Managing relationships in B2B financial services

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Abstract

This study was conducted in the South African business-to-business (B2B) financial service industry and focus on how financial service providers can manage relationships with B2B clients. The uniqueness of the study is that it simultaneously focuses on the perceptions of both relationship managers and B2B clients. The results provide valuable insights in respect of the way in which financial services are viewed by relationship managers and clients respectively. It was found that relationship managers often over-estimate the number and importance of some of the dimensions of a typical marketing relationship. Furthermore, it became clear that relationship managers appear to doubt the significance of certain dimensions of a relationship, which resulted in resources and energy being wasted.

Keywords: Managing Relationships, Financial Services Industry.

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Introduction

As the financial services industry became more competitive, the need to manage customer relationships has also grown more important (Chiu, Hsieh, Li and Lee, 2005). This resulted in financial services providers placing emphasis on creating value through relationships in an effort to maintain business in the business-to-business (B2B) financial services industry (Adamson, Chan and Handford, 2003). However, uncertainty appears to exist on a how to manage relationships in a comprehensive manner. Agreement appears to exist on the importance of trust and commitment, as well as the influence of these two dimensions on an exchange partner's intention to stay in a relationship. This study uses these three dimensions as the focal point of the research, and hypothesises a number of additional dimensions relative to these three.

Trust and its Antecedents

Since the re-emergence of relationship marketing in the early 1980s, the trust-concept has extensively been research (Morgan and Hunt, 1994; Moorman, Deshpandé and Zaltman, 1993). Trust still plays a vital role in a marketing relationship, and many of the more recent relationship-marketing studies include trust as key dimension (Macintosh, 2009; Barry, Dion and Johnson, 2008). The antecedents of trust is well documented, and emphasis is often placed on satisfaction (Leisen and Hyman, 2004; Costabile, Raimondo and Miceli, 2002), communication (Kang, Jeon, Lee and Lee, 2005; MacMillan, Money, Money and Downing, 2005), competence (Coulter and Coulter, 2003, Perry, Cavaye, and Coote, 2002), bonding (Gounaris, 2005; Hocutt, 1998), customisation (Gill, Flaschner and Shachar, 2006), and shared values (Kang et al., 2005; MacMillan et al., 2005). Based on the theoretical support, this study hypothesised six relationships relative to trust: (H^1) satisfaction, (H^2) communication, (H^3) competence, (H^4) bonding, (H^5) customisation and (H^6) shared values.

Commitment and its Antecedents

Commitment is often viewed as the most frequently cited consequence of trust (Tellefsen and Thomas, 2005; Razzaque and Boon, 2003). Communication appears to be an important antecedent of commitment, with various studies reporting a positive relationship between these two dimensions (Adamson et al., 2003; Goodman and Dion, 2001). These studies all found that, as the level of communication between two partners increases, it exerts a positive influence on commitment. Similarly, a positive relationship between shared values and commitment was reported in the marketing literature (MacMillan et al., 2005). An exchange partner's commitment to a relationship further appears to be influenced by shared values (Morgan and Hunt, 1994), attractiveness of alternatives (Sharma and Patterson, 2000), and relationship benefits (Adamson et al., 2003; Chen, Chen and Yeh, 2003). Based on theoretical support, five positive relationships are hypothesised relative to commitment in this study: (H^7) trust, (H^8) communication, (H^9) shared values, (H^{10}) attractiveness of alternatives, and (H^{11}) relationship benefits.

