

The Moderating Effects of Service Innovation on Relationship Quality

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Abstract: Nowadays, relationship marketing (RM) has become one of the most widely discussed marketing theories. In addition to achieving consensus, the most important result of RM is the retention of customers. However, it has not been theorized and discussed in terms of the effect of service innovation on the quality of relationships. This study empirically identifies the important service indications in marketing, i.e., customer value, satisfaction, trust, and loyalty and the developing path among these indicators. Additionally, the study also shows that good customer experience, quality of interaction, and innovative services can strengthen the path to developing customer loyalty.

Key words: relationship marketing; service innovation; interaction quality; customer experience; customer loyalty

JEL code: M

1. Background

According to Grönroos (1994), relationship marketing (RM) represents a shift in marketing that emphasizes the development of relationships with customers through activities of acquisition, and more importantly, retention. Thus, it is recognized as an integral contributor to business success and a key source of competitive advantage (Danov et al., 2003). The imperative RM strategy is to achieve competitive advantage and, thereby, superior financial performance (Madhavaram & Hunt, 2008). Over the past years, RM has probably been the major trend in marketing but also the most controversial marketing scheme. Scholars commonly consider RM to be a marketing management and customer services tool, emphasizing a long-term objective of high customer commitment and interactive contacts through the mutual giving and fulfillment of promises (Berry, 1983; Gummesson, 1987; Copulinsky & Wolf, 1990; Blomqvist et al., 1993; Grönroos, 2010). Yet, there is a significant body of literature on RM and its adoption/implementation that deals with its conceptual or subjective aspects. A large percentage of the work deals primarily with ideas and speculations and its theoretical development and empirical analysis are much less studied.

Numerous definitions of RM have been offered (Berry, 1983; Berry & Parasuraman, 1991; Gummesson, 1994; Grönroos, 1996; Morgan & Hunt, 1994; Sheth, 1994; Sheth & Parvatiyar, 1995) and although the perspectives on RM differ, one common objective is the development of long-term relationships with customers and therefore, customer retention and development of their loyalty is central to RM. The goal is to strengthen the

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relationship with the customers. Grönroos (1994, 1995) and Gummesson (1997) explained that in RM enables the maintenance of a long-term relationship with customers, while transactional marketing is transactional and short-term in nature. In other words, RM is rooted in transactional marketing, i.e., single trade, and market share oriented, focusing on attending to customer satisfaction. However, it also incorporates quality interactions with the customers. Hence, the ultimate goal of RM cannot be achieved by an individual marketing plan but is influenced by many marketing issues and customer attitudes, such as customer satisfaction and quality of service.

Customer value systems in marketing strategies are important in influencing customer behavior, the same as those in RM (Grönroos, 2004). Marketing managers need to recognize customers' values and the value-generating process, products/services, information, and other elements through satisfactory and successful interaction processes. Hence, while developing long-term customer relationships, the ability to provide superior value to customers is a must. In a comprehensive study, Boier (2014) found that proactive customer orientation has a positive effect on the "value-satisfaction-loyalty chain". In addition, many researchers have identified in the antecedents to creating customer loyalty, the key elements such as satisfaction, trust, communication, commitment, relational bonds, and interdependence cannot be ignored (e.g., Deighton, 1996; Muniz & O'Guinn, 2001; Kumar et al., 2003; Sheth & Shah, 2003; Muniz & Schau, 2005).

Some studies have presented innovation and marketing in the modern economy, as the two fundamental aspects central to a company's ability to gain a competitive market (Ngo and O'Cass, 2013; Nguyen et al., 2016). Roy et al. (2004) stressed that innovative marketing influences the value of all parties in the market and seeks to create all of the service elements of the "value-satisfaction-loyalty chain". Socio-technical theory classifies innovations into two parts — a technical one (or hard innovation) in product developments and non-technical one (or soft innovation) in management, sales, and marketing (Ngo & O'Cass, 2013). To date, studies of the adoption of innovation adoption all too often focus only on the hard part and do not fully integrate the soft changes in management practices that are essential for the service innovations (e.g., Gruner & Homburg, 2000; Athaide et al., 2003; Bonner et al., 2004). The focus of service innovations should not just emphasize technology development in trade, but should also consider the resource-based advantages for the exchange of information and knowledge available in the market (Hunt & Morgan, 1996; Grewal et al., 2004). Several areas of marketing have recently focused on RM, including inter-organizational issues associated with technology innovation in the context of a buyer-seller long-term partnership. In particular, studies are lacking on the influence of non-technical innovation on RM, especially for the customer service industries.

Taking the customers' perspective and understanding the customers' engagement in relationships with a company are important for both marketing practitioners and scholars. To develop an effective theory of RM, it is necessary to understand the pathway to the development of customer loyalty. When customers reduce their available market choices and engage in a relational market by patronizing the same companies in subsequent choice situations, non-technical innovations play as important a role in RM for service businesses as the technical ones and are effective in the long-term inter-organizational partnership. The argument is that since there is no general theory of innovation affecting the success of RM in service businesses, this study draws on an establishment of customer behaviors and the RM literature to suggest that adoption of service innovation by service providers would reinforce their customers' loyalty.

