Barnes (1997) and Ruth et al. (2004)
Loyalty	**11 items**	Too et al. (2001)

Sources: Shammout(2007)

5.3.1 Relational Bonds

The first three constructs to be discussed are for the three relational bonds of financial, social and structural. As discussed in Chapter Two, the literature of relationship marketing proposes many types of relational bonds that bind parties together in relational exchange. The three main types - financial, social and structural - that have been empirically tested and used as the main focus in previous research (i.e., Lin et al., 2003; Berry, 1995; Hsieh et al., 2005; Liang and Wang, 2005) are incorporated in the proposed theoretical model of this thesis. To measure relational bonds, the seventeen items from Lin et al.'s (2003) scale have been used

for the following four reasons. First, these items have been adapted by other authors such as Hsieh et al. (2005) as more representative of the business-to-customer domain and Shammout(2007) for customers of five star hotels. Second, Lin et al. developed their scale items based on a well-established range of previous studies, including Crosby et al. (1990), Berry and Parasuraman (1991), Berry (1995), Beatty et al. (1996), Bendapudi and Berry (1997), Gwinner et al. (1998), and Morris et al. (1998). Such studies have provided a foundation for subsequent research in understanding the role that relational bonds play in relationship marketing. Third, Lin et al. (2003) reported high reliability scores for the three types of relational bonds: economic (.86), social (.90), and structural (.90), with an overall reliability of .94. Lin et al. (2003) measured these items using a 7- point Likert type scale from extremely agree to extremely disagree. Fourth, these scale items are consistent with the concept of relational bonds used within this thesis. For example, economic bonds focus on the items that the companies provide including discounts, presents, cumulative points programs, rebates, and prompt services for regular customers. The social bonds obtained from the items that the companies use to make contact with their customers include: expression of their concerns for customers' needs; solving personal problems; collecting customers opinions; mailing greeting cards; providing gifts on special days; and providing a community for regular customers to exchange opinions. Added to this, the structural bonds items provided by these companies include: personalized services; integrated service with partners; offers of new information and innovative products; prompt responses after receiving complaints; and provision of various ways to deal with and retrieve information about regular customers. Following Lin et al.'s scale, the nineteen measurement items were divided into economic or financial (five items), social (six items), and structural (eight items) used by Shammout(2007).Among these nineteen items from the Bangladeshi perspective the author took seventeen items- financial(four items), social (five items) and structural (eight items)

Table 5.2 : Relational Bonds Scale Items

Constructs	Number of Items	Sources
Relational Bonds	**17 items**	
Financial	4 items	Lin et al. (2003)
Social	5 items	
Structural	8 items	
Relationship Quality	**13 items**	
Trust	4 items	Roberts et al. (2003)
Commitment	5 items	Morman et al. (1992), Morgan and Hunt et al. (1994), and Roberts et al. (2003)
Satisfaction	4 items	De Wulf et al. (2003), and Hsieh and Hiang (2004)
Emotions	**23 items**	
Positive emotions	13 items	Barnes (1997), Rust and Oliver (2000), Barky and Nash (2002), Pullman and Gross (2004), and Ruth et al. (2004)
Negative emotions	10 items	Barnes (1997) and Ruth et al. (2004)
Loyalty	**11 items**	Too et al. (2001)

Original Scale Items	Modified items	Sources
As a regular customer, I have a high-quality relationship with this store	As a regular customer, I have a high-quality relationship with this hotel chain	DeWulf et al. (2001)
I am happy with the efforts this chain is making towards regular customers like	I am happy with the efforts this chain is making towards regular customers	DeWulf et al.

and used the five point Likert scale (5= strongly agree to 1= strongly disagree) for better understanding by the customers of five star hotels in Bangladesh.

5.3.2 Relationship quality

The relationship quality construct has been conceptualized as comprising the three dimensions of trust, satisfaction, and commitment. The scales used to measure these dimensions are discussed below:

5.3.2.1 Trust

Like other relationship marketing literature (i.e., Crosby et al., 1990; Morgan and Hunt, 1994; Doney and Cannon, 1997; Lin et al., 2003; Roberts et al., 2003) this scale is appropriate to

Table 5.3 : Trust Scale Items

Constructs	Number of Items	Sources
Relational Bonds	**17 items**	
Financial	4 items	Lin et al. (2003)
Social	5 items	
Structural	8 items	
Relationship Quality	**13 items**	
Trust	4 items	Roberts et al. (2003)
Commitment	5 items	Morman et al. (1992), Morgan and
		Hunt et al. (1994), and Roberts et al. (2003)
Satisfaction	4 items	De Wulf et al. (2003), and Hsieh and
		Hiang (2004)

be chosen because it reflects the definition of trust used in this thesis. In reviewing relevant literature, it has also been found that these items are the best to capture trust, as they are largely based on the global measures used in previous studies such as Crosby et al. (1990), Moorman et al. (1992), Morgan and Hunt (1994), and Kumar et al. (1995). Added to this, Roberts et al. (2003) also used these items to measure trust from a customer perspective as end user (similar to this thesis). These questions are further used by Shammout(2007) for hotel business in Arab. It should also be noted that they measured trust as one of relationship quality dimensions, using a 7-point Likert scale with anchors of strongly disagree to strongly

agree. Here the author used 5- point Likert scale for the customers of five star hotels in Bangladesh.

5.3.2.2 Satisfaction

One of the key aspects of satisfaction is measurement of the degree of overall appraisal of customers' relationship (interaction) with their service provider. A review of relevant literature (i.e., Crosby et al., 1990; Shamdasani and Balakrishnan, 2000; Hsieh and Hiang, 2004; De Wulf et al., 2003; Roberts et al., 2003) suggests that the scale of De Wulf et al. (2001) is the most appropriate to measure satisfaction in this thesis**.** Their items show a high validity in three different cultures, including United States, Netherlands, and Belgium and across-industries, including food and apparel. This is particularly so, as satisfaction in this thesis is defined in a similar way and treated as a dimension of relationship quality. These items are "As a regular customer, I have a high-quality relationship with this store"; "I am happy with the efforts this store is making towards regular customers like me"; and "I am satisfied with the relationship I have with this store" (see Table 5.4). Use of these items has been further validated in the study of De Wulf et al. (2003) who also measured satisfaction as one dimension of relationship quality, using a 7-point Likert scale with anchors of strongly disagree to strongly agree among three samples. This satisfaction questions were further used by Shammout(2007) for hotel business in Arab and these questions were perfect for the five star hotel customers in Bangladesh. Though previously 7- point Likert scale has been used by other author but in this thesis 5- point Likert scale has been used on the perspective of customers in five star hotels in Bangladesh.

As shown in Table 5.4, the fourth item, "Overall, I am satisfied at XYZ", used to measure satisfaction, was drawn from Hsieh and Hiang (2004). It has been found that this item is more

Table 5.4 : Satisfaction Scale Items

Original Scale Items	Modified items	Sources
As a regular customer, I have a high-quality relationship with this store	As a regular customer, I have a high-quality relationship with this hotel chain	DeWulf et al. (2001)
I am happy with the efforts this chain is making towards regular customers like me	I am happy with the efforts this chain is making towards regular customers like me	DeWulf et al. (2001)
I am satisfied with the relationship I have with this store	I am satisfied with the relationship I have with this hotel chain	DeWulf et al. (2001)
Overall, I am satisfied at XYZ	Overall, I am satisfied at this hotel chain	Hsieh and Hiang (2004)
Note: All of these items were adopted from Shammout (2007)		

comprehensive than the above three, because it provides an overall evaluation about the extent to which customers are satisfied in their relationship with their service provider. Furthermore, it is one of the global measures of satisfaction that has been widely used in marketing research. Hsieh and Hiang also used a 7-point scale ranging from extremely disagree to extremely agree to measure satisfaction as one of the relationship quality dimensions.

5.3.2.3 Commitment

Commitment in this thesis has been regarded as affective commitment measured using five-items. These were drawn from different previously tested scales (see Table 5.5). The first two items were drawn from Morgan and Hunt (1994), who developed their scale based on measurements used in the context of organizational commitment (i.e., Meyer and Allen, 1984; Mowday et al., 1979). Morgan and Hunt modified the scale to reflect the buyer-seller relationship commitment. They measured their construct using 7-point Likert scales with

Table 5.5: Commitment Scale Items

Original Scale Items	Modified items	Sources
The relationship that I have with my major supplier deserves my maximum effort to maintain	The relationship that I have with this hotel chain deserves my maximum effort to maintain	Morgan and Hunt (1994)
I plan to maintain a long-term relationship with my major supplier	I plan to maintain a long-term relationship with this hotel chain	Morgan and Hunt (1994)
I am committed to my relationship with my researcher	I am committed to my relationship with this hotel chain	Moorman et al. (1992)
I feel emotionally attached to my service provider	I feel emotionally attached with my hotel chain	Roberts et al. (2003)
I continue to deal with my provider because I genuinely enjoy my	I continue to deal with my service provider because I genuinely enjoy my relationship with them	al. (2003)

Note: All of these items were adopted from Shammout (2007)

anchors of strongly disagree to strongly agree. Although Morgan and Hunt measured relationship commitment in the context of the business-to-business market, it has been subsequently widely used in the context of business-to-customer research, and is a well-established measure of commitment. For example, Too et al., (2001), Lin et al. (2003), and Liang and Wang (2005) used this scale to test "The relationship that I have with my major supplier deserves my maximum efforts to maintain", and "I plan to maintain a long-term relationship with my major supplier". Therefore, these two items were incorporated in this thesis and modified to better reflect the context of business-to-customer context (see Table 5.5).

The third item used to measure commitment was taken from Moorman et al. (1992). The item "I am committed to my relationship with my researcher" is found appropriate to be used in this thesis. That is, this item seems more representative to the relationship commitment concept than the two above items adopted from Morgan and Hunt (1994). It should be noted that Moorman et al. measured relationship commitment by using a 7- point Likert scale from

strongly disagree to strongly agree. While above adopted items were considered important to measure commitment, they do not reflect the actual feeling of customers when they become committed to their service providers. Therefore, another two items were adopted from Roberts et al. (2003) in order to provide a stronger measure of the concept of commitment in this thesis. Further to this, Robert et al.'s items were based on well-published scales such as Meyer et al. (1984) and Kumar et al. (1995). The items were "I feel emotionally attached to my service provider" and "I continue to deal with my service provider because I genuinely enjoy my relationship with them". Roberts et al.'s scale items were measured using a 7-point Likert scale from strongly disagrees to strongly. It should also be noted that effective commitment in their study was treated as a dimension of relationship quality and directed toward the customers as end users. Although commitment in the studies of Moorman et al. (1992), Morgan and Hunt (1994), and Roberts et al. (2003) were all considered as effective commitment , they differ in their wording (see Table 5.5). Thus, combining all of these scales should provide strong measures for commitment as used within this thesis.

5.3.3 Emotions

Emotions construct (comprising positive and negative) has been incorporated in this thesis because recent research reveals the significance of this construct in the development of buyer-seller relationships. As discussed in section two, using an approach that comprises positive and negative emotions in measuring the emotions construct as a whole is more effective than using positive or negative emotions only. That is, this approach can help to better understanding of the relationship development, particularly in the hospitality setting. Therefore, to evaluate customer's emotional experience in this thesis, the presentation of items was through a series or a multiple range of positive and negative words derived from previous research. This took into account that emotions include basic and other emotions

relevant to the context of buyer-seller relationships and hospitality (the interest of this thesis).

Table 5.6 : Emotion Scale Items

Items	Barsky and Nash (2002)	Pullman and Gross (2004)	Barnes (1997)	Ruth et al. (2004)	Rust and Oliver (2000)
Positive emotions					
Pampered	√	√			
Relaxed	√	√			
Sophisticated	√	√			
Satisfied		√			
Welcome	√		√		
Pleased			√		
Pleasantly surprised			√		
Comfortable	√	√	√		
Love				√	
Happiness				√	
Gratitude				√	
Pride				√	
Delighted					√
Negative emotions					
Angry			√		
Frustrated			√		
Disappointed			√		
Let down			√		
Ignored			√		
Fear				√	
Sadness				√	
Guilt				√	
Uneasiness				√	
Embarrassment				√	

Note: All of these items were adopted from Shammout (2007)

Bearing this in mind, a total of 23 emotion words were included, with positive emotion comprising thirteen items and negative emotion comprising ten items (see Table 5.6).

Previous studies in the hospitality setting have discussed the use of emotions. For example, Barsky and Nash (2002) used the Delphi technique to define emotions suited to the hotel context. From the list of emotions, they selected sixteen to be used in their model. They posed a question to indicate the extent to which guests experienced each of the sixteen emotions during their most recent hotel stay. Their results showed that from the sixteen

emotions, there was only three emotions (pampered, relaxed and sophisticated) affecting guest loyalty for luxury hotels. These emotions have also been validated in the subsequent study of Pullman and Gross (2004), who used them within the hospitality context. These emotions were therefore drawn from Barsky and Nash (2002), due to the similar settings employed within this thesis.

While Barsky and Nashs's (2002) and Pullman and Gross's (2004) scales were deemed to be relevant in the hospitality setting, the above four positive emotions (pampered, relaxed, sophisticated, and satisfied) were not sufficient to evaluate guests' emotional experiences in this thesis. This is because the list of Barsky and Nash and Pullman and Gross did not include negative emotions. Neither were the positive emotions comprehensive enough in buyer-seller relationships as described in this thesis. Within this context, Ruth et al. (2003) maintain that it is necessary to include a broad range of positive and negative emotions that customers could experience.

Hence, with the exception of relaxed (as this items was already chosen from Barsky and Nash), another nine items were drawn from Barnes (1997), including the positive emotions of welcome, pleased, pleasantly surprised, and comfortable, and negative emotions including angry, frustrated, disappointed, let down, and ignored. Because the purpose of Barnes was to use these descriptors to see how customers felt about their interaction or relationships with a firm or its staff, they are deemed to be most applicable to be used within this thesis. This is especially so because the focus of his study is on the interpersonal interaction between service provider and customers. Barnes's (1997) respondents used a 5-point Likert scale ranging from '1= never' to '5 = very often' to indicate the extent that these emotions had been present in their relationship with their principal financial institution.

Ruth et al.'s (2004) study also employed emotions as combining positive and negative words to gain perceptions of relationships. They employed ten words of different emotions

(including positive and negative) to assess gift-giving in these relationships, using 7-point semantic differential scales (i.e., not at all happy = 1 / very happy = 7). In their study, positive emotions adopted for the gift-giving context were love, happiness, gratitude, and pride, while negative ones were fear, anger, sadness, guilt, uneasiness, and embarrassment. Thus, with the exception of anger, these descriptors are different to the ones used by Barnes (1997). Ruth et al.'s (2004) results suggest that their emotional measure might be useful to be employed in the context of understanding how emotions elicited in service interactions might affect customers' decisions in maintaining their relationships or not. Since these items represent the broad range of emotions that loyal guests may experience during their interaction with hotels, they were adopted for use in this thesis.

In addition, previous work included the word delight in measuring emotions. Especially, Rust and Oliver (2000) concluded that delighted is one of a set of extreme positive emotions that could include exhilaration and excitement. Within the service context, Oliver et al. (1997) found that delighted is an important result of a high level of surprisingly positive disconfirmation and has an influence on the consumer's willingness to reengage the consumable. This provides insight into adopting this descriptor as a positive emotions measure, which could be an effective measure of the relationship between customers and their service provider. Therefore, this item has been incorporated drawing on the study of Rust and Oliver (2000). The above studies have employed different scale types to measure emotions, including ordinal scale (Barsky and Nash, 2002), 5-point Likert scale (Barnes, 1997), and 7-point semantic differential scale (Ruth et al., 2004). However, in the questionnaire of this thesis, a 5-point Likert scale has been adopted to measure all the emotion words to allow consistency among them as well as consistency with other items (used to measure other constructs). This is in addition to the advantages mentioned earlier in this section of using 5-point Likert scale. Accordingly, the two scales measuring positive and

negative emotions in this thesis have been anchored as 1= never to 5 = very often to indicate the extent of how often respondents felt these emotions through their interaction with the hotel chain during their stay last year. All these emotional words were applied by Shammout(2007) for his thesis paper. The author used these emotional words in this thesis paper, though here 5-point Likert scale has been used instead of 7- point Likert scale.

5.3.4 Customer Loyalty

In order to measure the loyalty construct in this thesis, eleven items were adopted from Too et al. (2001). To measure loyalty, they used purchasing frequency, word-of-mouth, and tendency to resist switching to alternate service providers. The measurement of loyalty (Too et al., 2001) were using a 7-point Likert scales, ranging from strongly disagree to strongly agree . The only item that was negatively worded was "I feel very little loyalty to this store". But consulted with experts and from the previous, it was decided to include a positive word rather than negative ones. Thus, the item "I feel very strong loyalty to this hotel chain" was added to the scale of Too et al. (2001) to measure loyalty.

Table 5.7 : Loyalty Scale Items

Original Scale Items	Modified Items
I really care about the future of this store	I really care about the future of this hotel chain
I am willing to put in extra effort to stay with this store	I am willing to put in extra effort to stay with this hotel chain
I am proud to tell others that I stay at this store	I am proud to tell others that I stay at this hotel chain
For me this store is the best alternative	For me this hotel chain is the best alternative
I expect to stay with this store for a long period of time	I expect to stay with this hotel chain regularly in the future
As a consumer to this store, I feel that I am prepared to pay more for their high quality products/ services	As a guest of this hotel chain, I feel that I am prepared to pay more for their high quality products/ services
I would recommend this store's brand to others	I would recommend this hotel chain to others
I buy this brand on a regular basis	I stay at this hotel chain on a regular basis
This store stimulates me to stay	This hotel chain stimulates me to stay
I have used this store for a number of years	I have used this hotel chain for a number of years
	I feel very strong loyalty to this hotel chain

Note: All of these items were adopted from Too et al. (2001) and Shammout (2007)

5.4 Questionnaire

Due to their effectiveness in gathering empirical data from large samples (McCelland, 1994), for data collection questionnaires are the most frequently used method (Clarke, 1999; Saunders et al., 2003). The questionnaire is "a reformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives" (Sekaran, 2000, p.233). It is widely used in the context of relationship marketing (see Han, 1991; Bowen and Shoemaker, 1998; Bloemer and de Ruyter, 1999; Pritchard et al., 1999; Hennig-

Thura et al., 2002; Kim and Cha, 2002; Wang et al., 2006). These considerations make using a questionnaire the most effective data collection tool for this thesis.

In this thesis, the questionnaire used was divided into five parts (see Appendix A). The first four parts covered the items comprising the constructs in the proposed theoretical model - while the final part covers aspects of demographics. These are presented in the questionnaire as follows:

Part 1

The first part includes seventeen questions asking respondents to evaluate the relationship that their service providers built with them. These questions reflect three types of relational bonds - financial, social and structural.

