Communication A Tool To Build Relationship Quality: Evidence From Indian Retail Banks

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ABSTRACT

The purpose of this paper is to study the effect of communication on relationship quality dimensions such as trust and commitment in retail banks. Data were gathered from the retail bank customers in Chennai, India using a validated questionnaire. A total of 247 customers were participated in the study. Smart PLS has been used for the SEM analysis. The results of the study show that communication explains about 34 percent and 35 percent of variations in trust and commitment. The results also reveal that trust is significantly associated with commitment. This paper assesses the impact of communication on relationship quality dimensions such as trust and commitment among retail banks customers in Chennai, India. Thus, this study helps organization in understanding the significance of communication as a tool to build a quality relationship through Customer trust and commitment

Keywords: Communication, commitment, Relationship quality, Trust

INTRODUCTION

Ever increasing market competition puts service firms to invest more to attract and retain the customers. Often through effective communication service organizations achieve greater customer attention. By attracting customers, service firms try very hard to build quality relationship with them. There are many factors with which relationship quality can be achieved. Communication is one among such factor to increase the customer attention and increase the strength of quality relationship in service firms. When it comes to retail banks the communication factors plays a very crucial role. There are many ways by which the relationship quality can be measured between retail banks and its customers. Most commonly used relationship quality constructs are Trust, Satisfaction and Commitment. Satisfaction has already been studied widely. Hence, Trust and Commitment are considered for this study. Does communication have an impact on trust and commitment in retail banks? And how trust influence commitment in retail banks? In order to answer these questions this research was carried out with an objective to first examine the effect of communication on trust and commitment in retail banks and further examines the influence of trust on

commitment. Hence, this paper assesses communication as a tool to develop quality relationship by building customer trust and commitment in retail banks.

LITERATURE REVIEW

Communication has been studied by many researchers broadly in the field of relationship marketing. As given by Anderson and Narus 1990, communication is the formal as well as informal sharing of meaningful and timely information between firm and customers. Prasad, J. S., & Aryasri, A. R., (2008) recognized it as the "necessary pre-defined condition for the existence of an effective relationship". The purpose of communication is to "educate and keep clients informed about their investments in a language that they can understand (Sharma, N., & Patterson, P. G., 1999). According to Selnes, F., (1998), communication is the exchange of information between supplier and customer. Duncan and Moriarty, (1999) defined communication as an "integrated marketing communication which is very important part of a relationship marketing strategy, because to support the establishment, maintenance and enhancement of relationships with customers (and other stakeholders)". Timely communication fosters trust by resolving disputes and aligning perceptions and expectations (Moorman, Desh- pande, and Zaltman (1993); Etgar 1979). Communication is found to be a strong determinant of trust in service firms (Anderson and Narus, 1990) as because communication is often a necessary means to develop and preserve a shared understanding of the relationship and thus preserves trust (Sabel, 1993). Though the effect of communication has been researched extensively in the area of relationship marketing, the association of communication with other relational factors such as trust and commitment are still need to be researched further.

Relationship quality is an overall assessment of the strength of a relationship (Auh, S., & Shih, C. F. (2005). According to Levitt, (1986) Relationship quality is a bundle of intangible value, which results in an expected interchange between buyers and sellers. As defined by Jarvelin and Lehtinen, (1996), relationship quality refers to "a customer's perceptions of how well the whole relationship fulfils the expectations, predictions, goals and desires the customer has concerning the whole relationship". Relationship quality often describes the overall depth and climate of a relationship (Johnson et al, 1999). Previous studies on relationship quality often centred on three core dimensions which are Trust, Satisfaction and Commitment. This study has proposed to examine the relationship of trust and commitment with communication.
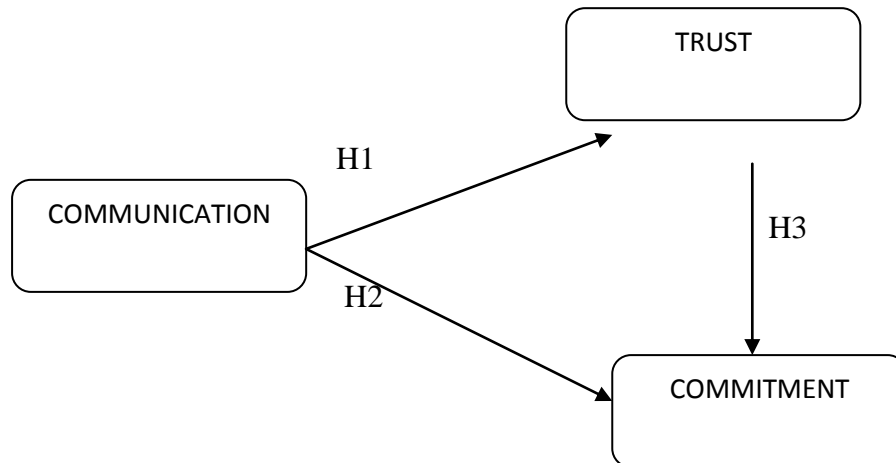
Trust is the widely researched constructs in the field of relationship marketing and is defined as "a belief that the service provider can be relied on to behave in such a manner that the long-term interests of the buyer will be served" (Crosby et al., 1990). Trust is defined as the "first major component of relationship capital" (Cullen, J. B., Johnson, J. L., & Sakano, T. (2000). According to Moorman et al. (1992), It is a "willingness to rely on an exchange partner in whom one has confidence". Calonius, (1998) defined trust as one of the "important variable for understanding the strength of a marketing relationship quality". Trust is defined as the "belief that a partner's word or promise is reliable and a party will fulfill his/her obligations in

