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A Study of Customer Relationship in Financial Services Industry

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Certificate of Originality

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Abstract

Maintaining a long-term customer relationship is emphasized because the committed relationship is hard for competitors to understand, copy, or displace. Customer relationship management (CRM) plays an important role in maintaining a long-term relationship and generally refers to the management of the lifetime relationship with customers. Long-term relationship maintenance, which is associated with information sharing between providers and their customers, captures the essence of CRM. The increasing emphasis of customer relationship management leads to the concern of determining the relationship quality among parties. Therefore, relationship quality model is developed in this study.

This study aims to fill in several research gaps. They are: (1) the importance of cause-effect relationship quality model in financial services industry; (2) the relation between information sharing and relationship quality; and (3) the linkage among relationship quality, anticipation of future interaction and willingness to refer.

This study has the following objectives: (1) to assess the impact of information sharing on relationship quality; (2) to investigate the mediating effect of relationship quality between information sharing and long-term relationship consequences (anticipation of future interaction and willingness to refer); (3) to determine the relationship between anticipation of future interaction and willingness to refer; and (4) to provide recommendations to practitioners in

implementing the customer relationship management via information sharing with the aim to enhance the relationship quality and eventually to increase anticipation of future interaction and willingness to refer.

The proposed model, relationship quality model, is developed. Information sharing is hypothesized as the antecedent of relationship quality; and anticipation of future interaction and willingness to refer are hypothesized as the consequences of relationship quality. Two-step modeling procedures of confirmatory factor analysis and structural model evaluation are employed in analyzing the results. The findings confirm that the proposed structural model, the relationship quality model, is well fitted with satisfactory goodness-of-fit index for determining the relationships among information sharing, relationship quality, anticipation of future interaction and willingness to refer. The results show that information sharing is positively and significantly correlated to the relationship quality. Consequently, the construct of relationship quality is also positively correlated to the anticipation of future interaction and willingness to refer. Anticipation of future interaction is statically positively correlated to the willingness to refer. Both theoretical and managerial implications will be discussed.

CONTENT

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Chapter 1: Introduction

During these few years, the ongoing customer relationship has been considered as one of the most important business assets for the companies (Webster, 1992). Many authors (e.g., Rosenberg and Czepiel, 1984; Vandermerwe, 1996) have pointed out that keeping existing customers is more worthwhile than winning new customers. Therefore, more and more researchers concentrate their investigations on how to develop and maintain a close relationship with customers (e.g., Duncan and Moriarty, 1998).

Customer relationship management (CRM) has received considerable attentions from both academicians and practitioners in discussing long-term customer relationship maintenance (Colgate and Lang, 2003; Day, 1999; Moorman and Rust, 1999; Srivastava *et al*., 1999). The increasing emphasis of CRM is based on the assumption that by maintaining a long-term profitable customer relationship, one will result in customer loyalty, positive word of mouth, referrals, intention to repurchase, etc (Anton and Petouhoff, 2002). CRM is the latest relational concept to receive "top billing" as it captures the spirit of keeping long-term customer relationship (Child *et al.*, 1995; Egan, 2001).

Achieving CRM is the most durable advantage for corporations because long-term relationship is difficult for competitors to understand, copy, or displace (Day, 1997; Day, 2000). The emergence of this trend indicates that firms are beginning to formally realize the importance of relationship quality between customers and themselves. Christopher *et al.* (1991) also emphasizes the concept of relationship quality. It is cited as an essential element for CRM. In other words, relationship quality plays a critical role in studying long-term relationship maintenance.

The general concept of relationship quality describes the overall depth and climate of a relationship (Johnson, 1999). Relationship quality is discussed as a bundle of intangible value which results in an expected long-term relationship between parties (Levitt, 1986). Relationship quality from the customers' perspectives has received increasing attention by researchers during the past decade (e.g. Crosby et al., 1990; Kumar *et al.*, 1995; Lagace *et al.*, 1991).

In order to increase the degree of relationship quality, one must have thorough understanding of customers' needs to better formulate the customer-oriented strategies. As a result, achieving competitive advantage through relationship quality needs good understanding of the quality requirements from customers' perspectives (Hansen and Bush, 1999). Although the long-term relationship quality has dominated in the industrial buyer–seller literatures (e.g., Dorsch *et al*., 1998; Kumar *et al*., 1995; Walter *et al*, 2003) and sales literatures (e.g., Crosby *et al*., 1990; Bejou *et al*., 1996), there are not many empirical researches about the relationship quality model in the financial services industry. This study investigates the importance of relationship quality in the financial services industry with the aim at maintaining long-term customer relationship.

CRM shares similar meaning with relationship marketing but it is characterized by the usage of information technology. The distinct characteristic of CRM from other relational approaches is that it is a broader management concept with the aid of advanced technology applications for analyzing data and information aimed at maintaining life-long customer relationship profit (Galbreath and Rogers, 1999; Kelly, 2000; Ryals, 2000; Swift, 2001; Tiwana, 2001). Although researchers always over-emphasize the usage of information technology in accomplishing CRM, advanced technology is merely utilized for smoothing the progress of "everyday" exchange interactions, e.g. information sharing among parties. Anton and Petouhoff (2002) mention that the achievement of CRM should start from people and/ or process instead of technology. Hence, technology should only be regarded as the system that enables customer information transformation (Greenberg, 2001; McKean, 1999). In other words, for implementing CRM, information sharing should be the main focus of the companies instead of information technology.

Information represents a key resource in CRM. It assists companies to better understand their customers so that customers will be able to reduce their uncertainties in making decisions. The companies will have detailed records about the customers' behaviors after analyzing different kinds of information. Therefore, information helps companies strengthen their customer base and simultaneously weaken the customer base of their competitors (McKean, 1999). The more the companies understand their customers, the longer the customers retain with the companies.

The abilities to apply and process the information are essential requirements for achieving the targets of high customer retention rate as well as company profitability. Alternatively speaking, information sharing plays an elementary role in reaching CRM.

Although relationship quality and information sharing capture the attention of attaining CRM, there is a limited empirical research in investigating the connection between information sharing and relationship quality under the theme of CRM. This study aims at investigating the impact of information sharing on relationship quality which will eventually lead to achieving the long-term customer relationship consequences.

The main objectives of this study are to investigate (1) how relationship quality may be influenced by information sharing between the financial services providers and the individual customers and (2) the mediating effect of relationship quality in attaining the long-term relationship consequences, for instance anticipation of future interaction and willingness to refer.

This chapter briefly discusses the role of financial services industry in Hong Kong and the research background. The significance of this study will then be illustrated, followed by the research problems and objectives. Finally, the scope and outline of this study will be stated.

1.1 Role of Financial services industry in Hong Kong

Hong Kong is one of the fastest-growing markets in the Asia-Pacific. According to the World Economic Forum, Hong Kong consistently ranks among the world leaders in terms of management quality and is considered as the key for overseas companies to unlock enormous potential arising from China's entry to WTO and Asia's economic recovery. This opportunity makes Hong Kong's superior positioning within the region more desirable and attractive than many world-class firms.