This article starts by outlining a theoretical framework built on literature from retail management as well as on consumer behavior and RM. The framework is intended to give guidance on customer experience and interaction quality, acting as important as service innovation in RM in retail businesses. The framework presents

an empirical verification to understand the sequence of the development of customer loyalty development and some important intervening effects on this development.

2. Literature Review and Research Hypotheses

It is essential for companies to retain their current customers for business benefits. Raman (1999) described loyal customers as the “fantastic marketing force” of companies. They not only contribute by repeating patronage but also provide recommendations and spread positive word of mouth to others. Loyal reduce marketing expenditure for attracting new customers and improved organizational profitability (Rowley, 2005). Other benefits of loyal customers for companies are reducing the cost of service, requesting less product information, and providing less risks on the completion of transactions (Bowen & Chen, 2001; Styles & Ambler, 2003). Customer loyalty can be seen as the attachment of a customer to a brand, store, manufacturer, service provider or other entities, based on favorable attitude and behavioral responses, for example, repeat purchases (Baran et al., 2008).

In business, before a company maintains a positive relationship with its customers, several desirable outcomes are likely to occur (Kotler, 2000). In general, the evaluating indicators of marketing effects include customer value, satisfaction, and trust, which are the key influencers of customers’ judgment toward their behavioral intentions and their actual behavior (e.g., Zeithaml et al., 1996; Anderson & Narus, 1998; Garbarino & Johnson, 1999; Cronin et al., 2000). There is a converging view that in service marketing, customer value is an important antecedent to business outcomes such as word-of-mouth and repeated behavior (Woodruff, 1997; Srivastava & Singh, 2010). Without the trigger of customer value, customer satisfaction after a transaction would not be perceived. As a result, several studies have emerged using service evaluations and RM insights (Fullerton, 2005; Nyadzayo & Khajehzadeh, 2016) to argue that customer value, satisfaction, and trust in an RM approach are crucial in building and maintaining long-term relationships and enhancing customer loyalty (Gwinner et al., 1998).

However, the efficacy of the link to customer loyalty through the marketing/service judgment has been questioned. Some researchers have noted that a business should not merely emphasize customer satisfaction as the main and direct driver of customer loyalty (Rust et al., 1995). Evidence has shown that less than one-quarter of satisfied customers would make repeat purchases with the same company (Szymanski & Henard, 2001). In addition, although prior research supports the positive direct effect of customer value on customer loyalty (Iacobucci, 2006; Zeithaml et al., 1996), there is an emerging stream of studies showing that under some conditions, the effect of customer loyalty is somewhat stronger or weaker (Fullerton, 2005; Wang, 2010). However, the service variables affecting this link, i.e., making it stronger or weaker, are still unclear (Cronin et al., 2000; De Matos & Rossi, 2008).

The conceptual framework of RM (shown in Figure 1) is consistent with the existing research - the antecedent effects and the link to customer loyalty. However, to leverage the marketing and service efficacy with these evaluation indicators on customer loyalty, there are other important factors associating with the RM concepts that moderate all relationships within this link. Hence, the direct link to customer loyalty and some factors that affect this link are explained and discussed in the following sections.

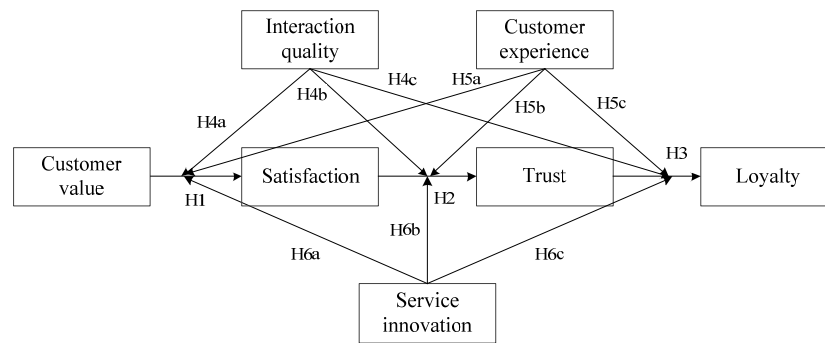


Figure 1 Conceptual Model

2.1 The Direct Link to Customer Loyalty

Customer value represents a customer's overall assessment of the utility of a transaction based on a perception of what is received and what is given (Zeithaml et al., 1990). Thus, customer perceived value includes the basis of a customer purchase decision and the consequence of perceived service, thus making it essential to the understanding of customer behavior (Parasuraman, 1997; Slater, 1997). Hence, the RM perspective is based on the notion that on top of the value of products and/or services that are exchanged (Grönroos, 2000).

