The Impact of Relational Capital on Commitment and Loyalty

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Abstract

The purpose of this paper is to have an empirically investigation on the impact of relational capital on commitment and Loyalty. The statistical population of this study is Retail Customers in the city of Qazvin. 110 questionnaires with multiple choice questions were distributed among sample individuals. In order to evaluate the relationship between variables and their impact on each other the partial least squares method and Smart-PLS software were used in analyzing the data. Empirical results confirm that relational capital has positive impact on affective commitment. but relational capital doesn't have a significant impact on calculative commitment. Also, affective commitment have a significant impact on the behavioral and attitudinal Loyalty. But calculative commitment doesn't have a significant impact on behavioral and attitudinal Loyalty.

Keywords: Relational Capital, Affective Commitment, Calculative Commitment, Behavioral Loyalty, Attitudinal Loyalty.

Introduction

The phrase social capital was originally used to describe relational resources that are useful for the development of individuals in community social organizations (Yim and Leem, 2013). The relational capital is a subsample of social capital (Durlauf et al. 2005). Relational capital is necessary condition for the establishment of social interaction that without this capital, social actors do not interact with each other. In fact, relational capitals focus on nature and quality of communication (Nahapiet and Ghoshal, 1998). Relational capital is comprised of the “socio-psychological aspects of the relationship that include the two important factors of mutual trust and commitment” (Scottie, 2012).

Relationship marketing approaches, in general, and services research, in particular, assert that obtaining customer loyalty is a preeminent goal for marketing strategy (Gwinner et al., 1998). Researchers often express customer loyalty as repeat purchases (rebuying or repatronizing), but customer loyalty also reflects the customer’s attitudinal state of intentions to repurchase (the likelihood of repurchase), (Evanschitzky, et al., 2006).

A logical antecedent to loyalty is the extent to which the customer desires to maintain a continuing relationship with the firm or brand, in other words, customer commitment (Fullerton, 2003; Uncles et al., 2003). Commitment is distinct from loyalty because commitment refers more to the economic, emotional and/or psychological attachments that the customer may have toward the brand, store, or service (Thomson et al., 2005). Such attachments are important precursors to loyalty since they are the fundamental appraisal mechanisms by which the customer determines whether and why to have a loyal relationship with a brand or firm (Beatty and Kahle, 1988).

The notion of commitment connotes an expected future behavior which may be relied upon. Commitment according to Dwyer, Schurr and Oh (1987) is an understood or clear relationship that is created between exchange partners. It is believed to imply a willingness to make short-term sacrifices to realize longer-term benefits (Dwyer, Schurr, and Oh, 1987).

A distinction is made between two types of commitment: affective and calculative commitment (continuance commitment) (Marshall, 2010). Affective commitment is the desire to maintain a relationship and is based on loyalty and affiliation (Gundlach et al, 1995). Calculative commitment is based more on
rational motives, focusing on termination or switching costs (Kumar, 1996). Morgan and Hunt (1994) argued that commitment was important in understanding customer-company relationships.

Researches suggest that there may be a positive relationship between commitment and relationship duration. Verhoef (2003) reported a positive effect of commitment on customer retention, and several studies found a positive relationship between commitment and customer loyalty, therefore, a positive effect of both affective and calculative commitment on relationship length. Empirical research on commitment's impact on loyalty finds positive impacts of commitment on various loyalty dimensions (Garbarino and Johnson, 1999; Gundlach et al., 1995).

To the extent that customer relationships with service providers provide value to service firms suggests that these relationships can be viewed as social capital (Jones, Taylor, 2012). There are some reasons for continuing the relationship between customers and firms, for example: a reason for continuing the relationship could be the high perceived costs of switching, especially for products or relationships that require extensive investments in learning. Past research shows that high costs are a major factor for remaining in a long-term relationship (Burnham et al., 2003; Jones et al., 2002). Whether due to repeated past behaviors or high switching costs, the consumer may develop an affective response to the service firm and also rule out the possibility of alternative relationship (Marshall, 2010).