Part 2

The second part includes thirteen questions asking respondents to evaluate the quality of their relationship with the service provider. These questions reflect three dimensions of relationship quality (comprising trust, satisfaction and commitment).

Part 3

The third part includes 23 items asking respondents to describe how they feel about the relationship they have with their service provider. These questions reflect emotions (comprising positive and negative).

Part 4

The fourth part contained eleven questions, asking respondents to evaluate their loyalty to the service provider based on the relationship they have with them. These questions reflect loyalty.

Part 5

The fifth part of the questionnaire contained seven questions asking respondents about their gender, age, nationality, number of nights spent, purpose of visit, educational qualification and job.

The first four parts of the questionnaire reflected the underlying constructs. These constructs were presented in this instrument utilizing a 5-point Likert type scale ranging from (1= strongly disagree) to (5 = strongly agree), with the exception of the emotions construct which was presented on scales ranging from (1 = never) to (5= very often).

In order to obtain a higher response rate, it is necessary to start with most important questions and finish with demographic or sensitive questions (Janes, 1999; Robertson and Sundstrom, 1990). For example, questions related to age or income can be embarrassing to the respondents at the beginning of a survey (Malhotra, 1996).

There are different views in regards to the length of questionnaire. For instance, Frazer and Lawley (2000) outline that up to twelve pages of length is generally considered as appropriate. Zikmund (2003, p. 214) recommended that, "a general rule of thumb is that questionnaires should not exceed six pages". All the questions in this thesis including the covering letter were presented within four pages that means within the recommended length. Questions were also neatly organized and conveniently spaced to minimize eyestrain. The wording and language used in this questionnaire was as simple as possible to communicate with all guests, even those having little formal education. Questions are clear, answerable, unbiased, and suitable to the hotel context. As recommended by Janes (1999), Fowler (1992), and Frazer and Lawley (2000), it is necessary to understand the words used in the instrument, as this will encourage them to complete the questionnaires.

5.5 Pre-Test

Reynolds and Diamantopoulos (1998) maintain that pre-testing is an import part of the questionnaire development process. As Hunt et al. (1982, p.270) pointed out, the researcher needs to ask: "Will the instrument provide data of sufficient quality and quantity to satisfy the objectives of the research?"(p.270). Pre-test is defined as "a trial run with a group of respondents used to screen out problems in the instructions or design of a questionnaire" (Zikmund, 2003, p.229). This section starts with a discussion of pre-test methods and justifying the ones employed within this thesis. The methodological literature has found three types of pre-test methods (Hunt et al., 1982; Blair and Presser, 1992; Churchill, 1995; Reynolds and Diamantopoulos, 1998; Zikmund, 2003), including planned field survey, personal interviews (face-to-face), and expert panel. The first of these, planned field survey, includes a small sample referred to as 'pre-testing' (Zikmund, 2003). The second, personal interview is where the interviewer is required to identify any obstacles, difficulties, or incomprehensible questions blocking respondents' ability to provide accurate answers. The third is when an expert panel is asked to judge whether the instruments have any problems or not.

The above three methods are critically analyzed by Reynolds and Diamantopoulos (1998), who found that a planned survey is useful because it covers all the part of the field survey, and is less likely to be affected by interaction between the respondents and interviewer. However, a problem with this method is that sometimes those respondents are completed the questionnaires, who are not the targeted sample. Therefore, they suggest that personal interview is the most effective way of conducting a pre-test, due to the accuracy and completeness of the information generated.

5.5.1 Pre-Test Sampling Frame

Hunt et al. (1982, p.269) proposed two main questions in discussing the sampling frame for a pre-test. These questions were "who should be the subjects in the pre-test?" and "how large a sample is needed for the pre-test?" For the first question, it was necessary to include those who were similar to the sample approached in the actual survey (Churchill, 1995; Tull and Hawkins, 1990). The sampling frame for a pre-test consists of loyal guests of five-star hotel chains that correspond with the population to be studied. These subjects have formed the population of interest in the purposive sample generated from two selected hotel chains in Bangladesh (Pan Pacific Sonargaon hotel, Radisson Blu Water Garden hotel)

In the case of pre-test sampling size (the second question), there is little agreement in the literature (Hunt et al., 1982). For example**,** Zatalman and Burger (1975) did not specify size, simply recommending a 'small' sample. Others such as Boyed et al. (1977) indicated that a sample of 20 is adequate. Accordingly, 30 questionnaires were distributed to loyal guests at these hotels, aiming for a completion of at least 20 respondents.

5.5.2 Pre-Test Procedures

For pre-test methods, different approaches are used by different researchers (i.e., Blair and Presser, 1992; Malhotra, 1993; Churchill, 1995). As a result, expert panel, interviews, and planned field survey methods have all been used to pre-test the questionnaire of this thesis in order to overcome the shortcoming of using one method.

The first procedure involved distributing the draft to a panel of three experts. Two of them were professors in the area of marketing at Dhaka University and one was Assistant professor in United International University. These three experts were asked to evaluate the questionnaire to: 1) assess the relevance of its conceptualization of marketing research operation; 2) appraise the suitability of the terminology to the hotel context; and 3) make further suggestions, criticism and comments on the questionnaire and its facets.

Changes were required for several demographic questions relating to the number of nights that guests had spent in each hotel and purpose of visit.

The second procedure followed Bowen and Shoemakers' (1998) suggestion in which five personal interviews were conducted. The purpose of these interviews was to ask the respondents to identify any problems in regard to the questionnaire format, wording or design, and to address any comments or suggestions they had. As a result of this procedure, it was suggested that providing more space between each group of questions within the same part would make the questionnaire easier to read. It was also identified that two out of five respondents did not understand the question related to their opinion on how they really felt their relationship with their service provider. The questionnaire was modified and refined before conducting the pre-test survey.

In the third and final procedure, discussion with both academics (procedure one) and hotel managers (procedure two) were done to identify that the most appropriate way to distribute the questionnaires and it was found that the questionnaires must be given when guests checked in, and collect them when guests checked out. This would give guests the chance to take the survey with them and fill it out during their stay. In total, 200 questionnaires per hotel were distributed to guests by front desk staff at each of the above-mentioned hotels. This procedure was conducted during April to August 2013. Twenty usable questionnaires were received. To assess the reliability of the measures, Cronbach's coefficient alpha was examined, showing that all scale items had high alpha scores exceeding .70. Following the reliability assessment, the purpose was to assess convergent and discriminant validity of items by using confirmatory factor analysis. However, it was not possible to conduct this due to the small sample size (N=20). Hence, validity assessment was conducted after the final data collection and discussed as part of SEM in the next chapter.

A question related to the income was deleted as most respondents did not answer it. In addition, the pre-test confirmed that giving questionnaires through front desk staff at targeted hotels is the most appropriate way to approach potential respondents. As no major modifications were made to the instrument, a copy of the final survey instrument used for this thesis is provided to the customers.

5.6 Final Survey

Following the pre-test, the final survey with the 64 items was administered in the field. Therefore, this section of the chapter begins with a discussion of the sampling frame related to the final survey. This is followed by detailed descriptions to the procedures undertaken to administrate the collection of data.

5.6.1 Final Survey Sampling Frame

As was discussed in Chapter One, the aim of this thesis was to evaluate the proposed theoretical model determining loyal guests' perspectives of staying at five-star hotel chains in Bangladesh. The focus on this type of customer was because the hotel industry has recently become interested in practicing relationship marketing with loyal customers (i.e., practicing different types of loyalty schemes), as they are more profitable than others . Not only can this interest be seen in the industry, but also in the literature. For example, Bowen and Shoemaker (1998) tested their model of relationship marketing from loyal customers' perspectives at luxury hotels in the USA, and Kim and Cha (2002) tested their model by using a sample of loyal guests at five star hotels in Seoul. Whereas Shammout(2007) focused on how loyal Arab guests at five-star hotels view their relationships with the hoteliers. Thus, the focus of both practitioners and academics suggest that loyal customers are more able to evaluate their perceived relationships with hoteliers than others. With that in mind, it is assumed that this thesis will provide a new insight into, here in this thesis the author tried to find the

relationship between loyal guests and five star hotels in Bangladesh, which has not been investigated before.

To approach loyal guests, international five-star hotel chains have been chosen because previous research indicates that five-star hotels use relationship marketing practices more frequently than midrange or budget hotels (Kim and Cha, 2002). Therefore, in agreement with Kent (2001), the sample frame in this thesis that can be most readily accessed (guests in five-star hotel chains in Bangladesh) is considered as the target population.

To identify loyal guests, this thesis applied the definition that 'loyal guests' are individuals who have stayed three nights or more a year with a particular hotel chain. This criterion has been chosen for two main reasons. First, there is disagreement in the literature, particularly in regard to hospitality, on the definition of 'loyal customer'. For example, Kim and Cha (2002) collected data from twelve five-star hotels in Seoul, based on the criteria that a loyal guest stayed 20 nights or more a year, while Bowen and Shoemaker (1998) considered a loyal guest as someone who stays at a particular hotel at least three times. Second, within the industry, each hotel has different classifications for defining loyal guest, and thus different loyalty programs are designed. In the Holiday Inn hotel chain, for example, a program called "priority club" is adopted, allowing guests to receive advantages from a card he/she holds recording the number of nights stayed. If the guest stays fifteen qualifying nights, he/she receives a gold card, but to get a platinum one, they need to stay at least 50 qualifying nights (see Holiday Inn, 2005) In contrast, the Hyatt hotel chain starts its loyalty program from the first stay (see Hyatt, 2005). Here in this thesis those guests are selected who stayed three nights or more than that because as a middle income country local peoples are not preferring to stay in five star hotels without any reason on the other hand those who staying at the five star hotels are mainly business travelers, who's business trip is not more than three days on an average.

The type of sample used in this thesis was a 'purposive sample', in which the full range of hotel guests was surveyed. Those who met the criteria of being loyal (i.e., spent 3 nights and more in one hotel chain) were included in the data to be analyzed, while others were omitted. Malhotra (1996, p.366) defines purposive sample as "a form of convenience sampling in which the population elements are purposely selected based on judgment of the researcher". Similarly, Dillon et al. (1993, p.229) view purposive sampling as involving "selecting certain respondents for participation in the study presumably because they are representative of the population of interest and/or meet the specific needs of the research study". This type of sample was chosen for use in this thesis, as it is based on those units or elements contribute to answering the particular research question at hand (i.e., Churchill, 1995; Kinnear and Taylor, 1999).

5.6.2 Final Survey Procedures

Once the researcher finalized the instrument and confirmed its appropriateness after conducting the pre-test, a number of procedures were adopted to conduct the final survey and collect research data. As followed in the pre-test, letters of formal invitation enclosed with the instrument were delivered to the two hotels, asking them to participate in this research. The information given to the hotels briefly included the aims of the study, its significance to them, intended use of data, time, and issues related to confidentiality and their voluntary participation. To encourage the hotels to participate in this thesis, the researcher ensured them of his intent to support them with a feedback report after getting the results. Consequently, the hotels were very keen to participate in the survey. Based on their consent, the fieldwork took place during the period of April to August 2013. Unfortunately, this period was not long enough to generate sufficient responses (300 responses in total, 284 were taken). In order to choose the suitable method to approach loyal guests, wide discussions with the hoteliers (from Pan Pacific and Radisson hotel) and academic people (from Dhaka University and

United International University), were made. This procedure was also done in conjunction with the literature. As a result, the questionnaires were self-administered, but distributed in several ways. Before the distribution process started, the researcher conducted meetings with the public affairs department of the hotels in order to ensure that the instructions and the questions of the instrument were clear, and to answer if they had any queries. The questionnaires were given to the guests through the front desk at each participating hotel chain. Using this method, all the guests were given a questionnaire when they checked in, and returned them again when they checked out. In this case, the guests had the chance to fill out the questionnaire at any time during their stay.

The questionnaires were not only distributed during the check in time but also distributed by the staff in additional locations: business relationships centers, restaurants and rooms. The use of this procedure is widely recommended by scholars because it has been found to increase the number of responses (Harvey, 1987; Bernnan et al., 1993; Frazer and Lawley, 2000; Zikmund, 2003). In total, the researcher distributed 200 questionnaires to each of the 2 hotels, 400 questionnaires overall. The objective was to obtain a minimum sample size of approximately 200 respondents, which is appropriate for running structural equation modeling (Hair et al., 1995). The distribution procedures utilized resulted in 300 being returned, of which 284 were taken for analysis purpose.

5.7 Data Analysis Methods

As pointed out by Coorley (1978, P. 13), "the purpose of the statistical procedures is to assist in establishing the plausibility of the theoretical model and to estimate the degree to which the various explanatory variables seem to be influencing the dependent variable". This thesis therefore uses Statistical Package for Social Sciences (SPSS) version 21 to analyze the preliminary data, and Structural Equation Modeling (SEM) using confirmatory factor

analysis to test the hypothesized model discussed in Chapter Three. This section describes and justifies the use of these statistical techniques.

5.7.1 Preliminary Data Analysis

In order to analyze quantitative data gathered from the questionnaires, Statistical Package for Social Sciences (SPSS) version 21 was used. This software has largely been used and accepted as a data analysis technique by the researchers (Zikmund, 2003). Therefore, this technique has been used to screen the data of this thesis in terms of coding, missing data (i.e., using *t*-test), outliers (i.e., using Box and Whisker, normal probability plot), and normality (i.e., using skewness and kurtosis). Each one of these methods has been further defined and described in SPSS was also employed to conduct preliminary data analysis including frequencies, mean, and standard deviation. These analyses were conducted for each of the variables to gain preliminary information about the sample. This information gives the reader a 'snapshot' of the data collected and used in the research.

5.7.2 Structure Equation Modeling (SEM)

Structural Equation Modeling (SEM) is "a collection of statistical techniques that allow a set of relationships between one or more independent variables, either continuous or discrete, and one or more dependent variables, either continuous or discrete, to be examined" (Tabachnick and Fidell, 2001, p. 653). SEM has become an important tool for analysis that is widely used in academic research (Heise, 1975; Bentler, 1980; Anderson and Gerbing, 1982; Anderson and Gerbing, 1988; Bollen, 1989; Breckler, 1990; Byrne, 2001; Hair et al., 1995; Jöreskog and Sörbom, 1996; Schumacker and Lomax, 1996; Kline, 2005; Homles-Smith et al., 2006).

The primary purpose of SEM is to explain the pattern of a series of inter-related dependence relationships simultaneously between a set of latent or unobserved constructs, each measured by one or more observed variables (Hair et al., 1995; Schumacker and Lomax, 1996). SEM is

based on the assumption of causal relationships where a change in one variable (x1) is supposed to result in a change in another variable (y1), in which y1 affects x1. Not only does SEM aim to analyze latent constructs, in particularly the analysis of causal links between latent constructs, but also it is efficient for other types of analyses including estimating variance and covariance, test hypotheses, conventional linear regression, and confirmatory factor analysis (Jöreskog and Sörbom, 1996). According to Anderson and Gerbing (1988, p.411), SEM is a confirmatory method providing "a comprehensive means for assessing and modifying theoretical models". Therefore, researchers in relationship marketing have found SEM to be an appropriate technique to examine their hypothesized models (see Crocby et al., 1990; Smith, 1998; De Wulf et al., 2001; Lin et al., 2003; Roberts et al., 2003; Liang and Wang; 2005; Palmatier et al., 2006; Wang et al., 2006).

SEM also has the ability to assess the unidimensionality, and reliability and validity of each individual construct (Anderson and Gerbing, 1988; Bollen, 1989; Hair et al., 1995; Kline, 1998, Kline, 2005). Further, it provides an overall test of model fit and individual parameter estimate tests simultaneously, thus, providing the best model fits to the data adequately. In this thesis, SEM using confirmatory factor analysis, therefore, has been conducted. Arbuckle's (2005) structural equation modeling software AMOS 21 (Analysis of Moment Structures) was used to explore statistical relationships among the items of each factor and between the factors of independent (i.e., financial, social and structural) and dependent variables (i.e., relationahip quality, emotions and loyalty).

Further, the researcher can specify, estimate, assess, and present the model in a causal path diagram to show hypothesized relationships among variables. The empirical model can be tested against the hypothesized model for goodness of fit. Any causal paths that do not fit with the original model can be modified or removed.

5.7.2.1 Two-Stage Structural Equation Modeling

In order to perform SEM, there are two approaches, *one-stage* and *two-stage*. The first of these, the one-stage approach, aims to process the analysis with simultaneous estimations of both structural and measurement models (called single-stage approach). The second, two-stage approach, aims to process the measurement model first and then fix this measurement model in the second stage when the structural model is estimated (called two-stage approach). In this thesis, the two–stage approach recommended by Anderson and Gerbing (1982) was adopted to conduct the analysis for two reasons. First, it is widely accepted and used in marketing research (Hair et al., 1995), particularly in similar studies of relationship marketing (i.e., De Wulf et al., 2001, Roberts et al., 2003; Pullman and Gross, 2004; Hsieh et al., 2005; Liang and Wang, 2005; Bove and Johnson, 2006). Second, the accurate representation of the reliability of the items of each construct is best conducted in two stages to avoid any interaction between the measurement and structural models (Hair et al., 1995). That is, analyzing the causal relationships in the structural model requires performing the measurement model first (these stages been further explained next), due to the latter representing a condition that must be satisfied as a matter of logical necessity (Bagozzi, 1981; Anderson and Gerbing, 1982).