Customer satisfaction denotes a positive and affective state resulting from the appraisal of all aspects of a trade. According to Weiner (1986) and Oliver (1993), a human's cognitive thinking procedure trigger responses, suggesting that customer value, considered a cognitive construct of capturing the subjective comparison between benefits and sacrifices, principally affects an evaluative response, i.e., customer satisfaction, when the benefit-sacrifice discrepancy is positive. When customers evaluate a combination of quality, service, price, and time, their satisfactory reaction to their requirements is produced by this customer perceived value triad (Naumann, 1995). Service management literature has constantly examined the role of customer value as an antecedent of customer satisfaction in a transaction or relationship. Although some research has studied service quality as an antecedent of customer satisfaction (e.g., Rust & Oliver, 1994; Mosahab et al., 2010; Liao, 2012), as Lam et al. (2004) pointed out, ignoring sacrifice components, would be produced when a compensation (i.e., reducing the sacrifice) is offered after a service failure, implicating sacrifices were taken into account by customers within their judgment of the outcome.

In the relationship quality model, relationship quality, as a higher-order construct (Anderson and Gerbing, 1988), is composed of two basic elements, namely satisfaction and trust, which reflect the overall strength of a relationship and the extent of which it meets the needs and expectations of customers (Crosby et al., 1990; Wray et al., 1994; Kim & Cha, 2002). Customers perceive higher relationship quality indicating that they receive consistent satisfactory services that fulfill their expectations, predictions, goals and desires and they then develop trust in the service providers and the transactions since they rely on the service providers' reliability (Crosby et al., 1990).

An on-going relationship may offer customers security, which is a feeling of control and a sense of trust and minimized purchasing risks (Grönroos, 2004). Customer satisfaction is also often a useful predictor of trust since their trust is built on their expectation from the service providers (Dwyer et al., 1987; Smith, 1998). Past research has shown a link between trust and customer loyalty. Customer trust is widely recognized as a critical component of successful relationships in service marketing and hence it is identified as an antecedent of the closeness of a relationship (Morgan & Hunt, 1994; Garbarino & Johnson, 1999; De Wulf et al., 2001; Hennig-Thurau et al.,

2002; Lendel & Varmus, 2015).

Thus, the path to developing customer loyalty in RM starts with customer value through satisfaction and trust.

Hypothesis 1: Customer value positively affects e-shopping customer satisfaction.

Hypothesis 2: Customer e-shopping satisfaction positively affects customer trust of the e-retailer.

Hypothesis 3: Customer trust of the e-retailer positively affects their loyalty to the e-retailer.

2.2 The Moderating Effect of the Path To Developing Customer Loyalty

A relationship is successful only when the social distance is minimized and a close relationship is said to be established, leading to the achievement of the objectives (Ford, 1980). Håkansson and Snehota (1995) noted that customer relationship is an integral part of the interactive approach to marketing. Interaction has been identified as an important characteristic of relationship development and extensive interaction results in relationship closeness. Intense interaction between service providers and customers results in notable service characteristics that influence customers' attitude to the brands and service providers (Ramani & Kumar, 2008). Grönroos (2004) also noted that communication and interaction are the key processes of the RM. Through excellent communication and interaction, customers can obtain psychological benefits (Hsieh & Change, 2004). Thus, RM is also termed as a marketing approach to long-term interactive relationships and interactive marketing (Gummesson, 1987; Jarvelin & Lehtinen, 1996; Grönroos, 2011).

Interaction quality refers to a customer's perception of their interaction with the service providers during the transactions. In the service context, customers can face considerable uncertainties that could possibly lead to service failure and expectation being ruined. Relationship quality is achieved through the service providers' communication abilities to reduce perceived uncertainties (Zeithaml, 1981). Recently, many empirical studies have supported the idea that higher interaction quality pertains to customer satisfaction and loyalty (e.g., Brown & Beale, 2008; Alotaibi et al., 2011; Ioannou & Melanthi, 2015) as well as to customer trust (Gremler & Gwinner, 2000; Hennig-Thurau et al., 2002; Auh, 2005).

Further, in the observational learning theory, information through social interaction helps customers understand services or products more thoroughly prior to their decision to purchase (Bandura, 1977; Bikhchandani, et al., 1998) and might also shape their expectations of the services (Zeithaml & Bitner, 1996; Bansal & Voyer, 2000). This theory explains that customers' gathering information from others helps them eliminate the need for complex mental processing efforts in making a decision. In recent years, a great deal of research has suggested that online customers who participate in social interaction activities are more likely to be guided to make purchases (Liang et al., 2012; Wang & Zhang, 2012; Curty & Zhang, 2013; Huang & Benyoucef, 2013; Hajli, 2014; Wang & Hajli, 2014; Hsiao & Wang, 2015; Luarn et al., 2015).

