Examining the Relationship of Interpersonal Relationship and Firm’s Commitment Towards Experience Marketing.

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Abstract: This research explores the influence of interpersonal relationship and firm’s commitment towards experience marketing. This research applies exploratory factor analysis, confirmatory factor analysis and structural equation modeling to investigate the experience marketing concept by the service providers towards the consumers’ within the context of Bangladesh. The findings suggest that there is a strong relationship between interpersonal relationships with experience marketing when implementation of IT (information Technology) by the firms plays as a mediating role. The result also confirms that a firm’s commitment has moderate relationship with experience marketing (EM) when customer’s satisfaction plays a mediating role. This research opens up opportunities for managers to identify significant factors those are linked towards building experience marketing. This research fills a major gap in the marketing literature and research in stressing the need to rethink about experience marketing concept under developing country’s perspective.

Key words: Customer satisfaction, Interpersonal relations, Service industries.

INTRODUCTION

In perspective of Bangladeshi consumers’ till today none of the articles have stated the concept of experience marketing and none mentioned the factors that could potentially affect the experience marketing. Apparently, consumers buy products or services not for what they are worth but for the experience that they get from them. Furthermore consumers are not content to merely shop or consume anymore, so the smart businessmen must also give them experience so that they can retain their current consumers. In fact, in any service or product-base firm where customer-employee interaction is essential, smart businesspeople employ surprise element to turn mundane services into truly memorable events.

However, inspite of having large amount of consumers in Bangladesh, up to now, not a single study on experience marketing has been done. Thus, there is an urgent need for high-quality of empirical study on experience marketing to assist the local and multinational companies in Bangladesh. This study has not only revealed the significant factors that are to be related with experience marketing but also it provides a greater degree of guidelines for academicians and managers in developing better marketing strategies for the service oriented companies.

Literature Review:

English dictionaries use various words that characterize the term “experience” which means an “event”, a “process”, a “phenomenon”, or a “change” (Oxford Dictionary of English, 2003; Webster’s Dictionary, 2001). According to Helkkula (2010), an experience can be an individual, a community, a nation, or even humankind as a whole. In fact experience can be “real” and physical, or “virtual” and observed or perhaps a holistic phenomenon that combines both “real” and “virtual” elements by the marketers. Mitchell defines experience marketing as a new idea that changes the way marketers think about their brands. He also argued that marketers saw experience as a mean to an end in a better way to sell a product or service (Mitchell, 1998). Pine and Gilmore (1997) argued that goods and services were no longer enough to compete in today’s increasingly commoditized world and companies had to move beyond goods and services to stage experiences and guide transformations. In other research they also applied the theme of experience economy in the health care industry (Pine and Gilmore, 2001).
Conceptual Framework Development:
Interpersonal Relationship:
Beatty et al., (1996) defines interpersonal relationships as the degree to which personal relationships exist between service personnel and customers. Research in marketing demonstrates that interpersonal relationships can play an important role for the formation of bonds with customers and the company that ultimately influence the positive word-of-mouth (Gutek et al., 1999; Price and Arnould, 1999; Gremler et al. 2001; Patterson and Smith, 2003; Gwinner et al., 1998; Bejou and Palmer, 1998; Wu; 2011). According to Wu (2011) interpersonal relationships exists through social interaction between customers and service personnel. Several researchers concluded that consumers or customers experience includes every point of contact at which the customer interacts with the business, product or service (Grewal et al. 2009; Verhoef et al. 2009). On the other hand, Meyer and Schwager (2007) consider it to be both an internal and subjective responses that consumers have to any direct or indirect contact with a company. They claim that direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the consumer. In addition, indirect contact involved unplanned encounters with representations of the company’s brand, products or services in the form of promotional elements such as personal recommendations, advertising, public relations, news reports, reviews. Strong interpersonal relationships may help service providers overcome temporal and short-term fluctuations in their service quality (Jones et al., 2000).