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┌─────────────────────────────────────────────┐
│          Stage 1: Measurement Model          │
│     Step 1: Assessing unidimensionality      │
│   Step 2: Assessing reliability and validity │
└─────────────────────────────────────────────┘
                      │
                      ▼
┌─────────────────────────────────────────────┐
│          Stage 2: Structural Model           │
│             (Testing hypotheses)             │
└─────────────────────────────────────────────┘
```
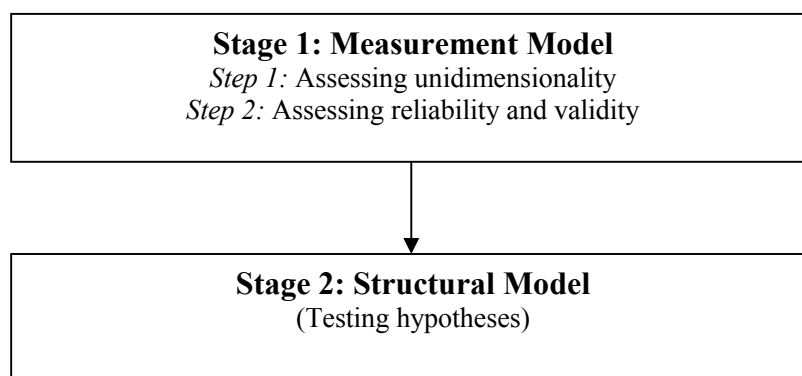
Figure 5.1: Two-Stage Structural Model Used in this Thesis

As shown in Figure 5.1, the first (measurement model) stage of the analysis was conducted by specifying the causal relationships between the observed variables (items) and the underlying theoretical constructs (composite and latent variables). The purpose of this stage was to verify the unidimensionality of the composite and latent constructs in the first step. Unidimentionality has been defined as "an assumption underlying the calculation of reliability and is demonstrated when the indicators of a construct have acceptable fit on a single-factor (one dimensional) model" (Hair et al., 1995, p. 641). Anderson and Gerbing (1988) argued that unidimensional measurement models are more generally useful because they offer more precise tests of the convergent and discriminant validity of factor measurement.

In assessing unidimensionality, exploratory factor analysis (EFA) has widely been suggested as the appropriate tool when a theory is absent or new scales are being developed (Anderson and Gerbing, 1988; Byrne, 1989; Hair et al., 1995). In addition, Anderson and Gerbing (1988) have argued that exploratory factor analysis cannot assess unidimensionality directly, but aims to assess the factor structure of a scale. Therefore, confirmatory factor analysis (CFA) is a better method for use in research where hypotheses about the grounded theoretical models exist (Bollen, 1989), as is the case in this thesis. Thus, CFA is considered a more powerful (Anderson and Gerbing, 1988, Hair et al., 1955), and more flexible (Dunn et al., 1994) technique than exploratory factor analysis for such assessment.

All the above reasons justify the use of confirmatory factor analysis in this thesis. This is especially so as scales' items have been adopted based on previous literature which were well grounded in theory. In addition, the underlying constructs of relational bonds – financial, social and structural, relationship quality, emotions, and loyalty have already been demonstrated empirically to be valid in the literature. Therefore, CFA was used to determine whether the number of factors and the loadings of measured indicators (items) had conformed

to what was expected, based on re-established research and theory. Items that were loaded weakly on the hypothesized factors should be removed from the scale, thus resulting in a unidimensional scale (Dunn et al., 1994).

Once the first step of undimensionality of constructs is achieved, reliability and validity (see Figure 5.1) of these constructs is demonstrated in the second step, the paths or causal relationships between the underlying theoretical latent constructs were specified in the structural model (second stage).

5.7.2.2 SEM Assumptions

Like any statistical method, a number of assumptions need to be met before conducting SEM. For example, SEM requires the sample size to be adequate, if the sample size is small enough then the covariance and correlations are less stable (Tabachnick and Fidell, 2001). While some authors believe that SEM could be used for sample sizes as small as 50 (i.e., Anderson and Gerbing, 1984), it has been generally accepted that 100 is the minimum sample size to ensure the appropriate use of maximum likelihood estimation (MLE) (Hair et al., 1995). However, Boomsma (1983) suggests that the estimation of SEM by using maximum likelihood methods can be used only when the sample size is at least 200. Accordingly, Tabachnick and Fidell (2001) suggest that fewer than ten subjects per estimated parameter may be adequate if the estimated size of effect is large and the measured variables normally distributed. A sample of more than 400 is also considered as undesirable (Carmines and McIver, 1981; Tanaka, 1987; Hair et al., 1995), because the methods become too sensitive and goodness-of-fit measures will indicate a poor fit. While there is no agreement among the scholars about sample size, Hair et al. (1995) considered a number of 200 to be ideal. The sample size of this thesis is 284, which is considered appropriate for using SEM.

5.7.2.3 Path Diagram

In SEM, the hypothesized or causal relationships can be presented in the form of a path diagram. As shown in Figure 5.1, the SEM diagram in this thesis consists of the constructs as unobserved variables, measured variables (composite variables), measurement errors, and arrows representing relationships between the variables. For example, constructs such as relational bonds - financial, social, and structural, relationship quality, emotions, and loyalty are presented as ovals (unobserved variables). Measured or composite variables such as trust, satisfaction, commitment, positive emotions, negative emotions. The single-headed arrows in the diagram represent linear dependencies indicating the extent to which one variable (construct) is dependent on another (causal paths or relationships). For instance, the arrow connecting emotions with relationship quality represents a direct relationship that is hypothesized between these two variables. The absence of arrows linking variables implies that no direct relationship has been hypothesized. In the diagram, correlations or covariance between the variables are represented as double-headed arrows, as seen in the relationship between relational bonds including financial, social, and structural. This is where a relationship between the variables is assumed, but no causal path is hypothesized. Also included in the model is measurement error associated with the composite variables and residual error associated with the latent variables. Measurement error were represented as (e) and enclosed in small circles, whereas residual errors were represented as (z) in small circles.
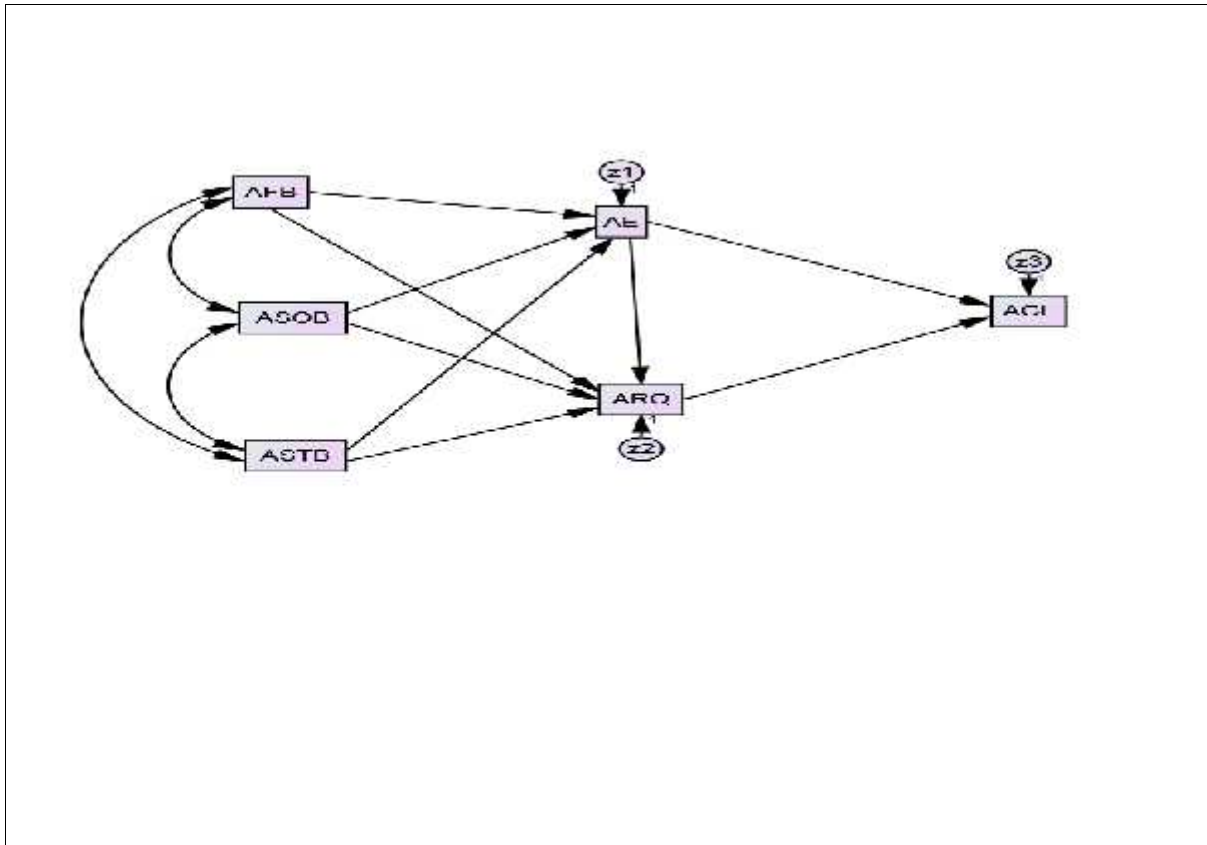
Figure 5.2: The Path Diagram of This Thesis

5.7.2.4 Evaluating the Fit of the Model

In SEM, there are a series of goodness-of-fit indices, which identify whether the model fits the data or not. There are many indices provided by SEM, although there is no agreement among scholars as to which fit indices should be reported. For example, Anderson and Gerbing (1988) suggest that researcher might assess how well the specified model accounts for data with one or more overall goodness-of-fit indices. Kline (1998) recommends at least four such as GFI, NFI, or CFI. In order to reflect diverse criteria and provide the best overall picture of the model fit, Jaccard and Wan (1996), Bollen and Long (1993), Hair et al. (1995), and Holmes- Smith (2006) recommend the use of at least three fit indices by including one in each of the categories of model fit: absolute; incremental; and parsimonious (these are discussed below). This thesis adopts those measures most commonly used in marketing research to evaluate models in which the three categories are reflected. As outlined in Table

5.8, the first category of absolute values includes chi-square (x^2), GFI, and RMSEA; the second category (incremental) includes AGFI, CFI, and the third category (parsimonious) includes x^2 /df. These are described in more detail below.

Table 5.8: Summary of Goodness-of-Fit Indices

Name of the Index	Level of acceptance	Comments
Absolute fit indices		
Chi-square (x^2)	P > 0.05	This measure is sensitive to large sample sizes
Goodness-of-Fit (GFI)	0 to 1	Value close to 0 indicates a poor fit, while value close to 1 indicates a perfect fit
Root Mean Square Error of Approximation (RMSEA)	Between .050 and .080	Value up to 1.0 and less than .05 is considered acceptable
Incremental fit indices		
Adjusted Goodness-of-Fit (AGFI)		Value close to 0 indicates a poor fit, while value
Comparative Fit Index (CFI)	0 to 1	close to 1 indicates a perfect fit
Parsimonious fit indices Normed		
Chi-square (x^2 /df)	$1.0 \leq x^2 /df \leq 5$	Lower limit is 1.0, upper limit is 3.0 or as high as 5

5.7.2.4.1 Absolute fit indices

The chi-square (x^2) is considered the most fundamental measure of overall fit (Bollen, 1989). This is a test of whether the matrix of implied variance and covariance (Σ) is significantly different to the matrix of empirical sample variance and covariance (S). It is calculated to determine the discrepancy between Σ and S. If the probability (P) is greater than .05, this indicates that the discrepancy between Σ and S is very small, meaning that the actual and predicted input matrices are not statistically different. Although this type of statistical

index is the most important one to evaluate fit of the model, it has been criticized for being too sensitive to sample size (Fornell and Larcker, 1981; Marsh et al., 1988; Jöreskog and Sörbom, 1996), especially in cases where sample size is over 200 (Bagozzi and Yi, 1988; Hair et al., 1995). Thus, marketing researchers do not solely use the value of chi-square to reject or accept their models (Bagozzi, 1981; Han, 1991, Bove and Johnson, 2006), but use it in conjunction with other indices to evaluate overall fit.

The second measure of absolute fit index used within this thesis is the Goodness-of- Fit Index (GFI) proposed by Jöreskog and Sörbom (1981). The GFI measure indicates the relative amount of variance and covariance together explained by the model (Byrne, 1989). The GFI value is calculated by comparing the discrepancy value for the model under test to the discrepancy value for a saturated version of the model which is counted as representing a 100% fit (or 1.0). However, this measure is not adjusted for degrees of freedom (Hair et al., 1995; Holmes-Smith, 1996), ranging from 0 (indicating a poor fit) to 1 (indicating a perfect fit)(Hair et al., 1995). The third measure of absolute fit index used is Root Mean Square Error of Approximation (RMSEA**)**. This measure assists in correcting the tendency of chi-square to reject specified models. It takes into account errors of approximation in the population, and relaxes the stringent requirement that the model holds exactly in the population. While Holmes-Smith et al. (2006) recommend that RMSEA should be less than 0.05; MacCallum and Browne (1993) suggest a value of up to 1.0 as reasonable. However, it has been found that a value ranging from .05 to .08 is commonly acceptable (Hair et al., 1995).

5.7.2.4.2 Incremental Fit Indices

The second category of indices includes incremental fit measures. These measures provide a comparison between the proposed model and the null model.1 Adjusted Goodness-of-Fit Index (AGFI), for instance, is one of the incremental indices, which has been found important, and is adopted in this thesis. This is because it takes into account adjustment for

degrees of freedom, which GFI from the absolute fit indices 1 Hair et al. (1995, p.620) defines null model as "baseline or comparison standard used in incremental fit indices".

The quantity 1-GFI is multiplied by the ratio of the model's df divided by df for the baseline model, the AGFI is 1 minus this result. Similar to GFI, this measure range from 0 (indicating a poor fit) to 1 (indicating a perfect fit)(Hair et al., 1995). In addition to AGFI, CFI compares the covariance matrix predicted by the model to the observed covariance matrix. Therefore, CFI were reported in this thesis.

5.7.2.4.3 Parsimonious Fit Indices

The third category of parsimonious fit indices tests the parsimony of the proposed model by evaluating the fit of the model to the number of estimated coefficient required to achieve the level of fit (Hair et al., 1995). In this category, the normed chisquare (x^2 /df) is the most popular parsimonious fit index used to evaluate the appropriateness of the model (Hair et al., 1995). In this measure, a range of acceptable values for the x^2 /df ratio have been suggested, ranging from less than 2.0 (Bollen, 1989; Hair et al., 1995; Tabachnick and Fidell, 2001), through less than 3.0 (Carmines and McIver, 1981), to more liberal limits of less than 5.0 (Wheaton et al., 1977). Since x^2 is the main component of this measure, x^2 /df is also sensitive to the sample size. Therefore, this thesis has used this measure as an indicator of overall fit (in conjunction with other measures), not as a basis for rejecting or accepting the model.

5.8 Reliability and Validity

As was discussed in the former section, once unidimensionality has been established, the underlying constructs of this thesis can be assessed for reliability and validity (Peter, 1979; Anderson and Gerbing, 1982; Anderson and Gerbing, 1988; Dunn et al., 1994; Hair et al., 1995). Reliability and validity are separate but closely related concepts (Bollen, 1989). Here, a measure may be consistent (reliable) but not accurate (valid), and alternatively, a measure may be accurate but not consistent (Holmes- Smith et al., 2006). That is, an instrument is

valid if it measures what it supposed to measure and reliable if it is consistent and stable (Sekaran, 2000). Therefore, in order to ensure the quality of the findings and conclusions of this thesis, both validity and reliability were assessed. Cronbach's (1951) coefficient alpha, Construct reliability (CR), and Average Variance Extracted (AVE) are computed to assess reliability, while content, construct, criterion and external validity are examined for validity. Both reliability and validity assessments are discussed below.

5.8.1 Reliability

Zikmund (2003, p. 330) defines reliability as "the degree to which measures are free from random error and therefore yield consistent results". That means reliability refers to the extent to which a scale produces consistent results if repeated measurements are made on the variables of concern (Malhotra, 2003). Reliability and error are related, and thus the larger the reliability, the smaller the error (Punch, 1998). Therefore, the main objective of reliability is to minimize the errors and biases in a research (Yin, 1994).

Reliability can be assessed through two main dimensions: 1) *repeatability* and 2) *internal consistency* (Zikmund, 2003). The first dimension, *repeatability,* can be explored using two methods, including test-retest, and alternatives. Test-retest method entails the administration of the same instrument on two different occasions to the same sample of respondents, taking into account the equivalent conditions. In this case, a correlation coefficient is computed to confirm the degree of similarity between the two tests. However, two main problems proposed by Kinner and Taylor (1996), Malhotra (1996), and Zikmund (2003) are associated with this method, making it not suitable for use in this thesis. First, the initial test influences respondents' responses in the following tests. That is, respondents may change their attitude when the other is conducted. Second, respondents may change their attitude due to the time factor. For example, if the time between the two tests is long, respondents may change their attitude and thus the longer the time interval between the tests, the lower the reliability.

The alternative-form method "is used when two alternative instruments are designed to be as equivalent as possible" (Zikmund, 2003, p.331). In this case, these two measurement scales are administered to the same group of respondents. When the correlation between the two forms is high, that means the scale is reliable (Zikmund, 2003). However, it is difficult in all cases to construct two equivalent forms of the same instrument.

Because the above mentioned methods have shortcomings, they were not appropriate for use in this thesis. Therefore, it was decided to look at the internal consistency – the second dimension of reliability, which is "used to assess the reliability of summated scale where several items are summed to form of total score" (Malhotra, 1996, p. 305). If they are reliable, the items will show consistency in their indication of concept being measured. The most basic method measure of internal consistency is split-half reliability. This method involves dividing a multi-items measurement into two halves, and thus checking the results obtained from the first half of the scales items against the results from the other half. While this method has been widely used in the literature, it has limitations in that results rely on how the items are divided. To avoid this problem, Cronbach's (1951) coefficient alpha, one of the most common methods in gauging reliability (Nunnally, 1978; Peter, 1979; Sekaran, 2000), is considered appropriate. This technique estimates the degree to which the items in the scale are representative of the domain of the construct being measured. It is a measure of the internal consistency of a set of items, and is considered 'absolutely the first measure' one should use to assess the reliability of a measurement scale (Nunnally, 1978; Churchill, 1979). Added to this, Cronbach's coefficient is important in measuring multi-point scale items (i.e., 5-point Likert scale used in this thesis) (Sekaran, 2000). Accordingly, this method of internal consistency has been adopted to assess the reliability of the measures in this thesis.

Given that multi-items scales were employed in this thesis, Cronbach's alpha estimate has been used as a verification of the reliability of the composite items comprising each scale for