the relationship" (Schurr and Ozanne, 1985). Morgan and Hunt (1994), define trust as a consumers' belief in a retailers' honesty towards the customer. Trust is a highly influential factor for the continuity of a relationship. Schurr and Ozanne (1985) state that "a relationship built on a buyer's feeling of trust in a salesperson enables the salesperson to meet the needs of the buyer and establish a long term relationship". Trust enlightens the quality of relationship a customer possess towards a service firm. Trust is strongly predicted by relationship marketing factor namely Communication Hence, this study examined the relationship of communication and trust; relationship of communication and commitment through trust.

Commitment an enduring desire to continue the relationship with customers (Wilson, 1995) is appreciated to develop a long term customer relationship in service firms. According to Morgan and Hunt (1994) commitment is defined as ''a consumer's enduring desire to continue a relationship with a retailer accompanied by the willingness to make efforts at maintaining it''. As Johanson et al., (1991), Commitment can evident in various ways like making adjustments to standard products or services, or by investing in the relationship with the service firms. Anderson and Weitz (1992), define commitment as ''the desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship''. Commitment is claimed to be the second major component of social capital (Cullen, J. B., Johnson, J. L., & Sakano, T. (2000). As suggested by Bonoma, (1976); Cook and Emerson, (1984), in an ongoing relationship, the "parties expect each other to be committed to what they have in common". Moreover, "commitment is a way of responding to customer needs and is a key dimension of being market oriented" (Kohli and Jaworski, 1990).

Many researchers have conceptualized commitment as a desire to maintain a relationship that is characterised as a pledge of Continuity between customer and firms (Lee et al, 2007). Many of the past research have proved that the customer commitment has certainly support service firms by building long term relationship. As argued by Bennett (1996), the "strength of a buyer's commitment depends on his perceptions of efforts made by the seller". As suggested by Moorman et al. (1993), customers who are committed to a relationship may have a greater propensity to act because of their need to remain consistent with their commitment". Berry and Parasuraman (1991) suggested that through mutual commitment the relationships are built. Communication creates the conditions of commitment and it relates to the "belief by a partner that the relationship is so important as to warrant maximum efforts to maintain it" (Frasquet, M., Calderón, H., & Cervera, A. (2012). The relationship among the relational factors namely communication, trust and commitment is very essential to analyze and measured especially when it comes banking sector. Therefore, the objective of this study is to examine the relationship among these factors in retail banking environment.

RESEARCH FRAMEWORK

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                                                    ┌─────────────┐
                                                    │    TRUST    │
                                                    └─────────────┘
                               H1                          │
    ┌──────────────────┐      ───────▶                     │ H3
    │  COMMUNICATION   │                                    │
    └──────────────────┘      H2                            ▼
                               ───────▶             ┌─────────────┐
                                                    │ COMMITMENT  │
                                                    └─────────────┘
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HYPOTHESIS

H1. Communication will have significant positive effect on Trust and commitment

H2. Trust will have significant positive effect on Commitment

H3. Trust mediates in the relationship of Communication and Commitment

H4. There is a significant model fit among Communication and the dimensions of relationship quality namely trust and commitment

METHODOLOGY

The respondents of this study are the customers of retail bank in Chennai, India. Out of 350 survey form administered, 247 were usable and taken for analysis. This indicates a response rate of 70%. The measurements scale has been adapted from various sources from the field of relationship marketing. The items for communication (6 items) were adapted from Tohidinia & Haghighi, 2011 and Ndubisi &Wah, (2005); items for trust (6 items) and commitment (4 items) were adopted from Nelson Oly Ndubisi, (2007). All these items were measured on a five-point- Likert scale ranging from 'strongly disagree' to 'strongly agree'. Table I shows the key dimensions and its items; their factor loadings, communalities and reliability estimates based on Cronbach's alpha values. Factor analysis was performed on the items to establish their appropriateness for the multivariate analysis indicates a valid measure. Total variance explained by the factors was 91.27 percent. All factor loadings were statistically significant at p =0.05 and hence convergent validity was established. Reliability values are above the acceptance level which is greater than 0.7.