Many companies have adopted Facebook as a platform for customer services and communication. Empirical studies have found that service providers who construct a better social reality than others encourage the customers to show more motivation for their business activities and brand/business involvement in the virtual commerce environment (Haferkamp & Krämer, 2011). As yet, the role of social interaction still remains vaguely understood in RM, and the link between social interaction and the path to the development of customer loyalty has not been examined. Interaction quality is conceptualized into two forms: sociality communication with service providers (Alotaibi et al., 2011) and word-of-mouth communication in social interaction (Wang & Yu, 2015) and it is argued that it is the essential element to capture the higher interaction quality that reinforces the path to the development of customer loyalty in RM.

Hypothesis 4: A customer's interaction quality moderates the path from customer value through loyalty.

Hypothesis 4a: A customer's interaction quality moderates the influence of customer value on satisfaction.

Hypothesis 4b: A customer's interaction quality moderates the influence of satisfaction on customer trust.

Hypothesis 4c: A customer's interaction quality moderates the influence of customer trust on customer loyalty.

Customer experience is perceived as a customer accumulating outcomes of discrete transactions over time. It represents a personal and subjective description of customers' emotionality responding to business incidences including any direct or indirect business contacts (Holbrook & Hirschman, 1982; Zomerdijk & Voss, 2010). The main point is that customer experience is memorable and speaks to the individual's personal sphere (Pine & Gilmore, 1998).

Crosby et al. (1990) asserted that the best predictor of the likelihood of customers' future contacts with service providers is the quality of the relationship to date. Sheth and Parvatiyar (1995) also stressed that outcomes of customer learning and information process/memory cannot be overlooked in the RM engagements. These viewpoints support the notion in the marketing literature that customers' relationships with businesses reflect not only an individual exchange but an aggregation of the past. Thus, creating superior customer experience becomes an essential objective in RM.

Oliver (1999) stated that when customers accumulate and integrate more experiences, their evaluation, both effectively and emotionally, would tend to proceed. In the same way as with customer loyalty, their long-term judgment is not derived solely from an individual satisfactory transaction, but it is mixed with some components of past experiences. In fact, there has been evidence that shows that a high level of service quality and satisfaction, even resulting in repeat purchases, is influenced by customer experiences (Cronin et al., 2000; Palmer, 2010). Furthermore, customer experience is also related to customer value. While Pine and Gilmore (1998) first to show that experience is a source of value creation, many studies have shown evidence that customer value resides in customer experience (e.g., Prahalad & Ramaswamy, 2004; Woodruff & Flint, 2006; Vargo & Lusch, 2008). As Prahalad and Ramaswamy (2004) noted, customer experiential value is determined and adjusted to a specific point in time, location and the context of an event. Hence, customer satisfaction is created through the inter-reaction of customer value and customer experience.

An increasing focus on customer experience shows that customer experience can be viewed as a stimulus that influences their retail manners (Palmer, 2010). In a retail context, the best managerial perspective is to measure customer experience as a moderating effect on all levels of customer retail manners.

Hypothesis 5: A customer's experience moderates the path from customer value through loyalty.

Hypothesis 5a: A customer's experience moderates the influence of customer value on satisfaction.

Hypothesis 5b: A customer's experience moderates the influence of satisfaction on customer trust.

Hypothesis 5c: A customer's experience moderates the influence of customer trust on customer loyalty.

Market orientation involves doing something new or different in response to market environment and conditions (Lukas & Ferrell, 2000) and thus, the features of innovations in market orientation should not be overlooked. The definition and scope of innovation have been diversely provided from various thoughts, but it can be simply put that innovation refers to those elements or procedures that may offer new solutions to problems and can subvert the current market by either transforming the old or creating a new old (Hauser et al., 2006). Any idea, practice, or object that is perceived as new by an individual can be an innovation (Rogers, 2003).

All too often, studies of innovations have focused only on the hard technology and have not fully integrated

the soft technologies in management practices that are also essential for the adoption of an innovation. Indeed, service has been long regarded as secondary from the viewpoint of innovation (Toivonen & Tuominen, 2009). In recent business models, service innovations are not necessarily linked to technology. As emphasized by Narver et al. (2004), the focus on customer needs and the internal business process of a company are considered to be the route for a business to be innovative. One crucial objective of service innovation is to enhance profitability by the provision of new or modified services (Hauser et al., 2006). Also, scholars agreed with that service innovation conveys the benefit of added customer value by providing renewals to customers (Toivonen & Tuominen, 2009; Law et al., 2013). For example, the “first-mover advantage” is a marketing strategy that gains a competitive advantage through control of resources since the initiator takes over a market segment, thus owning the potential profit margins and holding a monopoly-like status (Lieberman & Montgomery, 1988).