This paper seeks to use relational social capital as a theoretical framework to examine the effect of these relationships on customer loyalty.

We designed research as follow: in the next part in theoretical foundation, research variables are introduced. In part three research model and hypotheses improved. In part four methodology, technique, sample and questionnaire are introduced, so, in part five, research results and measurement model analysis are released. Finally in the last part, we dissected about results and we some suggestions are provie for managers.

**Theoretical foundation**

In this section we provide a summary of related literature, which will be used in the conceptual model of research.

- **Relational capital**

  Relational capital refers to the types of relationships that people make during their interactions (Nahapiet and Ghoshal, 1998). Relational capital encompasses the characteristics and qualities of individual relationships. Therefore, issues such as shared history, trust, respect, and friendship are important. The relational dimension is associated with the qualities—good or bad—of ongoing relationships (Turner, 2011). Relational capital is necessary condition for the establishment of social interaction that without this capital, social actors do not interact with each other. In fact, relational capitals focus on nature and quality of communication (Nahapiet and Ghoshal, 1998). In sum, relational capital focuses on the kind of personal relationships decision makers of the partnering firms have developed with each other through a history of interactions (Bendoly et al., 2007). Granovetter (1985) identifies two types of relational capital: good (bridging) and bad (bonding). The first type is generally considered of good type, as it fosters cooperation and exchange of knowledge and is flexible (i.e. ties can be cut and/or modified at low costs). The second type is detrimental, since it bonds the agents reducing their decisional and functional autonomy so that, in the end, its performance is hindered (Migheli, 2013).

  This is often characterized through trust and cooperation and the identification that a particular individual has within a network of relationships.

- **Commitment**

  Commitment has been defined as an “implicit or explicit pledge of relational continuity between exchange partners” (Dwyer, Schurr and Oh, 1987). Commitment reflects a customer’s desire to maintain a valued relationship (Morgan and Hunt, 1994). It can be viewed as a force that binds customers to continue purchasing services, or products, from a particular seller, and is experienced by an individual as “frame of mind or psychological state that compels an individual toward a course of action”(Meyer et al., 2002). Garbarino and Johnson (1999) defined commitment in the business to customer (B2C) relation as “customer psychological attachment, loyalty, concern for future welfare, identification, and pride in being associated with the organization”.

  According to Anderson and Weitz (1992), committed partners are willing to invest in valuable assets specific to an exchange, demonstrating that they can be relied upon to perform essential functions in the future. Scanzoni (1979) argues that typically, the notion of commitment connotes solidarity and cohesion. However, he contends, we need to consider three measurable criteria of commitment, namely, inputs, durability and consistency. The inputs refer to the significant economic, communication and/or emotional resources that need to be invested in the relationship.
Many researchers have taken commitment as the key variable constructing the customer relationships (e.g. Christopher and Ballantyne, 1991; Brown, 1996; Gruen, Summers, and Acito, 2000). It is found that commitment might considerably decrease the probability of switching behavior, as a result of a motivation of reducing costs. In addition, it has been found in the literature that commitment leads to behavioral loyalty (Frow, 2007).

Frutos and Miguel (1998) also conducted, a theoretical model with four separated scales: continuance commitment (cost of abandoning), continuance commitment (low alternatives), affective commitment and normative commitment, show a significant improvement in its capacity of explanation. The measurement scales of ‘continuance commitment’ are widened in congruence with the new conceptualization (Gonzalez and Guillén, 2008).