Many leading financial services firms have set up their regional offices in Hong Kong. Financial services include capital investment, international network and professional expertise. It is also characterized by its free movement of capital, information and people. Hong Kong has a large number of sophisticated customers which allows international financial institutions to introduce new financial services, such as tailored debt programs for major corporations by banks, equity and debt derivatives from investment banks, investment linked policies from life insurers and so on.

Total gross premiums of financial services industry (insurance industry only) grow by 14.6% to HK$102.0 billion since year 2002, representing 8.3% of the Hong Kong Gross Domestic Product (2003) and thus it plays an important role in the Hong Kong economy. With the reasons of its important role in the financial services in the economy, and CRM appears to be more advanced in the retail financial services (Ryals and Payne, 2001), financial services industry is thus chosen in this study.

1.2 Background

The 1990s is likely to be recognized as the "relationship marketing decade" in business history (Jap *et al.*, 1999). As markets mature and competitions intensify, firms are exploring ways to increase customer retention, thus improve company profitability according to various studies (e.g. Fornell and Wernerfelt, 1987; Riechheld and Sasser, 1990). One strategy that has gained considerable attention is the strategy of customer relationship management with the usage of information technology, in which firms invest in developing long-term relationship with customers. For many services, the essence of marketing is the development of long-term, value-laden relationships with customers (Bejou and Palmer, 1998; Berry, 1983; Christopher *et al.*, 1991). A key feature of customer relationship management does not only lead to increasing customer retention, it also provides a sustainable competitive advantage to the firms. This relationship is an intangible asset which cannot be easily duplicated by competitors.

The usage of information becomes more important for the financial services industry. Technology and financial innovation have allowed companies to use information to provide their customers with better and more personalized services, so as to save their time and money. Financial institutions share information to increase their efficiency and provide more choices and better prices for their customers in a competitive marketplace.

In sum, there is a need for many practitioners and academicians to turn their attention to the concept of customer relationship management as well as its impact on customer interactions with sellers, distribution channel members, internal functions, and even competitors (e.g., Grönroos, 1994).

1.3 Significance of the Study

This study aims at filling in a number of research gaps and bringing out several theoretical contribution and managerial contribution. The following sections illustrate theoretical contribution and managerial contribution followed by the research problems and objectives.

1.3.1 Theoretical Contribution to Academicians

Generalization of Relationship Quality Model

Although several papers in the channels (e.g., Dorsch *et al*., 1998; Kumar *et al*., 1995) and sales literatures (e.g., Bejou *et al*., 1996; Crosby *et al*., 1990) have measured the relationship quality among parties, there are not many empirical researches in measuring the cause–effect model of relationship quality in professional services. Sharma and Patterson (1999) highlight the need of future model with the focus on determining the nature of relationships in professional services, especially in the context of those high in credence properties (i.e. where clients are not satisfied with the confidentiality system during evaluating service process after the purchase) such as financial, legal, medical and other services delivered by highly trained and qualified professionals (Crosby *et al*., 1990; Darby and Karni, 1973).

There is a need to investigate a cause–effect model of relationship quality in financial services industry. This study aims at filling in this research gap which tends to generalize the relationship quality model.

Relationship among Relationship Quality, Anticipation of Future Interaction and Willingness to Refer

Anticipation of future interaction and/or willingness to refer are/is always identified as the consequence(s) of relationship quality in different papers (Boles *et al.*, 1997; Crosby *et al.*, 1990; Kim and Cha, 2002). Crosby *et al*. (1990) which conceptualize anticipation of future interaction being the consequence of relationship quality while Boles *et al.* (1997) believe that the anticipation of future interaction and willingness to refer are the consequences of relationship quality. There is a gap in examining the inter-relationship in among relationship quality, anticipation of future interaction and willingness to refer in the same model (Kim and Cha, 2002).

Apart from the above argument, the interaction between anticipation of future interaction and willingness to refer is not investigated. Some researchers are interested in finding out the relation between anticipation of future interaction and willingness to refer. The hypothesis of the anticipation of future interaction is positively related to the willingness to refer. This is statistically supported by Kim and Cha (2002), but not the case for Johnson *et al.* (2003). Therefore, the argument of the link between the anticipation of future interaction and the willingness to refer exists.

This study aims at filling this gap by investigating the impact of relationship quality on the anticipation of future interaction and the willingness to refer plus the affiliation between the two.

Impact of Information Sharing on Relationship Quality

Many researchers (e.g., Boles *et al.*, 1997; Kim and Cha, 2002; Roberts *et al.*, 2003) have suggested that future research should explore other meaningful antecedents of relationship quality. Crosby *et al.* (1990), Boles *et al.* (2000) and Parsons (2002) identify the relational selling behavior, the major antecedent of relationship quality, which includes mutual disclosure, contact intensity and cooperation intention. Shamdasani and Balakrishnan (2000) conceptualize disclosure and interpersonal communication, which are positively related to relationship quality. Mutual disclosure, contact intensity and/or interpersonal communication are contributed to the characteristics of information sharing. Apart from relational selling behavior, information sharing may be considered as another meaningful antecedent of relationship quality. Information sharing with the uniqueness of "everyday" exchanging interactions among various industries has been found as the major antecedent of trust, satisfaction and commitment (e.g., Morgan and Hunt, 1994; Crosby *et al*., 1990).

Therefore, there is a gap in investigating information sharing of the antecedent of relationship quality. Relationship quality comes up with trust and satisfaction. Information sharing is identified as the major antecedent of trust and satisfaction. Many researchers only investigate the information sharing related constructs (e.g., disclosure, contact intensity and/or interpersonal communication) instead of examining information sharing directly as the antecedent of relationship quality. In order to fill this gap, this study investigates the direct impact of information sharing on relationship quality.

1.3.2 Managerial Contribution to Practitioners

Achievement of Willingness to Refer

Willingness to refer is one of the important assets for the financial services providers. Many financial services providers are seeking different methods to motivate their customers for referral. This study may confer an opportunity for financial services providers to explore situations where their customers are willing to refer.

Understanding what information technology should be implemented in achieving CRM

Anton and Petouhoff (2002) emphasize that CRM should begin with people and/or process instead of technology. Having understood the need of the customers, the corresponding technology can be implemented to sustain CRM implementation. There is a need to understand what kind of information technology should be implemented. This study investigates the importance of information sharing in influencing relationship quality. The results may offer the insight about the technology implementation, which may smooth the information sharing process with the purpose of facilitating the success of CRM.

Performing the Information Sharing Properly

Information sharing is classified as one of the common daily interactions. Appropriate information sharing plays an important role in maintaining long-term customer relationship. Managers have to pay attention to the practice of information sharing and thus develop the communication guidelines for service providers in maintaining high quality relationship (Boles *et al.*, 1997; Smith and

Bush, 2002). This study suggests that the importance of information sharing results in high relationship quality. These findings may help managers in assessing what specific steps of information sharing should be taken in order to achieve high quality relationship.

In brief, this study provides the ideas for the practitioners in understanding what factors are likely to motivate customers' willingness to refer, appropriate information technology implementation in achieving CRM and practice information sharing properly. It also generalizes the relationship quality model.

1.4 Research Problems and Objectives

The development of the conceptual framework in this study is guided by the six main research questions (Perry, 1994). They are about the questions of who, what, where, why, when and how and they can assist in providing the overall picture of this research and the formation of the key research questions.

