

# An Appealing Connection—The Role of Relationship Marketing in the Attraction and Retention of Students in an Australian Tertiary Context

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## Abstract

The higher education sector is increasingly facing competition from tertiary providers at both a domestic and international level. This has led to a range of ever more complex challenges with regard to the attraction, maintenance and retention of the student base. There is an important need therefore to understand the factors which contribute to positive perceptions of tertiary services and the way in which these affect the student experience and drive student retention. The improvement of retention rates through the formation of meaningful and long-term relationships with students is subsequently of high importance. This research explores students' perceptions of the relationship that they enter into with their chosen tertiary institution and the effect that this has on the development of student loyalty. In particular this research examines the salience of relationship appeal, satisfaction, affective commitment and trust on student loyalty. A structural equation modelling approach was adopted using a sample of 426 first year undergraduate students of a large Australian metropolitan university. Importantly, next to satisfaction, relationship appeal was found to be the second strongest determinant of student loyalty. This was then followed by affective commitment. Interestingly trust did not influence relationship development. Conclusions, implications and opportunities for future research are presented. From a managerial perspective, it is expected that uncovering first year students' perceptions of the student-institution relationship will enable higher education institutions to develop more targeted relationship marketing programs and increase student retention.

**Keywords:** relationship appeal, relationship marketing, student loyalty, affective commitment, satisfaction, higher education marketing

## 1. Introduction

The first year of the tertiary experience is arguably one of the most important phases for institutions in terms of fostering student retention since more than half of the students who drop out, do so in their first year of their tertiary study (Starke, Harth & Sirianni 2001). Recent research in fact suggests that first year attrition accounts for almost half of all attrition at the tertiary level (Willcoxson, Cotter & Joy 2011; Pattengale 2000). Therefore, from a business perspective ensuring a satisfactory and engaging first year experience is essential given that it is likely to have a significant impact upon retention, recommendation and institutional reputation. As a consequence it is important that institutions recognise that the first year presents one of the greatest opportunities for establishing and enhancing student loyalty. Understanding students' perceptions of their relationship with their tertiary provider will also enable institutions to improve the first year experience, and the levels of student satisfaction associated with it (Tinto 1993).

Student retention is now a key area of concern for higher education providers who are facing heightened competition in an increasingly globalised sector (Helgesen 2008; Hemsley-Brown & Oplatka 2006). The sector is now part of an open information environment, where education is being offered cross-culturally through international distance education providers. There has also been a significant increase in global student demand (Marginson 2006). In 2008, over 3.3 million higher education students were enrolled outside their country of citizenship, representing an 8.2% increase from the previous year in total foreign student intake (OECD 2010). Attracting and retaining students has subsequently become increasingly important as institutions endeavour to

attract a greater share of both domestic and international students (Helgesen 2008; Hemsley-Brown & Oplatka 2006).

In order to respond to these challenges, higher education institutions have shown an increasing interest in the adoption of a marketing orientation within the sector (Thomas & Cunningham 2009; Mansfield & Warwick 2006; Helgesen 2008). By adopting a marketing orientation, higher education providers can increase their international presence, and enhance their profile (Ramachandran 2010). This may in turn, assist in the attraction and retention of the student base. In addition, many institutions now recognise the need to adopt a services orientation in the industry (Nicholls, Harris, Morgan, Clarke & Sims, 1995; Ng & Forbes 2009). Given the extended nature of the higher education service encounter, management of the service experience is essential to ensuring positive outcomes for both the student and the institution (Umashankar 2001).

A distinctive aspect of a services orientation is that consumers are inherently involved in the co-production of the service itself. In the context of higher education, students are for example, inherently and dynamically involved in the creation of the educational experience (Hill, 1995). The learning process is an inseparable, two-way exchange of information, which requires students' cognitive efforts, highlighting the interaction between educator and the educated. A recently espoused view also recognises students as customers and co-producers of the university experience (Kotze & du Plessis 2003; Vargo & Lusch 2004). Since the student is a key partner in the co-creation of the core service, the student's perspective of the educational experience as a whole is important. It is consequently important for organisations to understand the nature of the student-university relationship. This evolution in strategic orientation has seen the need to adopt a highly customer-oriented strategy, with relationship marketing emerging as a widely accepted approach within the industry (Helgesen, 2008; Ng & Forbes 2009). Organisations now seek to develop educational relationships with students, rather than simple transactional deals between the exchange partners (Gibbs 2001).

Although there is a strong base of literature associated with relationship marketing in the service sector, little is understood about the role of specific relational mediators such as relationship appeal and how this influences the development and maintenance of relationships in the service sector (Arnold & Bianchi 2001; Beatty, Mayer, Coleman, Reynolds & Lee, 1996). In addition, research has not yet explored the way in which relationship appeal influences other key relationship marketing constructs such as satisfaction, commitment and trust. Broadly, relationship appeal relates to the level of interest a customer has in engaging in a relationship with an organisation, brand or product (Arnold & Bianchi 2001). In the higher education sector, high levels of relationship appeal therefore imply that the student is keen to pursue a relationship with the tertiary provider of interest.

Drawing from the literature on services marketing, relationship appeal has been suggested to strongly drive positive word of mouth recommendation, and loyalty. Relationship appeal may also be considered an important antecedent to relational outcomes such as satisfaction, commitment and trust however to date these relationships have not yet been empirically examined (Beatty et. al, 1996). Certainly, a desire to engage in a relationship with a service provider would seem a necessary pre-condition in the development of a positive exchange relationship. Given the suggested importance of relationship appeal, an examination of its role in the development, maintenance and strengthening of student-institution relationships should be of interest to the higher education sector. An understanding of the role of relationship appeal may enable higher education institutions to develop targeted marketing programs that ensure that students become bonded with the service provider in their first year of tertiary study. This in turn may also assist with ensuring that students' remain committed to the service provider throughout their study program. Such research can also assist in the development of communication appeals which can then be tailored to the needs of students in various stages of relationship development.