A pilot study was done with a sample of 35 respondents and checked for reliability and validity. Main study was conducted after meeting the required level of reliability and validity measures. The structured research questionnaire consists of three sections. The first section measures the focal variables of our study, that is, the relational variables namely communication, trust, commitment. The second section collects information on respondents' demographic variables. Table II shows the detail of respondent's profile.

Table I: Factor Loading and construct reliability

Key Dimensions and items	Loadings	Communalitites	Cronbach's alpha
F1- Communication (Variance= 63.85)			0.968
The bank provides timely and trustworthy information	.823	.868	
In case of any problem, the bank provides me with enough information	.813	.884	
The bank exchanges enough information about the services itself	.817	.862	
The bank provides information if there are new banking services	.773	.861	
The bank fulfils its promises	.794	.874	
Information provided by my bank is accurate	.772	.849	
F2- Trust (Variance=14.54)			0.981
The bank is very concerned with security for transactions	.812	.842	
The bank's promises are reliable	.851	.930	
The bank is consistent in providing quality service	.808	.917	
Employees of the bank show respect to customer	.851	.930	
The bank fulfils its obligations to customers	.808	.917	
I have confidence in the bank's services	.826	.954	
F3- Commitment (Variance=12.87)			0.993
The bank makes adjustment to suit my needs	.762	.986	
The bank offers personalized services to meet customer needs	.757	.981	
The bank is flexible when its services are changed	.754	.977	
The bank is flexible in serving my needs	.754	.971	

Note: Total Variance: 91.27; KMO= 0.700; Approx. Chi Square = 205.481; df = 3; Sig.=0.000

Table II: Respondents' profile

Category		Frequency	Percent
Gender	Female	111	44.9
	Male	136	55.1
	Total	247	100
Age	Under 20 yrs	4	1.6
	20- 35 yrs	192	77.7
	36 - 45 yrs	42	17.0
	46- 59 yrs	8	3.2
	60 yrs and above	1	0.4
	Total	247	100
Marital status	Married	112	45.35
	Single	135	54.65
	Total	247	100
Educational Qualification	Schooling	5	2.0
	Graduate / Diploma	123	49.8
	Professional qualification	27	10.9
	PG and above	92	37.2
	Total	247	100
Occupation	Businessman	24	9.7
	Salaried	129	52.2
	Student	80	32.4
	Others	14	5.7
	Total	247	100
Annual Income	Below Rs.2,00,000	79	32
	Rs.2,00,001 - Rs.4,00,000	111	44.9
	Rs.4,00,001 - Rs.6,00,000	33	13.4
	Rs.6,00,001 - Rs.8,00,000	18	7.3
	Above Rs.8,00,000	6	2.4
	Total	247	100

RESULTS AND DISCUSSION

It can be seen from Table II, the demographic composition of the respondents. A total of 247 valid responses were taken for the analysis. Respondent sample comprised of female 45% and male 55% respectively. Respondents age group falls around 78% were between the age group of 20 to 35 years, 17% were between the age group of 36 to 45 years respectively. In terms of occupation, 52 % were salaried and

32% of the respondents are students. As far as the educational level is concerned, 49% graduates/diploma holders and around 37% had completed their post graduation degree. Out of the sample 45 % were married. About 80% of respondents are the customers of Public sector banks; about 19% were from private sector banks, 1% of respondents are the customers of foreign banks respectively. About 41% of respondent uses banking services monthly, 38% were using bank service weekly. About 37% of respondents are become the customers of their respective bank since more than 4 years, 23% are since last 1-2 years, about 17% are since last 2-3 years, 14.5% are since last 3-4 years and only 7% are became the customers of their respective bank less than a year.