Who is involved?

In this research, the relationship maintenance between customers and service providers is the main concern. The word "customers" refers to the individual customer who seeks advices about different kinds of financial services and/or financial products whereas the word "service providers" refers to the individual financial service provider who provides advice and manages portfolio of various kinds of financial products to their customers. These two groups are the targets for this study.

What do they do?

Customers search for the advices from financial service providers in order to reduce their uncertainty and thus make more appropriate financial decisions. Financial service providers guide the customers' decision-making process by exchanging useful information and thus strengthening relationship quality in order to maintain long-term relationships with customers.

Where?

Since most of the studies are from Western countries, there is limited research on the topic of relationship quality in non-Western settings. Hong Kong is the center of Asia, which will be the place for this study.

Why?

Many customers become knowledgeable by acquiring information on the Internet and the financial services providers are facing more challenges from customers than before. Furthermore, many customers purchase their own financial products by themselves and it weakens the importance of financial service providers. Financial service providers not only have to provide satisfied services to their customers, they also have to reinforce the relationship quality in order to solve these problems so as to maintain long-term relationship with the knowledgeable customers.

When?

During the daily practice of exchange behaviors, the appropriate information sharing is used; and thus both the financial service providers and customers may perceive that they are in mutual relationship.

How?

Financial services providers can make use of appropriate information sharing in order to raise the intensity of relationship quality with customers. Thus the long-term customer relationship management can be achieved.

The above questions can aid the development of major research questions in this study. The questions are:

1. In what ways can relationship quality be influenced by "everyday" sharing interactions, for example information sharing?
2. In what ways can relationship quality facilitate the linkage between information sharing and anticipation of future interaction as well as willingness to refer?
3. In achieving customer relationship management, what is the effect of relationship quality on the constructs of willingness to refer and anticipation of future interaction?
4. What are the implications of relationship quality model in reaching customer relationship management?

In order to answer these questions, performing a research to test different constructs in the relationship quality model is required, i.e. information sharing, relationship quality, anticipation of future interaction and willingness to refer. Therefore, this paper has the following objectives:

- To evaluate the importance of information sharing and relationship quality;

- To investigate the mediating effect of relationship quality between information sharing and anticipation of future interaction as well as willingness to refer;
- To determine the impact of willingness to refer on anticipation of future interaction; and
- To provide recommendations to practitioners for implementing customer relationship management via relationship quality and information sharing.

1.5 Scope of the Study

In this research, financial service providers are selected. Since financial services involve lots of information, financial service providers have to use CRM technology for analyzing information and thus formulate the customer focused relationship strategies. As a result, they have to maintain the long-term and individualized relationship with the customers. Financial services industry plays an important role in Hong Kong business environment since Hong Kong is an important financial center in the world. Hong Kong is a place in which there is a high concentration of banks and other financial institutions, and in which a comprehensive set of financial markets are allowed to exist and develop (Jao, 1997).

Actually, the scope of financial services provided in Hong Kong is extensive. For example, banks provide the services in investment, mortgage, deposit and personal finance whereas insurance companies concentrate on the insurance-related products, and investment companies sell securities products like stocks and mutual funds. But various problems can be found because most of the services provided by banks are standardized and the ones given by insurance agents and investment companies are of limited choice. The trend in most of the countries, such as the United States, the United Kingdom, Canada, France, Germany and Japan, is that these companies will provide one-stop service to individuals for all sorts of financial services. The target of this study is to investigate different ways information can be shared by the financial service providers so as to enhance the relationship quality with their individual customers and eventually to achieve customers' anticipation of future interaction and willingness to refer.

1.6 Outline of the Study

Chapter one provides a short overview of this study, research objectives and questions, and the design of the study. Chapter two reviews the relevant academic literature supporting the conceptual framework. Special attention is given to the demonstrated need in the literature for the present study. Chapter three provides an in-depth presentation of the theoretical framework that guides the study, including the conceptual model and theoretical support for each of the research hypotheses. Chapter four outlines the methodology to be used for the development of questionnaire and data collection. Chapter five presents the results from the completed data collection and analysis. Chapter six discusses the results of the data analysis and explores the contribution of the study to theory and marketing practice.

1.7 Summary

This chapter illustrates the importance of this study by pointing out some research gaps from the literatures. The roles of financial services industry in Hong Kong and research background are discussed. The research questions and objectives are also stated following by the scope and outline of this study.

Chapter 2: Literature Review

Chapter one states the research problems and objectives; this chapter reviews the literature in accordance with the classification model presented in Figure 2.1. First, the significance, definition and foundation of customer relationship management (CRM) are reviewed. Next, the importance and the characteristics of life-long profit customer are illustrated in order to show the role of customer in CRM. Then the function and importance of long-term relationship in CRM are demonstrated by stating the significance, definition and dimensions of relationship quality. The direction in managing the long-term customer relationship is illustrated by discussing the importance of information sharing followed by its definition and components.

2.1 Customer Relationship Management (CRM)

Anton and Petouhoff (2002) mention that CRM is made up of three parts: customers, relationships and management. Prior to examining the role of “customer”, “relationship” and “management” in customer relationship management (CRM), the following sub-sections will discuss the significance of CRM, define and trace the rise of CRM.

2.1.1 Significance of CRM in marketplace

Establishing and maintaining long-term relationship with customers are not only regarded as the source for retaining a stronger competitive position, but are also more valuable in keeping the existing customers than getting new ones. Keeping long-term customer relationship is the spirit of CRM (Child *et al.*, 1995) and CRM is the latest relational concept to receive “top billing” (Egan, 2001). CRM attracts such great attention because relationship approaches have been said to reap mutual benefit to both buyer and seller (see Grönroos, 1996).