Implementation of Information Technology:
Due to the growing technological sophistication in the global marketplaces most of the companies have used information systems to enhance the experience with their customers (Olaisen and Revang, 1991; Dawes and Rowley; 1998). The adoption of information technology in products or service experience may help firms to be closer to their current and potential customers. Implementing information technology in Firms refers to gain commercial competitiveness. Information technologies (IT), influence internal organization’s actions and prepare its services competitive benefit in the real world (Bruns and McFarlan, 1987; Cash and Konsynski, 1985; Feeny, 1988; Foster and Flynn, 1984; Olson, 1982; Rockart and Morton, 1984; Rockart and Short, 1989). The distinctive structural information technology (IT) is enabling companies with solid profit and prosperity in business practices (Kettinger et al., 1994). Kettinger et al. (1994) recommended that the technological infrastructure is the part of organization’s strength. That is why Dawes and Rowley (1998) argued that the use of technologies in product or service experience by firms is growing. To explain, Dawes and Rowley (1998) in their research describe the “servuction” system which was developed by Langeard et al. (1981). This model describes back and front-office activities such as the development of automated service through ATMs. Customer-firm relationships through the usage of e-service make a substantial impact on experience marketing (Mills et al., 1983; Langeard et al., 1981; Etgar, 2008). On the other hand, technology is deeply embedded in user experience. McCarthy and Wright (2004) categorized this experience into four perspectives as creative, open, relational, and as participating in felt experience. Thus, based on the above discussed literature review, it is hypothesized that:

H1: There is A Strong Relationship Between Interpersonal Relationships Towards Implementation of Experience Marketing where Enhancement of Information Technology by the Firms Play as A Mediating Role:
Firm’s Commitment and Experience Marketing:
Most of the researchers refer commitment as a valued relationship with maximum effort being expanded and as a result there will be sustainable forward-looking by both party in future (Moorman et al., 1992; Morgan and Hunt, 1994; Gustafsson et al. 2005). In general definition of commitment has been described as “an enduring desires to maintain a valued relationship” (Moorman et al. 1992, p.316), it means relationship should contain value with a desire to maintain it. Firms’ Commitment to the customer is an important variable for marketing strategy because it helps disclose which it might have a better relational impact on the firm in the future. In general Commitment in can be defined as ‘the intention to behave in a manner supportive of relationship longevity’ (Fournier, 1998, p. 365). In marketing literature, commitment has two distinct nature; affective and calculative (Bansal et al., 2004; Gundlach et al., 1995). According to Gundlach et al., (1995) effective commitment focuses on psychological attachment to a service provider. On the other hand, calculative commitment emphasizes on switching costs, or the difficulty in replacing a relationship (Gundlach et al., 1995). A significant amount of literature suggested that a firm’s commitment has a huge effect on building experience marketing in various ways. For instance: loyalty dimensions repurchase intentions by the customers, customer retention, word-of-mouth, share-of-wallet, and expansion and enhancement of the relationship (Bendapudi and Berry, 1997; Brown et al., 2005; Gundlach et al., 1995; Morgan and Hunt, 1994; Sheth and Parvatiyar, 1995; Verhoef et al., 2002). As a whole, past research proposed that customers are considered as being committed to a provider when they like the provider (Fullerton, 2005). Thus, utilizing commitment by a firm can make a significance role in building experience marketing into the mind of the customers. Firms affirmative
commitment helps to gain customer satisfaction in return help to gain a stronghold in the marketplace. Commitment is accepted as a vital element for enduring successful relationships (Dwyer et al. 1987; Morgan and Hunt, 1994). According Fornell Customer satisfaction is the customer’s overall estimation of the totaled customer experiences with the firm (Fornell 1992). In most cases, a positive assessment equation brings customers and, if their expectations are met, they become part of satisfied customers. So it can be said that satisfied customers demonstrate strong brand loyalty (Aaker, 1991; Oliver, 1997). Pleased customers also cause positive rumor, which helps to increase new customers (Swan and Oliver, 1989; Singh and Pandya, 1991). Thus, based on the above literature it is hypothesized that:

H2: There is A Strong Relationship Between A Firm’s Commitments Towards Implementation of Experience Marketing where Customer’s Satisfaction Play as A Mediating Role:

Conceptual Framework:

The entire research rests on the basis of the theoretical framework. Based on the previous literature reviews; this research concentrates on conceptual framework of factors that help. The detailed diagram framework is given below through Figure 1.1:

![Conceptual Framework](image)

**Methodology:**

Guided by the previous research, this study has designed a research methodology to empirically test consumer’s experience marketing construct that was developed and defined earlier in the conceptual formation phase. To accomplish this goal, this study has employed a four-step methodology. First, from a review various scholars’ articles, this research has generated 25 items in the questionnaire which was tested through following the face validity. However, each variable consists of five items that were measured with each latent variable (Interpersonal Relationship; Firm’s Commitment; Implementation of IT; Customer’s Satisfaction; Implementation of Experience Marketing). This study has also conducted a pilot study with 50 respondents from Dhaka, the capital city of Bangladesh. Based on the results from the pilot study, researchers made some minor amendments in the instrument. In the third step, this research employed a survey via convenient sampling procedure by using shopping mall intercept at significant places in Dhaka. In addition, each of the named items was measured using a seven-point rating scale (1 = strongly disagree; 2 = moderately disagree; 3 = slightly disagree; 4 = neutral; 5 = slightly agree; 6 = moderately agree; and 7 = strongly agree). A total of 250 individuals responded and their responses were collected through the mall intercept survey on consumer of electronics, hairdressing and beauty salons, restaurants; and financial investment services. After examining the questionnaires, this research kept only those instruments that were fully completed by the respondents. For the successful completion of this research this study has deleted 50 instruments and has kept 200 instruments for further analysis.