The purpose of this paper is to address this important gap in the literature. Firstly, this paper will examine the relative importance of selected relationship marketing determinants of loyalty including satisfaction, trust, and commitment within the sector (e.g., Al-Alak 2006; Shah 2009; Helgesen 2008). Secondly this paper will analyze the role of relationship appeal as an antecedent to satisfaction, trust and commitment and its subsequent impact upon student loyalty. The context is a large university in Australia. The research questions addressed in this paper include; how important is the appeal of a relationship in determining student recommendation and loyalty? And, does relationship appeal have a differential impact upon students' satisfaction, commitment and trust? In order to answer these interrelated questions, a quantitative approach was adopted involving the use of structural equation modeling.

The paper is organized as follows. The next section provides a brief discussion of relationship marketing, co-production of the educational experience between students and the institution and the initiating role of

relationship appeal. The hypotheses and the theory supporting these research gaps are then reviewed. The research model is presented in Figure 1. The paper concludes with a discussion of the theoretical and managerial findings from this study, after which a conclusion is offered.

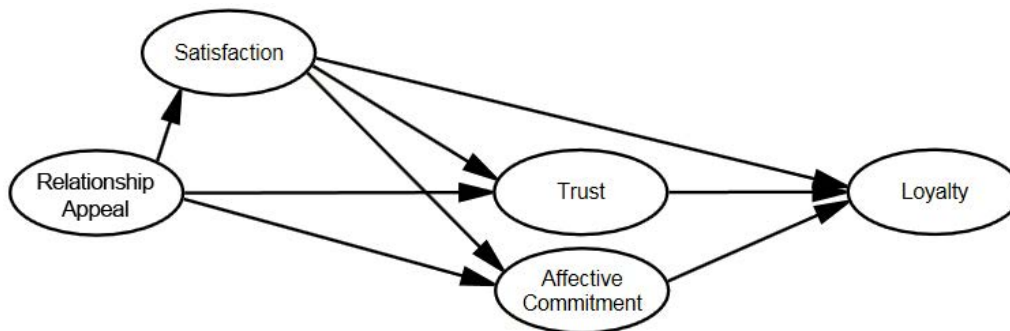


Figure 1. Effect of relational constructs on loyalty

As seen in Figure 1, the present study examines (1) the structural interrelationships between relational constructs in the formation of customer loyalty and (2) the antecedent role of relationship appeal.

## 2. Theoretical Framework

### 2.1 Developing a Relationship Marketing Orientation in Higher Education

Relationship marketing has emerged as a widely accepted approach to business as firms shift their strategic orientation from focussing on transactions to the nature of the relationships that are formed with customers (Sheth & Parvatiyar 1995). As the threat of competition intensifies, firms need to find ways to improve customer retention (Reichheld & Sasser 1990; Hennig-Thurau, Gwinner & Gremler, 2002, Fornell & Wernerfelt 1987). Research into a range of service sectors has revealed that reducing customer defections by five percent, can increase profits by between 25-85 percent (Reichheld & Sasser 1990). A relationship marketing orientation has been found to be conducive to the development of both customer satisfaction and loyalty.

Relationship marketing is broadly defined as the process whereby organisations “establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met...achieved by a mutual exchange and fulfilment of promises” (Grönroos, 1994, p.9). Grönroos (2004) found that the nature of the relationship formed between customers and the brands they purchase creates additional value for the customer beyond the value obtained through the purchase of the good or service itself. With a focus on creating strong long-term bonds with customers, relationship marketing not only produces increased customer retention and loyalty, it also provides barriers to entry for competitors since they are unable to easily replicate the relationship between the customer and service provider (Roberts, Varki & Brodie, 2003). The objective of relationship marketing activities is therefore to form long lasting relationships with consumers which increase the potential for positive referral, repurchase and loyalty (Sheth and Parvatiyar 1995; Palmatier, Dant, Grewal & Evans, 2006; Hennig-Thurau et al. 2002; Reichheld 2003; Mattila 2006).

The concept of strong and bonded relationships has significance for the higher education sector since a strong student-university relationship may reduce the potential for student drop-out, and increase students’ commitment towards both completion of their qualification program and the institutional brand. Viewing the student as being in a relationship with the institution is especially important from the perspective that students’ may ultimately become representatives and ambassadors of the institutional brand upon graduation and subsequent employment (Paswan & Ganesh 2009). This perspective suggests that the development of a strong relationship with students in the first year of tertiary study is an important precursor in the establishment of a strong and bonded lifelong partnership with the institutional brand.

A relationship marketing approach has been found to be appropriate for the sector (Binsardi & Ekwulugo 2003; Hemsley-Brown & Oplatka 2006; Carvalho & de Oliveira Mota 2010). Within the higher education sector relationship marketing is defined as “a set of marketing activities or actions that attract, motivate, and enhance existing potential students’ relationships as well as students’ parents, relatives, friends, references groups... emphasizing on retaining existing students until their graduation, and attracting further students” (Al-Alak, 2007, p.4). However, as a method by which to engage students in the higher education sector, relationship marketing has only received limited attention (e.g., Bowden & Wood, 2011; Ng & Forbes 2009; Litten 1998; Helgesen 2008). This is despite calls for higher education research to specifically investigate the role of relationship

marketing in the establishment of student loyalty (Helgesen 2008; Clemes, Gan & Kao 2008).