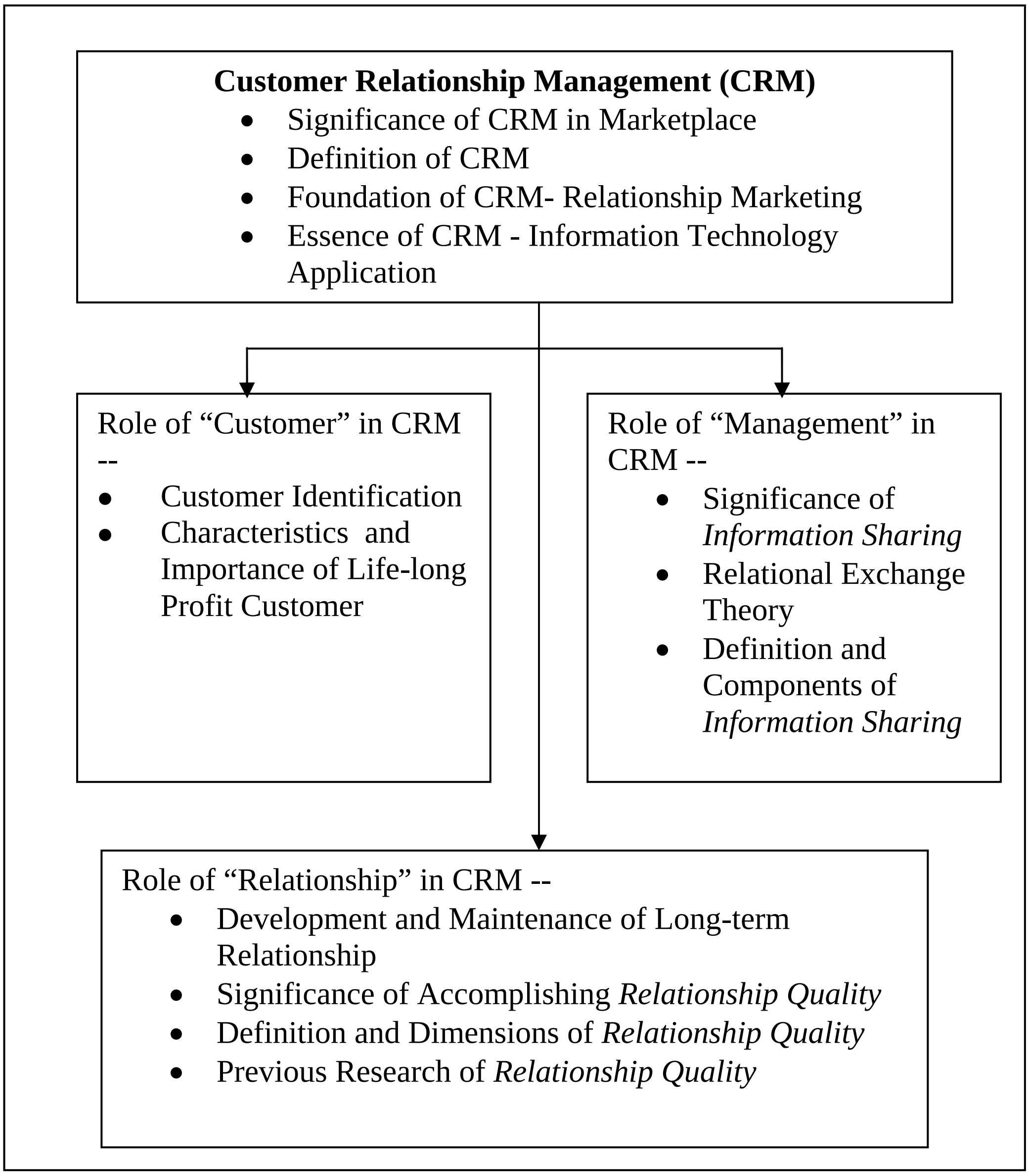

FIGURE 2.1. A Classification Model on the Roles of “Customer”, “Relationship” and “Management” in Customer Relationship Management

Due to the intense competition for market share in today's market, marketers are required to increase the customer retention and understand the hows or whys of the customer returning and continuing to repurchase (Pritchard and Howard, 1997). CRM provides more opportunities for marketers to use data wiser so as to better understand their customers and execute the relationship marketing strategies (Ryals and Payne, 2001). The importance of durable relationship is emphasized because the committed relationships are hard for competitors to understand, to copy, or to displace (Day, 1997). As a customers' relationship with the company lengthens, companies will increase profits by retaining their customers (Reichheld and Sasser, 1990; Lemon *et al*, 2002).

It is not surprising that CRM has been received considerable attention from both academicians and practitioners (Day, 1999; Moorman and Rust, 1999; Srivastava *et al*., 1999). Definition of CRM is stated in the following sub-section.

2.1.2 Definition of CRM

Even though CRM is one of the hottest topics in the marketplace, people have not yet reached an agreement on the precise definition of CRM. Reinartz *et al*. (2004) indicate that the definition of CRM prompted by experts and analysts can be classified into three levels. They are functional, customer facing and companywide.

Definition of CRM on the functional level:

Shoemaker (2001) argues that CRM is merely a kind of technology. “CRM is the technology used to blend sales, marketing, and service information systems to build partnerships with customers (Shoemaker, 2001, p.178)". It is also described as "the jackhammer breaking down the silos separating customer-facing functions (Lee, 2000, p.56)".

Definition of CRM on the customer facing level:

Hamilton (2001) interprets CRM as: "the process of storing and analyzing the vast amounts of data produced by sales calls, customer-service centers and actual purchases, supposedly yielding greater insight into customer behavior. CRM also allows businesses to treat different types of customers differently in some cases, for instance, by responding more slowly to those who spend less or charging more to those who require more expensive hand-holding (p.T4)". CRM is the process of storing and analyzing the data acquired via different interfaces with customers while yielding more insight into the customer behaviors.

Findlay (2000) shares similar understanding of CRM. CRM concentrates on customers' retention rate by collecting data from every way they interact with a corporate. The contact points include phone, mail, web or field. The company can make good use of this data for specific business purposes, e.g., marketing, service, support or sales. Firms then concentrate on a customer-centric approach rather than a product-centric (Findlay, 2000).

Gosney and Boehm (2000) conclude that CRM is a kind of strategy. A CRM strategy has numerous aspects, but the basic theme is for the company to become more customer-centric. CRM is "a business philosophy aimed at achieving customer centricity for the company" (Hasan, 2003, p.16). As a result, it will add customer loyalty to your business's bottom line (Gosney and Boehm, 2000).

Definition of CRM on the companywide level:

Hobby (1999) simply points out the main concept of CRM with the definition of “a management approach that enables organizations to identify, attract and increase retention of profitable customers by managing relationships with them (p.28)”. Verhoef and Donkers (2001) emphasize that the more profitable customers, the more investment should be made. Galbreath and Rogers (1999) extend this definition of CRM in more details.

Galbreath and Rogers (1999) give the definition of CRM as “activities a business performs to identify quality, acquire, develop and retain increasingly loyal and profitable customers by delivering the right product or service, to the right customer, through the right channel, at the right time and the right cost. CRM integrates sales, marketing, service, enterprise resource planning and supply-chain management functions through business process automation, technology solutions, and information resources to maximize each customer contact. CRM facilitates relationships among enterprises, their customers, business partners, suppliers, and employees (p.162)”.

This implies that CRM focuses on the “right” philosophy and the transformation trend of the entire enterprises towards CRM. This concept is definitely true for establishing and maintaining the relationship with customers.

However, it may be too ideal and ambiguous for the marketers to apply this "right" philosophy during the daily practice.

In sum, some definitions of CRM refer to the implementation of business strategies or customer-centric strategies; others view CRM as an information technology term.

In order to eliminate the ambiguity, this paper merges the above definition together and simply defines CRM as the process of acquiring, retaining and growing profitable customers via various interactions with the use of information technology. Based on this definition, CRM is neither a concept nor a technological term. Instead, it is a business strategy that aims at understanding, anticipating, and managing the needs of an organization's current and potential customer.

2.1.3 Foundation of CRM ~ Relationship Marketing

CRM generally refers to the management of the lifetime relationship with customer. To understand CRM better, relationship marketing as the root of CRM is briefly reviewed.

Relationship Marketing

The characteristics of CRM are illustrated by the relationship-based tents. According to Kutner and Cripps (1997), CRM is found on four relationship-based tenets: 1) customers should be managed as the important assets; 2) customer profitability varies; not all customers are equally desirable; 3) customers vary in their needs, preferences, buying behavior and price sensitivity and 4) by understanding customer drivers and customer profitability, companies can tailor their offerings to maximize the overall value of their customers' portfolio. Apart from these four relationship-based tenets, the concept of CRM can be explained by relationship marketing as relationship marketing is basically identified as the root of CRM.

