



# The moderating effects of involvement with respect to customer relationship management of the airline sector



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## A B S T R A C T

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This study examines the moderating effects of involvement with respect to customer relationship management of the airline sector, according to the perceptions of Taiwanese international air passengers. Results indicate that relationship bonding, perceived relationship investment, relationship quality and behavioral loyalty are positively related, with involvement moderately affecting how financial bonding, social bonding, structural bonding and perceived relationship investment are related. More specifically, social bonding and structural bonding significantly affect the perceived relationship investment for passengers with high involvement in air travel, while financial bonding significantly affects the perceived relationship investment for passengers with low involvement.

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## 1. Introduction

Customer relationship management (CRM) strives to attract, maintain and enhance customer relations with service providers (Harrison, 2000). Even before Spengler (1999) initiated the concept of customer relationship management via contact management practices in the United States, CRM had received considerable attention in business administration research for many years (Doney and Cannon, 1997). According to Koch (1998)'s 80/20 Principle 20% of customers account for 80% of the sales revenue in a given business. Based on Chablo (2001), acquiring new customers costs four to ten times more than keeping existing ones. Moreover, maintaining customer loyalty further increases corporate profits by 25–85%. Customer relationship management thus focuses on identifying customers with the greatest contribution and maintaining a long term reciprocal relationship with these. Given the intense competition of the airline industry, to maintain a competitive edge, airlines must realize the importance of acquiring, retaining and strengthening the relationships with customers (Kalakota and Marcia, 1999).

However, most product and service markets are oversaturated and have difficulty in differentiating themselves based on merchandise selection only (Berry and Gresham, 1986). Therefore, service providers and manufacturers continuously strive to identify products, processes and technologies that increase consumer value (Woodruff, 1997). Yet both service and product providers have little

knowledge of relevant consumer value drivers (Beatty et al., 1996). Although the frequent flyer program is the most popular customer loyalty program in the airline industry (Zins, 2001; Whyte, 2002), relationship marketing research covering the airline passenger market has made limited progress (Chang and Chen, 2007; Forgas et al., 2010).

Of relevance to this is product involvement which, according to Mittal (1995), refers to the perceived importance of a specific product or service based on customer requirements, values and interests. Additionally, customers may have different levels of involvement with dissimilar product categories (Bloch and Richins, 1983). Related research has established that the level of involvement may moderate the extent to which the relationship investment affects the relationship quality and behavioral loyalty (Morgan and Hunt, 1994; Gordon et al., 1998; Grönroos, 1995; Hawkins and Hoch, 1992; Kinard and Capella, 2006).

Therefore drawing from the above discussions, this study examines how airline relationship bonding tactics, perceived relationship investment, satisfaction, trust, commitment and behavioral loyalty are related to air travel. The potential moderating effects of involvement are studied using a sample of Taiwanese passengers who travel on international flights.

## 2. Conceptual background and literature review

Marketing literature has tended to focus on product and service efforts as stimuli of total consumer value at the expense of relationship efforts (Gwinner et al., 1998). De Wulf and Odekerken-Schröder (2003) and Gwinner et al. (1998) define a relationship

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effort as any effort that is actively made by a service provider towards a consumer, which hopefully contributes to the perceived consumer value being above the core product and/or service efforts received. Additionally, relationship effort can only be perceived by the consumer after a series of exchanges with the service provider. This paper concerns not only discrete exchanges, but also relational exchanges (Storbacka et al., 1994; Dwyer et al., 1987).

As discussed above, according to Koch (1998)'s 80-20 Principle companies should try to identify the most profitable customers who can provide the long-term benefits. Flynn and Goldsmith (1993) suggest that involvement with a product leads to a greater perception of attribute differences, product importance and greater commitment to brand choice. The level of involvement that consumers have with a product or service is based on the relevance of that product or service to their requirements, values and interests (Zaichkowsky, 1985). Involvement subsequently influences the amount of mental and physical effort that consumers exercise during a purchase (Laaksonen, 1994). Highly involved consumers search for a lot of information before making a purchase, process all relevant information in detail and apply more criteria to their purchasing decisions than their lowly involved counterparts (Laaksonen, 1994). Therefore, the customer's product involvement can serve as a moderating variable that significantly influences the customer perceived relationship investment through relationship bonding tactics, such as financial, social, and structural tactics (Flynn and Goldsmith, 1993; Gordon et al., 1998; Hennig-Thurau et al., 2002).