The purpose of this study is to address these issues and to demonstrate how a relational marketing orientation can assist higher education management. This study aims to examine the role of specific relational mediators such as the role of relationship appeal in the formation of strong student-university relationships.

### *2.2 Students as Co-producers of the Educational Experience*

There has however been considerable debate with regard to applying traditional marketing theories within the sector. There has also been debate surrounding the extent to which students should be viewed as a customer of the higher education service. Opponents of this view argue that this approach may act to lessen the students' responsibility to actively engage in the tertiary experience and distance students from the educational process in which they should be actively participating (McMillan & Cheney 1996). Subsequently it is suggested that this approach may place undue emphasis on the organisation as the sole creator of value (McCulloch 2009).

These views are however, in direct contradiction to the service dominant logic put forward in the service marketing literature (Vargo & Lusch 2004). Vargo and Lusch (2004) argue that all services are co-created between the customer and the provider. Therefore within this framework, students should be recognised as both a customer of the tertiary institution and as an active participant and co-producer of the value that they extract from the tertiary experience (Bowden & Wood, 2011). Students are thus inherently involved in supporting a service orientation within the institution (Kotze & du Plessis, 2003). Within this perspective, marketing is not the creation of pseudo differences between higher education brands, or a process which is concerned with aggressive selling of a brand. Rather, marketing is the process of undertaking activities in participation with the customer to create, foster and maintain relationships in the pursuit of mutual value (Vargo & Lusch 2004). Higher education management may therefore benefit by looking beyond the core benefits of their educational service, to include the social benefits that may be derived from the relationship between the student and the institution. This may include the more emotional and experiential aspects of the educational service (Arnett, German & Hunt, 2003). Given that students may be viewed as a key component in the co-creation of the tertiary experience, an understanding of students' orientation towards the institution and its effects on student loyalty is important (Ng & Forbes 2009).

### *2.3 The Role of Relationship Appeal in Relationship Formation*

Although a relationship marketing approach is considered applicable in the higher education sector, little is understood about the role of specific relational mediators such as relationship appeal and the way this affects perceptions of satisfaction, trust and commitment in the development of student loyalty, especially for first year students. Understanding the role of relationship appeal in shaping the effectiveness of relationship marketing efforts is however important for informing higher education marketing strategy. This is because students assume the role of co-producer and act as a contributor to the quality, satisfaction and value extracted from the educational experience.

Prior research has called for a more in depth understanding of students' perceptions of the first year experience (James, Krause & Jennings 2010). That is, whilst research has comprehensively articulated a range of drivers of student drop-out in the first year at the environmental, personal and institutional level, research is still required to flesh out the more intangible and relational determinants of retention. This study attempts to contribute to an understanding of students' perceptions of the experience from a relational perspective and attempts to develop a set of strategies which could be used to enhance the student-university relationship during the first year of tertiary study and beyond.

Research suggests that relationship appeal may play an important role in the development and maintenance of consumption relationships (Mano & Oliver 1993). Relationship appeal is defined as the level of interest a customer has in engaging in a relationship with an organisation, brand or product (Arnold & Bianchi 2001). It is conceptualized as reflecting the customer's conscious decision to pursue an exchange relationship with a service provider. The extent to which a customer views a relationship as appealing may significantly impact upon the outcomes of that relationship (Noble & Phillips 2004). Research is required to explore the way in which relationship appeal influences the development of satisfaction, trust and commitment, and the effect that it therefore has on loyalty. This will assist in clarifying the usefulness of relationship marketing strategies.

Not all customers actively seek to form relationships with their service providers. Noble and Phillips (2004) identified a variety of customer segments which were reluctant to enter into a relationship with the firms that they patronised. The factors cited for this included: a lack of perceived value, infrequent interactions with the firm, a poor understanding of the customers' emotional responses to consumption, and perceived complications

of relationship development. Importantly, enhancing the perceived benefits of a service may encourage such segments to engage in an exchange relationship. It is therefore important for firms to firstly, understand the role of relationship appeal and the customers orientation towards the firm.

In addition, prior research has identified a range of relational antecedents of student loyalty such as satisfaction, trust and commitment. However for satisfaction, commitment and trust to exist, it would seem that the desire for a relationship between the student and the institution must also exist as a preliminary condition. The effect that relationship appeal has on relational constructs has received little attention (e.g., Arnold & Bianchi 2001; Beatty et. al, 1996) yet, the extent to which a customer chooses to participate in an exchange relationship seems essential to success of that exchange relationship.

Firms should also aim to assess and identify customers that have a propensity to enter a relationship in order to accelerate their relationship progression towards a highly committed and mature state. In sum, it is to be expected that individual consumers may vary in the degree of depth and closeness that they seek in a customer-brand relationship (Barnes 1997), however much of the success or failure of relationship marketing programs still rests with the consumers desire to participate in the relationship. An understanding of the role of relationship appeal on relationship marketing outcomes such as satisfaction, commitment and trust towards the service provider may allow for the development of relationship marketing strategies which are tailored to the needs of the customer base by highlighting their receptiveness to relationship marketing activities (Beatty et. al, 1996). This may in turn increase customer retention and profitability.