Dwyer, Schurr and Oh (1987) first introduce the concept of relationship management (RM) and develop a theoretical buyer–seller relationship life-cycle model. Relationships evolve through five general phases identified as awareness, exploration, expansion, commitment, and dissolution; while Heide (1994) identifies a set of generic relationship processes including relationship initiation, maintenance, and termination processes.

Evans and Laskin (1994) define relationship marketing as the process of building long-term alliances with customers and work together toward a common set of specified goals. In addition, according to Palmer (1994), relationship marketing strategies focus on the attention of the value of buyer–seller relationships over time.

Morgan and Hunt (1994) broaden the definition of relationship marketing as all marketing activities toward establishing, developing, and maintaining successful relational exchange. It constitutes a major shift in marketing theory and practice. Copulsky and Wolf (1990) define relationship marketing as the mix elements of general advertising, sales promotion, and direct marketing to create more effective and efficient ways of reaching customers. Kotler, Bowen and Makens (1996) define relationship marketing as creating, maintaining, and enhancing a strong relationship with customers and other stakeholders.

Relationship marketing encompasses transaction marketing and aims at building long-term, trustful, mutually beneficial relationships with valued customers (Kim and Cha, 2002). It has been demonstrated that it is far less expensive to retain a customer than to acquire a new one. In general, relationship marketing is usually positioned as the opposite of transactional marketing, which is marketing at arms-length without any interaction between producers and individual buyers.

2.1.4 Essence of CRM~ Information Technology Application

The term "CRM" is usually associated with the usage of information technology in managing relationships. The essence of information technology in implementing effective CRM is illustrated.

Information Technology Application

Information technology plays a critical role in CRM as the implementation of CRM is always associated with the usage of technology. Shoemaker (2001) and Lee (2000) also state the importance of technology in implementing CRM. CRM technology is used to blend sales, marketing, and service information systems to build partnerships with customers (Lee, 2000). Many firms invest lots of capitals in implementing CRM technology. Revenues in CRM technology are expected to reach $7.5 billion by 2002 (Zerega, 1999).

Dibb and Simkin (2001) state that CRM has adopted information technology in improving database management and customer communications so to nurture on-going one-to-one relationships with specific customers. CRM utilizes (1) improving customer data and marketing information systems so as to focus on customer retention; (2) database as a device for managing direct communications; and (3) integrating channels with the usage of information technology.

Within CRM context, technology supports the attainment of relationship marketing at each of the customer touch points, the areas where the customers and firms interact (Zenkhe, 1999). In order words, CRM uses technology to enhance every interaction and to shape appropriate marketing offers in an attempt to nurture on-going relationships with the individual customer (Dibb and Simkin, 2001). The next sub-section will discuss the role of “customer” in CRM, followed by the role of “relationship” and “management”.

2.2 Role of “Customer” in CRM

This section first identifies what the customers are valuable in CRM. Then the importance and characteristics of those customers are illustrated.

2.2.1 Customer Identification

Many researchers identify different kinds of customers based on their relational exchange natures. Morgan and Hunt (1994) summarize the ten discrete forms of relational exchanges based on four main natures including supplier partnerships, lateral partnerships, buyer partnerships and internal partnerships. The ten types of relational exchanges are the relationship between the focal firm and its goods suppliers, services suppliers, competitors, nonprofit organizations, government, ultimate customers, intermediate customers, functional departments, employees and business units. The types of customers can be simply classified as the internal customers and external customers. This study focuses on discussing the relationship between the service providers of the local firm and their external individual customers.

Service providers understand that establishing and maintaining the long-term relationship with their customers are increasingly important. They face the difficulties in keeping all the customers with limited resources and time. Based on the concept of CRM, service providers should adjust their assets and time in proportion to the value of their customers. Niraj, Gupta and Narasimhan (2001) point out the significance to distinguish the more profitable customers from the less profitable customers. In other words, providers should put more effort in maintaining the long-term relationship with the profitable customers instead of all customers. The following part points out the characteristics of life-long profitable customers and the reasons for concentrating them.

2.2.2 Characteristics and Importance of Life-long Profitable Customer

CRM emphases the importance of maintaining relationship with life-long profit customers. Reinartz and Kumar (2003) point out the importance of the life-long profit customers while there is a limited research in identifying what the life-long profitable customers are. This study has to identify who are the "profitable" customers by pointing out the characteristics and significance of the long-term profit customers.

Profits per customer increase with customer longevity, because the longer the customers are with a company, the more willing they are to pay premium prices, make referrals, demand less hand holding, and spend more money (Reichheld, 1994). The more a company can strengthen customer and other stakeholder relationships, the more cost-effective its marketing effort will be. It implies that the longer the customers' relationship, the more profitable firms are.

In Webster's (1992) view, ongoing customer relationships are the company's most important business asset. It costs around six to nine times more to acquire a new customer than it does to retain a relationship with the current customer (Peppers and Rogers, 1993). Retaining customer is not only less expensive than finding new ones; it is also more profitable for both the providers and customers (Boles *et* al., 1997). Future interaction allows the services providers to serve a customer better and perhaps, increase the chance of cross-selling by understanding the customers' needs. Although customer retention is very vital to overall profitability, gaining new customers is still essential in financial services industry.

Alessandra and Barerra (1993), Corder (1996) and Boles *et al.* (1997) emphasize the importance of referrals and/ or recommendations from current customers. Jones and Sasser (1995) report that 60% of the new customers are from referrals. Hence, making referrals is identified as one of the essential methods in acquiring new customers (Raymond and Tanner, 1994).

In sum, customers, who are willing to anticipate the future interaction and make referrals, are identified as the long-term profitable customers and the signals of success of CRM in this study. Next, the role of relationship in CRM is discussed.

2.3 Role of "Relationship" in CRM

Relationship marketing merely points out the importance of long-term relationship maintenance while CRM emphasizes on maintaining long-term relationship with profitable customers. After discussing the characteristics of profitable customers, the importance of long-term relationship maintenance is illustrated.

2.3.1 Development and Maintenance of Long-term Relationship

The importance of building and maintaining long-term customer relationships is apparent that getting new customers is more costly than keeping the existing ones (Boles, *et* al., 1997). Reinartz and Kumar (2003) emphasize the fact that keeping and satisfying the existing customer is often more profitable than finding a new customer. Long-term relationships are believed to be beneficial to both the firm and its customers because it increases the company's productivity and profits (Reicheld, 1996) while providing customers with individualized service, customized goods and other relationship benefits that follow from gaining more knowledgeable about customers' needs (Berry, 1995; Gwinner *et al.*, 1998). In other words, the importance of long-term relationship is emphasized because loyal relationships are hard for competitors to understand, copy, or displace.

Relationship quality is an ingredient in maintaining long-term relationship. The role of relationship in CRM is illustrated by focusing on the relationship quality. The following part states the significance, definition of relationship quality and the previous researches on relationship quality.