- **Affective Commitment**

  Affective commitment involves the desire to maintain a relationship that the customer perceives to be of value (Morgan and Hunt, 1994). Affective commitment incorporates the underlying psychological state that reflects the affective nature of the relationship between the individual customer and the service provider (Gundlach et al., 1995; Kumar et al., 1995). As Allen and Meyer (1990) and Geyskens, et al., (1996), affective commitment can be defined as a party's willingness to maintain certain relationship. Instead of instrumental worth or utility benefit, people choose to maintain such relationship out of the own sake of this relationship (e.g. the pleasure or the sense of belonging derived from such relationship). Mowday, Porter and Steers described that affective commitment is “the relative strength of an individual's identification with and involvement in a particular organization” (Mowday, et al., 1982); as Meyer and Allen (1997) said, since affective commitment is linked with productive behavior aimed at contributing meaningfully to the organization, it is often seen as the most valuable part for building commitment for an organization. In particular, Jaros, et al., (1993), referred ‘affective dimension’ to explain the bond to an organization as an affective attachment that includes feelings like: “affection, warmth, belongingness, loyalty, fondness, pleasure, and so on”. This concept is labeled as ‘affective commitment’ (Gonzalez and Guillén, 2008).

  Affective commitment or the psychological motivation to be in a long-term relationship contributes to feelings of attachment and identification with the brand or the firm (Fullerton, 2003). Such feelings also contribute to a “partnership” relationship between the consumer and the brand or the service firm (Fournier, 1998). The immediate resulting impacts of such feelings are on consumer patronage of the brand or the firm.

- **Calculative Commitment**

  Calculative commitment, derived from economic motives, is likely to be more important than affective commitment in influencing purchase behavior, as consumers consider costs and benefits of the service (Marshall, 2010).

  Unlike affective commitment, the cause of calculative or continuance commitment is the assessment of switching costs of leaving the original counterpart in a relationship. If the calculation of costs and benefits of available alternatives or substitutes of previous choice show the higher gains for customer, then they have the higher possibility to maintain a relationship (Bloemer and Dekker, 2007). This means that customers will calculate the benefit of stay and deduct the cost of leaving, if the result is plus, then the customers will stay in the original choice as probably. As Kanter said, continuance commitment involves “profit associated with continued participation and a ‘cost’ associated with leaving” (Kanter, 1968).

  Next “continuance commitment” -calculative commitment- has been extended in two dimensions: ‘high sacrifice’ and ‘low alternatives’. The high sacrifice means “the personal cost of discarding and losing an investment in an organization” and the low alternatives means “there are few existing alternatives feasible for the personal individual” (Hackett, et al., 1994).

- **Loyalty**

  The concept of loyalty has a long history in the academic literature. Within the relationship marketing, articles focused on the subject of brand loyalty can be traced back to the early 1920s (Copeland, 1923). Loyalty is an important issue because it has a positive impact on the company's bottom line. This is because it is easier, more direct and less expensive to sell to existing customers (Barlow and Moller, 1996). Loyalty is defined as a commitment which is formed profoundly about being a steady customer or purchasing the preferred product or service again in the future. Loyalty will provide a repetitive buying of the same product or service despite the marketing efforts or situational effects (Oliver, 1997). Bowen and Chen (2001) have classified loyalty as behavioral and attitudinal. Behavioral approach defines loyalty as a way of behavior. The consistent and repetitive purchases are the indicator of the loyalty. However, every steady buying is not a loyalty; these steady and repeat purchases may be originated from the situational affects such as low price and close proximity (Hartmann and Ibanez, 2007). Loyal customers can be very helpful for the service companies to improve service quality, as they are willing to communicate with the company in a positive way.
The reason for loyalty can be diverse. Oliver (1997) believed that the customer loyalty means that customers may purchase the product under the environmental impact or the marketing events prompt the transformation that possibly hidden in customer behavior, but they would not change their commitment of repeated purchase and further purchase intention with the preferred product/service. Maintaining customer loyalty in the long-term could be one of most important strategies for financial service industry. As Steyn (2000), said that loyalty brings growth in customer base and following benefits for an industry. Therefore how to develop the potential customer value through maintaining satisfaction and then loyalty of customers is at the heart of most service industry. Loyalty was represented by two dimensions – attitudinal loyalty and behavioral loyalty. Both behavioral and attitudinal loyalties are important concepts in understanding long term customer relationships, especially when it is important to predict future patronage by the customer (Marshall, 2010).