each construct. Thus, the constructs of relational bonds - financial, social and structural, relationship quality, emotions, and loyalty were subject to such assessment. In assessing reliability through Cronbach's alpha, authors suggest different levels of acceptance. For instance, Nunnally (1967) recommend that an acceptable alpha is between .50 and .60. However, in the second edition of his book *Psychometric Theory,* Nunnally (1978) increased the level of acceptance and considered that alpha should exceed the minimum of .70 for internal consistency. Similarly, Nunnally and Bernstein (1994) suggest a rule of thumb level of higher than .70, with level as low as .60 being acceptable for new scales. Other authors such as Carmines and Zeller (1979) indicate that at least .80 is required to establish internal consistency. While different views have been recommended about levels of acceptance, it is generally agreed that an alpha of .70 and over is acceptable.

Therefore, this cut-off point (.70) has been used as the minimum for determining internal consistency of scales for this thesis. Traditionally, marketing research has adopted the procedure recommended by Churchill (1979) and Peter (1979) to develop their scales. The key issue of this procedure concerns item purification using Cronbach's coefficient alpha and exploratory factor analysis. However, Anderson and Gerbing (1988) expanded the scale development procedure by including Confirmatory Factor Analysis (CFA). This needs to be done, as coefficient alpha is not a sufficient condition to assess unidimensionality. For this reason, other authors such as Steenkamp and Van Trijp (1991) maintain that CFA provides a better estimate of reliability than coefficient alpha. Hinkin (1995) also suggested that the CFA approach is able to examine the stability of the factor structure in scale construction. Furthermore, assessing reliability by using CFA is also necessary to ensure that all measures used in this thesis are reliable, thus providing the researcher with greater confidence that the individual items are consistent in their measurements (Hair et al., 1995). To assess reliability using CFA, the approach suggested by Fornell and Larcker (1981) was adopted. This

approach is commonly used in marketing research, particularly in relationship marketing (see De Wulf et al., 2001; Hsieh and Hiang, 2004; Hsieh et al., 2005; Bove and Johnson, 2006). Fornell and Larcker stressed the importance of examining Construct Reliability (CR). CR measures the internal consistency of a set of measures rather than the reliability of a single variable to capture the degree to which a set of measures indicates the common latent construct (Holmes-Smith et al., 2006). Bagozzi and Yi (1988) recommended that CR should be equal to or greater than .60, and AVE should be equal to or greater than .50. As this is widely accepted, it was used in this thesis. This thesis determind Cronbach's alpha, CR, and AVE to ensure that the specified items were sufficient in their representation of the underlying constructs, including relational bonds – financial, social and structural, relationship quality, emotions, and loyalty.

5.8.2 Validity

Reliability alone can't prove that an instrument is adequate (Churchill, 1979; Anderson and Gerbing, 1988; Dunn et al., 1994; Hair et al., 1995). Therefore, validity is required to validate the constructs of this thesis. According to Zikmund (2003, p.331), validity means "the ability of a scale to measure what intended to be measured".

Nunnally and Bernstein (1994) suggest three important aspects are used for a valid construct. Three types of validity, including construct (convergent and discriminant validity) and criterion have been examined in this thesis. These are related to the internal validity of the scales and their respective items.

5.8.3 Construct Validity

Construct validity is used within this thesis. It is directly concerned with what the instrument is actually measuring (Churchill, 1995). In other words, this measure of validity refers to developing correct and adequate operational measures for the concept being tested (Yin,

1994; Malhotra, 1996). Although measuring reliability develops 'internally consistent' sets of measurement items, it is not sufficient for construct validity (Nunnally, 1967).

Construct validity was therefore examined in this thesis by analyzing both convergent validity and discriminant validity. Convergent validity examines whether the measures of the same construct are correlated highly, and discriminant validity determines that the measures of a construct have not correlated too highly with other constructs (Sekaran, 2000).

A number of methods have been suggested for assessing convergent and discriminant validity: factor analysis, correlation, and CFA existing in SEM. For the purpose of this thesis, convergent and discriminant validity have been assessed by performing CFA. The final items (not including deleted items) should be loaded highly on one factor (Anderson and Gerbing, 1988), with a factor loading of .40 or greater (Hair et al., 1995). Furthermore, AVE was used as an indicator for supporting convergent validity (Fornell and Larcker, 1981). This is consistent with the above discriminant validity definition of Sekaran (2000). If the two factors are highly correlated (greater than 1), redundant items that show a lack of discriminant validity are deleted (Kline, 2005). The second method of assessing discriminant validity examines pattern structure coefficient to determine whether factors in measurement models are empirically distinguishable (Thompson, 1997).

5.9 Summary

This chapter justifies the need for quantitative analysis to answer the research questions, and testing the hypotheses. The intended measurement scales for each of the constructs in the proposed model have been developed based on previously tested scales; the instrument and the methods used to collect the data in the pre-test and final survey have been described; the population, sampling and procedures used have been identified; the statistical techniques used to empirically test the research hypotheses of the proposed model in the following chapter have been discussed; the issues related to the reliability and validity have been addressed.

CHAPTER SIX
DATA ANALYSIS AND
INTERPRETATION OF THE RESULTS

6.1 Introduction

The previous chapter detailed the research methodology adopted to test the proposed theoretical model, and to answer the research questions of the study. The purpose of this chapter is to present the results of the data analysis and to tests the hypotheses. Following the introduction, the second section (6.2) presents preparation of the data, including editing and coding prior to conducting analysis. This is followed by a section (6.3) discussing the procedures used for screening the data. The fourth section (6.4) discusses the sample characteristic Following this, section five (6.5) reports the results of Structural Equation Modeling (SEM) used to test the hypotheses arising from the model. This is followed by two sections (6.6 and 6.7) that discuss the two-stage structural model used in analyzing the data. The first stage of the measurement model is presented in section six (6.6), whilst section (6.7) presents the structural model. Section eight (6.8) presents the final results related to the testing of the hypotheses, and a conclusion is presented in section (6.9).

6.2 Data Editing and Coding

Editing is considered as a part of the data processing and analysis stage (Zikmund, 2003). Following the recommendation of Sekaran (2000), this thesis includes all respondents in the analysis who completed at least 85% of questionnaire answers; whilst those with more than 15% unanswered questions are excluded. Coding was used to assign numbers to each answer (Malhotra, 1996) and allows the transference of data from the questionnaire to SPSS. Such procedures can be undertaken either before the questionnaire is answered (pre-coding), or after (postcoding) (DeVaus, 1995). In this thesis, the coding procedure was performed by establishing a data file in SPSS, and all question items were all pre-coded with numerical

values (see questionnaire in Appendix A). Data editing procedures were undertaken after data were entered into the data file in order to detect any errors in data entry. Out-of-range values in the data file were corrected by referring to the original questionnaire.

6.3 Data Screening

As the first stage in the data analysis, screening for outliers, and normality was conducted. Data screening is useful in making sure that data have been correctly entered and that the distribution of variables, that are to be used in the analysis, are normal (Coakes, 2006). These preliminary analyses are discussed next.

6.3.1 Assessment of the Normality

Outliers refer to "observations with a unique combination of characteristics identifiable as distinctly different from the other observations" (Hair et al., 1995, p.57). "These outliers might be very high or very low scores (extreme values), and could result in non-normality data and distorted statistics" (Hair et al., 1995; Tabachnick and Fidell, 2001). Given that extreme values represented less than 5% of the data, the method of scores changing was used as recommended by Tabachnick and Fidell (2001). Extreme values, in this case, were recoded (changed) to their closest values (up or down).

In order to check any actual deviation from normality, a number of methods can be used. One method is to use skewness and kurtosis. By using this method, values for skewness and kurtosis should not be significant if the observed distribution is exactly normal. For large sample sizes, 200 and over (Hair et al., 1995), even small deviations from normality can be significant but not substantive. Tabachnick and Fidell (2001, p.74) maintain that, "in a large sample, a variable with statistically significant skewness and kurtosis often does not deviate enough from normality to make a substantiative difference in the analysis". Although this method is more applicable to small sample sizes, it was necessary to check the absolute values of skewness and kurtosis. That is a variable with an absolute value of kurtosis index

greater than 10.0 may suggest a problem and values greater than 20.0 may indicate a more serious one (Kline, 2005). Therefore, it was recommended that absolute value of skewness and kurtosis should not be greater than three and ten. Using SPSS, an inspection of both skewness and kurtosis indicated that the absolute values were within the recommended levels (see Table 6.1), suggesting univariate normality. Table 6.1 also presents the final descriptive statistics for the items used in this thesis.

Table 6.1: Measures of the Constructs and Descriptive Statistics

Items	Mean	Std. Deviation	Skewness	Kurtosis
Financial Bonds				
provide discounts for regular guest	4.50	.567	-.582	-.676
free gifts for future stays	4.35	.512	.252	-1.049
cumulative points program	4.33	.584	-.210	-.651
prompt service for regular guest	4.31	.501	.377	-.891
Social Bonds				
keep in touch with me	4.41	.590	-.416	-.696
concerned with my needs	4.36	.515	.210	-1.089
help me to solve my personal request	4.37	.564	-.172	-.775
values my opinion about services	4.34	.551	-.049	-.759
cards and gifts on special days	4.35	.583	-.237	-.681
Structural Bonds				
personalized services	4.33	.507	.307	-.985
integrated packages	4.38	.578	-.278	-.733
new information about its product/services	4.38	.549	-.110	-.908
provide innovative product/services	4.33	.514	.243	-.924
after sales service for customer's requirement	4.33	.529	.116	-.840
prompt response after any complain	4.21	.442	.912	.137
various ways to deal with transaction	4.46	.527	-.136	-1.336
can retrieve information about this hotel in various ways	4.48	.573	-.552	-.680
Relationship Quality				
concerned about welfare	4.36	.593	-.310	-.683
high integrity	4.17	.598	-.075	-.362
trustworthy	4.20	.637	-.194	-.637
problems are responded with understanding	4.14	.665	-.169	-.761
satisfied with the relationship	4.24	.594	-.127	-.487
high quality relationship	4.30	.593	-.204	-.605
happy with efforts of the hotel to the regular guests	4.21	.640	-.223	-.664
overall satisfied with the hotel	4.24	.611	-.184	-.560
enjoy my relationship with them	4.33	.653	-.451	-.722
deserve maximum effort to maintain relationship	4.27	.601	-.191	-.573
plan to maintain long term relationship	4.21	.594	-.104	-.437
emotionally attached	4.18	.553	.058	-.104
committed to my relationship	4.39	.576	-.305	-.758
Emotion				
Angry	1.44	.583	1.025	.624
Love	3.96	.801	-.920	1.558

welcome	4.26	.560	-.008	-.440
pleased	4.37	.589	-.471	.634
satisfied	4.33	.561	-.103	-.700
relaxed	4.36	.555	-.097	-.789
ignored	1.37	.553	1.268	1.333
comfortable	4.36	.548	-.570	3.342
pleasantly surprise	4.10	.841	-.760	.465
uneasiness	1.36	.487	.695	-1.276
sadness	1.33	.499	1.244	1.512
happiness	4.36	.569	-.291	-.045
Pride	3.88	.832	-.916	1.466
disappointment	1.41	.534	.911	.559
Fear	1.35	.512	1.201	1.341
letdown	1.32	.467	1.209	-.206
embarrassment	1.26	.448	.770	-1.408
frustrated	1.30	.468	.962	-.794
Guilt	1.30	.504	1.511	2.359
gratitude	4.06	.804	-.633	.232
pampered	4.08	.861	-.881	.749
sophisticated	4.28	.573	-.016	-.532
delighted	4.25	.547	.092	-.355
Customer Loyalty				
care about the future of the hotel	4.44	.545	-.196	-1.128
extra effort to stay in this hotel	4.30	.501	.391	-.870
proud to tell others	4.40	.572	-.306	-.821
best alternative	4.32	.571	-.080	-.684
to stay regularly in the future	4.36	.562	-.110	-.908
pay more for high quality product/services	4.39	.582	-.331	-.783
recommend to others	4.33	.520	.189	-.982
strong loyalty	4.33	.527	.091	-.864
stimulates me to stay	4.19	.438	.912	.137
have used this for number of years	4.51	.554	-.515	-.930
stay on a regular basis	4.28	.487	.568	-.751

6.4 Sample Characteristics

A number of variables that have been used here is to describe the sample characteristics. The results indicate differences in the demographics of the respondents including gender, age, educational qualification, and number of nights. As can be seen, the analysis of the final

sample profile showed a higher number of male (215) respondents than female (73), re presenting a ratio of 74.5% and 25.5%, respectively. The mean age of the respondents was within the range 45-54 years.

In regard to the guests' employment, the highest percentages were for the guests employed in business, commerce and finance (almost 60%). The lowest percentages were for respondents working in legal and in community services industries (1.5 % and 3.0%, respectively). With respect to education, the respondents were mostly completed an undergraduate degree (58%) and postgraduate education (i.e., 25 % had a university degree).

In terms of the length of stay, the guests who stayed in the range between 5-9 nights were 60%, those who stayed 15-above nights were only 5%. In the case of purpose of visit, the conducting business was 45%, percentage of guests seeking leisure was 15%, and attending conferences was 13.5% (respondents could indicate more than one purpose of a visit).

6.5 Analysis and Results of Structural Equation Modeling

Structural equation modeling (SEM) is used to test the hypotheses arising from the theoretical model. For analyzing SEM, the two-stage approach recommended by Anderson and Gerbing (1988) was adopted. The reasons for using this approach were discussed in section.

In the first stage (measurement model), the analysis was conducted by specifying the causal relationships between the observed variables (items) and the underlying theoretical constructs. For this purpose, confirmatory factor analysis using AMOS 21.0 was performed. Following this, the paths or causal relationships between the underlying exogenous and endogenous constructs were specified in the structural model (second stage). Exogenous constructs included relational bonds — financial, social and structural — whereas endogenous constructs included relationship quality, emotions and loyalty. Analysis and results related to these two stages are further discussed next.

6.6 Stage One: Measurement Model

The measurement model is "the portion of the model that specifies how the observed variables depend on the unobserved, composite, or latent variables" (Arbuckle, 2005, p.89). In this sense, the measurement model aims to specify which items correspond to each latent variable. Accordingly, the measurement model in this thesis specifies the pattern by which each measure is loaded onto a particular variable (composite or latent variables) (Byrne, 1989). Each one of the constructs under consideration including relational bonds — financial, social and structural — relationship quality, emotions, and loyalty, was separately analyzed in a separate measurement model. If the results are not consistent with an a priori specified measurement model, then the measurement model should be re specified, and reanalyzed (Anderson and Gerbing, 1988; Bollen, 1989; Hair et al., 1995; Tabachnick and Fidell, 2001; Kline, 2005; Holmes-Smith, 2006). Thus, the measurement model in this stage has been evaluated in two steps. The first step assesses the unidimensionality for each factor, and the second step aims to assess the reliability and validity of each construct. These two steps are discussed below.

6.6.1 Assessing the Unidimensionality (Step 1)

