

Chapter 63

Enhancing Calculative Commitment and Customer Loyalty Through Online Relationship Marketing: The Mediating Role of Online Trust

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ABSTRACT

This study examines the mediating role of online trust in enhancing calculative commitment and customer loyalty through online relationship marketing activities (engagement and interactivity). The study draws on signaling theory. Data were gathered from 429 retail bank customers in Ghana and analyzed using confirmatory factor analysis and structural path modelling. Findings suggest that engagement is assessed to be low by Ghanaian bank customers and presently has no influence on customer commitment, online trust, and customer loyalty. However, signals communicated through interactivity online is of great benefit to the banks in influencing customers' online trust, as well as their calculative commitment and loyalty. Further, though, website and email emerged as the most predominant technologies used in online relationship marketing (ORM), customers also expect banks to engage with them through social media, which has the potential to improve upon the current levels of ORM activities.

INTRODUCTION

Information Technology has been proffered in existing research to play a critical role when it comes to advancing the practice of Relationship Marketing (RM) within firms (Mishra & Li, 2008; Howcroft, Durkin, Armstrong & Emerson, 2007; Shapiro, Romano & Mittal, 2004). This phenomenon is evident in developed economies as well as developing economies (Boateng & Narteh, 2016; Verma, Sharma &

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Sheth, 2016; Guo, 2014). In a developing economy like Ghana for example, all the 33 commercial banks operating in the country have officially launched some form of presence on the internet, either through a website or at least one of the numerous social media platforms to engage with their customers. There is also evidence to attest that in the banking industry, the internet elevates customer experience in both business and retail banking and enables individual banks to differentiate themselves in their competitive space (Deloitte, 2014). In view of this, industry practitioners are constantly enquiring as to how best they can further leverage new and emerging information technologies to facilitate their relationship development efforts with customers.

RM is an organizational process that involves the creation and maintenance of long-term relations with a firm's existing customers and stakeholders and terminating some of these relationships where necessary in a manner that will be of benefit to all the parties involved (Harker, 1999; Grönroos, 1996). RM fosters partnerships, which ultimately lead to profitable exchanges (Kanagal, 2009); and helps firms, like banks, to acquire, retain and adequately satisfy their customers. Extant research has posited that there is relatively limited research on firms' RM activities online and how it influences other relationship marketing outcomes (Ghazi, Muhammed, Khalil, Fwwaz, & Raed, 2013; Huang & Shyu, 2009). For instance, some scholars have averred that there is a need to explore the complementarities between firms' online relationship building efforts and other relationship marketing outcomes, including the enhancement of customer loyalty (Brun, Rajaobelina & Ricard, 2014). As well, others such as Fam, Foscht and Collins (2004) have postulated the relevance of studying the incorporation of firms' relationship marketing activities online with other organizational practices and outcomes, to the advancement of existing knowledge on the role and potential of internet technology in relationship marketing. Authors such as Mukherjee and Nath (2007) and Kassim and Abdulla (2006), in response to the above issues, have made attempts at utilizing the Commitment-Trust Theory of Relationship Marketing (Morgan & Hunt, 1994) often with some minor modifications, to study the outcomes of firms' relationship marketing activities online. Their contributions, though valuable, tend to culminate in one result that the model can be further extended to measure the various aspects of firm-customer relationships online adequately.

More so, in broadening the appreciation of online relationship marketing practices, some authors have conceptualized and proposed certain activities - engagement and interactivity - which impact firm-customer relationships in the online context (Guo, 2014; Farquhar & Rowley, 2006). However, the relationships between these activities and customer commitment, trust and loyalty are yet to receive attention in Online Relationship Marketing (ORM) research. Also, the three dimensions of customer commitment - affective, calculative and normative - have often been overlooked in online customer relationship studies (see McCallum, Forret & Wolff, 2014). Though existing literature indicates that the ramifications of each of these three dimensions of commitment differ, they have often been lumped together and studied as one construct (see Jones, Fox, Taylor & Fabrigar, 2010). Hence, this study asserts that if online relationships are studied from the specific perspectives of customer commitment, it will arguably yield new insights. Calculative commitment is the focus for this current study since it considers the competitiveness of the firm's value proposition and is a significant predictor of customer churn rates (Gustafsson, Johnson & Roos, 2005).

On the other hand, there is relatively less representation of ORM research from developing economy contexts. Few studies have shared valuable insights that this study builds on (Mahmood, Kastner & Lartey, 2017; Boateng & Narteh, 2016; Lee, Lee, Taylor & Lee, 2011). For example, using the Ghanaian banking sector, Boateng and Narteh (2016) explored the relationships between ORM practices –

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