- **Attitudinal Loyalty**
  
  Attitude was defined by Oliver (1980) as a consumer’s relatively lasting affection towards an object or an experience. Attitudinal loyalty reflects the customer’s psychological disposition toward the same brand or same brand-set. As such, attitudinal loyalty reflects favorable attitudes toward the brand or organization (Dick and Basu, 1994). Attitudinal loyalty towards a brand or firm is enhanced when the relative strength of the attitude toward the brand or firm is stronger as compared with other brands or firms. Building attitudinal loyalty involves more than simple transactional marketing incentives; positive attitudes towards one’s brands or firm must be cultivated over a longer term relationship horizon (Kumar and Shah, 2004). Attitudinal Loyalty is the consumers’ psychological disposition toward the same brand or brand-set and involves the measurement of consumer attitudes (Fournier, 1998).

  The role of attitude in customer loyalty is vital, since it is required a previous positive attitude to consider a repetitive behavior as true loyalty (Garci’a Go’mez, et al., 2006).

- **Behavioral Loyalty**
  
  Much of the original work on loyalty defined it in behavioral terms (repurchase or purchase frequency), and then later admitted an attitudinal component (Jacoby and Chestnut, 1978). Behavioral loyalty reflects customer actions and involves the measurement of past purchases of the same brand or from the same brand-set and/or the measurement of probabilities of future purchase given past purchase behaviors (Ehrenberg, 1988).

**Research model and hypotheses**

In this paper we investigate the impact of relational capital on commitment and loyalty. Figure 1 shows the theoretical model postulated. 6 hypotheses were developed for this study:

- We estimate that relational capital influence customers behaviors. So, we propose the main hypothesis as follow:

  H1: There is a relationship between relational capital and affective commitment.

  H2: There is a relationship between relational capital and Calculative commitment.

  Commitment has a significant role in cultivating attitudinal loyalty, since commitment reflects the customers’ self-evaluation of the consumption context and the active decision to engage in a long-term relationship with a brand or a firm (Marshall, 2010).

  H3: There is a relationship between affective commitment and attitudinal loyalty.

  H4: There is a relationship between affective commitment and behavioral loyalty.

  H5: There is a relationship between Calculative commitment and attitudinal loyalty.

  H6: There is a relationship between Calculative commitment and behavioral loyalty.
Methodology

In this part we present the research analysis technique, sample and questionnaire.

Technique
In this study, we used the partial least squares (PLS) method with SMART-PLS software for data analysis. (Wold, 1975) developed the PLS technique to address problems of modeling data in the social sciences, such as violations of distribution assumptions or small sample sizes. We used PLS method in this research study due to several factors. One, PLS method is required a smaller sample size in comparison with other structural equation methods. Two, PLS method does not require the normality of observation independence, data distributions or variable metric uniformity. Three, PLS method is a useful tool to support the early stages of theory development (Avery, 2010).

Sample
The sample size in Partial Least Squares model must be 1) greater than 10 times the largest number of formative indicators 2) greater than 10 times the largest number of structural paths leading to a latent variable (Fazli, Hooshangi, and Hosseini, 2013). The questionnaire was distributed to retail customers in five different regions of Qazvin, Iran. 118 answered the questions, but 8 questionnaires were not valid and therefore 110 questionnaires were valid. According to the model, 110 questionnaires were collected are greater than required sample size.

Questionnaire
To assess and measured the effect of social capital on motivation and consumer loyalty, we used the questionnaire consist of 28 question arranged as per the likert 7-point scales ranging from strongly disagree to strongly agree. Section A, was made up off 12 question for relational capital (including 3 question for trust, 3 question for identification, 3 question for norm of reciprocity and 3 question for dependence). Section B, was made up of 12 question for Commitment. Section C, was made up 4 question for loyalty. Section D, was aimed at eliciting the demographic details, especially the Number of visits in the past year. We used composite reliability, cronbach alpha, and factor loading to analyze the reliability of the items and constructs. To examine convergent validity, we used average variance extracted (AVE). Finally, In order to examine discriminant validity, a construct’s square of AVE must be greater than its correlation coefficients with other constructs. The results of these tests are presented in the results section.