First, this section covers the specification of the measurement model for each underlying construct with a discussion of the path diagram. Then, it describes the use of multi-item scales to measure each factor in the measurement model. This is followed with a description of the procedures that were conducted to modify the measurement model. The constructs in the proposed model — relational bonds (financial, social, and structural), relationship quality, emotions, and loyalty — were each assessed for unidimensionality. Each one of these constructs was examined in a separate measurement model. As shown in Figures 6.1 to 6.5, previously developed items are observed variables and appear as rectangles. There are single-headed arrows linking the factors (also called latent variables) to their items (indicators), and

single-headed arrows linking the error terms to their respective indicators. There are no single headed arrows linking the factors because there are no theoretical relationships that one of these factors causes the other. Instead, double-headed arrows show correlations between these factors. These figures also provide the standardized parameter estimates (also called factor loadings) on the arrows connecting factors with their items. The values appearing next to the edges of the items are squared multiple correlations, and values next to the curved double-headed arrows show correlations between the latent variables (factors).

In each measurement model, multiple items have been used to measure each factor (Anderson and Gerbing, 1982; Hair et al., 1995; Kline, 2005) to allow the most unambiguous assignment of meaning to the estimated constructs (Anderson and Gerbing, 1988). In this context, Kline (2005, p.172) maintains that, "if a standard CFA model with a single factor has at least three indicators, the model is identified. If a standard model with two or more factors has at least two indicators per factor, the model is identified." Consistent with this, Crosby et al. (1990) note that in measuring long-term relationships, it is unlikely that one item perfectly measures a construct. Other researchers such as Bentler and Chou (1987) also suggest the necessary number of items per construct. They suggest that a measurement model should contain at most 20 variables measuring no more than five to six constructs (three to four indicators measure each construct). This is because the interpretation of results and their statistical significance become difficult when the number of concepts becomes too large (Reisinger and Turner, 1999). As the starting point in the measurement model, each factor of the underlying constructs have the appropriate number of items or indicators. In confirming each measurement model, it may be the case that some items in the scales become redundant, and as such the measurement model needs to be respecified by removing these redundant items (Jöreskog and Sörbom, 1982; Hair, 1995; Jöreskog and Sörbom, 1996; Schumacher and

Lomax, 1996; Arbuckle, 2005; Kline, 2005; Holmes-Smith et al., 2006). In this way, parsimonious unidimensional constructs are obtained (Anderson and Gerbing, 1988).

A more detailed evaluation of model fit can also be obtained by an inspection of the normalized residual and modification indices (Jöreskog and Sörbom, 1982; Hair et al., 1995; Schumacher and Lomax, 1996; Holmes-Smith et al., 2006). In this thesis, the evaluation of the measurement model is not only based on statistical principals, but also on a theoretical justification (Anderson and Gerbing, 1988; Hair et al., 1995; Kline, 2005). That is, the ultimate goal of this thesis is to find a model that is both substantively meaningful and statistically well fitting the data and theory (Jöreskog, 1993). This is consistent also with Holmes-Smith et al. (2006, p.15), who maintain that, "the researcher should guard against making changes solely based on data-driven grounds in an attempt to get a model that fits the data better."

A final consideration in confirming each measurement model is the choice of parameter estimates to be used. These include Maximum Liklelhood Estimators (MLE), Instrumental Variables (IV), Unweighted Least Squares (ULS), and Generalized Least Squares (GLS). With the sample in this thesis of 284 respondents, MLE was used as the parameter estimation method for the following reasons. First, according to Jöreskog and Sörbom (1982), MLE under the assumption of a multivariate normal distribution has been considered as most appropriate, especially with larger samples. Second, Anderson and Gerbing (1988, p. 413) emphasize that MLE has "the desirable asymptotic, or large-sample, properties of being unbiased, consistent, and efficient". Finally, because MLE is suited to theory testing and development, and desirable properties for statistical testing, it has been adopted by a number of relationship marketing authors such as Crosby et al. (1990). The development of each measurement model is now discussed. The results of testing the unidimensionality of each

construct: relational bonds — financial, social and structural — relationship quality, emotions, and loyalty, in AMOS 21.0 are presented.

6.6.1.1 Relational Bonds

Relational bonds were measured using three separate factors: financial, social and structural. Each of these factors has been measured by a number of questionnaire items (i.e., indictors). In total, 17-items were used to measure the relational bonds.

**Table 6.2: Relational Bonds Items and their Description**

Original Items	Items Label	Items Deleted
This hotel chain provides discounts (or up-grades) for regular guests	Fb1	Deleted
This hotel chain has presented me with free gifts to encourage my future stays.	Fb2	
This hotel chain provides a cumulative points program (reward program)	Fb3	
This hotel provides extra prompt service for regular guests	Fb4	
This hotel chain keeps in touch with me	Sob1	Deleted
This hotel chain is concerned with my needs	Sob2	Deleted
Employees of this hotel chain help me to solve my personal requests	Sob3	
This hotel chain values my opinion about services	Sob4	
I receive greeting cards or gifts on special days	Sob5	
This hotel chain provides personalized services according to my needs	Stb1	Deleted
This hotel chain offers integrated packages to me as a regular guests	Stb2	Deleted
This hotel chain offers new information about its products/services	Stb3	Deleted
This hotel chain provides innovative products/services	Stb4	Deleted
This hotel chain provides after-sales service for my requirements	Stb5	
I receive a prompt response after any complaint	Stb6	
This hotel chain provides various ways to deal with transactions (e.g., bills, check in, check out)	Stb7	
I can retrieve (find) information about this hotel chain in various ways	Stb8	

Although standardized parameter estimates were all significant (P<0.001), results of the CFA indicated that the initial measurement model needed to be re specified. The chi-square of

financial bond was significant ($x2$ = 99.411, df =40, P = .000, N= 284). The GFI was .942, AGFI = .904, RMSEA = .072, CFI = .900, and $x2$ /df =2.485.

Examination of standardized residuals indicated that all residual values were within the threshold recommended by Hair et al. (1995) (less than ±2.58). However, modification indices indicated that the indicators fb1, sob1, sob2, stb1,stb3, and stb 6 (structural bonds) had unacceptably high values . Though fb2 and fb4 had lower factor loadings but by deleting them the result of the measurement model became poor fit. So they were not deleted.

Even though the chi-square is still significant, these values suggest that this model fits adequately to the data. As discussed before, it is commonly accepted that the chi-square estimate would potentially reject valid models in large sample size (Bagozzi and Yi, 1988). Given that the model fits the data adequately and the correlations between the underlying factors are less than 1 (see the values on the double-headed arrows in Figure 6.1), no further adjustments were required.
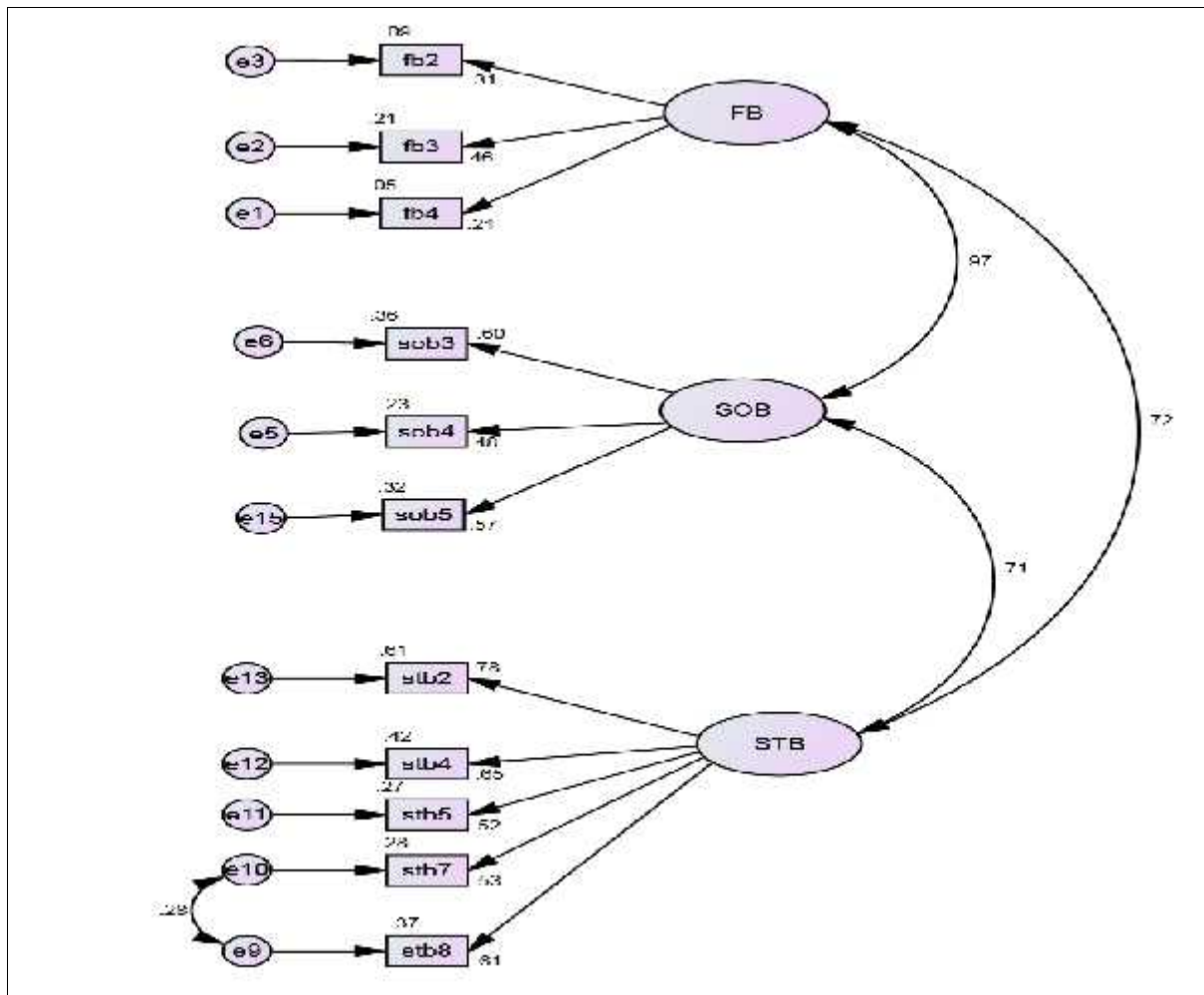
Notes: FB- Financial Bonds, SOB- Social Bonds, STB- Structural Bond

Figure 6.1: A CFA Measurement Model of Relational Bonds

6.6.1.2 Relationship Quality

The measurement model of relationship quality was analyzed using three proposed factors (trust, satisfaction, and commitment). In total, 13-items represented the three factors of relationship quality subject to CFA analysis. Relationship quality is considered as a formative construct, because it is comprised of a total weighted score across the three composite variables. Each composite variable represents the independent dimensions of trust, satisfaction and commitment (Kline, 2005). The analysis was conducted with relationship quality being measured as a second-order construct. Trust was measured using four items (Trst1 to Trst4), satisfaction was measured using four items (Stfc1 to Stfc4), and commitment

was measured using five items (Cmt 1 to Cmt 5). The initial standardized estimations for the hypothesized model showed that all the parameters were highly significant (P<0.001)

Here Trst 1, Stsfc 1, Stsfc 2, Stsfc 4 and Cmt 1 were deleted due to their high modification indices value. Though trst3 and cmt5 had lower value but they were needed to make the perfect fit of the measurement model. The results of CFA shown in Figure 6.2 indicate that the standardized parameter estimates for all indicators were statistically significant (P <0.001) and loaded on this factor (see Table 6.3). Results also indicate that this model fits to the data adequately. As was desired, the chi-square goodness-of-fit was statistically insignificant ($x2 = 20.447$, $df = 14$, $P = .117$, $N = 284$). The GFI was .980, AGFI = .960, CFI = .967 and RSMEA = .040, and $x2$ /df =1.46.

Table 6.3: Relationship quality Items and their Description

Original Item	Items Label	Items Deleted
This hotel chain is honest about any problems experienced	Trst1	Deleted
My hotel chain has high integrity	Trst2	
This hotel chain is trustworthy	Trst3	
This hotel chain is concerned about my welfare	Trst4	
As a regular customer, I have a high-quality relationship with this hotel chain	Stsfc1	Deleted
I am happy with the efforts this chain is making towards regular customer like me	Stsfc2	Deleted
I am satisfied with the relationship I have with this hotel chain	Stsfc3	
Overall, I am satisfied at this hotel chain	Stsfc4	Deleted
The relationship that I have with this hotel chain deserves my maximum efforts to maintain	Cmt1	Deleted
I plan to maintain a long-term relationship with this hotel chain	Cmt2	
I am committed to my relationship with this hotel chain	Cmt3	
I feel emotionally attached with my hotel chain	Cmt4	Deleted
I continue to deal with this hotel chain because I like being associated with them	Cmt5	
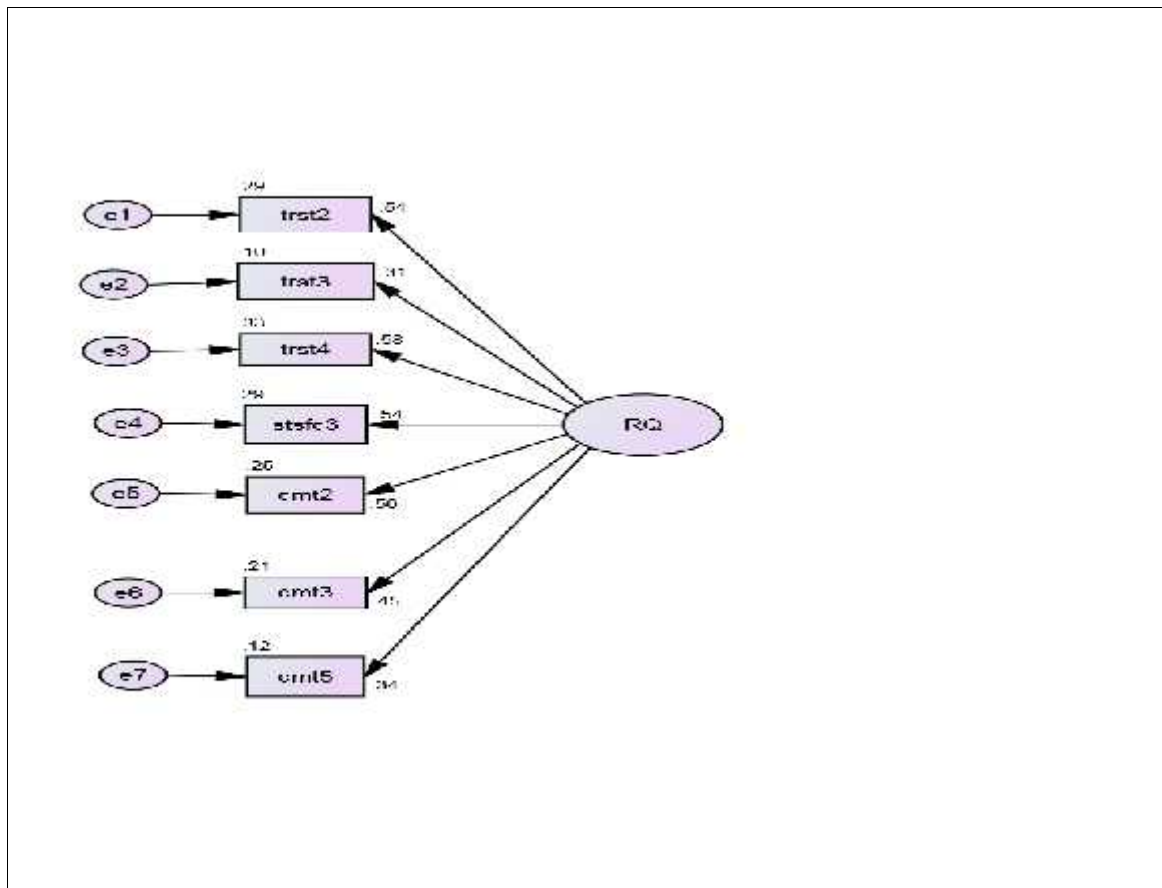
Notes: RQ- Relationship Quality, TRST- Trust, STSFC- Satisfaction, CMT- Commitment

Figure 6.2: A CFA Measurement Model of Relationship Quality

6.6.1.3 Emotion

Emotion consists of 23 items – 13 positive emotions and 10 negative emotions. The initial standardized estimations for the hypothesized model showed that all the parameters were highly significant (P<0.001). Here modification indices shows that angry, pleasant trip, uneasiness, sadness, happiness, pride, fear, let down, embarrassment, frustrated, gratitude, pampered, sophisticated all have high values and factor loading is very low. Accordingly, the remaining items are appropriate for measuring emotions as comprised of positive and negative in the context stage of structural model. The chi-square was ($x2 = 51.572$, df $= 34$, P $= .027$, $N = 284$). The GFI $= .966$, AGFI $= .945$, CFI $= .978$, RMSEA $= .043$, and $x2$ /df $= 1.51$. As discussed, the measurement model could be judged as providing an acceptable fit

even though the chi-square value is statistically significant (Anderson and Gerbing, 1988), especially with a large sample (Bagozzi and Yi, 1988). Given that the model fits the data

Table 6.4 : Emotions Items and their Description

Original Items	Items Label	Items Deleted	Original Items	Items Label	Items Deleted
Love	same		Delighted	same	
Welcome			Angry		Deleted
Pleased	as		Ignored	as	
Satisfied			Uneasiness		Deleted
Relaxed	original		Sadness	original	Deleted
Comfortable			Disappointed		
Pleasantly surprised	Items	Deleted	Fear	Items	Deleted
Happiness		Deleted	Let Down		Deleted
Pride		Deleted	Embarrassment		Deleted
Gratitude		Deleted	Guilt		
Pampered		Deleted	Frustrated		Deleted
Sophisticated		Deleted			

adequately.
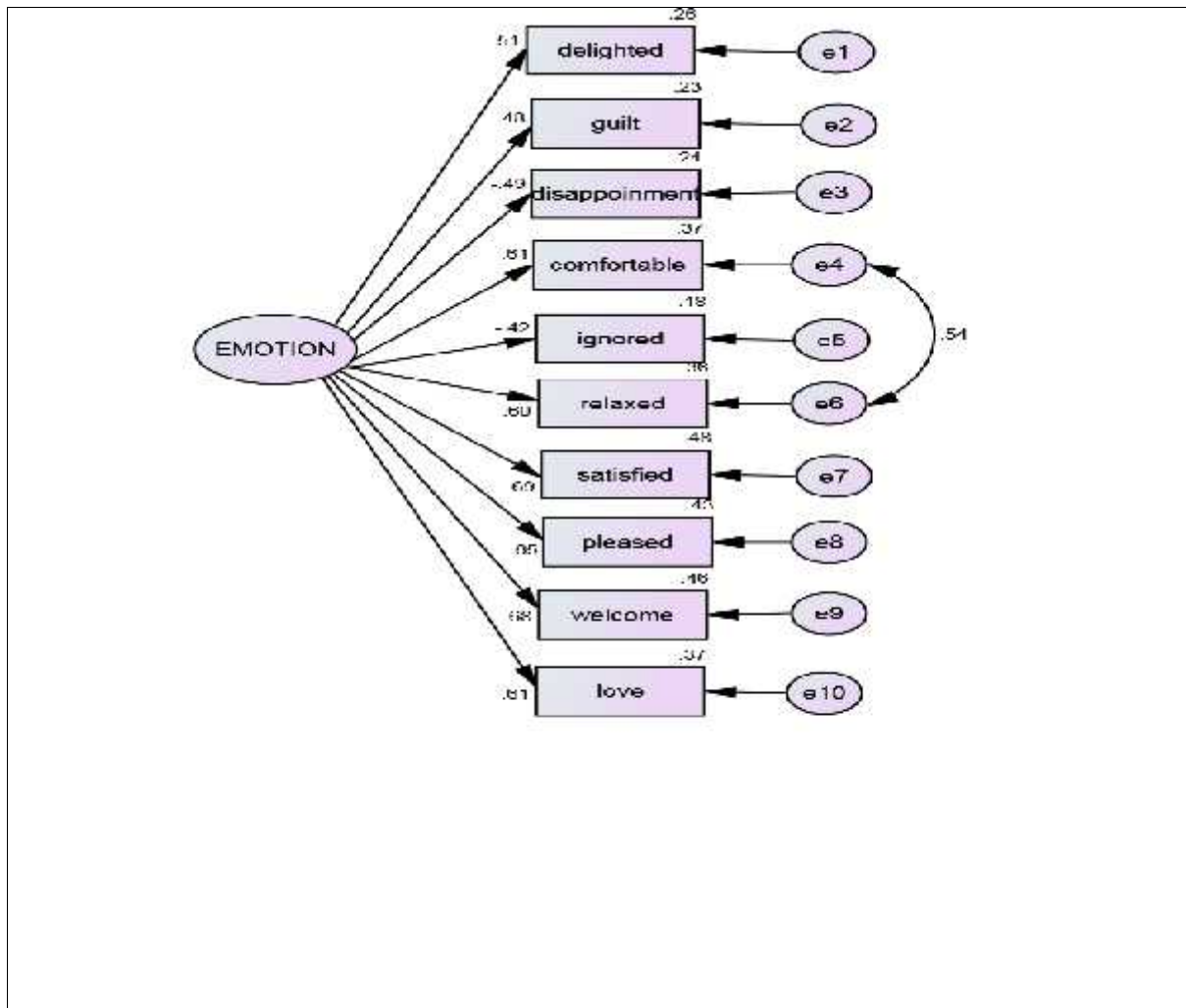
Figure 6.3 : A CFA Measurement Model of Emotions

6.6.1.4 Customer Loyalty:

Customer loyalty had 11 items (cl1 to cl11). The initial standardized estimations for the hypothesized model showed that all the parameters were highly significant (P<0.001). Though most of the customer loyalty items were deleted due to their high modification indices value or low factor loadings but cl5, cl6, cl7 and cl8 described a perfect fit measurement model. The chi-square was (x2 = 1.138, df = 2, P = .566, *N* = 284). The GFI was .998, AGFI = .990, CFI = 1.000, RMSEA= .000, and *x2* /df = .569. It indicates a perfect fit of the measurement model.

Table 6.5: Customer Loyalty Items and their Description

Table 5.5 : Loyalty Items and their Description Original Items	Items Label	Deleted Items
I really care about the future of this hotel chain	Cl1	Deleted
I am willing to put in extra effort to stay with this hotel chain	Cl2	Deleted
I am proud to tell others that I stay at this hotel chain	Cl3	Deleted
For me this hotel chain is the best alternative	Cl4	Deleted
I expect to stay with this hotel chain regularly in the future	Cl5	
As a guest of this hotel chain, I feel that I am prepared to pay more for their high quality products/ services	Cl6	
I would recommend this hotel chain to others	Cl7	
I feel strong loyalty about this hotel chain	Cl8	
I stay at this hotel chain on a regular basis	Cl9	Deleted
This hotel chain stimulates me to stay	Cl10	Deleted
I have used this hotel chain for a number of years	Cl11	Deleted
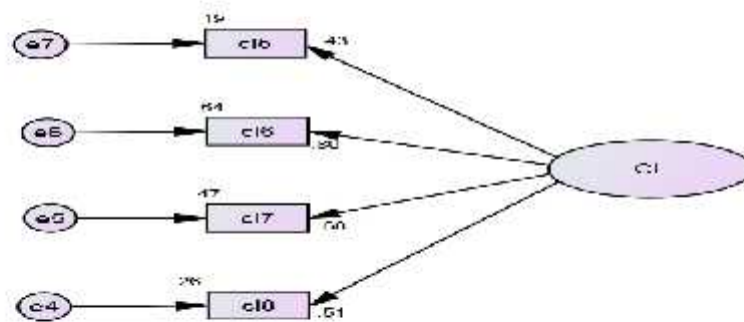
Notes: CL- Customer Loyalty

Figure 6.4 : A CFA Measurement Model of Loyalty

6.6.2 Reliability and Validity of the Constructs (Step 2)

Following the establishment of the unidimensionality step and before testing the hypotheses in the structural model (stage two), the reliability and validity of the underlying constructs were assessed (De Wulf et al., 2001). For this purpose, the constructs discussed in step one were assessed for reliability using cronbach's alpha, construct reliability (CR), and average variance extracted (AVE), and for validity using construct, convergent and discriminant. Reliability in this thesis was firstly measured by using Cronbach's (1951) coefficient alpha and then using confirmatory factor analysis (CFA). As for Cronbach's coefficient alpha, Table 6.6 shows that all the constructs were equal or exceed the suggested level of .70 (Nunnally, 1978). For using confirmatory factor analysis, CR and AVE were calculated from the CR formula and AVE formula given by Fornell and Larcker (1981). Bagozzi and Yi (1988) recommended that CR should be equal to or greater than .60, and AVE should be equal to or greater than .50. Based on these assessments, measures used within this thesis were within the acceptable levels supporting the reliability of the constructs (see Table 6.6).

In the case of validity, confirmatory factor analysis has also been used to assess construct, convergent and discriminant validity. Empirically, construct validity exists when the measure is a good representation of the variable the researcher intends to measure. As Bagozzi (1980) argued, construct validity is a necessary perquisite for theory testing. In this thesis, results obtained from goodness of- fit indices confirmed construct validity (Hsieh and Hiang, 2004).

As for convergent validity, evidence has been found in which all factor loadings for items measuring the same construct are statistically significant (Anderson and Gerbing, 1988; Lin and Ding, 2005; Holmes-Smith et al., 2006). As indicated in Table 6.6, all factors included high loadings (greater than .50) and were statistically significant (P<0.001). The results of AVE presented in Table 6.6 provide an additional support for convergent validity. Finally,

discriminant validity was assessed using two methods. First, taking Kline (2005) suggestions that the estimated correlations between factors should not be higher than 1, each measurement model was subject to this assessment. That is, redundant items that caused high correlations.

$$CR=\frac{(\Sigma\lambda_i)^2}{(\Sigma\lambda_i)^2+\Sigma\varepsilon_i}$$

Where λ_i is the standardized loading for each observed variable, ε_i is the error variance associated with each observed variable, and is the measure of construct reliability.

$$AVE=\frac{\Sigma\lambda_i^2}{\Sigma\lambda_i^2+\Sigma\varepsilon_i}$$

Where λ_i is the standardized loading for each observed variable, ε_i is the error variance associated with each observed variable. Second, discriminant validity was assessed by examining the pattern structure coefficient to determine whether factors in measurement model are empirically distinguishable (Thompson, 1997). The pattern coefficient matrix comprises the standardized factor loadings derived from AMOS analysis (Kline, 2005). Results obtained from examining the structural coefficients show that both positive and negative emotions factors are distinct from each other. In this table, distinctions between values of items (reflecting each emotions factor) show that boxed items of minimum values have higher values than the others. On the basis of this restrictive test, strong evidence was found for discriminant validity between each possible pair of factors.

Table 6.6 : Measurement Model Evaluation

Construct	items	Standardized Loading	Cronbach's alpha (α)	Critical ratio (CR)	AVE
Financial Bonds	Fb2	.31	.70	.76	.50
	Fb3	.46			
	Fb4	.21			
Social Bonds	Sob3	.60	.71	.79	.50
	Sob4	.48			

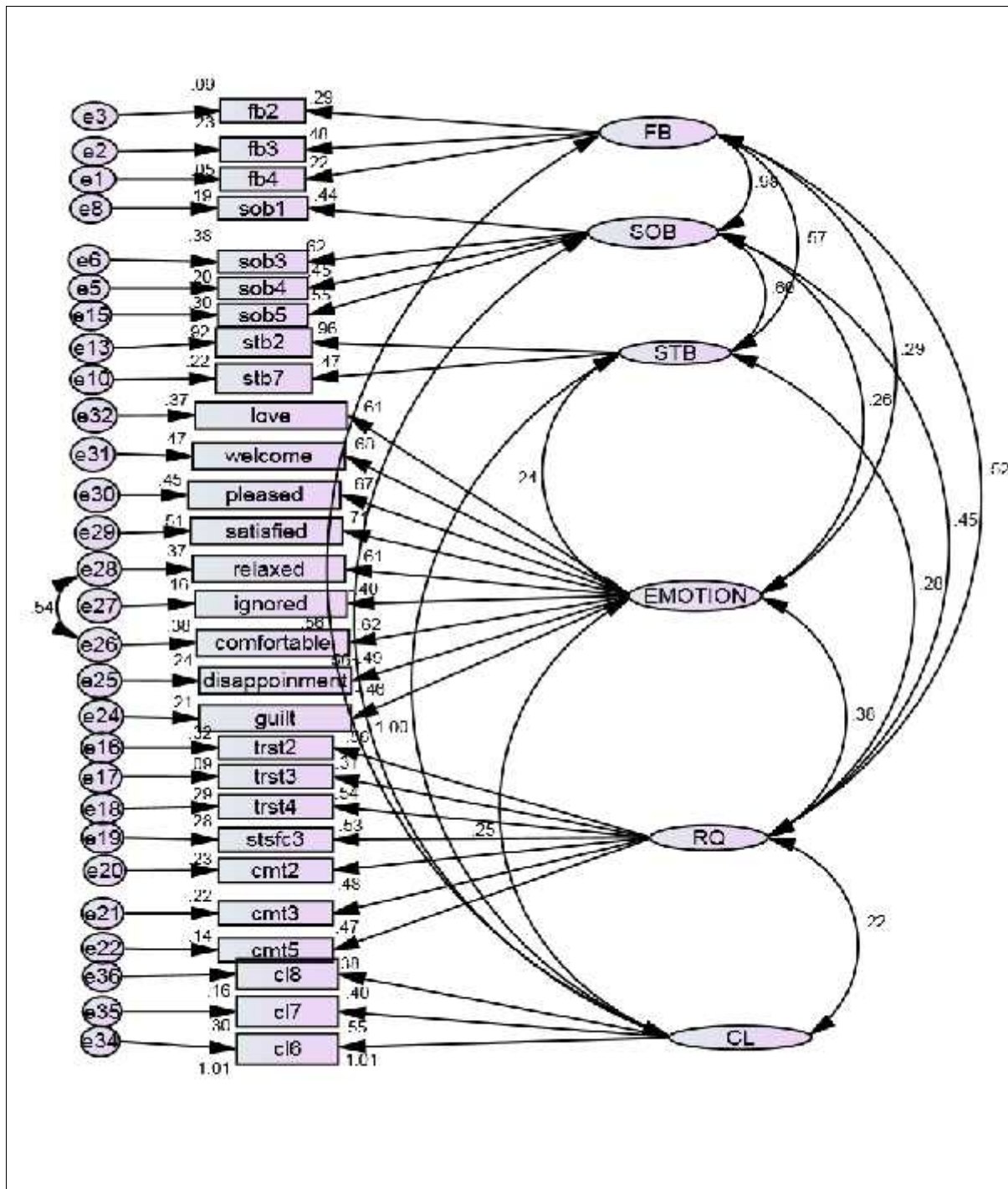|					
	Sob5	.57			