This study examines three kinds of relationship effort and empirically validates their impacts on perceived relationship investment, customer satisfaction, trust, relationship commitment and behavioral loyalty of airline consumers. Fig. 1 shows the framework.

2.1. Relationship bonding tactics

As the psychological, emotional, economic or physical attachments in a relationship that are fostered by association and interaction, bonds bring parties together under relational exchange (McCall, 1970). Berry and Parasuraman (1991) categorized the manner in which retailers stimulate customer behavioral loyalty into three levels (financial, social and structural bonding tactics) and this study adopts this approach.

2.1.1. Financial bonding tactics

Financial bonding tactics stimulates customer motivation for consumption and acquires customer loyalty by using pricing. This integration emphasizes the pricing function of marketing

components, which are the range of economic, performance, or instrumental ties or linkages that promote continuity in a relationship.

2.1.2. Social bonding tactics

Social bonding tactics are personal ties forged during interaction at work (Turner, 1970). Such tactics include the degree of personal friendship and preferences shared by a buyer and seller (Wilson, 1995), as well as the linking of personal identities through self-disclosure, proximity, support or advice, empathy and responsiveness, feelings of affiliation, attachment, or connectedness, and shared experiences (Turner, 1970). Companies that express friendship or gratitude with reward incentives to customers have social implications. Personnel can adopt these socializing tactics to nurture stable relationships (Morgan and Hunt, 1994).

2.1.3. Structural bonding tactics

Structural bonding tactics are associated with the structure, administration and institutionalization of norms. The rules, policies, procedures, infrastructure or agreements that provide formal structure to a relationship; the norms or routines that informally govern the interactions; and the organizational systems and technologies that enable or facilitate interaction can provide psychological, legal, and physical ties that bind parties together and make it difficult for each party to abandon the relationship. Bonding tactics provide a structural problem-solving program for customers, subsequently allowing retailers to offer the customers marketing programs with value-added advantages.

2.2. Perceived relationship investment

Investing time, effort and other irrecoverable resources into a relationship generally creates psychological bonds that encourage customers to stay in and expect reciprocity from the relationship (Smith and Barclay, 1997). When a supplier invests in a relationship on behalf of a customer, this customer should be impressed. Therefore, De Wulf et al. (2001) define perceived relationship investment as a consumer's perception of the extent to which a retailer invests its resources, efforts and attentions in maintaining or enhancing relationships with regular customers. It does not have an external value and cannot be recovered if these relationships are terminated (Smith, 1998).

De Wulf et al. (2001) assume that relationship marketing tactics indirectly affect the relationship quality based on the perceived level of relationship investment. This research suggests that relationship bonding tactics applied by airlines provides managerial guidelines as to what affects the perceptions of the relationship

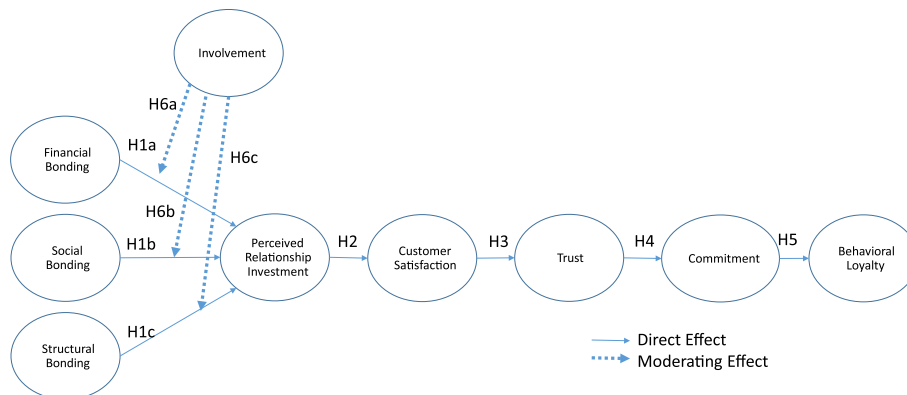


Fig. 1. Conceptual model.

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