To date, there has also been no empirical investigation of the effect of relationship appeal on student loyalty. By examining these issues, this study assists in clarifying the interrelationships between relationship appeal, satisfaction, commitment and trust and their role in the development of student loyalty. This is an important issue given the strategic role of relationship marketing and management in the attraction and retention of students in the highly competitive and globalised higher education sector.

### **3. Conceptual Model and Hypotheses**

#### *3.1 The Nature of Student Loyalty*

Student loyalty has become an important focal point in the marketing and management literature as a result of increasing competition within the higher education sector (e.g., Carvalho & de Oliveira Mota 2010; Arnett et. al, 2003; Hennig-Thurau, Langer & Hansen 2001). A number of important determinants of student loyalty have been identified in prior research. Helgesen and Nettet (2007) for example, found that service quality, and social interaction, campus climate and the providers reputation positively influenced students' satisfaction with the institution. Similarly, Hennig-Thurau et. al (2001) found that the quality of education, emotional commitment towards the brand and trust in the provider were the most salient determinants of student loyalty.

In order to analyse loyalty, we first define it as a "deeply held commitment to re-buy or to re-patronise a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour" (Oliver 1999 p. 34). This definition suggests that loyalty contains both an attitudinal component and a behavioural component (Hennig-Thurau et. al, 2001). In addition, in line with Helgesen and Nettet (2007) we consider student loyalty to not be restricted to the period during which students are formally registered. Rather, student loyalty is considered to extend beyond graduation to include donation behavior, alumni membership, social participation as well as positive word-of-mouth recommendation (Marzo-Navarro, Pedraja & Rivera, 2005).

#### *3.2 Student Satisfaction as a Driver of Trust, Commitment and Loyalty*

In the services marketing literature satisfaction is defined as the extent to which a customer experiences a pleasurable level of consumption related fulfillment (Oliver 1997; Verhoef, Franses & Hoekstra, 2002). Similarly, student satisfaction is defined as "a student's subjective evaluation of the various outcomes and experiences with education and campus life" (Elliott & Shin 2002, p.198). Satisfaction is typically based on an evaluation of whether a customers' expectations have been met (Caruana 2002) as well as the magnitude of the confirmation or disconfirmation of their expectations (Storbacka, Strandvik & Gronroos 1994).

Trust, which is considered to be a generalized expectancy resulting from repeated service episodes (Selnes 1998) is an aggregate evaluation that occurs at a higher level than satisfaction (Ravald & Gronroos 1996). Trust is reflective of the level of satisfaction in the customer-provider relationship (Garbarino and Johnson 1999). Customer satisfaction has also been strongly linked to the development of commitment (Hennig-Thurau et al., 2002; Johnson, Gustaf'sson, Andreassen, Lervik & Cha, 2001; Wetzels, de Ruyter & Birgelen 1998). Repeated

positive reinforcement of satisfying experiences leads to the formation of emotional bonds which constitute a form of affective commitment (Johnson et al., 2001). Lastly, student satisfaction has been found to positively influence student loyalty through positive recommendation (Mavondo, Tsarneko & Gabbott, 2004; Hennig-Thurau et al. 2001; Al-Alak 2007), increased revenue and reduced costs for educational institutions (Shah 2009), and continued education (Helgesen & Nettet 2007). Consequently satisfaction may be assumed to positively affect student loyalty. It is proposed that:

*H1: Student satisfaction is directly and positively related to trust.*

*H2: Student satisfaction is directly and positively related to affective commitment.*

*H3: Student satisfaction is directly and positively related to loyalty.*

### *3.3 Student Trust as a Driver of Loyalty*

Trust has been defined as the willingness of a customer to rely on an exchange partner in whom they have confidence (Morgan & Hunt 1994). For the relationship to exist, it must be mutually beneficial for both parties (Berry 1995). Morgan and Hunt (1994) conceptualize trust as the cornerstone of exchange relationships. In the higher education sector trust is defined as “the degree to which a student is willing to rely on or have faith and confidence in the organisation to take appropriate steps that benefit him and help him achieve his learning and career objectives” (Ghosh, Whipple & Bryan, 2001, pg. 325). It is based on the personal, and subjective experiences that each student has with all elements of the education experience including faculty members, administration, technology and campus life (Hennig-Thurau et. al, 2001). Carvalho and de Oliveira Mota (2010) found that trust in the institutions personnel, administrative processes, policies and practices increased students’ perceptions of value and loyalty. They suggested that trust in the tertiary provider is essential in order to foster a productive exchange relationship with the student base. Despite this, trust has received limited empirical attention in the higher education sector and there have been recent calls for a re-examination of the role of trust in relationship marketing initiatives (Carvalho & de Oliveira Mota 2010). Trust has been found to positively influence student loyalty through recommendation (Carvalho & de Oliveira Mota, 2010), increased retention and an increased perception of service quality (Ghosh et. al, 2001). Consequently trust may be assumed to positively affect student loyalty. We propose that:

*H4: Student trust is directly and positively related to loyalty.*

### *3.4 Student Commitment as a Driver of Loyalty*

Commitment is defined as the intention of a customer to continue their relationship with an exchange partner (Anderson & Weitz 1989; Liljander & Roos 2002; Amine 1998). It is a customer’s long-term orientation toward a business relationship that is based on the customer’s assessment that the relationship will yield continuing benefits (Hennig-Thurau et. al, 2002). Morgan and Hunt (1994) identify three major antecedents of customer commitment; relationship termination costs, relationship benefits and shared values. In particular affectively committed customers desire to continue a relationship because they have a positive disposition towards the organisation and perceive social benefits from the exchange partnership. Affective commitment is rooted in a sense of shared values, belongingness, dedication and similarity (Fullerton 2003). Fullerton (2005) found that customers who were affectively committed had a greater propensity to be advocates of an organisation.