Structural Bonds	Stb2	.78	.77	.84	.51
	Stb4	.65			
	Stb5	.52			
	Stb7	.53			
	Stb8	.61			
Relationship Quality	Trst2	.54	.70	.64	.50
	Trst3	.31			
	Trst4	.58			
	Stsfc3	.54			
	Cmt2	.50			
	Cmt3	45			
	Cmt5	.34			
Emotion	Delighted	.51	.71	.75	.50
	Guilt	-.48			
	Disappointment	-.49			
	Comfortable	.61			
	Ignored	-.42			
	Relaxed	.60			
	Satisfied	.69			
	Pleased	.65			
	Welcome	.68			
	Love	.61			
Customer Loyalty	Cl5	.43	.70	.72	.51
	Cl6	.80			
	Cl7	.68			
	Cl8	.26			

6.6.3 Review of Measurement Model (Stage One)

As shown earlier, each construct or latent variable in the first stage has its own measurement model, in which the observed variables (items or indicators) define each construct. Each measurement model examined in this thesis was assessed in two steps.

Assessing the unidimensionality was first, and reliability and validity was second. These assessments were conducted using CFA. In the first step, each measurement model was assessed as fully specified by determining the relationships between the factors and their items. The resulting modified model was then assessed for an acceptable fit to proceed with further analysis.

Further analyses were conducted to evaluate the second step of reliability and validity of each construct in the modified model. Internal consistency was assessed using Cronbach's alpha, CR and AVE. As indicated in Table 6.6, these measures identified values above the recommended levels needed for this thesis (i.e., .70 for Cronbach's alpha, .60 for CR, and .50 for AVE), indicating acceptable levels for the reliability of constructs. In the case of validity, convergent validity was supported by all items being statistically significant ($P<0.001$) and loading on their specified factors. Convergent validity was also supported by being AVE .50 and over. Furthermore, the fit of the model using goodness-of-fit indices has confirmed construct validity. Discriminant validity was achieved by deleting the redundant items — a reason for the high correlation — and through the results of pattern structure; coefficients showing that each factor in each measurement model was empirically distinguishable. As in the measurement model, the values appearing on the edge of the boxes are variance estimates in which the amount of variance in the observed variables is explained by latent variables or factors, and values next to the double headed arrows show correlations. The error terms (e)

represent random error due to measurement of the constructs they indicate. The indices for goodness-of-fit demonstrate that this model fits the data adequately, even though chi-square was significant ($x2$ = 583.64, df = 1334, P = .000, N = 284). The GFI was .880, AGFI = .850, CFI = .900, RSMEA = .051, $x2$ /df = 1.74. The results obtained from goodness-of-fit indices show that model fit the data adequately, despite the chi-square being significant. This chi-square estimate rejecting valid model in large sample size is commonly accepted (Bagozzi and Yi, 1988).Having analyzed the measurement models; the next stage is to perform the analysis of the structural model.

Notes: FB- Financial Bond, SOB- Social Bond, STB- Structural Bond, RQ- Relationship Quality, CL- Customer Loyalty, TRST- Trust, STSFC- Satisfaction, CMT- Commitment

Figure 6.5: The Measurement Model

6.7 Stage Two: Structural Model (Testing of the Hypotheses)

Once all constructs in the measurement model (stage one) were validated and satisfactory fit achieved (Anderson and Gerbing, 1988; Hair et al., 1995; Kline, 2005; Homles-Smith et al., 2006), a structural model can then be tested and presented as a second and main stage of the analysis. The structural model has been defined as "the portion of the model that specifies how the latent variables are related to each other" (Arbuckle, 2005, p.90). The structural model specified which latent constructs directly or indirectly influences the values of other latent constructs in the model (Byrne, 1989).

Hence, the purpose of the structural model in this thesis is to test the underlying hypotheses in order to answer the research questions outlined in Chapter One. These hypotheses were represented in nine causal paths (H1a, H1b, H1c, H2a, H2b, H2c, H3, H4, and H5) to determine the relationships between the constructs under consideration. In the proposed theoretical model discussed in Chapter Three, the underlying constructs were classified into two classes, including exogenous constructs (financial, social and structural) and endogenous constructs (relationship quality, emotions, and loyalty).

Table 6.7: Underlying Hypotheses

Hypotheses No.	Hypotheses
H1a: Financial bonds→ RQ	Financial bonds will positively affect relationship quality
H1b: Social bonds→ RQ	Social bonds will positively affect relationship quality
H1c: Structural bonds→ RQ	Structural bonds will positively affect relationship quality
H2a: Financial bonds→ Emotions	Financial bonds will positively affect emotions
H2b: Social bonds→ Emotions	Social bonds will positively affect emotions
H2c: Structural bonds→ Emotions	Structural bonds will positively affect emotions
H3: Emotions→ RQ	Customer emotions will influence relationship quality
H4: Emotions→ Loyalty	Customer emotions will influence customer loyalty
H5: RQ→ Loyalty	Relationship quality positively affects customer loyalty

To evaluate the structural model, goodness-of-fit indices are examined to assess if the hypothesized structural model fits the data. If it did not fit, the requirement was to respecify the model until one was achieved that exhibited both acceptable statistical fit and indicated a theoretically meaningful representation of the observed data (Anderson and Gerbing, 1988; Hair et al., 1995, Tabachnick and Fidell, 2001; Kline, 2005). Because the assumptions underlying structural equation modeling were met, the coefficient parameter estimates were examined along with the overall model fit indices to test hypotheses H1 to H5. Parameter estimates are fundamental to SEM analysis because they are used to generate the estimated population covariance matrix for the model (Tabachnick and Fidell, 2001). Coefficients' values are obtained by dividing the variance estimate by its Standard Error (S.E). That is, when the Critical Ratio (C.R.) (called z-value in Tables) is greater than 1.96 for a regression weight (or standarized estimates), the parameter is statistically significant at the .05 levels. For example, the hypothesized path between financial bonds and emotion (see Table 6.8) indicates a CR of 1.401, which does not exceed the value of 1.96 required for statistical significance. That means the regression weight of financial bonds in the prediction of emotion at the P<0.05 level is not significantly different from zero (P = .158). In the path diagram shown in Figures, the values for the paths connecting constructs with a single-headed arrow represent standardized regression beta weights. The evaluation of the structural model of this thesis is discussed below.

6.7.1 Structural Model One (The Hypothesized Model)

The analyses of the hypothesized structural model were conducted by testing the hypothesized model, which specified the nine casual relationships in Table 6.8. In the path diagram presented in Figure 6.6, exogenous constructs — financial, social and structural bonds — have no-single headed arrow pointing toward them. According to SEM the

exogenous constructs are assumed to be correlated. This is because correlations between each pair of exogenous constructs must be estimated, even though no correlations are hypothesized (Hair et al., 1995, Kline, 2005). Endogenous constructs (relationships quality, emotions and loyalty) have at least one single- headed arrow leading to them. Straight arrows (or single-headed arrow) indicate causal relationships or paths, whilst the absence of arrows linking constructs implies that no causal relationship has been hypothesized. Relationship quality, which is measured using three factors (trust, satisfaction, and commitment) and emotions are posited to be consequences of relational bonds residual errors in the structural model resulting from random error and/or systematic influences, which have not been explicitly modeled.

Table 6.8: Testing Hypotheses Using Standardized Estimates (Model One)

Hypothesized path	Standardised estimate	z-value	Supported
H1a: Financial bonds→ Relationship Quality	.13	2.09**	Yes
H1b: Social bonds→ Relationship Quality	.19	2.73**	Yes
H1c: Structural bonds→ Relationship Quality	-.03	-.44*	No
H2a: Financial bonds→ Emotions	.09	1.41*	No
H2b: Social bonds→ Emotions	.00	.02*	No
H2c: Structural bonds→ emotions	.24	3.74**	Yes
H3: Emotions→ Relationship Quality	.27	4.75**	Yes
H4: Emotions→ Loyalty	.13	2.11**	Yes
H5: Relationship Quality → Loyalty	.22	3.75**	Yes

Notes: * indicates P >.05, ** indicates P<.05

In testing the hypothesized model, results presented in Table 6.8 indicate that the hypotheses H1a, H1b, H2c, H3, H4 and H5 were statistically significant and in the hypothesized direction. The standardized estimate for these hypotheses were all significant (ß =.13, .19, .24, .27, .13 and .22 respectively).Thus, these hypotheses were supported. The hypotheses H1c and H2a, H2b were rejected because they were not statistically significant (ß = -.03, .09, .00 respectively). The model, however, also demonstrates that three of nine paths were not statistically significant (P<0.05). Figure 6.7 summarizes the results obtained for each hypothesized path.
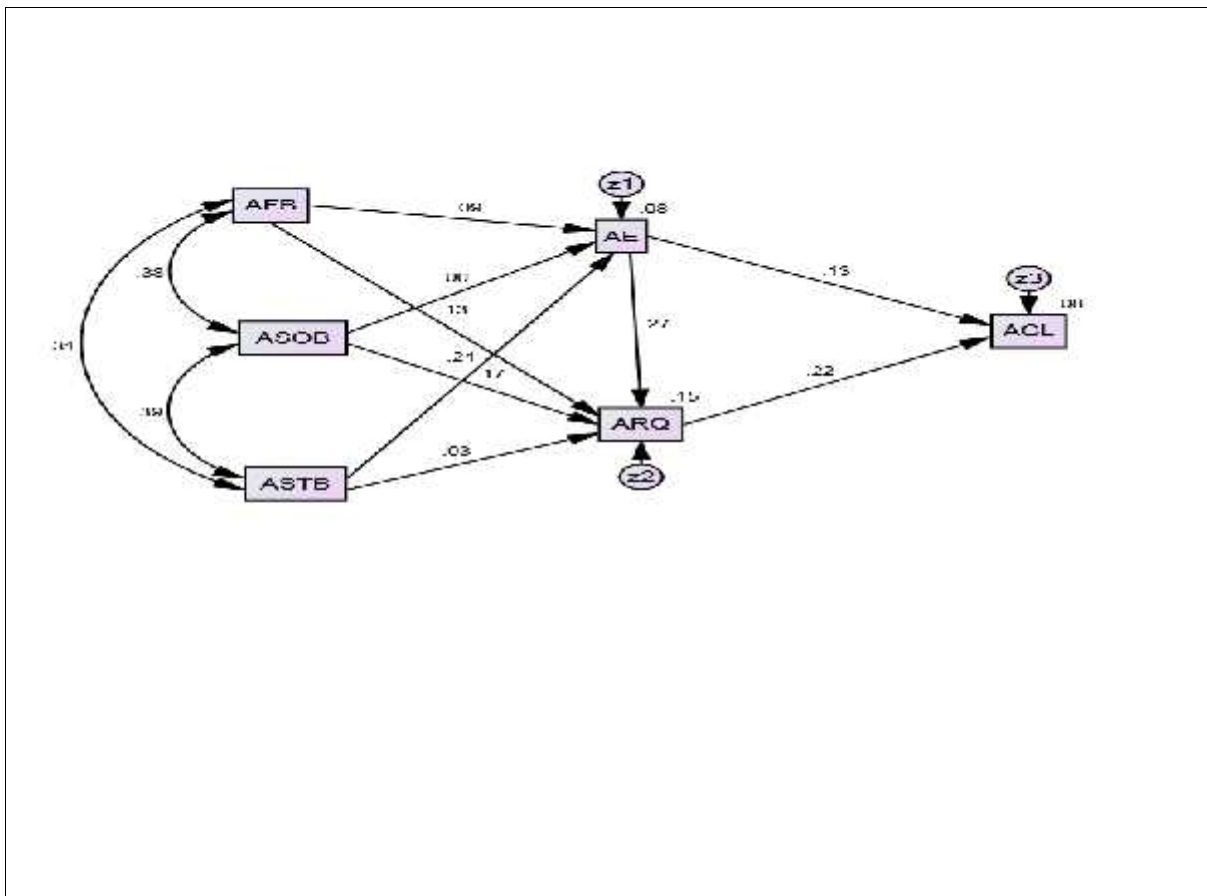
AFB- Composite Financial Bond, ASOB- Composite Social Bond, ASTB- Composite structural Bond,
AE- Composite Emotion, ARQ- Composite Relationship Quality, ACL- Composite Customer Loyalty

Figure 6.6: Initial Structural Model

Accordingly, re specification of the model, removing non significant paths would possibly provide a better fit to the data. It is important to assess the fit of a modified model by deleting the non-significant paths.
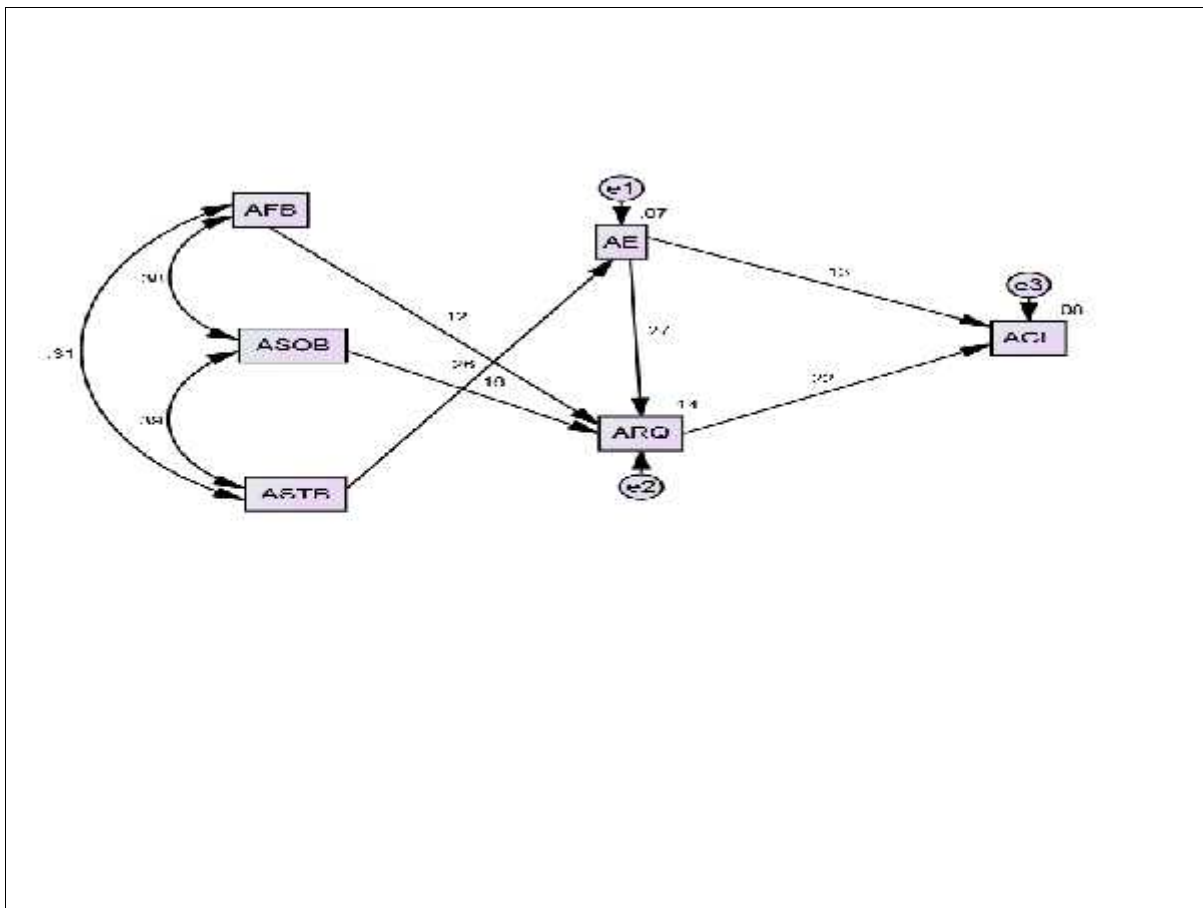
6.7.2 Structural Model Two

Based on the results obtained from structural model one, the analysis for this model was conducted with the path connecting financial bonds with emotions (H2a) were deleted, connecting social bonds with emotions(H2b) were deleted and connecting structural bonds with relationship quality (H1c) were deleted (see Figure 6.7) due to their insignificant result.

As shown in Table 6.9, this model fits with the hypotheses H1a, H1b, H2c, H3, H4 and H5, which were derived from testing structural model one. The standardized estimates for these hypotheses were ß =.12, .16, .26, .27, .13 and .22 respectively. This Table also shows that all paths were significant.

Table 6.9 : Testing Hypotheses Using Standardized Estimates (Model Two)

Table 5.5 : Loyalty Items and their Description Original Items	Items Label	Deleted Items
I really care about the future of this hotel chain	Cl1	Deleted
I am willing to put in extra effort to stay with this hotel chain	Cl2	Deleted
I am proud to tell others that I stay at this hotel chain	Cl3	Deleted

Notes: ** indicates P< .05.

AFB- Composite Financial Bond, ASOB- Composite Social Bond, ASTB- Composite structural Bond,
AE- Composite Emotion, ARQ- Composite Relationship Quality, ACL- Composite Customer Loyalty

Figure 6.7: The Ultimate Structural Model

In summary, it has been empirically and theoretically found that the best model was achieved after deleting H1c, H2a and H2b. (see Figure 6.7). Structural model two was therefore accepted as the final model. On a theoretical basis, the final model is consistent with previous studies in relationship marketing, which have only examined the impact of social and structural and financial bonds on other relational outcomes.

6.7.3 Results of Testing the Hypotheses of this Thesis

In total, nine hypothesized relationship are examined (see Table 6.8). The implications of these results are further discussed in Chapter Seven.

6.7.3.1 Relational bonds (Financial, Social and Structural) and Relationship Quality

As shown earlier, the three hypotheses H1a, H1b, and H1c explain the relationships between the exogenous variables (relational bonds) and endogenous variable relationship quality. As outlined in Table 6.8, two of these three hypothesized relationships (H1a and H1b) were found to be significant (ß = .12, z-value = 2.05, ß = .16, *z*-value = 2.73, respectively). Thus, these were supported. However, the hypothesis representing the relationship between structural bonds and relationship quality (H1c) was not supported, as the parameter estimates were non-significant (ß = -.03, *z*-value = -.44) (see Table 6.8).

6.7.3.2 Relational bonds (Financial, Social and Structural) and Emotions

The three hypotheses (H2a, H2b and H2c) explain the relationship between relational bonds as exogenous variables and emotions as an endogenous variable. Results in Table 6.8 indicate that one of the hypothesis was statistically significant. The structural bonds (H2c) to emotions were significant (ß = .26, z-value = 4.61). Thus, this hypothesis was supported. According to Table 6.8 , the hypothesis explaining the relationship between financial bonds and emotions (H2a) and social bonds and emotions were rejected because they were not found to be significant in the hypothesized direction (ß = .09, *z*-value =1 .41 and ß = .00 , *z*-value = .02 respectively).

6.7.3.3 Emotions and Relationship quality

Hypothesis three (H3) is the relationship between emotions and relationship quality. Both of these variables were treated as endogenous. As hypothesized, emotions were found to be positively related to relationship quality. Results showed a significant path (ß =. 27, z-value, 4.81), and thereby H3 was supported (see Table 6.9).

6.7.3.4 Emotions and Loyalty

Hypothesis H4 represents the relationship between the two endogenous variables, emotions and relationship quality. According to the results presented in Table 6.9, it had been found that this hypothesis was statistically significant (ß = .13, *z*-value = 2.11), and thus accepted.

6.7.3.5 Relationship quality and Loyalty

The hypothesis represents the relationship between relationship quality and loyalty (H5). This hypothesized relationship was found to be significant (ß = .22, *z*-value = 3.74), supporting this hypothesis.

6.8 Summary

The first part of data analysis in this thesis has been the editing of data from collected questionnaires and the coding of question items. Data screening was then performed prior to conducting SEM, as the later is very sensitive to normality, and sample size. Following this, the number of respondents was analyzed. Respondents who met the criterion of loyal guest to five-star hotel chains were 284, representing the final sample of 90%. Demographic characteristics of this sample have been described.

The second part of data analysis is the use of SEM, which was conducted in two stages, the measurement model and the structural model. In the first stage, the fit of each measurement model was assessed by using a CFA of the constructs of interest to make sure that each one was unidimensional. At this stage the assessment of the measurement model was made with reference to the following pattern of results: (1) indicators specified to measure a proposed

underlying factor where most of them have relatively high standardized loadings (i.e., >.40) on that factor; (2) estimated correlations between the factors were not higher than 1; and (3) the overall goodness-of-fit indices suggest acceptance of the model. These assessments have also been undertaken in addition to examining normalized residual and modification indices. Accordingly, initial results indicated that the structural model of this thesis needed to be re specified and tested again in an attempt to provide a more model which will be used in the next step of the structural model. It was decided to delete eight items from relational bonds, thirteen items from emotions, six from relationship quality and eight from loyalty, as they were redundant. This was done to improve discriminant validity. The modified measurement model provided adequate fit to the data, and all indicators were highly loaded on their specified factors. Each factor construct was then tested for reliability and validity. In regards to reliability, Cronbach alpha and CR were examined jointly with AVE. Results obtained indicated that all constructs were reliable. In addition, in order to confirm the validity for each construct, convergent, construct, and discriminant validity were also assessed. Strong evidence was found for considering the constructs in this thesis as valid and adequate for use in the next stage (structural model) to test the hypotheses.

The hypothesized structural model to be tested was specified by including the constructs after validation in the measurement model. The hypothesized model (original structural model) was tested in the second stage, including nine paths representing the hypotheses (H1a, H1b. H1c, H1a, H2b, H2c, H3, H4 and H5). Three of the nine hypotheses were found to not be statistically significant. These hypotheses were H1c and H2a and H2b. Therefore, respecification for the original model was needed to provide the most parsimonious model. These procedures were conducted based not only on statistical results, but also on theoretical justifications.

The analysis was then performed without these paths, resulting in the final structural model (three). The overall fit indices indicate that the final model (two) is the best fit of the data when the hypotheses H1b, H1c, H2b, H2c, H3, H4 and H5 are accepted, and the hypotheses H1c and H2a, H2b were rejected.