However, service innovation is not only all about newness. Some scholars have found that it also includes other advantages such as after-sales service, delivery systems, the relationships with customers (De Jong & Vermeulen, 2003), and customer knowledge and experience (Weerawardena, 2003). Since the central concept of RM is attracting, maintaining and enhancing the customer relationship, more and more scholars have taken innovation into account when studying the characteristics of the customer relationship. Rogers (2003) found that innovation is a dynamic and continuous system of information being sought (or accessed) and information processed (or resource integrated) and Chandler and Wieland (2010) further discussed that these two information procedures involving innovations become an important component when coupled within customer relationships that include closeness and centrality. As yet, innovation focusses mainly on the RM in business-to-business long-term relationship, and the role of service innovation remains vague. The link between service innovation and customer attitudes and intentions has also not been examined. Thus, this article seeks to address the strength of service innovation in the issue of the RM.

Hypothesis 6: Service innovation moderates the path from customer value through loyalty.

Hypothesis 6a: Service innovation moderates the influence of customer value on satisfaction.

Hypothesis 6b: Service innovation moderates the influence of satisfaction on customer trust.

Hypothesis 6c: Service innovation moderates the influence of customer trust on customer loyalty.

3. Research Methodology

This study first identified two Taiwanese online retail websites representing good and poor service innovative business procedures. Five professionals in Internet marketing and marketing management were invited to mark, among six e-retailing websites, whether they were for or against the sites recognized as with good or poor service innovation. The referrals were the ones with the most positive and negative marks. The sites with the same marks were evaluated again. The purpose of selecting two referring e-shopping sites with service innovation discriminatory is to testify if there is a distinct effect, i.e., moderating effect, of service innovation on all causal relationships in the conceptual model.

The measurement used a self-designed questionnaire. All items to measure the constructs in the conceptual model were employed from relevant literature and adjusted to fit the specific context of this research. Besides the demographics and the online shopping frequency of the participants, all items were measured with a 7-point Likert scale. The measuring items of all constructs are listed in Table 1. The five professionals were also asked to review the questionnaire.

In the pilot study, 121 college students were asked to participate. The wordings of all questions were confirmed. The item analysis (shown in Table 1), indicated that no questions should be deleted.

Table 1 The Measuring Items with Item Analysis at Piloting

Measurement scale	Critical ratio	p value
Customer value (Sweeney and Soutar, 2001; Diep and Sweeney, 2008)		
<u>Economic value</u>		
1. I save money.	2.57	.012
2. I get the products at a good price at this website.	2.64	.010
3. I benefit from sale offers/discounts at this website.	2.60	.011
<u>Functional value</u>		
4. I get all the products I need at one time at this website.	3.42	.001
5. I get all the products I need quickly at this website.	2.35	.021
6. I get all the products I need conveniently at this website.	2.60	.011
7. I find the right products easily at this website.	2.34	.022
<u>Emotional value</u>		
8. I end up in a good mood when I shop at this website.	2.39	.019
9. The website gives me pleasure.	2.68	.009
10. I feel at ease on this website.	2.54	.013
11. I enjoy myself at this website.	2.34	.022
<u>Symbolic value</u>		
12. I make a good impression on others through shopping at this website.	2.49	.015
13. I find products at this website that create a good impression of myself with others.	2.18	.032
14. Others approve of my shopping at this website.	2.25	.027
Satisfaction (Maloles, 1997)		
15. This website meets my needs.	2.68	.009
16. This website gives me the service that I expect.	2.57	.012
17. My claims or problems are always dealt with quite well at this website.	2.22	.029
18. This website is very competent.	2.64	.010
19. Overall, this website is a good website to shop.	2.68	.009
Trust (Morgan and Hunt, 1994; Nyadzayo and Khajehzadeh, 2016)		
20. This website can be trusted at times.	2.44	.017
21. This website has high integrity.	2.44	.017
22. This website can be counted on to do what is right.	2.22	.029
23. I have great confidence to shop at this website.	2.34	.022
Loyalty (Lam et al., 2004)		
24. I have said positive things about this website to other people.	2.72	.008
25. I have recommended this website to the people who seek my advice.	2.44	.017
26. I have encouraged other people to shop at this website.	2.82	.006
27. I consider this website as the first choice for my online shopping.	2.37	.020
28. I will do more online shopping at this website in the next few years.	2.51	.014
Interaction quality (Dabholkar, 1996; Alotaibi et al., 2011; Wang and Yu, 2015)		
<u>Sociality communication</u>		
29. The mutual contact at the website makes the shopping process enjoyable for me.	2.22	.029
30. The functional interaction at this website is handy for me.	2.37	.020
31. I can communicate with a server when I have a claim or problem at this website.	2.64	.010
32. The servers of this website had the knowledge to answer my questions.	2.34	.022