Research Results
• Measurement model analysis
  - Reliability
    (Fornell and Larcker, 1981) have proposed two criteria for reliability. 1) Factor loading for validity of each item, 2) cronbachs alpha or composite reliability for internal consistency reliability. Considering that cronbach
alpha provide more stringent estimates of internal consistency, the pls path models uses composite reliability (Yim and Leem, 2012). No matter which coefficient is used, only the internal consistency reliability value should be above 0.6. In this study, we used the both coefficient to assess internal consistency reliability. The composite reliability and cronbach alpha for all constructs is greater than 0.891 and 0.764 which exceed the suggested value of 0.7 that means all the construct have high internal consistency and reliability. Table 1 sumarize the composite reliability and cronbach alpha.

<table>
<thead>
<tr>
<th>Variable Constructs</th>
<th>Composite reliability</th>
<th>Cronbach’s Alpha</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relational capital</td>
<td>0.944</td>
<td>0.921</td>
<td>0.724</td>
</tr>
<tr>
<td>Calculative Commitment</td>
<td>0.904</td>
<td>0.907</td>
<td>0.613</td>
</tr>
<tr>
<td>Behavioral Loyalty</td>
<td>0.892</td>
<td>0.764</td>
<td>0.526</td>
</tr>
<tr>
<td>Attitudinal Loyalty</td>
<td>0.939</td>
<td>0.870</td>
<td>0.685</td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>0.891</td>
<td>0.852</td>
<td>0.577</td>
</tr>
</tbody>
</table>

(Fornell and Larcker, 1981) have proposed that factor loading be used to assess the reliability of items. All factor loading are higer than 0.715 which exceeds the suggessed value of 0.6. figure 3 demonstrate all factor loadings for all items.

- Validity

We used two validity subtypes For assessing the validity: convergent validity and discriminant validity. Convergent validity signifies that a set of indicators represents one and the same underlying construct, which can be demonstrated through their unidimensionality (Henseler, Ringle, and Sinkovics, 2009). convergent validity is adequate when constructs have an average variance extracted (AVE) of at least 0.5 (Fornell and Larcker, 1981). Table 1 presents the AVE measurment- all of which exceeded 0.5 demonstrating support for convergent validity.

Discriminant validity measures whether the latent variables are separate from each other and measure distinguish able concepts (Scott , 2012). In order to examine discriminant validity, a construct’s square of AVE must be greater than its correlation coefficients with other constructs (Fazli, Hooshangi, and Hosseini, 2013). Table 2 list the corrations between constructs with square root of AVE on the diagonal. All of diagonal values exceed the interconstruct correlations, therfore the test for discriminant validity is acceptable.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affective Commitment</td>
<td>0.759</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudinal Loyalty</td>
<td>0.352</td>
<td>0.827</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Behavioral Loyalty</td>
<td>0.227</td>
<td>0.214</td>
<td>0.725</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calculative Commitment</td>
<td>0.103</td>
<td>0.089</td>
<td>0.011</td>
<td>0.783</td>
<td></td>
</tr>
<tr>
<td>Relational capital</td>
<td>0.434</td>
<td>0.396</td>
<td>0.293</td>
<td>0.125</td>
<td>0.850</td>
</tr>
</tbody>
</table>

- Structural Model Analysis

To test the hypothesized relationships between the variables, we used path coefficients and R square. Also to estimate the significance of the path cofficient, we used the bootstrapping method as recommended by (Chin, 1996). The figure 2 and 3 shows R square, the path cofficient, and t value for hypothesis. Table 3 summarize the result of analysis for proposed model.

<table>
<thead>
<tr>
<th>Path</th>
<th>Path Coefficient</th>
<th>T Statistic</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relational capital</td>
<td>Affective Commitment</td>
<td>0.535</td>
<td>5.877</td>
</tr>
<tr>
<td>Relational capital</td>
<td>Calculative Commitment</td>
<td>0.126</td>
<td>0.730</td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>Attitudinal Loyalty</td>
<td>0.650</td>
<td>11.020</td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>Behavioral Loyalty</td>
<td>0.532</td>
<td>7.201</td>
</tr>
<tr>
<td>Calculative Commitment</td>
<td>Attitudinal Loyalty</td>
<td>0.023</td>
<td>0.268</td>
</tr>
<tr>
<td>Calculative Commitment</td>
<td>Behavioral Loyalty</td>
<td>-0.043</td>
<td>0.356</td>
</tr>
</tbody>
</table>
Discussion and Conclusion

This study examined the effects of relational capital on commitment and loyalty. The results reveal the impact of the relational capital on affective commitment but no impact of relational capital on calculative commitment. The results of data analysis showed on the tables, so, the research hypotheses results are as follow:

The impact of relational capital on affective commitment is confirmed. The path coefficient is (0.535) and t statistic (5.877), so the hypothesis support. It means that relationship among customers plays significant role creates affective commitment in customer behavior. It shows that factors such trust can influences customers affective commitment. So, the managers should take more attention to create close relation with their customers.

The second hypothesis represents relational capital impact on calculative commitment. According to path coefficient (0.126) and t statistic (0.730) this hypothesis is rejected. It means that there is no relationship between relational capital and calculative commitment. Maybe the reason is because of even if consumers
are engaged in a relational partnership, they may hope to get out of the relationship if they feel they are trapped and don’t want to pursue their purchase.

Third and fourth hypotheses are investigating the relationship affective commitment, attitudinal loyalty and behavioral loyalty. As the results show both of these hypotheses are accepted. It means there are positive relationship between affective commitment and customer loyalty dimensions. The path coefficient and t statistics’ (β= 0.650, t= 11.020) for affective commitment and attitudinal loyalty, revealed that the characteristics of affective commitment with its feelings of attachment and partnership have the impact of consumer patronage and so that affective commitment would also have a positive impact on behavioral loyalty, the relationship between affective commitment and behavioral loyalty (β= 0.532, t= 7.201), meaning that the customer is loyal because he or she wants to be loyal, and commitment influences consumers' attention to come back again. The results adopted by these research results, (Dowling and Uncles, 1997; Menon and O'Connor, 2007; Marshall, 2010).

The last hypotheses of this research are related to testing calculative commitment impact on customer attitudinal and behavioral loyalty. path coefficient and t statistics are such as follow calculative commitment and attitudinal loyalty (β= 0.023, t= 0.268) and calculative commitment and behavioral loyalty (β= -0.043, t= 0.356). Both of them are rejected, and there are no relation between calculative commitment and loyalty dimensions. It means that for customers calculative behaviors is not important because they need affective behaviors from the retailers to be loyal, such as trust. These result are the same line with (Fullerton, 2003; Meyer and Allen, 1990; Marshall, 2010) research results.

According to the research results there are many applications for retailers' managers that we mention few of them.

- The results of the most researchers are related to developed countries, so, cannot be useful for Iran. This paper was examined customer behaviors in Iran, with the special culture about customers.
- Retailers, should pay more attention to customer and his or her loyalty, is should be better that they pay more attention to customers needs, and keep close relationship with them to take a comprehensive understanding of their behaviors.
- This research results can help managers for investigating in true way for creating loyal customer for their market, and finally to reach the high market share and competitive advantages, against their competitors.
- Of course we provide some suggestions for future researchers.
- Regarding the importance of commitment, customer satisfaction and loyalty, it is proposed that this kind of researches to be done in manufacturing companies.
- We suggest that a questionnaire containing with commitment new measures distribute between customers for best analyze of indicators.
- The cultures are very different, so, we propose this research to be done in other parts of country for giving a comprehensive understand of customer loyalty and compare the results to determine differences.
- Investigate that how non-human factors such as data errors, can impact customer satisfaction and loyalty.
- In the future research, the impact of all factors indicators investigate separately and analysis each one's impact on the others for improving customer loyalty.

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