In the higher education sector commitment has been defined as emotional and cognitive in nature (Hennig-Thurau et al. 2001). Prior research has found that pre-existing attitudes towards the institution, as well as social integration and encouragement during the tertiary experience strongly influence student commitment (Strauss & Volkwein 2004). Commitment has been found to positively influence student loyalty through increased perceptions of service quality (Hennig-Thurau et. al 2001), increased student participation (Kotze & du Plessis 2003) and willingness to attend and recommend the institution (Strauss & Volkwein 2004). We therefore propose that:

*H5: Student affective commitment is directly and positively related to loyalty.*

### *3.5 The Initiating Role of Relationship Appeal*

Whilst the core service provided by higher education institutions is the education itself, Iacobucci and Ostrom (1993) suggest that the more intangible, social aspects of the exchange relationship are also essential to the creation of a positive educational experience. The nature of the exchange relationship in particular, is an important value-creating element of the first year experience for students. This is because first year students face a range of challenges in adjusting to the tertiary environment including; an inability to cope with the transitional phase between college and tertiary education, inability to integrate into the new environment, a lack of formal

and informal support from teaching and administrative staff, and financial pressures that are associated with balancing study loads with employment. The first year of the tertiary experience is arguably therefore the most important period for student retention since it sets the tenor for the remainder of the tertiary experience (Starke et al., 2001). It is important that institutions develop and implement a series of systematic relationship marketing strategies to support a positive first year experience and improve retention into subsequent enrolment periods (Tinto 1993).

Based on prior research, the establishment of satisfaction, trust and commitment in the student-institution relationship have been identified as important elements in the provision of the educational experience for the first year of tertiary study and beyond (Bowden & Wood 2011). These more intangible aspects of the relationship exchange are created and maintained through the interactions that the students have with their institution at both an academic, administrative and social level. The highly interpersonal relationship that is formed between the student and the institution may therefore significantly impact upon not only the students' willingness to recommend the institution to others, but also their intentions to continue their study at the institution.

Several studies have however suggested that there is a need to understand the way in which relationships are initiated within the sector (e.g., Barnes 1997; Ndubisi 2006; Smith 1998; Bowden 2011). Whilst prior studies have considered the broader role of relationship marketing variables in the establishment of relationships with students, these studies have not explored the antecedent factors that act to facilitate a student's satisfaction, trust and commitment towards an institution (e.g., Bowden & Wood 2011). Subsequently, a research question remains with regard to whether students in fact desire to have a relationship with their institution or not. If students do display a desire to form a close and continuing relationship with their institution, then relationship marketing strategies which target the development of satisfaction, commitment and trust are likely to be more effective. This is because students seek to consciously and actively become involved with the institution and are subsequently receptive to relational appeals generated by the institution.

Beatty et. al, (1996) proposed a model of relationship enhancement within the relationship marketing paradigm. They suggested that two primary factors enabled a productive exchange relationship to exist. Firstly, firms needed to adopt a customer orientation that was focused on satisfying customer's needs and expectations of service provision. This is not a surprising finding, since satisfaction is considered to be a necessary condition for loyalty to occur (Bowden & Wood 2011). However, in addition, Beatty et al. (1996) also found that it was necessary for customers to want to enter a relationship with the service provider. That is, they needed to display a desire to engage in the relationship. Relationships were then enhanced and strengthened through customer-firm interactions based on a sense of trust, friendship, emotional bonding and functionality. These findings imply that a customer's desire to form a relationship with the service provider has an important role in relational development and subsequently loyalty. The quality of the relational exchange may therefore be central to the development of student retention (Helgesen & Nettet 2007).

Given the role of the student as a co-producer of value, and the increasing need for higher education organizations to adopt a customer orientation to promote student retention, there is a need to understand the nature of relationship appeal, and its initiating role in the development of student loyalty. It is expected that relationship appeal will act as an antecedent to the development of satisfaction, trust and affective commitment in the research model. This study therefore contributes to a deeper understanding of relationship formation and maintenance in the higher education sector. We propose that;

*H<sub>6</sub>: Relationship appeal is directly and positively related to satisfaction.*

*H<sub>7</sub>: Relationship appeal is directly and positively related to trust.*

*H<sub>8</sub>: Relationship appeal is directly and positively related to affective commitment.*

#### **4. Quantitative Research Design**

A self-administered, cross sectional survey was given to first year students undertaking a first year unit at one metropolitan Australian university. These students were enrolled in a variety of degree specializations including for example, commerce, accounting, law, arts, linguistics, media, language, psychology, and science. The survey was voluntary and was administered during class. The survey was anonymous, and a student representative was asked to collect completed questionnaires to maintain student anonymity and to ensure that students did not feel compelled to undertake the survey. A total of 426 participants agreed to participate in our study representing a response rate of 74%. This sample was sufficient to achieve a high level of statistical power (McQuitty 2004).

##### *4.1 Measures*

All measures were taken from the existing literature and were adapted to suit the current service context.