Measurement scale	Critical ratio	p value
33. This website provides my personal attention.	2.44	.017
34. The servers discuss matters pertaining to me personally.	2.49	.015
WOM communication		
35. Reading the comments/reviews of service/products makes the shopping process enjoyable for me.	2.18	.032
36. The comments/reviews of service/products from other customers are handy at this website.	2.27	.026
37. I believe all comments/reviews of service/products from other customers are genuine at this website.	3.06	.003
38. The comments/reviews of service/products help me make a purchase decision at this website.	2.54	.013
39. I can obtain knowledge through the comments/reviews of service/products.	2.28	.025
Customer experience (Chang and Horng, 2010)		
40. The atmosphere of this website makes me feel comfortable.	2.37	.020
41. I can concentrate and usually lose track of time to shop at this website.	2.22	.029
42. The scenery at this website is beyond I can imagine.	2.42	.018
43. This website provides more than I expected.	2.32	.023
44. This website provides me thoughtful services.	2.68	.009
45. I can find good stuff suitable to my friends or family at this website.	2.39	.019
46. I possess good knowledge of the services or my purchase products at this website.	2.46	.016
47. Everything at this website can help me learn.	2.46	.016
48. This is an interesting online shopping website.	2.72	.008

The formal data collection was conducted in department stores, transportation stations, convenience stores, and supermarkets in cities in southern Taiwan. Two website referrals were randomly and equivalently distributed to the participants and they gained online shopping experience at the referring site. There were 1,367 samples collected and 1,298 were valid. 52% and 48% of the valid samples were for the good and the poor service innovation e-retailing sites, respectively. The demographics of the participants are summarized in Table 2.

Table 2 The Demographics of Participants

Gender		Age		Education		Frequency	
Female	58%	18~22	18%	High school	13%	More	22%
Male	42%	22~29	32%	College	50%	Weekly	27%
		30~40	39%	Post-graduate	37%	Monthly	26%
		50+	11%			Less	25%

4. Analytical Results

First, an exploratory factor analysis (EFA) was performed. The KMO value is 0.970 and the Barlett's test is passed with p-value 0.00, meaning that the results of the EFA are adequate. The factor loadings of all indicators to their own constructs are greater than 0.7 and the cross loadings are smaller than 0.4 (shown in Table 3) supporting the construct validity of the questionnaire. Since there were no items deleted, the measurement reliabilities of all constructs being all greater than 0.8 (also shown in Table 3) confirm the reliability of the used measurement.

A confirmatory factor analysis (CFA) was performed to further testify the convergence and discrimination for the measuring constructs. First, all model fit indices (in Table 5) show the appropriate measurement in scales. Further, shown in Table 3, all composite reliability (CR) indices are greater than the 0.7 cut-off point and all average variance extracted (AVE) indices greater than 0.5. Also, CRs are greater than AVEs for each construct.

Table 3 The Measurement Validity and Reliability

Construct	Factor loading (from EFA)	Cronbach's α	CR	AVE
Customer value	0.913~0.719	0.928	0.883	0.673
Satisfaction	0.909~0.721	0.889	0.849	0.598
Trust	0.812~0.760	0.905	0.853	0.593
Loyalty	0.893~0.741	0.920	0.892	0.796
Interaction quality	0.852~0.703	0.880	0.873	0.635
Customer experience	0.843~0.733	0.952	0.807	0.657

As shown in Table 4, all of the Pearson correlation coefficients for all paired constructs are in the range of 0.318~0.627, indicating that, for the SEM analysis, no problem of multicollinearity exists in the constructs of the conceptual model. Additionally, the square root of AVE of each construct is greater than its correlation with others, indicating that each construct relates more strongly to its own than to others. All the tests confirm the measurement scales for this research as being valid and reliable.

Table 4 The Construct Discrimination

	1	2	3	4	5	6
1. Customer value	0.820					
2. Satisfaction	0.627	0.773				
3. Trust	0.524	0.594	0.770			
4. Loyalty	0.490	0.477	0.531	0.892		
5. Interaction quality	0.325	0.517	0.425	0.489	0.797	
6. Customer experience	0.415	0.509	0.472	0.511	0.318	0.811

Note: The diagonals are the square roots of AVE.

Table 5 Model Fit Indices of the Conceptual Model

Fit index	Criterion	CFA	Conceptual model w/o moderators
normed χ^2	$1 < NC < 5$	3.054	3.281
GFI	> 0.9	0.912	0.902
AGFI	> 0.8	0.919	0.842
CFI	> 0.9	0.920	0.915
RMSEA	< 0.08	0.042	0.023
SRMR	< 0.1	0.051	0.034
NFI	> 0.95	0.984	0.961
TLI	> 0.9	0.917	0.902

The SEM analysis, obtained with AMOS20 to test the conceptual model without all moderators, is depicted in Figure 2. The indices of model fit, listed in Table 5, all validate the proposed model. Therefore, the hypotheses H1 through H3 in this article are all significantly accepted at a confidence level of 95%.