Intention to Stay and its Antecedents

The degree to which a long-term relationship is established, is indicated by the partners' perception of the likelihood that the relationship will continue (Anderson and Weitz, 1989). The majority of studies on buyer-seller relationships therefore appear to include some reference to continuity of a relationship in their research. Although the concept can be phrased differently to reflect specific circumstances (such as long-term orientation, propensity to leave and behavioural intentions), this study uses the term intention to stay in order to include all the above viewpoints. The marketing literature appears to focus on especially three antecedents of intention to stay: commitment (Abdul-Muhmin, 2005; Gounaris, 2005), satisfaction (Han, Back and Barrett, 2009; Söderland and Ohman, 2003), and trust (Johnson and Grayson, 2005; Gounaris and Venetis, 2002). Based on the literature support, this study hypothesised three positive relationships relative to intention to stay: (H^{12}) commitment, (H^{13}) satisfaction, and (H^{14}) trust.

Methodology

The empirical study was conducted amongst relationship managers and clients of a major South African B2B national financial services provider (NFSP).

Sampling Procedure

Relationship manager sample: The total population of 300 relationship managers of the participating NFSP were included, which precluded the need to draw a sample.
Client sample: The participating financial services provider provided a randomly drawn list of 6 997 names, which serviced as the sampling frame. Based on the view of Hair, Black, Babin, Anderson and Tatham (2006) in respect of sample sizes, a quota of 400 was decided upon, and a combination of random and quota sampling was therefore used.

Measurement Instrument

The data were collected through two questionnaires: one to be completed by the relationship managers, and one by the B2B clients. A 49-item questionnaire was developed and items were drawn from established scales found in the marketing literature.

Method of Data Collection

Relationship manager sample: Data were collected through a web-based questionnaire posted on the participating provider's website. This approach was regarded as appropriate, since all relationship managers had access to the provider's website.
Client sample: Data were collected by means of a telephone survey. The data collection took place over a four-week period, which included time for follow-up.

Data Analysis

Relationship manager sample: Cronbach alphas were used to assess the reliability, and the hypothesised relationships were assessed using a regression analysis. Although SEM would have been the statistical technique of choice, it could not be used due to the minimum sample size requirements needed for SEM.
Client sample: Reliability was once again assessed by means of Cronbach alphas, while construct validity was assessed by means of a confirmatory factor analysis. SEM (a multivariate technique which examines a series of dependence relationships simultaneously) was used to analyse the data and the software used was the LISREL (version 8.8) program. LISREL was used to test the measurement model as well as to fit the data to the theoretical model.

Empirical Results

Relationship Manager Sample

All the α-coefficients were above the generally accepted norm and the data were consequently regarded as reliable. A web-based approach was used to send the questionnaire to 300 randomly selected relationship managers from the NFSP. A total of 158 completed responses were returned. Regression analyses were performed on the data, and in order to assess all 14 hypothesised relationships, three regression analyses had to be conducted. The results are presented in Table 1.

Table 1: Results of regression analyses

Independent variables	Beta coefficients	t-values	Level of significance	VIF level	Tolerance level	Remarks
The trust model						
Satisfaction	0.451	4.585	0.000	5.163	0.194	***
Communication	0.044	0.533	0.595	3.616	0.277	N.S.
Competence	0.324	4.801	0.000	2.431	0.411	***
Bonding	0.068	0.606	0.545	6.649	0.150	N.S.
Customisation	-0.188	-2.304	0.023	3.569	0.280	*
Shared values	0.219	2.269	0.025	4.988	0.200	*
$R^2 = 0.717$						
The commitment model						
Independent variables	Beta coefficients	t-values	Level of significance	VIF level	Tolerance level	Remarks
Trust	0.122	1.598	0.112	2.862	0.349	N.S.
Communication	0.173	2.204	0.029	3.032	0.330	*
Shared values	0.183	2.046	0.043	3.937	0.254	*
Attractiveness of alternatives	0.130	2.397	0.018	1.456	0.687	*
Relationship benefits	0.346	3.834	0.000	4.013	0.249	***
$R^2 = 0.692$						
The loyalty model						
Independent variables	Beta coefficients	t-values	Level of significance	VIF level	Tolerance level	Remarks
Commitment	0.286	4.388	0.000	4.221	0.237	***
Satisfaction	0.535	7.046	0.000	5.700	0.175	***
Trust	0.151	2.940	0.004	2.607	0.384	**
$R^2 = 0.845$						