**Data Analysis Procedure:**

The data analysis of this study was organized into four stages, as shown in using the descriptive and inferential statistics techniques. Data was then coded and analyzed by using the Statistical Packages for Social Sciences and AMOS software. The first stage of the data analysis used means, frequency, and percentages to represent the respondent’s overall demographic profile. The second stage of the data analysis used the exploratory factor analysis (EFA) to identify the factor structure and check the validity and the reliability of the scale. The decision was to consider a factor as significant is identified by a factor loading greater than 0.5 and an eigenvalue equal to or greater than 1. Cronbach’s alpha coefficient was used to test the reliability of the scale. In the third phase of the data analysis, this research employed confirmatory factor analysis (Gerbing and Anderson,
1988) and structural equation modeling to test the hypothesis. There are a number of fit indices that have been developed by the researcher to evaluate the model fit. This research used chi-square statistic/degree of freedom as well as model fit indices such as comparative fit index (CFI- Bentler, 1990), non-normed fit index (NNFI- Bentler and Bonett, 1980; Tucker and Lewis, 1973), and root-mean-square residual (RMSEA- Nevitt and Hancock, 2000) were examined to evaluate the adequate fit of models. Hu and Bentler (1999) and Kline (1998) highlighted that X^2/df less than 3 is considered a good fit. For CFI and NNFI, values should be closer to one be considered a good fit. A value of less than 0.5 for RMSEA indicates good fit.

Analysis of Data:

Descriptive Analysis Results of Survey and Respondent’s Profile:

Three hundred questionnaires were distributed to three hundred consumers of various age categories at shopping malls in Dhaka at Mirpur, Mohammadpur, Uttara, Gulshan and Bardhara (N=300). A total of 250 questionnaires were collected. This yielded an 83% raw response rate. Among the 250 respondents, 50 did not fill out the questionnaires completely. This result yielded 200 usable questionnaires which resulted in an 85% adjusted response rate. Among the 600 respondents investigated in this study, there were more male respondents (60.0%) than female respondents (40.0%). Out of 200 respondents, a significant numbers of respondents were living in Mirpur and Baridhara followed by Uttara and Gulshan in Dhaka city. The majority of respondents were male with the majority of the respondents were between 20 to 29 years old (70%) and the second largest were between 30 to 39 years old (30%). From the above information, it is quite clear that most of the respondents of this survey were from the age group of 20 to 29 years old. Most of the respondents of the survey worked at service-oriented company (50 percent) whereas 30 percent of the respondents worked at manufacturing-oriented companies and only 20 percent of the respondents at education-related organizations. Out of 200 respondents, 50 percent reported incomes of US $ 650 per month or more compared to 50 percent of respondents with incomes less than US $ 400 per month. In addition, 80 percent of the sample reported that they cared for companies that provide them good experience whereas 20 percent of the respondents were not even aware about experience marketing. However, the results of this research also indicated that consumers of electronics goods can be viewed as interpersonal relationship and firm’s commitment scales have relatively high mean scores on the first (6.07) and second (6.01). In hairdressing and beauty salons most of the respondents were given highest weight on customer satisfaction and physical context scale among theses the first one was a relatively high mean score (6.02) and the second was (6.01). Most of the respondents of bank consumers were given highest weight on interpersonal relationship with mean 6.08 followed by implementation of IT 6.05. In addition most of the respondents of restaurant’s customers were given highest weight on interpersonal relationship with mean 6.02 followed by physical context 6.01. The internal consistency of the overall instrument was assessed by using the Cronbach’s alpha. The Cronbach’s alpha for the overall scale (25 items) were .84 which reflected that the stability and consistency of the items in the instruments were well enough that lead researchers to move ahead for other statistical test.