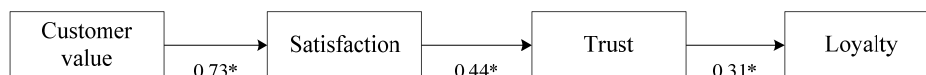


Figure 2 The Path Analysis

To testify the moderating effects of interaction quality, customer experience, and service innovation, chi-square difference tests were conducted. As shown in Table 6, the moderators are all significantly effective on the causal relationships within the direct path from customer value through customer loyalty. In other words, customers with high interaction quality and/or greater experience would be more satisfied with, more easily build their trust in, and more unequivocally develop their loyalty to the e-shopping websites. In addition, customers shopping at the e-retailing stores which are with innovative services tend to develop their satisfaction, trust, and loyalty more easily.

The moderating effectiveness of customer experience is relatively larger than those of both interaction quality and service innovation, found by comparing the differences of the regression weights of high and low conditions for each moderator (shown in Table 6). Additionally, there are different degrees of effectiveness of the moderators for the value-satisfaction-trust-loyalty chain. Customer satisfaction results from good customer experience and innovative services more than from good interaction quality; customer trust is easily built by experiencing a good quality of interaction and communication; yet, good customer experiences tend to develop customer loyalty.

Table 6 Effects of Moderators

Model	Moderator	Path	χ^2	df	$\Delta\chi^2$	p	Regression weight		
Default			2271.564	684			High	Low	Δ
Moderator	Interaction quality	Value→Satisfaction	2286.387	685	14.823	0.000	0.82	0.71	0.11
		Satisfaction→Trust	2292.391	685	20.827	0.000	0.53	0.32	0.21
		Trust→Loyalty	2287.492	685	15.928	0.000	0.40	0.28	0.12
	Customer experience	Value→Satisfaction	2291.395	685	19.831	0.000	0.85	0.64	0.21
		Satisfaction→Trust	2289.113	685	17.549	0.000	0.52	0.38	0.14
		Trust→Loyalty	2295.029	685	23.465	0.000	0.49	0.20	0.29
	Service innovation	Value→Satisfaction	2289.891	685	18.327	0.000	0.79	0.60	0.19
		Satisfaction→Trust	2277.875	685	6.311	0.012	0.48	0.42	0.06
		Trust→Loyalty	2294.826	685	23.262	0.000	0.44	0.25	0.19

Note: all regression weights show all significantly effective at a confidence level of 95%.

Although the mediating effects of customer satisfaction and customer trust on the “value-satisfaction-trust-loyalty” chain were not hypothesized in this research, with bootstrapping analysis at AMOS, the indirect effects of customer satisfaction and customer trust are listed in Table 7.

Table 7 Mediating Effects Analysis by Bootstrapping

Mediating variable	Affected variable	Indirect effect	95% confidence interval
Satisfaction	Trust	0.750	[0.659, 0.841]
Trust	Loyalty	0.146	[-0.042, 0.334]

Obviously, customer satisfaction significantly mediates the relationship between customer value and customer trust. This means that for both referring websites, customer trust would not be easily and directly built by high customer value. Instead, customers would be satisfied with the trades first and then further develop their trust in the sites. However, the mediating effect of customer trust is not significant due to the confidence interval including 0. This means that customer loyalty does not have to be developed after they have trusted in the websites. For certain customers, once they are satisfied with the trades at the websites, their loyalty to the sites

would be somewhat developed.

5. Discussion and Implications

Marketers should learn the aspects of customer value and value generation/transforming by services. When customers make contacts with service providers, their experiences are formed and the experiences are the conveyor of value to customers, definitely influencing their future attitudes and behaviors. Jarratt (2008) suggested that implementing RM requires collaborative and flexible behaviors that are renewed through adaptive and generative knowledge derived from experience. The findings of this article have empirically proven Jarratt's statement that the value-satisfaction-trust-loyalty chain to the RM achievement is strengthened by innovative services as well as good quality of customer communication and experiences. These three important elements of RM are discussed with practical operations suggested in this section.

Services generally involve many more customer "touchpoints," or discrete experiences (Berry et al., 2002). The convergence of touchpoints creates a total experience that affects the assessment of perception and reflection of customer attitudes and behaviors. Since customer experience is a result of the co-generated procedure, including perceived value, service sales, transaction environment, social media communication, and even after-sales services are all elements that are not under an organization control. As such, service providers cannot expect to design experiences that exactly follow predicted outcomes. Instead, they only design situations that better support customers in co-creating the desired experiences of the both parties. In this context, customer experiences cannot be designed only by companies but services can be designed for customer experiences, i.e., making the right responses to all the touchpoints. Based on the findings of this study, to excel in customers' perception of good experience, service providers can implement innovative services or adjust the quality of direct/indirect communication with customers or a combination of the two. Service providers can leverage intelligence regarding customers and markets by collecting, assessing, and responding to all of the customers' physical touch-points in order to build and sustain the customer relationship.