The next chapter discusses the above results in detail in order to answer the three research questions outlined in Chapter One. Further, it draws the implications for both practice and theory; discusses the limitations of this thesis; describes the directions for further research; and identifies the final conclusions.

CHAPTER SEVEN
DISCUSSION AND IMPLICATION

7.1 Introduction

Chapter Five presented the results that examined the hypotheses identified in Chapter Three. This final chapter aims to interpret the results reported in Chapter Five and fulfill the aims of the thesis through answering the three research questions formulated in Chapter One. These are: What is the significant influence of relational bonds on customer emotions and relationship quality for the loyal customers of five-star hotels in Bangladesh? ; Do customer emotions of loyal customers influence relationship quality and customer loyalty? ; And is relationship quality important in determining the loyalty that loyal customers have with their service provider at five-star hotels Bangladesh?

This chapter is divided into nine sections. Following this section, the results obtained from testing the hypotheses were summarized in section (7.2). The next three sections discussed the related results to answer each of the above research questions as follows: section (7.3) discussed the influence of relational bonds – financial, social and structural – on relationship quality and emotions, section (7.4) discussed the influence of emotions on relationship quality and loyalty, and section (7.5) discussed the influence of relationship quality on loyalty. Implications, including theoretical and managerial were drawn in section (7.6).

7.2 Summary of the Results

This thesis developed and empirically tested a model that leads to a better understanding of the relationships between service providers and loyal customers at five-star hotel chains. In order to answer the research questions, this model extends relational bonds research by investigating the affect of financial, social and structural bonds on the constructs of relationship quality and emotions. Further, it examines the affects of emotions on relationship

quality, and finally, the influence of emotions and relationship quality on customer loyalty. As discussed in Chapter Two, the underlying constructs used to examine the proposed theoretical model were conceptualized following a literature review. The results of this thesis mostly support the hypothesized relationships proposed in the theoretical model. In particular, the results suggest that relationship quality and emotions were positively influenced by financial, social and structural bonds but their influences were not too strong. In addition, it has been found that the construct of emotions is a good determinant of relationship quality. These results demonstrate that in eliciting customer loyalty, it is not only necessary for service providers to develop the quality of relationships that customers have with them, but also to consider customer emotions. The results are discussed in more details in the following sections.

7.3 The Consequences of Relational Bonds

This section explains the results of testing the hypotheses related to the relationships between relational bonds – financial, social and structural — and relationship quality, and between these relational bonds and emotions. These two linkages have aimed to answer the first research question.

Q1: What is the significant influence of relational bonds on customer emotions and relationship quality for the loyal customers of five-star hotels in Bangladesh?

7.3.1 Relational Bonds and Relationship Quality

In the proposed model, this thesis hypothesized that the development of relational bonds influences relationship quality. Therefore, three hypotheses (H1a, H1b and H1c) were proposed, representing the influence of relational bonds – financial, social and structural - on relationship quality, respectively.

This thesis found mixed results for the relationship between the three types of relational bonds and relationship quality. While financial and social bonds were found to have a good

positive relationship with relationship quality, but structural bonds did not. Hence**,** these results provide evidence to support H1a and H1b.These findings suggest that loyal guests possibly rely more on financial bonds (i.e., price discounts) and interpersonal aspects (i.e., social bonds) than on structural bonds. This suggests that these loyal customers are more affected by financial incentives and interpersonal relationships to enhance the quality of their relationships. Indeed, it might be also mean that the effect of each type of these relational bonds depends on the type of customer. That is, customers who stay less frequently (i.e., less than 10 nights) might be more affected by these kinds of financial incentives when the price becomes an issue. These results appriciate Smith (1998), who found a signi

ficant relationship between functional (i.e., financial), social bonds and relationship quality, but not structural. Furthermore, while it is not the aim of this thesis, the results provide additional support for those who found significant relationships between the financial and social bonds, and separate dimensions of relationship quality such as trust (i.e., Lin et al., 2003), and commitment (i.e., Lin et al., 2003; Hsieh et al., 2005).

7.3.2 Relational Bonds and Emotions

One of the objectives of this thesis is to determine whether relational bonds will positively affect customer emotions. Therefore, three hypotheses (H2a, H2b, and H2c) were posited, representing the relationship between relational bonds – financial, social and structural – and emotions, respectively.

As in the first hypothesized relationships between the three types of relational bonds and relationship quality discussed above, the results of this thesis demonstrate that customer emotions are influenced by the implementation of only structural bonds, but not financial and social bonds. Hence**,** these results provide evidence to support H2c. A potential explanation for this might be that loyal guests already expect that financial incentives (i.e., discounts or cumulative points) are in place, and thus these economic offers do not affect their emotions.

Another explanation could be that these customers only experience-consumer related emotions when they are in personal contact (proposed under social bonds) with the hoteliers, and when value added services and information (proposed under structural bonds) are more heavily used by these hoteliers. In other words, social bonds are not important for loyal guests because such bonds include aspects that make these guests personally attached to the organization and feel they are in a special relationship with their hoteliers but those who visited this hotel are mainly businessman and their rooms are most of the time booked by the company, so it does not affect their emotion. Thus, a significant relationship between structural bonds and emotions is implied when innovative products or different ways of interaction are provided by hoteliers to their loyal guests. Therefore, structural bonds advantages affect loyal guests' emotional responses to their hoteliers, and thus strengthen their relationships. This might reflect why other competitors cannot easily imitate these types of bonds.

In answering the above research question to fulfill the first thesis aim , this thesis extends the research on relational bonds by showing that both relationship quality and emotions should be understood as consequences of financial, social and structural bonds. Specifically, this thesis makes a contribution to relationship marketing theory by demonstrating a positive linkage between structural bonds and emotions. That is, no studies could be found in the relevant literature that had tested explicitly whether this relational bond was associated with customer emotions.

7.4 The Consequences of Emotions

This section explains the results of testing the hypotheses related to the linkage between emotions and relationship quality, and between emotions and customer loyalty. These two linkages aimed to answer the second research question.

7.4.1 Emotions and Relationship Quality

This thesis has aimed to examine the positive influence of customer emotions and relationship quality. In reviewing the relevant literature, it has been found that there is a lack of knowledge about this relationship. It was assumed in this thesis that when the emotions construct (as combined by positive and negative emotions) and relationship quality (as measured by trust, satisfaction, and commitment) is represented in one single model, this would provide us with a deeper understanding of the relationship development between customers and service providers. That's the reason, hypothesis H3 was proposed.

Consistent with expectations, the results of this thesis demonstrated that the emotions construct is an important variable in predicting relationship quality, showing the reason to support H3. More specifically, these results demonstrate that once positive emotions of loyal guests are enhanced, these guests have a higher level of relationship quality as measured by trust, satisfaction, and commitment. Wong (2004) argued that if the customer feels positively towards a service provider during the service encounter, the customer will also form positive perceptions of overall relationship quality. While Wong was the only notable author who found that feelings of happiness served as a predictor of relationship quality, he did not use the global dimensions of trust, satisfaction, and commitment to measure relationship quality.

The results of this thesis confirm that the use of these three dimensions to measure relationship quality are important because they summarize a consumer's knowledge and experience with their service provider and lead to subsequent consumer actions, i.e., increased loyalty . Given this significance, it is assumed that the results of this thesis are the

first to provide a more comprehensive understanding of the relationship between emotions and relationship quality, which has been identified by empirically investigating both relationship quality and emotions as consequences of relational bonds and antecedents of customer loyalty in a single model. Furthermore, while it is not its purpose, new support has been provided by this thesis for those who have only found a significant link between emotions and one dimension of relationship quality: trust (i.e., Dunn and Schweitzer, 2003; Anderson and Kumar, 2006), satisfaction (i.e., Daube´ and Menon 2000) or commitment (i.e., Steenhaut and Van Kenhove, 2005).

7.4.2 Emotions and Loyalty

Furthering the aim of investigating emotions as a consequence of relational bonds and antecedent of relationship quality, it was hypothesized that emotions will ultimately influence customer loyalty. Therefore, hypothesis H4 was formulated to examine this relationship.

As hypothesized, the results support emotions influencing customer loyalty (H4). That is, customers become more loyal, depends on how they feel towards relationships with hoteliers. This suggests that loyal guests in five star hotels are more likely to stay more at a hotel chain when they feel positive about that hotel chain. This supports the previous research in which emotions were found to be crucial in predicting loyalty. For example, Sherman et al. (1997) found that shoppers at a store buy more items if their positive emotions are enhanced. Emotions of loyal guests will lead them to stay more and most likely also resist switching to another hotel chain. Furthermore, the results of this thesis confirm previous research in the hospitality literature such as Barsky and Nash (2002), who suggest that emotions are crucial in decision-making related to loyalty in luxury hotel settings. Similarly, Pullman and Gross (2004) also found a significant relationship between positive emotions and loyalty for

customers attending a hospitality tent. As such, based on the literature and findings in this thesis, it appears that emotions are an important antecedent of customer loyalty.

In answering the above research question to fulfill the second aim of the thesis, this thesis makes a further contribution to relationship marketing theory by providing evidence of the linkage between emotions (combining positive and negative) and relationship quality (measured by trust, satisfaction and commitment). Importantly, the use of emotions as a predictor of relationship quality in one single model has been found to provide a more complete understanding to the development of relationships between customers and their service providers. Consequently, this thesis has confirmed that an emotions construct is a necessary antecedent of customer loyalty.

7.5 The Consequence of Relationship quality

This thesis hypothesized that relationship quality is an important determinant of the future of relationships, and aims to examine whether relationship quality evokes customer loyalty. The relationship was tested using hypothesis H5, to answer the following research question.

Q3: Is relationship quality important in determining the loyalty that *customers have with their service providers at five-star hotels?*

7.5.1 Relationship Quality and Loyalty

As was expected, relationship quality was found to be a strong determinant of loyalty. The results indicate that the more loyal guests have a higher level of relationship quality with their hoteliers, the more they are likely to be loyal to them. In this case, this thesis confirms that in addition to emotions, relationship quality is also an important variable in predicting the future of the relationship between customers and service providers. Accordingly, this thesis provides additional support for a number of previous studies such as Wang et al. (2006), who demonstrated that customer loyalty is significantly affected by relationship quality. Within the particular context of hotels, Kim and Cha (2002) found that relationship quality is critical

for hoteliers attempting to increase share of purchases through hotel usage, frequency, cross selling, and to achieve positive impact of relationship continuity and WOM. This thesis confirms that this linkage is better captured when relationship quality is linked to customer loyalty. Furthermore, this thesis provide support to those who found a positive relationship between each dimension of relationship quality separately and customer loyalty, including trust (i.e., Lau and Lee (1999), satisfaction (i.e., Choi and Chu, 2001), and commitment (Too et al., 2001).

Finally, this thesis found support for the above research question that fulfils the third aim, by providing significant evidence on the significance of the relationship quality construct being a prerequisite of customer loyalty.

7.6 Implications

This thesis focused on relationship marketing in the services sector, focusing on a hospitality setting, and representing a business-to-customer relationship context. Therefore, the findings of this thesis offer important implications for theory and management to improve the effectiveness of relationship marketing in these contexts.

7.6.1 Theoretical Implications

Theoretically, in relationship marketing, attracting new customers costs organizations more than keeping existing ones. In the setting of hospitality, the focus of this thesis, researchers have found that a small increase in loyal customers results in substantial increases in profitability (Bowen and Shoemaker, 1998; Tepeci, 1999; Kim and Cha, 2002). However, developing and sustaining loyalty is becoming increasingly difficult to achieve (Liang and Wang, 2005). Hence, this thesis has attempted to provide a relationship marketing model that can be used effectively in securing customer loyalty in five-star hotels. More specifically, this thesis has extended the research on relational bonds - financial, social and structural - by

investigating their influence on relationship quality and emotions. This linkage reflects the necessity for understanding whether these three relational bonds enhance relationship quality within this context. It has been argued that the three measures of trust, satisfaction, and commitment reflect the overall evaluation of customers' relationships with hoteliers, and thus determine the future of these relationships. The results of this thesis therefore demonstrate that relationship quality between customers and service providers can be achieved by employing financial and social bonds. However, the findings also demonstrate that this is not the case with structural bonds, and therefore this is not an important determinant of relationship quality in this research setting. Although the relationship between relational bonds and relationship quality has been investigated in previous research, evidence on this linkage within the context of the hospitality industry is new from Bangladesh perspective.

Through examining the influence of relational bonds on customer emotions, this thesis also helps us to understand how relationships between service providers and customers are developed. In examining how customers emotionally perceive relationships with their service providers, structural bonds rather than financial and social bonds have been found to be crucial in eliciting customer emotions. This suggests that the inclusion of emotions as consequences of relational bonds — financial, social and structural – in the proposed model has made a significant impact on the relationship marketing theory. This is especially so because although the importance of emotions as a critical variable in relational exchanges has been widely acknowledged, empirical evidence about the cause-effect of this construct has remained under-researched in Bangladesh and many more countries.