Exploratory Factor Analysis (EFA):

To assess the validity and reliability of each construct, factor analysis and reliability testing were used. After factor analysis using the varimax rotation in Interpersonal Relationship (4); Firm’s Commitment (4); Implementation of IT (4); Customer’s Satisfaction (4); 16 items were kept. To test the appropriateness of factor analysis, the Kaiser-Meyer-Olkin (KMO) overall measure of sampling adequacy (MSA) was calculated as 0.92 (Table 1.1) which is meritorious (Kaiser, 1974). In addition, the communalities range from 0.52 to 0.92 with an average value above 0.72, suggesting that the variance of the original values were fairly explained by the common factors. Then Barlett’s Test of Sphericity was conducted, yielding a significant Chi-Square value in order to test the significance of the correlation matrix (X^2=7011.960, df=990, Sig. =.000). Both tests indicated that factor analysis was appropriate for this study (Hair et al., 1998). Six stable factors were derived from the analysis. The contents of the six factor dimensions were analyzed and named as follows (Table 1.2).

<table>
<thead>
<tr>
<th>Table 1.1: KMO and Bartlett's Test.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy</td>
</tr>
<tr>
<td>Bartlett's Test of Sphericity</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
</tbody>
</table>

Validity:

In this research, content validity deals with "how representative and comprehensive the items were in creating by the scale" (Bohrnstedt, 1970). This research assessed them by examining the process by which scale items were generated (Straub, 1989). In this study, definitions of the constructs were proposed based on the literature review. In the SEM (Structural Equation Method) method, construct validity was viewed as hypothesis testing in which specific relations were posited and tested (Hoyle and Smith, 1994) which were applied in this...
In order to demonstrate convergent validity, items that measure the same trait should correlate highly with one another if they are valid measures of the concept. From the results of correlation analysis this research has also validated the convergent validity. On the other hand, discriminant validity is the degree to which measures of different concepts are distinct: if two or more concepts are unique, then measures of each should not correlate well. For the analysis, a first order CFA was employed in this research. To validate the results of the factor analysis, Bartlett’s test of sphericity and Kaiser Meyer-Olkin measure of sampling adequacy (Kaiser’s MSA) were used. The value of Kaiser’s MSA was recommended 0.60 and above (Hair et. al., 1995; Tabachinick and Fidell, 2001). To make composite measures of the constructs, the summated mean scales were calculated in this research (Hair et al., 1998). Criterion validity was assessed by correlation analysis in this study with the summated mean scales of the constructs. The matrix from the correlation test of the variables indicates significant inter-correlations among the entire construct.

<table>
<thead>
<tr>
<th>Factor Name</th>
<th>EV1</th>
<th>PV2</th>
<th>CV3</th>
<th>Component Variables</th>
<th>Factor Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interpersonal Relationship</td>
<td>.861</td>
<td></td>
<td></td>
<td>Competencies of the providers</td>
<td>.657</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Communication skills</td>
<td>.839</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Time management</td>
<td>.667</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Sales force training</td>
<td>.713</td>
</tr>
<tr>
<td>Firm’s Commitment</td>
<td>.761</td>
<td></td>
<td></td>
<td>Affordable for middle income group</td>
<td>.689</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Easy financial access to purchase</td>
<td>.721</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Feelings during- and post- consumption</td>
<td>.756</td>
</tr>
<tr>
<td>Implementation of IT</td>
<td>.821</td>
<td></td>
<td></td>
<td>Skills of internet marketing</td>
<td>.699</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Call centre efficiency</td>
<td>.758</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Retailing and shopping on the Internet</td>
<td>.698</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The site is easy to navigate</td>
<td>.758</td>
</tr>
<tr>
<td>Customer’s Satisfaction</td>
<td>.751</td>
<td></td>
<td></td>
<td>Ability of flexibility and dynamic</td>
<td>.729</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Community support</td>
<td>.678</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Location convenience</td>
<td>.718</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Priori expectations</td>
<td>.723</td>
</tr>
</tbody>
</table>

Notes: 1: Eigenvalue (EV1) 2: Percent of Variance (PV2) 3: Cumulative Variance (CV3)

Confirmatory Factor Analysis:

To confirm the factor, this research has also conducted confirmatory factor analysis. Overall, the fit indices were generally improved from the default to revised model after certain adjustment on the variables (For Instance: Interpersonal Relationship and Firm’s Commitment) by inspecting the modification indices result. Results from the CFA using AMOS software were summarized in Table 1.3. The fit indices demonstrated good fit of the measurement models to the data.