2.3.2 Significance of Accomplishing Relationship Quality

Relationship quality captures the essence of relationship marketing (Jap *et al*., 1999) and serves as an indicator of the health and future well-being of long-term relationships (Crosby *et al.*, 1990). Morgan and Hunt (1994) develop a model of relationship marketing that conceptualizes trust and relationship commitment as the key mediating variables to the development of long-term relationships. The growing interest in relationship marketing leads to numerous attempts to measure the quality of the relationship. High-quality relationships between buyers and sellers bind them together in such a way that they are able to reap benefits beyond the mere sharing of goods and currency (Macneil, 1980).

In some servicing contexts, customers face considerable uncertainty stemming from such factors as intangibility, complexity, lack of service familiarity, and uncertainty about the decision outcomes. Uncertainty implies the potential for service failure and negative outcomes. Relationship quality from customer's perspective is achieved through the financial service providers' ability for reducing the customers' perceived uncertainty (Roloff and Miller, 1987; Zeithaml, 1981). High relationship quality means that the customer is able to rely on financial service providers' integrity and has confidence in the financial service providers' future performance due to their consistent and satisfactory past performances.

In turn, high quality relationship fosters long-term, more stable exchanges in which both members mutually benefit (Ford, 1980). Bejou *et al.* (1996) conclude that "relationship quality seems to be an important prerequisite to a successful long-term relationship (p.142)".

2.3.3 Definition of Relationship Quality

Relationship quality has been discussed as a bundle of intangible value and results in an expected interchange between buyers and sellers (Levitt, 1986). The more general concept of relationship quality describes the overall depth and climate of a relationship (Johnson, 1999). However, many researchers define relationship quality differently which are summarized in Table 2.1.

Hennig-Thurau and Klee (1997) describe relationship quality between customers and firms as the "degree of appropriateness of a relationship to fulfill the needs of the customer associated with the relationship (p.751)". Stahl (1996) and Boles *et al.* (1997) simply point out the importance of expectation and interaction with customers as the main core of relationship quality. Unfortunately, these definitions do not provide much insight into the nature of relationship quality.

Table 2.1 A review of literature on Relationship Quality Definitions

Authors	Definitions
Boles *et al.* (1997)	Relationship quality can be defined as "an evaluation of the personal and business ties linked to an interaction between a buyer and salesperson a business setting (p.254)".
Crosby, Evans, and Cowles (1990), Crosby (1991), Crosby and Stephens (1987)	"High relationship quality means that the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance" (Crosby, Evans, and Cowles, 1990, p.70)
Dorsch, Swanson, and Kelley (1998)	Relationship quality "(is) higher-order construct that encompasses trust, satisfaction, commitment, minimal opportunism, customer orientation, and ethical profile"
Dwyer and Oh (1987)	Relationship quality "is reflected in satisfaction with and trust of one's sharing partner and minimal opportunism"
Gummesson (1987)	Relationship quality "is a concept which has been formed to stress that skilled handling of relations between buyer and seller is part of customer-perceived quality"
Hennig-Thurau and Klee (1997)	Relationship quality "can be seen generally as the degree of appropriateness of a relationship to fulfill the needs of the customer associated with that relationship"
Smith (1998)	Relationship quality "is a higher-order construct comprised of a variety of positive relationship outcomes that reflect the overall strength of a

	relationship and the extent to which it meets the needs and expectations of the parties”
Stahl (1996)	Relationship quality is “a customer state of readiness based on expectations and experiences which influences the activities of boundary role persons related to the objects and situations of a buyer-seller relationships”
Storbacka, Strandvik, and Grönroos (1994)	A dynamic relationship quality perspective (links) together the concepts of service quality, customer satisfaction, relationship strength, relationship longevity and relationship profitability as well as related constructs.

Gummesson (1987) identifies relationship quality as one of the four forms of quality encountered by customers. It is regarded as the quality of interaction with customer, arguing that high relational quality contributes to customer-perceived quality and thus enhances the chances for maintaining long-term relationship.

Storbacka, Strandvik, and Grönroos (1994) build on some of these ideas by developing a conceptual model of the dynamics of relationship quality. Their core study is based on the following relationships between the variables: service quality → customer satisfaction → relationship strength → relationship longevity → customer relationship profitability. Relationship strength is their indicator of relationship quality, and they comment that there are obviously aspects of relationship strength other than customer satisfaction. The existence of bonds between the customers and their service providers is considered as one of the switching barriers beside customer satisfaction.

Crosby, Evans and Cowles (1990) study relationship quality within the context of selling services. They examine the nature, consequences and antecedents of relationship quality. Relationship quality is defined from the customer's perspective as being achieved through the salesperson's ability to reduce perceived uncertainty, leading to an environment where “the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance because the level of past performance has been consistently satisfactory (p.70)”.

It should be noted that Dwyer and Oh (1987), Dorsch *et al.* (1998) and Smith (1998), basically adopt the definition of relationship quality of Crosby, Evans, and Cowles (1990) which is a higher-order construct consisting of several distinct, although related, dimensions (Crosby *et al.*, 1990; Dwyer and Oh, 1987; Smith, 1998). The next sub-section will illustrate the different dimensions of relationship quality.

2.3.4 Dimensions of Relationship Quality

Previous researches conceptualize relationship quality as higher-order construct consisting of several distinct dimensions, which is summarized in Table 2.2. Even though there is no consensus on which dimensions make up relationship quality, considerable overlap exists in the various conceptualizations.

Table 2.2 Relationship Quality Major Dimensions*

Dimensions of Relationship Quality	Brief description of dimension	Sources
Trust in partner's honesty	One party's belief that their needs will be fulfilled by the other party in the future. Requires a judgment as to the integrity and reliability of an sharing partner	Anderson and Weitz (1989); Anderson and Narus (1990); Crosby *et al.* (1990); Moorman *et al.* (1992); Ganesan (1994); Morgan and Hunt (1994); Kumar *et al.* (1995); Ramsey and Sohi (1997)
Trust in partner's benevolence	Extent to which the firm is concerned for the customer's welfare and has intentions and motives beneficial to the customer when new conditions arise for which a commitment has not been made	Rempel *et al.* (1985); Anderson and Narus (1990); Crosby *et al.* (1990); Boon (1994); Ganesan (1994); Kumar *et al.* (1995)
Commitment	An effective attachment to an organization	McGee and Ford (1987); Berry and Parasuraman (1991); Meyer et al. (1993); Morgan and Hunt (1994); Kumar *et al*. (1995)
Satisfaction	Cognitive and affective evaluation based on personal experience across all service episodes within the relationship	Hunt (1977); Shaver *et al.* (1987); Westbrook (1987); Crosby *et al.* (1990); Bolton and Drew (1991); Oliva *et al.* (1992); Storbacka *et al.* (1994); Danaher and Haddrell (1996)

Conflict	Ongoing tension between parties to a relationship that arises from the incompatibility of actual and desired responses	Raven and Kruglanski (1970); Frazier (1983); Dwyer *et al.* (1987); Kaufmann and Stern (1988); Brown *et al.* (1991); Kumar *et al*. (1995)
*Adapted from Roberts *et al.* (2003)		

Trust

Trust generally consists of credibility and benevolence (Morgan and Hunt, 1994). Credibility refers to the extent of the customers rely on the providers' word. Benevolence refers to the extent to which the providers concern about the welfare of the customers (Anderson and Narus, 1990; Ganesan, 1994; Kumar *et al*., 1995). Morgan and Hunt (1994) conceptualize that trust exists when one party has confidence in an exchange partner's reliability and integrity.