Literature has identified two major aspects of innovation as the degree of innovation and the scope of innovation. The degree of innovation consists of two further types — radical and incremental. Radical innovation is the creation of a completely new product, service, market, or technology, whereas incremental innovation only makes changes by adding or substituting services while the general structure of the product, service or system remains the same. In service businesses, innovation is not necessarily radical, e.g., it can be a new solution in the customer interface, a new distribution method, a new service application of technology, a new form of operation with transactions, but it often lies in the non-technological areas such as new information or knowledge delivered to the customers. That is, a service innovation can still follow a fixed service procedure but with innovative service contents of newly collected customer knowledge. This can be achieved by continuously updated assessment of customer shopping habits/shifts, for example, reporting the more expensive goods and premium feedback for individual customers, cross-sales recommendation, up-sales with price premium for higher ranked customers, video display and/or links to the social medias for the goods consumption/usage, trace for order returns, trace for the goods consumption, goods feature comparison, customer discussion zone on the product pages, online instant Q&A, goods/premiums referral to friends, and personalized communication through a smartphone APP, customized search results with a description of filtering criteria are all accounted as service innovations with an incremental scale. All of the above are implemented with the continuous tracks to customer experiences and/or

touchpoints. For example, a service innovation can still follow a fixed service procedure but with the innovative service contents of newly collected customer knowledge by the continuously updating the assessment of customer shopping habits/shifts. As one expert in identifying the online shopping websites with innovative services responded to a service innovative one, "I am a loyal customer of this website. It collects and tracks my 'proactive' data here and I am always 'passively' and personally kept updated without paying much effort to keep follow by myself." On the other hand, as another expert's response to the website referral with poor service innovations, "I would call this a 'fake copycat' because it seems to design as many innovative functions as the others do but the seller, based on my shopping experience here, seems not to make these function properly." Hence, the requisite market/customer knowledge is generated through the effective execution of a knowledge management process and intelligently selects the right customers with right services, prioritizing relationships, and effectively managing interactions with them.

Interaction quality is also achieved by a customer knowledge management process. In the e-shopping environment, clicking on "next" may be not enough an cause an interaction, nor a "reveal graphics" to see more text. Interactions to relationship achievement are not just about customers "knowing" but about getting the customers "ready to do something" and/or "better for something". They fall under "remembering" and "understanding" regarding customer status, trades, touchpoints, and others. To build a personalized and long-term relationship with customers, service providers have to know their customers. More information means more customer knowledge in a changing environment. Also, more activity in the use of information enables a better quality of communication with the customers. Furthermore, the social environment also takes part in the RM programs. It must be acknowledged that in today's multi-channel environment, customer experiences in one channel may be affected by those in other channels and also customer experiences can influence others. Thus, interaction quality can be achieved and enhanced by service innovation. Innovative constant customer information, knowledge acquisition, assessment and interaction are the major design characteristics of RM.

Lastly, in implementing RM strategies, marketers must understand the customer differences. For the relationship oriented customers, it may easier to sustain a long-term relationship, whereas, for those customers who are transaction- oriented and mainly concerned with the economic benefits of purchases and motivated by service innovation and the high quality of interaction in order to enhance business exchange experience may be show more willingness to develop their loyalty to the service providers. As Bendapudi and Berry (1997) stated that customers might build relationships for either obligation or for dedication, so an understanding of customer motivation is necessary.

6. Conclusion

It is expected that when customers are given a richer experience, they will achieve a higher level of satisfaction. As a result, the satisfied customers will show stronger signs of trust in the service providers and develop loyalty to them. The improved level of retention gives the companies opportunities to cross-sell and up-sell to these customers, providing enhanced revenues and subsequently higher profits. Finally, the profits can then reinvested in new innovations of services, increasing the satisfaction and trust of the customers and strengthening their retention. Through the continuation of customer exchanges and touchpoints, better understanding of customers is achieved by intensive quality of interaction, ensuring a high level of customer trust and enriching the further the experiences of the customers, strengthening the long-term relationship with the customers.

Taking into account the important marketing evaluation elements, this article empirically theorized the RM model. The effects of interaction quality and service innovation and are acknowledged as the first trial in marketing research. The analytical results assure the practical and academic contributions.

As quoted from Boulding et al. (2005), RM is “the outcome of the continuing evolution and integration of marketing ideas and newly available data, technologies and organizations forms.” The factors in the study model for RM are not all developed or enhanced simultaneously; yet they are developed and evolved through time. First, the key concept of innovation is regarding newness no matter whether it is radical or incremental. A service innovation is recognized as being new at the start but loses this aspect as time passes. An innovative service with time effect and its impact on the value-satisfaction-trust-loyalty chain in this article is required to be examined. Second, again, while customer experience is changing associated with the perceptive status of customer value and service interaction, i.e., evolving through time, the model is also needed to be investigated for the customer attitudes and behaviors with experiences which are involved with the attribute of time.

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