Smart Pls.2.0 was used to analyze the proposed research model. Measurement model and structural model was evaluated to measure the model fit. The measurement model was evaluated through assessment of validity and reliability of the construct measures. This ensured that only "reliable and valid constructs' measures were used for assessing the nature of relationships in the overall model" (Hulland, 1999). Structural model specifies relations between latent constructs by estimating the path coefficients. Path coefficients predict the effect of overall model. A composite items have been used for the constructs and the factor loadings show a value of 1 which fall into a significant level as because the factor loading of less than 0.5 show insignificant factor. Discriminant validity is "the degree to which any single construct is different from the other constructs in the model" (Carmines and Zeller, 1979). As per Fornell and Larcker (1981) criterion "the pair-wise correlations between factors obtained were compared with the variance extracted estimates for the constructs making up each possible pair". Discriminant validity is exist only when the AVE loadings are greater than 0.5 (Chin, 1998). In order to check the presence of multicolinearity, variances inflation factor (VIF) was measured. VIF values below the cut off value of 10 (Cohen et al (2003) which represents the absence of Multicollinearity. In our study the values of VIF show that 1.0, hence it can said that absence of Multicollinearity.

Table III: Discriminant validity

	Commitment	Communication	Trust
Commitment	1.000		
Communication	0.533	1.000	
Trust	0.516	0.582	1.000

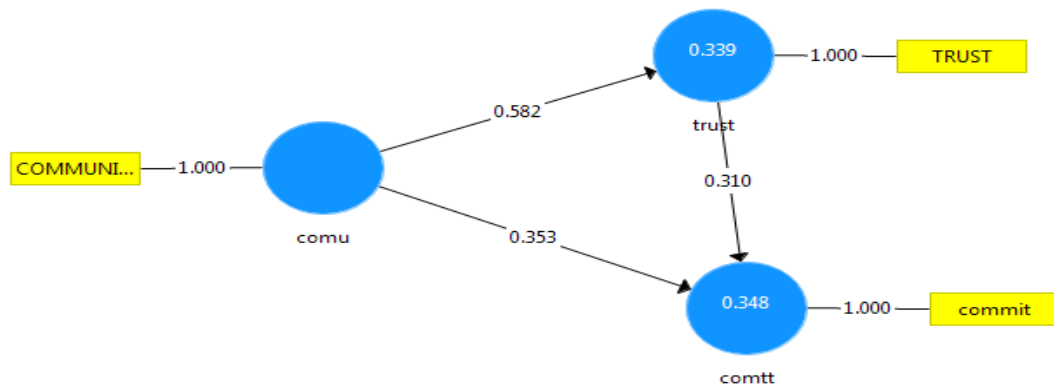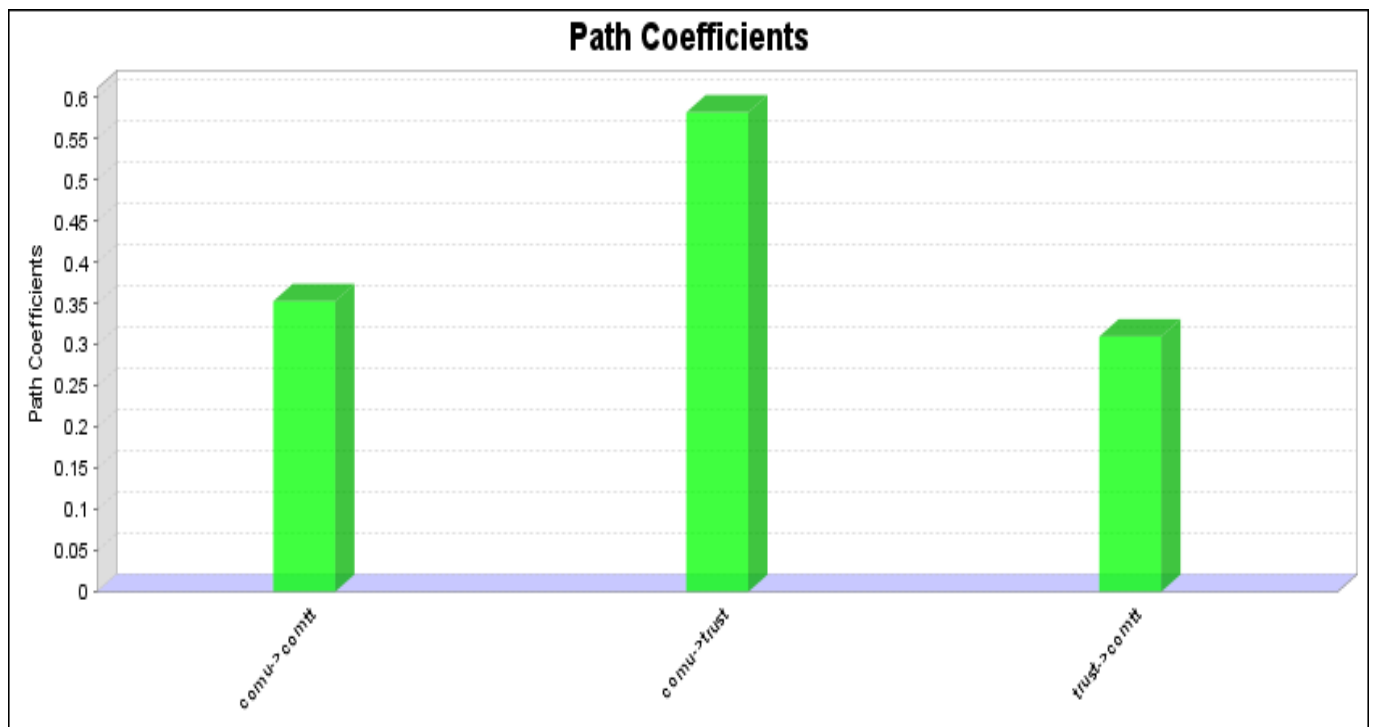**Fig 1: Initial Path Model**