Remarks:
** $p < 0.01$; ** $p < 0.05$; *** $p < 0.001$; N.S. = not significant

Based on the significance levels and the β-values indicated in Table 1, 11 relationships were found to be significant and positively related to trust, commitment and loyalty respectively. With respect to the trust model, three relationships were accepted (H^1, H^3 and H^6). The negative relationship between customisation and trust (H^5) appear to be of specific interest. Although the relationship was confirmed at the 0.05 level, hypothesis H^5 could not be accepted since a positive relationship could not be found. Based on the empirical results, hypotheses H^2 and H^4 also had to be rejected. Within the commitment model, four hypothesised relationships (H^8 to H^{11}) were supported, while H^7 was rejected. In the intention to stay model all three the hypothesised relationships (H^{12} to H^{14}) were supported. Multicollinearity did not appear to be a problem in any of the three models, and all the R^2-values were acceptable.

Client Sample

All the α-coefficients were once again above the generally accepted norm, and the data were consequently regarded as reliable. Since the data did not demonstrate sufficient evidence of normality, robust maximum likelihood was used as estimation method. The fit indices for the three separate models show that the measurement models fit the data reasonably well. Due to multicollinearity, the variables of bonding and relationship benefits were removed, which implied that hypotheses H^4 and H^{11} could no longer be tested empirically. An inspection of the correlation coefficients revealed further evidence of collinearity. The procedure suggested by Mason and Perreault (1991) was applied which implies that the highly correlated variables are specified as separate paths, and that individual SEM analyses are conducted for each path. The empirical results of the SEM analyses are summarised in Table 2.

Table 2: Results of the SEM analyses

Model	Paths	t-values	Path coefficients	Remark	RMSEA
The trust model					
1.	Satisfaction → trust	12.64	0.96	***	0.0642
2.	Communication → trust	12.67	0.96	***	0.0656
	Competence → trust	3.99	0.24	***	
3.	Customisation → trust	2.03	0.12	*	0.0660
	Shared values → trust	6.90	0.63	***	
The commitment model					
Model	Paths	t-values	Path coefficients	Remark	RMSEA
1.	Trust→ commitment	10.14	0.84	***	0.0707
2.	Communication → commitment	11.00	0.88	***	0.0707
	Shared values → commitment	5.02	0.54	***	
3.	Attractiveness of alternatives → commitment	3.72	0.37	***	0.0712
The intention to stay model					
Model	Paths	t-values	Path coefficients	Remark	RMSEA
1.	Commitment → intention to stay	3.72	0.33	***	0.0674
	Satisfaction → intention to stay	7.33	0.64	***	0.0676
2.	Trust → intention to stay	17.88	0.93	***	