Satisfaction was summarized in this study as the extent to which customers experienced a pleasurable level of consumption based fulfillment (Oliver 1997). Satisfaction was measured with the scales provided by Dagger, Danaher and Gibbs (2009). These scales were designed to capture the extent to which customers' expectations were either confirmed, or positively or negative disconfirmed. Commitment was measured using Verhoef et. al, (2002) and Hennig-Thurau et. al, (2001) scales. Affective commitment was defined as a psychological commitment based on a customer's sense of identification with and belongingness towards a service provider. Trust was summarized as confidence in the service provider's reliability and integrity (Morgan & Hunt 1994). The scales to measure trust were taken from Verhoef et. al, (2002) and Morgan and Hunt (1994). Relationship appeal was measured using the scales of Mano and Oliver (1993). Relationship appeal was conceptualized as reflecting the customer's conscious decision to pursue an exchange with the service provider. Finally, customer loyalty was defined as a deeply held commitment to repatronize (Oliver 1999) and was measured using the scales of Zeithaml, Berry and Parasuraman (1996) as well as Plank and Newell (2007). The actual scales can be found in Appendix 1.

All measures were first subjected to exploratory factor analysis. Cronbach's alpha was examined (Hair, Black, Babin, Anderson & Tatham, 2006) as was average variance extracted. These criterion were found to be strong. Fornell and Larcker's (1981) stringent tests were used to establish the discriminant validity of the measures and all construct pairs passed these tests (see Appendix 2). Multicollinearity was not considered to be a problem as the tolerance values were lower than the recommended 10% cut-off. Data analysis followed the two step procedure recommended by Anderson and Gerbing (1988) including estimation of the measurement model followed by estimation of the structural model. The measurement model indicated good fit and all items retained served as strong measures for their respective constructs ( $\chi^2=238.1$ ,  $df=21$ , GFI=0.90, CFI=0.90, IFI=0.90).

#### 4.2 Results

Goodness of fit statistics indicated that the structural model fitted the data well ( $\chi^2=260.0$ ,  $df=30$ , GFI=0.90, CFI=0.90, IFI=0.90). The proposed model explained 65% of the variance in the student loyalty construct. Satisfaction was found to have a strong and positive effect on loyalty ( $\beta=0.975$ ,  $p<0.01$ ), and trust ( $\beta=0.775$ ,  $p<0.01$ ) and a moderate effect on affective commitment ( $\beta=0.235$ ,  $p<0.01$ ). These findings support hypotheses 1, 2 and 3. In contrast, trust was found to have a strong, negative effect on loyalty ( $\beta=-0.655$ ,  $p<0.01$ ), leading to the rejection of hypotheses 4. Affective commitment was however found to have a moderate and positive effect on loyalty ( $\beta=0.305$ ,  $p<0.01$ ), supporting hypothesis 5. With regard to the role of relationship appeal on satisfaction, trust and affective commitment, appeal strongly and positively influenced the development of satisfaction ( $\beta=0.446$ ,  $p<0.01$ ) and positively influenced affective commitment ( $\beta=0.235$ ,  $p<0.01$ ) supporting hypotheses 6 and 7. A small, negative and non-significant effect of relationship appeal on trust was found ( $\beta=-0.74$ ,  $p>0.05$ ) leading to the rejection of hypothesis 7. The results are summarized in Table 1.

Table 1. Standardized path estimates for research model

Relationship	Total Sample N = 426		
	$\beta$	CR	Hypothesis Supported
H <sub>1</sub> Satisfaction → Trust	0.775	7.851	Yes
H <sub>2</sub> Satisfaction → Affective Commitment	0.296	4.331	Yes
H <sub>3</sub> Satisfaction → Loyalty	0.975	5.356	Yes
H <sub>4</sub> Trust → Loyalty	-0.655	-5.045	No
H <sub>5</sub> Affective Commitment → Loyalty	0.305	5.706	Yes
H <sub>6</sub> Relationship appeal → Satisfaction	0.466	6.893	Yes
H <sub>7</sub> Relationship appeal → Trust	-0.074	-1.549	No
H <sub>8</sub> Relationship appeal → Affective Commitment	0.235	4.364	Yes
Model Fit n = 426:			
Chi-square (d.f.)	260.0 (30)		
CFI	0.90		
IFI	0.90		
GFI	0.90		

Examination of the total (indirect and direct) effects between constructs in the model revealed that satisfaction



had the strongest total positive effect on loyalty ( $\beta=0.558$ ), followed by relationship appeal ( $\beta=0.380$ ) and affective commitment ( $\beta=0.305$ ), with trust having a negative effect ( $\beta=-0.655$ ). The indirect, direct and total effects are reported in Table 2.

Table 2. Standardized effects on constructs: direct, indirect and total effect

Effects of →On	Relationship Appeal	Satisfaction	Trust	Affective Commitment
<b>Satisfaction</b>				
1. Direct path effect	0.466	-	-	-
2. Indirect path effect	-	-	-	-
3. Total effect	0.466	-	-	-
<b>Trust</b>				
1. Direct path effect	-0.074	0.775	-	-
2. Indirect path effect	0.361	-	-	-
3. Total effect	0.287	0.775	-	-
<b>Affective Commitment</b>				
1. Direct path effect	0.235	0.296	-	-
2. Indirect path effect	0.138	-	-	-
3. Total effect	0.373	0.296	-	-
<b>Loyalty</b>				
1. Direct path effect	-	0.975	-0.655	0.305
2. Indirect path effect	0.380	-0.417	-	-
3. Total effect	0.380	0.558	-0.655	0.305

## 5. Discussion and Implications

The nature of the relationship between the student and the institution is becoming increasingly important given the need to retain students in a highly competitive global sector. Understanding the way in which student-institution interactions influence and shape the exchange relationship will assist in ensuring a positive, engaging and enduring relationship which should in turn, lead to positive attitudes towards the institution, as well as recommendation and retention (Yang, Alessandri & Kinsey 2008). By adopting a relationship marketing approach, higher education institutions can seek to develop meaningful and long-term relationships with students, rather than short-lived transactional exchanges with the student base (Gibbs 2001). In order to develop these meaningful relationships, institutions need to understand students' perceptions of the relationships they develop with their higher education provider, as well as the way in which students evaluate their service experiences (Hennig-Thurau et al, 2002). The model presented in this paper provides an exploration of the role of satisfaction, trust and commitment in the development of loyalty and secondly investigates the initiating role of relationship appeal in the formation of student-university relationships.