<table>
<thead>
<tr>
<th>Theoretical Construct</th>
<th>Model</th>
<th>GFI</th>
<th>AGFI</th>
<th>RMSEA</th>
<th>CFI</th>
<th>NFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interpersonal Relationship (IE)</td>
<td>Default</td>
<td>.912</td>
<td>.955</td>
<td>.905</td>
<td>.914</td>
<td>.955</td>
</tr>
<tr>
<td></td>
<td>Revised</td>
<td></td>
<td></td>
<td>.905</td>
<td>.914</td>
<td>.955</td>
</tr>
<tr>
<td>Firm’s Commitment (FC)</td>
<td>Default</td>
<td>.940</td>
<td>.970</td>
<td>.900</td>
<td>.941</td>
<td>.964</td>
</tr>
<tr>
<td></td>
<td>Revised</td>
<td></td>
<td></td>
<td>.900</td>
<td>.941</td>
<td>.964</td>
</tr>
<tr>
<td>Implementation of IT (IT)</td>
<td>Default</td>
<td>.921</td>
<td>.973</td>
<td>.943</td>
<td>.973</td>
<td>.969</td>
</tr>
<tr>
<td>Customer’s Satisfaction (CS)</td>
<td>Default</td>
<td></td>
<td></td>
<td>.921</td>
<td>.943</td>
<td>.931</td>
</tr>
</tbody>
</table>

Hypothesis Testing:

The full model was tested based on the measurement model previously validated from CFA in the study. The fit indices of the full model were χ²/df = 2.44 (χ² = 3568.133, df = 1458); GFI = .971; AGFI = .945; RMSEA = .042; CFI = .943; NFI = .932. Although a relative χ² statistics (χ²/df=2.44) indicated a good fit, other indices were at the lower end of acceptable ranges to indicate a good model fit. To assess the mediating effects on implementation of experience marketing under the customers’ perspective this research has examined the predictive validity of the hypothesized model using decomposition of effects through Mplus. As predicted it was observed that there was a strong relationship between interpersonal relationships towards experience marketing where enhancement of information technology played a mediating role which supported H1 (See Table: 1.4). The results also showed that there is a moderate relationship between firm’s commitment towards implementation of experience marketing when customers’ satisfactions play as a mediating role supporting nearly H2 (See Table 1.4).
Table 1.4: The estimates of the mentioned variable.

<table>
<thead>
<tr>
<th>Path Direction</th>
<th>Estimates (Estimate of regression weight)</th>
<th>S.E (Standard error of regression weight)</th>
<th>C.R (Critical ratio for regression weight)</th>
<th>P (Level of significance for regression weight)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of IT ← Interpersonal Relation</td>
<td>.706</td>
<td>.099</td>
<td>7.118</td>
<td>0.000***</td>
</tr>
<tr>
<td>Customers’ satisfaction ← Firms’ Commitment</td>
<td>.518</td>
<td>.070</td>
<td>7.365</td>
<td>0.012</td>
</tr>
<tr>
<td>Experience marketing ← Implementation of IT</td>
<td>.448</td>
<td>.058</td>
<td>7.773</td>
<td>0.000***</td>
</tr>
<tr>
<td>Experience marketing ← Customers’ Satisfaction</td>
<td>.280</td>
<td>.053</td>
<td>5.269</td>
<td>0.022</td>
</tr>
</tbody>
</table>

Conclusions and Managerial Implication:
The motivation of this study is to provide an insight view of factors that are significant for experience marketing under the developing countries consumers’ perspectives. The study used the mediating role for the first in time (Implementation of Information Technology; Customers satisfaction) in between interpersonal relationship; firm’s commitment. The new contributions of this paper are to improve the understanding of those four salient interrelated clusters that affect experience marketing. Based on the data analysis, this research strongly confirms that all three hypotheses were accepted. More precisely, the findings suggested that there is a strong relationship between interpersonal relationships (IR) with experience marketing (EM) when implementation of IT (IT) plays as a mediating role. Notably, few companies in Bangladesh have adopted the idea of staging experiences in their business approaches. If firms know the efficacy of staging experiences, they will, in future, consider this as a competitive advantage. The results of this study have important contributions for marketing manager. It is evident that staging experience can act as a source of core competency for a business in strengthening its brand recognition, building company image, and providing unique feature to the consumers in the bundle of offering. This research has compiled some guidelines for the business managers to help them in staging experiences successfully. Managers are suggested to develop a more ‘personal’ and unique one-on-one connection with customers.

Limitations and Directions for Future Research:
This study has several limitations. The most significant of which is the cross-sectional and self-reported data. The use of such data may have led to the overestimation of the relationships. Secondly, this study took place within a specific geographic area (Dhaka city). As a result, the findings of this study may not be generalized to other countries. For this reason, future research should aim to obtain larger sample size in other countries to reach comparative results.

REFERENCES