The role of trust in long-term relationship has been widely discussed (e.g., Dwyer *et al.*, 1987; Swan *et al.*, 1985). A study by Gwinner *et al.* (1998) finds that four major features are the most important benefits of service relationships to customers. They are (1) the notion of reduced anxiety, (2) faith in the service provider's trustworthiness, (3) reduced perceptions of anxiety and risk; and (4) knowing what to expect.

In other words, customer's trust is greatly influenced by the provider's manner and resulted in different level of confident relied on the providers (Crosby *et al.*, 1990; Moorman *et al.*, 1993; Shamdasani and Balakrishnan, 2000).

Commitment

Commitment represents the highest stage of relational bonding and is necessary for a relationship to endure (Dwyer *et al.,* 1987; Morgan and Hunt 1994). Moorman, Zaltman and Desphande (1992, p.316) also define commitment as “and enduring desire to maintain a valued relationship”. As commitment influences the willingness of customer to maintain long term relationship with their providers (Meyer *et al.*, 1993), commitment is able to enhance the security of the relationship (Stern, 1997).

Satisfaction

Storbacka *et al*. (1994) define customer satisfaction as the “customers’ cognitive and affective evaluation based on their personal experience across all service episodes within the relationship (p.25)”. Satisfaction is an "emotional state that occurs in response to an evaluation of these interaction experiences" (Westbrook, 1981). In other words, satisfaction is the summary of all past interactions with the service provider and it influences the customers’ expectations of future interactions (Crosby *et al*., 1990). The more satisfied providers have higher quality relationships with their customers (Dorsch *et al*. (1998). Hence, satisfaction in a relationship is centered on the roles assumed and performed by the parties (Murstein, 1977).

Conflict

Raven and Kruglanski (1970) define conflicts as a “… tension between two or more social entities that arises from the incompatibility of actual and desired responses (p.70).” In other words, conflict presents a collection of past (unhappy) interaction with the providers. It thus negatively influences customers' willingness to develop and maintain relationships and conflict is considered as a negative indicator of relationship quality (Chaudhuri, 1997, 1998).

Although several common dimensions are illustrated, discussions of relationship quality often emphasize the importance of trust and satisfaction (Crosby *et al.*, 1990; Dwyer and Oh, 1987; Kumar *et al.*, 1995).

2.3.5 Previous Researches of Relationship Quality

Apart from several papers in the channels, (e.g. Dorsch *et al.*, 1998; Kumar *et al.*, 1995) sale literatures (Crosby et al., 1990; Bejou *et al.*, 1996) have also measured the relationship quality between providers and customers which are summarized in Table 2.3. As Lagace *et al.* (1991), Wray *et al.* (1994) and Bejou *et al.* (1996) simply adopt the model of Crosby *et al.* (1990), the result of Crosby *et al.* (1990) has been dominated in investigating the relationship quality. Therefore, this study summarizes the study on the empirical previous researches of Crosby *et al.* (1990), Bejou *et al.*, (1996) and Kim *et al.*, (2001).

The Study of Crosby et al. (1990)

In the Crosby *et al.'* study (1990), a relationship quality model examines the nature, consequences, and antecedents of relationship quality as perceived by the customer. This model is tested in the context of the relationship between the life insurance purchasers and their financial agents. It examines the role of relationship quality in influencing the customer's level of anticipated future interactions with their financial services providers. It suggests that future sales opportunities depend mostly on relationship quality, whereas the ability to convert these opportunities into sales relied more on similarity and expertise.

The Crosby and his colleagues' model is a pioneering effort. It represents the first major attempt to develop and empirically test a model of the antecedents and consequences of buyer–salesperson relationship quality. Crosby, Evans, and Cowles (1990)' findings support several of their hypothesized relationships. For example, both salesperson's expertise and use of relational selling behaviors are found to increase relationship quality. Their results also indicate that relationship quality increased a customer's likelihood of having future interactions with the salesperson.

The Study of Boles et al., (1999)

Boles *et al.* (2000) duplicate the relationship quality model of the Crosby *et al.* study (1990). Their study is conducted with customers of firm that sold a service to businesses; whereas, Crosby *et al.* (1990) use a consumer sample of life insurance purchasers. The research from Boles *et al.* (2000) supports several of the linkages in the Crosby *et al.* (1990) model of the antecedents and consequences of relationship quality. Six out of eight hypotheses from Crosby *et al.* (1990) and Boles *et al.* (2000) yield similar findings.

Table 2.3 Studies Employing Relationship Quality

Researchers	Antecedents Relationship Quality	Relationship Quality Measures	Outcomes of Relationship Quality	Situations proposed for	Setting model was tested in
Boles *et al.* 2000**	Similarity, Service Domain Expertise, Relational Selling Behavior, Equity	Trust, satisfaction	Sales effectiveness, referrals, anticipation of future interaction	Relationship between the salesperson and the business customer	Telecommunications services
Crosby *et al.* (1990)*	Similarity, service domain expertise, relational selling behavior (interaction intensity, agent disclosure, operative intentions)	Customer satisfaction and trust in salesperson	Anticipation of interaction, sales effectiveness	Relationship between the salesperson and the customer	Whole life insurance
Dorsch *et al.* (1998)*	None	Trust, satisfaction, commitment, opportunism, customer orientation, ethical profile	None	Customer company perceptions of vendors	Purchasing executives

Researchers	Antecedents Relationship Quality	Relationship Quality Measures	Outcomes of Relationship Quality	Situations proposed for	Setting model was tested in
Dwyer and Oh (1987)*	Participation, Formalization, centralization	Satisfaction, minimal opportunism, trust	None	Marketing channels	Automobile Industry
Henning-Thurau and Klee (1997)*	Customer satisfaction	Trust, commitment, overall quality	Customer retention	Consumers and firms	Theoretical only
Kim *et al.*, 2001**	Guest confidence, guest contact, and communication	Trust, satisfaction and commitment	Repeat purchase and word of mouth	Relationship between frontline customer-contact employees and hotel guests	Hotel Industry

Researchers	Antecedents Relationship Quality	Relationship Quality Measures	Outcomes of Relationship Quality	Situations proposed for	Setting model was tested in
Kim and Cha, 2002**	Customer orientation, relational orientation, Mutual disclosure, Service provider attributes	Trust and satisfaction	Share of purchases, relationship continuity and word-of-mouth	Relationship between frontline customer-contact employees and hotel guests	Hotel Industry
Kumar *et al*. (1995)*	Distributive fairness (outcomes c.f. deserved outcomes), procedural fairness (bilateral communication, impartiality, refutability, explanation, knowledgability, courtesy)	Affective conflict, manifest conflict, trust, commitment, willingness to invest, and expectation of continuity	None	Large suppliers and small resellers	New car dealers

Researchers	Antecedents Relationship Quality	Relationship Quality Measures	Outcomes of Relationship Quality	Situations proposed for	Setting model was tested in
Lagace *et al.* (1991)*	Ethical behavior, expertise, frequency of interaction, duration of relationship	Trust in the salesperson and satisfaction with salesperson	None	Suppliers and "resellers"	Physicians and pharmaceutical salespeople
Moorman *et al.* (1992)*	Trust	Perceived quality of interaction, researcher involvement in research activities, commitment to relationship	Market research utilization	Market research users	Market research firms and clients
Wray *et al*. (1994)*; Bejou *et al*. (1996)*	Ehtics, salesperson's expertise, relationship duration, selling orientation, customer orientation	Trust in the salesperson and satisfaction with the relationship	None	Salesperson and the customer	Financial services

*adopted from Roberts et al., 2003

** added by author

The major difference between the findings of Crosby *et al.* (1990) and Boles *et al.* (2000) is the involvement of salesperson's expertise. It seems that salesperson's expertise is more important in determining salesperson effectiveness for individual consumers than for business customers. Perhaps customers have had bad experiences with unprofessional financial service providers that are not knowledgeable about their product or are unable to identify the individual customers' needs. The importance of communication is recognized in several prior sales force studies.