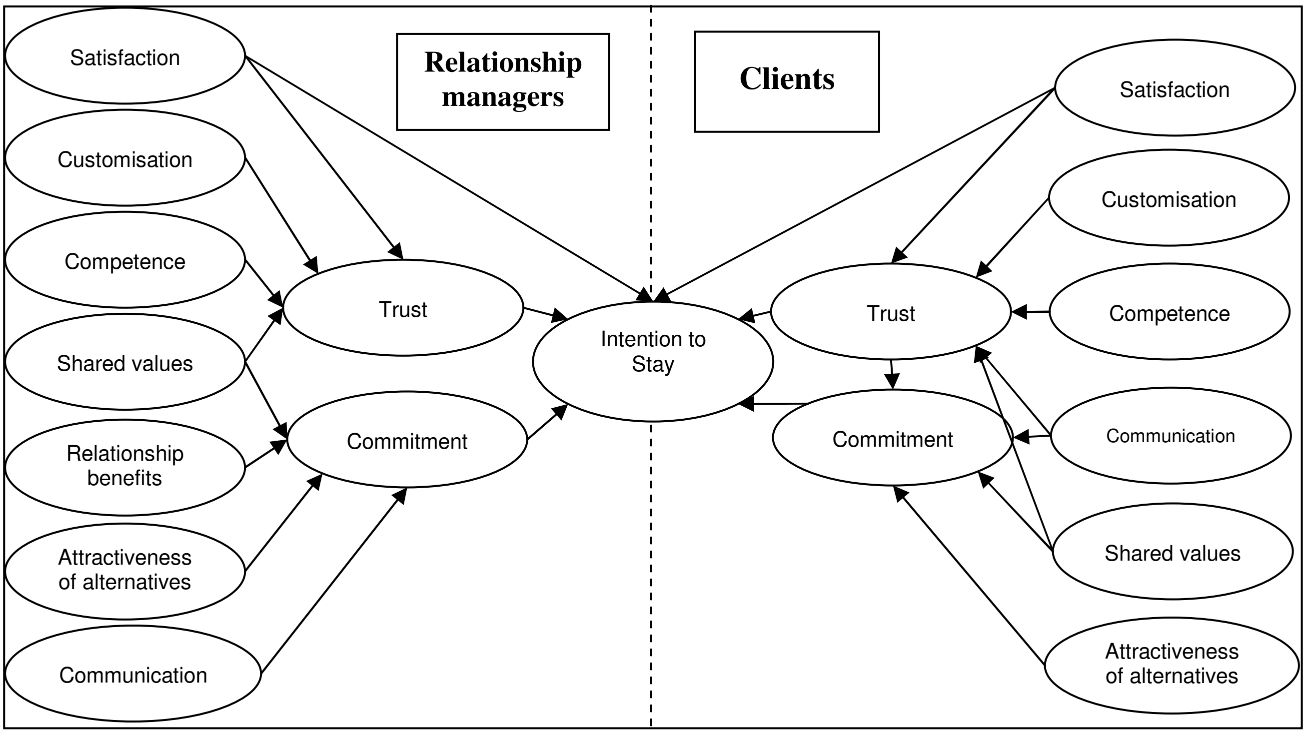
Remarks:
* $p < 0.05$; *** $p < 0.001$

The results in Table 2 provide support for all 12 the hypothesised relationships. The fit indices for the three models presented in Table 2 further provided evidence of a reasonable fit.

Summary of Confirmed Relationships

Figure 1 provides a graphical illustration of all the relationships confirmed in this study.

Figure 1: Graphical illustration of all the relationships confirmed



Sample Differences

The results of the t-test indicate significant differences between the relationship manager sample and the client sample in respect of seven of the dimensions. An assessment of the results showed that in all seven cases of significant difference, the relationship managers' ratings exceeded those of the clients. It thus appeared that relationship managers overestimated their ratings of clients' perceptions on the majority of the dimensions.

Interpretation of Results

Based on the number of relationships confirmed in this study, it is evident that both relationship managers and clients view relationship management as a complex process. The decision to enter into a long-term relationship with a B2B financial services provider is an intricate decision because of the costs and contractual obligations involved. In order for B2B clients to simplify the decision-making process for themselves, such clients may make use of heuristics to aid them. Clients can thus distinguish between more and less important dimensions to reduce the mental effort demanded for decision-making. There seems to be little doubt about the importance and relevance of the relationships confirmed in both the relationship manager and client samples. The differences in the perceptions that emerged from the two samples point to a gap between the financial institutions and its clients.

Contribution

The major contribution of the study is that it considers the perceptions of both the financial services provider and its clients simultaneously. Due to the fragmented nature of the marketing literature, this study is the first to suggest a summary of confirmed relationships for the management of long-term relationships in the B2B financial services industry. A further contribution of this study is the development of a reliable and valid scale that can be used by financial services providers to assess the perceptions of both relationship managers and B2B clients.

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