In this study, satisfaction was found to have a strongly positive and significant effect on loyalty. These results support prior findings within the higher education sector. For example, satisfaction has been found to positively influence loyalty, resulting in positive recommendation and continuation of the student-university relationship (Hennig-Thurau et al. 2001; Shah 2009; Helgesen & Nettet 2007). Satisfaction was also found to be positively and directly related to trust and affective commitment. These findings indicate that the establishment of satisfaction is an important element in the development of a committed and bonded relationship between the student and the institution. As previously discussed, the satisfaction judgement is largely determined by whether or not customer expectations are met.

Tertiary providers would therefore benefit from identifying student expectations prior to entry into the first year of tertiary study. This would ensure that management are able to establish a baseline for minimum performance in the delivery of the educational service. Surveys or focus groups could be undertaken with students prior to entry into the tertiary system. Alternatively data could be obtained from students at open day events, or during on-campus, or online enrolment processes. By identifying student expectations early in the relationship, institutions can subsequently establish policies and practices that ensure that students' expectations are either met, or exceeded. Measuring student satisfaction levels as well as obtaining qualitative student feedback on the

student experience during the early phases of the relationship development would also assist in the development of a positive and engaging first year experience. Aside from providing the core educational services expected with a higher education experience, institutions may also seek to provide the appropriate resources to students in order to facilitate student participation in the educational experience. This is important since students' can be considered co-creators of the higher education experience, and therefore play a central role in the extraction of value from the service.

Satisfaction was found to be a necessary but not sufficient condition for loyalty to occur within the sector. This is because affective commitment was found to be an important direct determinant of loyalty. The formation of commitment based on an emotional connection and a sense of belonging was found to lead to positive perceptions of the student-university relationship (Kotze & du Pleiss 2003; DeShields, Kara & Kaynak 2005) and a willingness to continue attending the institution (Strauss & Volkwein, 2004). The development of meaningful relationships, based upon personal and emotional connections between the student and the tertiary provider are therefore central to retention in the sector. This is especially the case for first year students who are seeking to establish and embed themselves in the new environment. Consequently integration into the academic and social systems of the institution is likely to directly affect the likelihood of continuance and loyalty towards that institution within the first year and beyond (Tinto 1993).

Integration into such systems can take place through active participation in institutional activities and societies, as well as through the development of relationships with peers and staff (Hennig-Thurau et. al, 2001; Strauss & Volkwein 2004). A lack of integration into these systems may increase the likelihood of students exiting the relationship with the institution. Firstly, in order to ensure that students experience a sense of belonging, institutions could look to form relationships with prospective students at the pre-university level through information days or workshops. It is here that the expectations of the tertiary experience are established. Secondly, there is also the potential to initiate the student-university relationship at the pre-university level through the creation of an emotional bond with the institution. If achieved, this would assist first year students to feel a greater sense of belonging upon commencement of the higher education experience. Thirdly, institutions could also seek to provide and promote a wide range of value-adding supplementary services in order to signal to the student that their patronage is valued. By providing services which relate to both the academic and social aspects of higher education (e.g., societies, clubs, career advice, employment assistance, alumni membership etc) institutions can show students that the relationship has the ability to extend beyond the time of enrolment at the institution, to that of a life-long partnership with the institution.

Interestingly, trust was found to have a negative effect on loyalty. This finding is in line with previous studies exploring the role of trust in the higher education sector (Bowden & Wood 2011). Several speculative reasons may be put forward to support this finding. Firstly, it could be suggested that if the desire to enter into a relationship with a tertiary provider already existed, then the student may perceive that there are limited risks in entering the relationship. In addition, given that higher education is a publically endorsed and regulated service, an assessment of trust may be based upon the reputation of the organisation, longevity in the market, prestige and overall reputation (Bowden & Wood 2011). In the current context the sector is monitored by a quality assurance agency which is involved in the setting of minimum quality performance objectives, as well as management of curriculum development and qualification offerings. Therefore, higher education institutions may be perceived as trustworthy by nature. Based on the findings of this study, higher education management should focus its attention on satisfying the student base, and on developing a emotional bond with them to enhance retention.

A compelling finding of this study was that relationship appeal was identified as a necessary antecedent to other relationship marketing outcomes such as satisfaction, affective commitment and loyalty for first year students. Relationship appeal was in fact found to be the second most salient predictor of student loyalty next to satisfaction when indirect effects were taken into account. This suggests that in the study context, higher education organisations would benefit from recognising the appeal that a relationship holds for students who are new to the institution. An understanding of the role of appeal will assist in the development of appropriate relationship marketing strategies to effectively target this segment of students.