The Study of Kim et al. (2001)

Kim *et al.* (2001) empirically test the cause–effect model of relationship quality in the hotel industry. They develop three relationship marketing activities such as guest confidence, guest contact, and communication, which affect relationship quality between frontline customer-contact employees and hotel guests. Guest commitment is used as an intervening variable between relationship quality and its outcomes of repeat purchase and word of mouth.

Relationship quality demonstrates the role of relationship maintenance. The next section discusses the role of management in CRM.

2.4 Role of "Management" in CRM

CRM in general means managing all interactions with customers by the marketers. Cannon and Perreault Jr (1999) distinguish the six exchange connectors between buyers and sellers. They are information exchange, operational linkages, legal bonds, cooperative norms, adaptation by sellers and adaptation by buyers. The personalized information sharing is especially important in the financial services industry (Ford, 1998) and information is the platform of CRM, this study advocates that managing the relationship, which is characterized by information exchange connector, is demonstrated by illustrating the relational exchange theory, significance and components of information sharing.

2.4.1 Relational Exchange Theory

Exchange is one of the core concepts of modern marketing theory (Bagozzi, 1975; Kotler, 1972). Indeed, Macneil's (1980) provides a formal conceptualization of exchange as either discrete or relational and suggests that exchange occurs in pattern along a continuum from highly discrete to highly relational (or, in later formulations, highly "intertwined" (Macneil, 1987)).

Macneil (1980) characterizes discrete contacts as: (1) short duration with no expectation of future cooperation among the independent parties; (2) limited interaction, or based on legal and/or economic permit; (3) easily measured, e.g. non-recurring transactions; and (4) without sharing of benefits or burdens among the parties. Dwyer *et al.* (1987) illustrate the definition of discrete exchange as "a one-time purchase of unbranded gasoline out-of-town at an independent station paid for with cash (p.12)".

Macneil (1980, 1987) views relational exchange as the historical and social context surrounding the transactions and comprising three aspects: (1) the relations among parties "who have exchanged, are exchanging, or expect to be exchanging in the future (p.274)"; (2) several behaviors-notably reciprocity and solidarity exist; and (3) the behavior patterns lead to the formation of norms, or expectations about the behavior of each party to the exchange (Heide and John, 1992).

Dwyer *et al.* (1987) posit that relational exchange takes place: (1) overtime; (2) in anticipation of future transactions among the parties; and (3) in a spirit of gaining long-term benefits. Anderson and Weitz (1992) add the stability in the durational dimension of relational exchange and enhance the confidence between the exchange parties.

Hunt (1983) concludes "… the primary focus of marketing is the exchange relationship (p.9)". Dwyer *et al.* (1987) note that one of the key conceptual benefits from the notion exchange is that: "finally, and most important, as a critical event in the marketplace (emphasis in the original) it allows the careful study of antecedent conditions and process for buyer-seller sharing (p.11)".

Buyer-seller relationship is characterized by the variety of commercial exchange behaviors (Mohr and Nevin, 1990) and leads to different sorts of relationship formations. Cannon and Perreault (1999) identify six types of buyer-seller relationship based on the different kinds of manner, namely relationship connectors, in which buyers and sellers interrelate and conduct relationship. Among the six relationship connectors (information sharing, operational linkages, legal bonds, cooperative norms, adaptations by sellers and adaptations by buyers), information sharing is found to be the major relationship connectors in buyers and sellers relationship.

Mohr and Nevin (1990) point out that exchange behaviors, possibly information sharing, have the variation in the nature of the exchange relationship between parties, such as transactional and relational. As information is an ingredient in achieving CRM, this study posits that information sharing should be shifted from discrete exchange to relational exchange in achieving long-term relationship. The next section discusses the significance of information sharing.

2.4.2 Significance of Information Sharing

This part states the significance of information sharing in achieving CRM, influencing relationship growth phases and gaining mutual benefits between information providers and information receivers.

2.4.2.1 Significance of Information Sharing in achieving CRM

Customer relationship management in its broadest sense simply means managing all customer interactions. The most widespread interaction refers to the information sharing. In practice, marketers are required to use information about their customers and prospects to proceed more effective interaction with them in all stages of the relationship.

The sharing of information among parties is identified as one of the key tools to implement CRM successfully. Accessing to information is the entry to understand customers and thus is considered as a basic prerequisite for managing customer relationship. Greater sharing of information may improve product quality (Emshwiller, 1991) and facilitate new product development (Magnet, 1994). In reality, this may include involving the other party in the early stages of product design, sharing cost information and planning future product development.

Through information sharing, exchanging parties come to understand better the outcomes of their mutual behaviors (Kelley and Thibaut, 1978). In bargaining literature, Clopton (1984) finds that more open information sharing (as reflected in integrative bargaining) leads to jointly optimal outcomes. Similarly, Williamson (1985) suggests that when information is impacted, (and not shared between the parties) market failure is more likely to happen. The ideas of underlying information sharing are related closely to the concept of communication, which is central to channel performance in Mohr and Nevin' work (1990) and is a prerequisite for building trust for Morgan and Hunt (1994). Finally, Anderson and Weitz (1992) find that open sharing of information leads to increased commitment in a relationship.

In other words, sharing information within organization and with customers plays an important role in maintaining long-term relationship. Sharing useful information within an organization serves as the glue that holds organizations, franchises, supply chains and distribution channels together (Pant and Ravichandran, 2001). Exchanging relevant information with customers reduces customers' decision-making uncertainty attain to accomplish long-term customer relationship.

2.4.2.2 Significance of Information Sharing in Influencing Relationship Growth Phases

Schramm (1973) notes that the study of information sharing is fundamentally a study of relationships: "Society is a sum of relationships in which information of some kind is shared (p.3)." He also states that "to understand human communication we must understand how people relate to one another." Relationships, in other words, are impossible without information sharing.

Dwyer, Schurr and Oh (1987) propose five relationship growth phases including awareness, exploration, expansion, commitment and dissolution. Schurr (2002) gives examples of information in these five relationship phases to show the importance of information. Table 2.4 shows relationship growth phases. For each phase, characteristics and examples of relationship-related information issues are indicated (cf. