Perceived Customer Relationship Quality and Loyalty Behavior of Golf Club Customers

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The total market size of the Korean golf industry increased 63.8% from 2 trillion (won) in 2004 to 3.2 trillion (won) in 2008. The market will continue to grow up to 4 trillion (won) by the year 2012 (Seo, 2010). Meanwhile, the number of both public and private golf courses escalated 224% from 96 courses in 1995 to 311 in 2008, and the total number expects to go over 400 within the next few years. The number of golfers has increased extensively from 8 million in 1995 to 24 million in 2009, and expects to surpass 27 million by the year 2012 (Leisure Industry Research Institute, 2009). The vast development of the industry proves that the popularity of golf is at its best. Nevertheless, recent display of intensified competition and market stagnation signify that a gradual decline in the relative number of customers per golf club is inevitable (Seo, 2010). This phenomenon will eventually cause sales reduction and profit loss. Therefore, the key to future success is how efficiently and effectively golf clubs can manage the relatively fixed amount of customers at hand, precisely in regards of acquisition and retention. Hence, implementing a cost efficient and operation effective customer relationship management program (CRM) based on relationship marketing theory is in great need. CRM enhances customer retention, lowers operational costs, effectively reduces customer defection, promotes customer lifetime value, and improves profiling and targeting efforts (Boulding et al., 2005). Concisely, CRM offers great potential for improving long-term customer relationship and enhancing profitability (Rigby & Ledingham, 2004). For these reasons, CRM is in vogue. It has been increasingly adopted as a core business strategy and a technology initiative in variety of companies across multiple industries (Lindgreen et al., 2006). However, CRM in sport is still uncommon (Beasty, 2007) and its practice is rudimentary (Weinberger, 2004). Most importantly, relationship marketing, which is the foundation of CRM, is yet fully understood in the context of sport (Kim, 2008). Little empirical work has been done in this area. Specifically, the relationship between perceived relationship quality and other variables have not been investigated meticulously (Kim, 2008; Kale, 2004).

The purpose of this study was not in developing a full scale of CRM system. Rather it focused on providing a stepping-stone that leads to the eventual development of CRM studies in sport by tapping the structural foundation of relationship quality construct and its association with variety of variables. Specifically, to discover insights pertaining to the formation of relationship quality construct and its structural nature in the context of golf, and to discover the mediating effects of service value and customer satisfaction in the association between relationship quality and outcome variable (word-of-mouth). The target population for this study was the members of a public golf club located in the city of Incheon, Korea. An online survey was performed and obtained 2,339 valid samples. Relationship quality is formed as a second order model with six sub-dimensions (trust, commitment, relationship satisfaction, intimacy, mutuality, and communication). Service value aligns parallel with relationship quality, and customer satisfaction comes between the two constructs and outcome variable, which is word-of-mouth.

Survey items were developed based on extant studies of relationship marketing and related articles. Thereafter, the items followed the procedure of expert and scholarly review to confirm the conceptual and methodological issues associated with the survey. Two items from Kim (2008) and one item from Fletcher et al., (2000) were modified to measure Trust. As for Commitment, four items were adapted and modified from Fletcher et al., (2000). Three items were adapted from Fournier (1994) and Spake et al., (2003) to measure Relationship Satisfaction. Four items developed by Fletcher et al., (2000), and Fournier (1994) were modified to assess Intimacy. The items to measure Mutuality and Communication were newly developed by the researcher based on extensive literature review and theoretical presentations by various scholars such as Siguaw et al., (1998), and Morgan and Hunt (1994). The study adapted four items from Babin and Darden (1994) to measure Service Value. Four items were used to measure Customer Satisfaction (Cronin and Taylor, 1992). Lastly, four items developed by Maxham and Netmeyer (2004) were modified to measure Word-of-Mouth. All items were presented on a 7-point Likert-type scale.

The study conducted data analysis in the order of descriptive, reliability, and confirmatory factor analysis, structural equation modeling. SPSS 15.0 and AMOS 8.0 were utilized to analyze the data. Descriptive analysis revealed that
93.4% of the participants were males and 6.6% were females. The average age was 43 years old (M=43.7, SD=7.6) and participants with monthly income over $5,000 constituted 66% of the population. Absolute values for skewness and kurtosis were lower than 2 and 3, respectively. Thus, data normality was secured (Park, 2005). Cronbach’s α test generated .890 to .972 for all measurement items. Confirmatory factor analysis for relationship quality ($\chi^2$/df=4795/483=6.6, SRMR=.046, TLI=.950, CFI=.954, & RMSEA=.062) and structural equation model ($\chi^2$/df=4816/484=9.9, SRMR=.047, TLI=.950, CFI=.954, & RMSEA=.062) indicated good model fit indices under the standards of Hu and Bentler (1999). All path coefficient values were positive and significant at p<.001. The values ranged from 0.27 (customer satisfaction to word-of-mouth), 0.58 (relationship quality to word-of-mouth), 0.59 (relationship quality to customer satisfaction), 0.39 (service value to customer satisfaction) to 0.70 (relationship quality to service value & service value to relationship quality). The highest C.R. value was 28.8 for the path from relationship quality to customer satisfaction and the lowest was 8.9 from customer satisfaction to word-of-mouth. Standard error ranged from 0.013 to 0.29.

First, the examination of the six first-order latent factors; trust, commitment, relationship satisfaction, intimacy, mutuality, and communication, proved to be valid dimensions of perceived relationship quality construct and that it is formed as a second-order model. Second, the structural equation model analysis provided evidence that relationship quality has a significant effect on word-of-mouth directly and indirectly via customer satisfaction. Relationship quality and service value co-effects each other. Moreover, service value has a significant effect on customer satisfaction and customer satisfaction has a significant effect on word-of-mouth. In addition, customer satisfaction and service value proved to be worthy of playing an important mediating role between the predictor and dependent variables. In brief, the fact relationship quality is formed as a second-order model is consistent with the findings from previous researches. This supports the theory that regardless of different relationship quality constructs and sport context, relationship quality is formed as a second-order model. Furthermore, the findings that relationship quality has a positive effect on word-of-mouth, and service value and customer satisfaction mediates in between were untapped in previous literatures. This result adds dimension to relationship marketing studies. Hence, sport managers can utilize the information provided in this research to better profile customers and efficiently allocate resources to promote higher retention rate, enhance customer value and profitability, lower operational costs, and promote up-selling and cross-selling. This in turn will aid golf clubs to gain competitive advantage necessary for business survival and unremitting success.