In furthering understanding about how customers become loyal to firms, this thesis contributes to the theory of relationship marketing by demonstrating that the construct of emotions is important in determining relationship quality measured by three global components: trust, satisfaction and commitment. In addition, the results identify that

relationship quality and customer emotions work well together in evoking customer loyalty — the purpose of relationship marketing. Although this linkage is not unusual, this thesis furthers the literature by investigating the two constructs in one single model.

Furthermore, this thesis offers a more accurate methodological process, attempting to clearly define each of the underlying constructs. For example, different global items were combined together to measure each of the constructs. Therefore, combining these methodologies with the purified measurement items of this thesis provides a useful direction for future empirical research into relationship marketing.

7.6.2 Managerial Implications

From a managerial perspective, managers should be aware that employing both financial and social bonds are necessary to enhance the quality of relationship that customers have with them. They also should keep in mind the need to increase the benefits obtained from financial and social interactions, as customers may be aware of the benefits that other competitors offer. If they neglect to do this, then it will be easy for competitors to build relationship quality with their customers.

The results of this thesis confirm that when customers feel they have high quality relationships with their service provider, they prefer to be loyal. In this context, Crosby et al. (1990) suggested that relationship quality is the best way to contact with the customer in the future by the service provider.

Furthermore, it has been confirmed by the results of this thesis that once customers become emotionally attached to their relationship with a service provider, it becomes harder for them to change their service provider. Wong (2004) emphasizes that emotions influence behavior, and customers respond to those events, which maintain positive emotions and avoid those, which brings negative ones. Results of this thesis therefore confirm that managers may want to pay more attention to customer emotions if they really wish to maintain their competitive

edge. That is, knowing how customers feel about their relationships will help managers to develop appropriate strategies that focus on structural bonds. Then, when managers know which strategies they need to adopt and update, they will be able to enhance the positive emotions that lead to customer loyalty.

CHAPTER EIGHT

LIMITATION, CONCLUSION AND RECOMMENDATION

8.1 Introductions

Chapter Eight focused on the thesis limitation (8.2), conclusions (8.3) and the recommendations (8.4) based on the discussion of the research findings. Through this chapter those will be benefited who wants to do further research on relationship marketing specially those who wants to take loyalty on a next level.

8.2 Thesis Limitations

Part of the strength of any research project is to recognize its limitations (Dolen and Lemmink, 2004). While this thesis makes a contribution to the body of relationship marketing literature, it has several limitations that need to be identified. These are discussed below in terms of the context of this thesis, the sample chosen, the constructs' measures, and the analytical technique used to perform the analysis (structural equation modeling).

First, the number of loyal Bangladeshi customers who stayed in five star hotels in Bangladesh was very low. For recreation and business purpose they didn't prefer to stay in five star hotels in Bangladesh.

Second, one of the most important limitations of this thesis is related to the criteria used in selecting loyal guests (the sample of this thesis). Guests who had stayed three nights or more a year with a hotel chain were identified as loyal. This criterion was used because there is no consensus among academics and the industry on definite standards to identify loyal customers. For example, Kim and Cha (2002) used twenty nights to identify loyal customers at five-star hotels, while Bowen and Shoemaker (1998) considered those visiting the hotel at least three times as loyal. In the industry, some hotels consider guests who stay 50 qualifying

nights as loyal (i.e., Holiday Inn hotel), while others are defined as loyal after staying one night (i.e., Hyatt hotel). Given that there is no agreement in the academic literature nor industry reporting on what constitutes loyal guests at five-star hotels, some may caution as to whether the criteria used in this thesis is definitive.

Third, most of the customers in the five star hotel chains in Bangladesh were businessman as a profession. As a result some of their answers were almost similar and their preferences of bonds were almost same. Its became difficult to get variety of answers due to their profession.

Fourth during the data collection time there was a political unrest. So it became difficult to get enough customers for survey. As a result the researcher had a little opportunity to get back enough surveyed questionnaires and choose the best ones.

Fifth, though five star hotel chains try to maintain their worldwide hotel facilities same but a country's economic development has a great impact on all the sectors even in the hotel chains. As a result the amount of facilities that a loyal customer expect from the five star hotels in another countries, doesn't expect here, which ultimately affect the result in this thesis paper.

8.2 Conclusion

Because relationship marketing theory and practice is built to provide benefits to both customers and service providers through their relationships so the aim of the theory is to build and maintain customer loyalty. In this context, this thesis makes a significant contribution to the relationship marketing literature by proposing a model that empirically investigates loyal customers' perspectives of their relationships with hoteliers at five-star hotel chains in Bangladesh. This model provides a deeper understanding for the relationship between service providers and their customers by examining the association between relational bonds, relationship quality, emotions, and loyalty in one single model. Although

there could be constructs other than those incorporated in this model, this research includes constructs that have provided a successful relationship marketing program. In particular, this thesis has extended the research of relational bonds – financial, social and structural – by investigating their impact on relationship quality (as measured by trust, satisfaction, and commitment) and emotions (positive and negative). Results have revealed that financial bonds (discount, cumulative points), social bonds (i.e., friendship, interpersonal interaction) and structural bonds (i.e., value-adding services), are important in building positive relationship quality and customer emotions. Although previous research has found a strong relationship between relational bonds and relationship quality, this thesis fills the gap existing in the relationship marketing literature in which a significant relationship between social and structural bonds and emotions is demonstrated. This indicates that service managers should put more effort into implementing structural bonds in order to develop a high level of relationship quality, and elicit positive emotions rather than negative.

Adopting Anderson and Kumar's (2006) observation that marketing practitioners are keen to understand the significant role of emotions in the course of relationship marketing, it can be concluded that this thesis is the first to make a contribution to the literature in finding a significant relationship between emotions (combining positive and negative) and relationship quality (measured by trust, satisfaction and commitment). This supports previous findings (i.e., Barnes, 1997; Liljander and Strandvik, 1997; Anderson and Kumar, 2006) that customer emotions (positive and negative) are crucial in shaping the relationships between guests and their hoteliers. Thus, the investigation of emotions in this thesis has provided us with a further understanding of relationship development, which will be useful for both academics and practitioners in services.

The relationship quality and emotions proposed in this thesis have not only been found to be important consequences of financial , social and structural bonds but they have also served as

important determinants of customer loyalty. In this context, it has been found that when loyal customers present high relationship quality based on the history they have had with their hoteliers – and experience positive emotions - they are more likely to revisit the hotel and not switch to other competitors.

Finally, this research has reinforced the understanding of relationship marketing within the context of loyal customers at five-star hotels in Bangladesh. The research has extended this understanding to include the association between relational bonds, relationship quality, emotions and customer loyalty as key variables in relationship marketing.

8.3 Recommendation

Although this thesis has developed a model that provides an effective relationship marketing program, several recommendations for future research are remained there.

- It would be informative to study the differences between five-star hotel chains and small hotel chains. De Wulf et al. (2001) argued that the degree of social exchange and the possibilities for interpersonal communications in retail settings are generally greater in smaller stores than bigger ones. By adapting this argument to the hotel context, other research could see whether customers in small hotel chains (i.e., 3-star) perceive more interpersonal relationships than they do in five-star hotel chains.

- Additional research is needed to extend our understanding of the constructs used in this thesis, by using different ways to investigate them. For instance, future research could explore the role of relational bonds in other service settings to see if indeed the results are generalisable across other premium services. Comparisons could be undertaken to explore differences between premium and other services, as financial bonds may be more important when price is integral to the purchase context.

- Another recommendation might be to examine the relative differences of influence among these bonds on various types of customers, including high-loyalty and low-

loyalty. For example, in their investigation of the positive affect of each type of relational bonds - financial, social and structural – on commitment, Hsieh et al. (2005) found that financial bonds are more powerful in strengthening customer commitment in search good/services than they are in experience-credence goods/services.

- Emotions could be further described by arousal, more specifically in terms of high and low-arousal and positive and negative valence. Thus, four emotions groups could be explored within an expanded model where higher arousal positive emotions might include excitement and delight; lower-arousal positive emotions may include contentment and relaxation. High-arousal negative emotions might include rage and anger and low- arousal negative emotions might include sadness and disappointment. Each of these four groups may have different antecedents and consequences in a relationship marketing model beyond simply positive and negative effect.

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APPENDIX
Appendix A

Questionnaire

In this questionnaire five scale like technique is used where 1= strongly disagree, 2= disagree, 3= neither or nor, 4=agree, 5=strongly agree

Q1: First, here are some questions about your perceptions of this hotel chain and the interactions you have with it. Please rate how much you agree or disagree with each statement by circling one number on each line.

Statement	Strongly Disagree				Strongly Agree
1. This hotel chain provides discounts (or upgrades) for regular guests.	1	2	3	4	5
2. This hotel chain has presented me with free gifts to encourage my future stays.	1	2	3	4	5
3. This hotel chain provides cumulative points program (reward program).	1	2	3	4	5
4. This hotel provides extra prompt service for regular guests	1	2	3	4	5
5. This hotel chain keeps in touch with me	1	2	3	4	5
6. This hotel chain is concerned with my needs	1	2	3	4	5
7. Employees of this hotel chain help me to solve my personal requests	1	2	3	4	5
8. This hotel chain values my opinion about services.	1	2	3	4	5
9. I receive greeting cards or gifts on special days	1	2	3	4	5
10. This hotel provides personalized services according to my needs.	1	2	3	4	5
11. This hotel chain offers integrated packages to me as a regular guest	1	2	3	4	5
12. This hotel chain offers new information about its products / services	1	2	3	4	5
13. This hotel chain often provides innovative products / services	1	2	3	4	5
14. This hotel chain provides after-sales service for my requirements	1	2	3	4	5
15. I receive a prompt response after any Complaint	1	2	3	4	5
16. This hotel chain provides various ways to deal with transactions (e.g., bills, check in, check out)	1	2	3	4	5
17. I can retrieve (find) information about this hotel chain in various ways	1	2	3	4	5

Q2: Now these questions ask you about your opinions about the hotel chain. Please rate how much you agree or disagree with each statement by circling one number on each line.

Statement	Strongly Disagree				Strongly Agree
1. I continue to deal with my hotel chain because I genuinely enjoy my relationship with them	1	2	3	4	5
2. *I am satisfied with the relationship I have with this hotel chain*	1	2	3	4	5
3. The relationship that I have with this hotel chain deserves my maximum efforts to maintain	1	2	3	4	5
4. I plan to maintain a long-term relationship with this hotel chain	1	2	3	4	5
5. I feel emotionally attached to this hotel chain	1	2	3	4	5
6. This hotel chain is concerned about my welfare	1	2	3	4	5
7. *As a guest, I have a high quality relationship with this hotel chain*	1	2	3	4	5
8. This hotel chain has high integrity	1	2	3	4	5
9. *I am happy with the efforts this hotel chain is making towards regular guests like me*	1	2	3	4	5
10. This hotel chain is trustworthy	1	2	3	4	5
11. When I confide my problems to staff in this hotel chain, I know they will respond with understanding	1	2	3	4	5
12. I am committed to my relationship with this hotel Chain	1	2	3	4	5
13. *Overall, I am satisfied at this hotel chain*	1	2	3	4	5

Q3: Here are a few more questions about your opinions of this hotel chain. Please rate how much you agree or disagree with each statement by circling a number on each line.

Statement	Strongly Disagree				Strongly Agree
1. I really care about the future of this hotel chain	1	2	3	4	5
2 I am willing to put in extra effort to stay with this hotel chain	1	2	3	4	5
3. I am proud to tell others that I stay at this hotel chain	1	2	3	4	5
4. For me this hotel chain is the best alternative	1	2	3	4	5

5. I expect to stay with this hotel chain regularly in the future	1	2	3	4	5
6. As a guest of this hotel chain, I feel that I am prepared to pay more for their high quality products/ services	1	2	3	4	5
7. I would recommend this hotel chain to others	1	2	3	4	5
8. I feel strong loyalty about this hotel chain	1	2	3	4	5
9. This hotel chain stimulates me to stay	1	2	3	4	5
10. I have used this hotel chain for a number of Years	1	2	3	4	5
11. I stay at this hotel chain on a regular basis	1	2	3	4	5

In this questionnaire five scale likert technique is used where 1= never, 2=rarely, 3=sometimes, 4=often, 5=very often

Q4: Here are some specific emotions that you may or may not feel about your relationship with this hotel chain. Please circle how often you feel these emotions when staying with this hotel chain.

Statement

	Never				Very often
1. Angry	1	2	3	4	5
2. Love	1	2	3	4	5
3. Welcome	1	2	3	4	5
4. Pleased	1	2	3	4	5
5. Satisfied	1	2	3	4	5
6. Relaxed	1	2	3	4	5
7. Ignored	1	2	3	4	5
8. Comfortable	1	2	3	4	5
9. Pleasantly surprised	1	2	3	4	5
10. Uneasiness	1	2	3	4	5
11. Sadness	1	2	3	4	5
12. Happiness	1	2	3	4	5
13. Pride	1	2	3	4	5
14. Disappointed	1	2	3	4	5
15. Fear	1	2	3	4	5
16. Let down	1	2	3	4	5
17. Embarrassment	1	2	3	4	5
18. Guilt	1	2	3	4	5
19. Frustrated	1	2	3	4	5

20. Gratitude	1	2	3	4	5
21. Pampered	1	2	3	4	5
22. Sophisticated	1	2	3	4	5
23. Delighted	1	2	3	4	5

Finally, on the last two pages there are some questions for classification purpose only. Please respond to these questions by ticking (√) in the boxes provided for each statement.

Q5: Are you?
☐ Male
☐ Female

Q6: To which of the following age groups do you belong?
☐ Up to 25
☐ 25- 34
☐ 35-44
☐ 45-54
☐ 55-64
☐ 65+

Q7: What nationality are you?
Please specify your nationality…………..………………………………….

Q8: Over **the past 12 months**, how many **nights** have you stayed at this hotel chain?
☐ 1-4
☐ 5-9
☐ 10-14
☐ 15and above

Q9: Now thinking about all your stays with this hotel chain in the **past 12 months**, what percentage would you have stayed for the following purposes? **(Please write in)**
Leisure ……………… %
Business……………... %
Conferences…………. %
_____
Total 100%

Q10: What is your highest educational qualification?
☐ High school
☐ Diploma
☐ Undergraduate degree
☐ Postgraduate degree

Q11: Which of these industries would you say you are mainly employed in? **(Please tick one)**
☐ Business, commerce, finance
☐ Legal
☐ Self employed
☐ Education
☐ Sciences and medicine
☐ Engineering and technology
☐ Sports, leisure, and recreation
☐ Community services
☐ Retail, hospitality, tourism
☐ Government
If **other industry**, please specify
………………………………..…………………………………..