Fig 2: Path Coefficients

PATH COEFFICIENTS

The Results of PLS-Structural model show that the association of variables through the regression weights. Communication predicts about 34 % of variations in Trust and about 35% of variations in Commitment (fig.1). The results show that there is significant relationship between communication and trust; and communication and commitment. This show that higher the level of communication greater the level of customers' trust; and show that higher the level of communication greater the level of customer commitment towards the retail bank. Hence it supports the hypothesis H1. The path coefficients show in fig.2 explains the effect of communication on trust is positive and significant (0.582), which denote that

retail banks that offer timely, trustworthy and accurate communication by exchanging enough information about the service, then the customers are likely to develop trust towards the retail bank. Similarly, the effects of communication on commitment is positive and significant (0.353), which denote that retail banks by offering timely and trustworthy information, customers may develop commitment towards the retail bank.

The study also found the effect of trust on commitment, the path coefficients are positive and significant (0.31), which implies that when the retail banks are concerned with the security of transactions and offer reliable promises, customers will be committed towards the retail bank. Hence it supports the hypothesis H2. The indirect effect of communication on commitment through trust is positive (0.180), which implies that communication would increase the level of customer trust in retail banks which in turn leads to customer commitment. Hence it can be stated that trust is mediates the relationship between communication and commitment. Thus, the hypothesis H3 is supported. PLS-Structural model is generally evaluated by Goodness-of-Fit (GoF) (Tenenhaus et al., 2005) and GoF is used to measure the "overall fit of the model which is the geometric mean of the average communality and the average R^2, represents an index for validating the PLS model". For this model the GoF index was 0.431 (Table IV), which shows a marginal fit. Hence this supports the Hypothesis H4.

Table IV: Model fit Evaluation

Factors	R^2	Communality
Communication		0.582
Trust	0.339	0.533
Commiment	0.348	0.516
Average	0.343	0.543
GoF = √Average R^2 *Average communality (Tenenhaus et al., 2005) = √0.1862 = 0.431		

IMPLICATIONS AND CONCLUSION

The purpose of this research was to study the effect of communication on trust and commitment. This study has a number of implications for retail banks. Firstly, Banks in general having an intention of building trust and commitment in customers should gain quality relationship by offering timely and trustworthy information (i.e. communication). Retail banks should provide enough and accurate information, in case of problem arises; when new banking services arises retail banks must communicate to customers periodically; retail banks must fulfill its promises are some of the communicational factors through which trust can be built in customer. Whenever the retail bank concerned about the security of the transaction; when the banks' promises are reliable in nature; when employee show respect to the customer and by building confidence in banks' service, customer commitment may develop. Customer will be committed to

banks if it makes adjustment to suit his/her needs; by offering personalized service and being flexible in serving the customer needs. The results of this study suggest that the communication is significantly influences customer trust and customer commitment. Achrol (1991), found that trust is a major determinant of relationship commitment, i.e. higher the level of trust, greater the level of customer commitment. Communication influences commitment through customer trust, which implies that customer commitment can be build by trustworthy service and effective communication.

LIMITATION AND SCOPE FOR FUTURE RESEARCH

This present study has few limitations. First, this study centered on one sector which is banking that may limit the generalizability of the findings to the other industries and this could be overcome by conducting future research in other industries like Tourism, healthcare sector, etc., Secondly, other common relational factors such as satisfaction, equity, etc., could be included for future study, since the present study had taken only three common relational factors. Future studies may also investigate the possible mediation and moderation effects by including the demographic variables. By investigating these effects, the future studies would add potential value to the field of relationship marketing. The future research may include more number of respondents by conducting longitudinal study.

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