Relationship appeal acted as an important determinant of the level of satisfaction that students had with the institutions services, as well as the extent to which they felt a part of the institution itself. Appeal is subsequently a necessary pre-condition for the formation of positive and enduring student-university relationships. Viewed in another way, students, as customers of the institution engage in a relationship with their provider in anticipation of tangible, economic benefits as well as intangible, non-economic benefits. Tangible, economic benefits may include for example the opportunity to graduate with a degree qualification that will ultimately enable the

student to secure employment with a reputable firm. Conversely, intangible non-economic benefits may include the opportunity to develop social bonds with new peers within the institution, and the opportunity to network with and form life-long partnerships with the institution and its staff members. Nowhere is the communication of institutional benefits more important than in the attraction and retention of first year students given that half of the attrition that occurs happens amongst the first year segment of students.

The findings of this study suggest that higher education management should focus on enhancing and increasing students' willingness and desire to enter into an exchange relationship with the institution. Since relationship appeal is based on perceptions of the benefits derived from an exchange relationship, brand communication messages which promote the benefits of entering into a relationship should be emphasised. Once the student is attracted to the tertiary provider, and has an understanding of the initial benefits that can be derived from patronising the provider, management can then develop and implement strategies which are aimed at deepening and maturing the relationship. Importantly, this study highlights that the student-university relationship is not just maintained through satisfaction and commitment. Rather students' perceptions of the benefits of the exchange relationship, as well as their desire to maintain the exchange relationship, were important preliminary determinants of retention and loyalty.

## 6. Conclusion

The higher education experience is inherently interpersonal in nature. It is often the intangible relational exchanges that significantly impact upon not only the students' willingness to recommend the institution to others, but also their intentions to remain enrolled at the institution. Understanding first year students' perceptions of their relationship with the institution, as well as the determinants of retention within this segment were found to be a central facilitator of student loyalty beyond the first year of enrolment. This study has provided an examination of the initiating role of relationship appeal, as well as the interrelationships between satisfaction, affective commitment and trust in the development of student loyalty. It suggests that relationship marketing programs will be most effective where the student is motivated to engage in a relationship with the institution. As such it will be important for tertiary providers to actively promote the benefits that their institution offers in order to attract and retain their student base.

## 7. Limitations and Future Research

The results of this study need to be interpreted in light of several limitations. This study employed a cross sectional convenience sample of first year university students at one institution. The sample respondents were therefore responding to all survey items with reference to their own single institution, its particular ethos, and its services. The findings are therefore not generalizable to other institutions. Future longitudinal research should therefore investigate whether the results from this study generalise to other institutions.

Secondly, future longitudinal research could also investigate the extent to which the student-university relationship changes over time as students' progress through their degree. This would provide insights into the dynamic and evolutionary nature of student-university relationships. It may be that relationship appeal becomes less salient in the student-university relationship as the student forms closer bonds with the institution and its members and develops a mature relationship with the institution. Replication should also be extended to other cross-cultural contexts, in order to further increase confidence in the research model and enhance a broader understanding of the loyalty-formation process.

Thirdly, at the methodological level, it should be acknowledged that the scales used to measure trust were designed to try to capture students' belief that the institution had their best interests at heart (Verhoef et al., 2002). These scales were adapted from the literature on services marketing. Future studies should further explore the conceptualization of trust within the higher education sector and explore the appropriateness of a range of scales designed to measure trust in the tertiary environment. These limitations and future research directions aside our study makes an important contribution to understanding how relationship appeal influences the development of loyalty for higher education students and thus how university management can more effectively engage its student base.

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## Appendix 1. Scales Used to Represent Constructs

### Student Loyalty (Coefficient alpha: 0.91)

I say positive things about my University to other people.

I recommend by University to someone who seeks my advice.

I consider my University my first choice for University education.

I will continue to do business with my University for the next few years.

I am willing to maintain my relationship with University.

Scale: Strongly disagree (1) to Strongly agree (7)

**Satisfaction** (Coefficient alpha: 0.77)

Overall how satisfied are you with your University?

Scale: Very Dissatisfied (1) to Very Satisfied (7)

To what extent has your experience with your University fallen short of, or exceeded your expectations?

Scale: Falls short of expectations (1) to Exceeds expectations (7)

Imagine an ideal University. How well do you think this University compares to the ideal University that you just imagined?

Scale: Not very close to ideal (1) to Very close to ideal (7)

**Trust** (Coefficient alpha: 0.83)

This University can be relied upon to keep its promises.

This University puts the customers' interest first.

This University usually keeps the promises that it makes to me.

Scale: Strongly disagree (1) to Strongly agree (7).

**Affective Commitment** (Coefficient alpha: 0.78)

I feel emotionally attached to this University.

This University has a great deal of personal meaning to me.

I feel a strong sense of identification with this University.

Scale: Strongly disagree (1) to Strongly agree (7)

**Relationship Appeal**

On the following scale, rate how you feel about forming relationships with your university and its staff?

Scale: Unappealing (1) to Appealing (7)

**Appendix 2. Discriminant Validity of Construct Pairs**

	<b>Satisfaction</b>	<b>Trust</b>	<b>Affective Commitment</b>	<b>Loyalty</b>
<b>Satisfaction</b>	0.54	0.36	0.35	0.18
<b>Trust</b>	-	0.64	0.30	0.12
<b>Affective Commitment</b>	-	-	0.64	0.60
<b>Loyalty</b>	-	-	-	0.69

The calculated values of the squared structural path coefficients between all possible pairs of constructs are presented in the upper triangle of the matrix. The average variance extracted is shown on the diagonal (italics). Discriminant validity was established for all construct pairs since the average variance extracted was greater than the squared structural path coefficient. In the case of the satisfaction and loyalty construct pairing an additional chi-square difference test was conducted and confirmed discriminant validity between the pair. Correlations are significant at the 0.01 level (two tailed)\*\*.



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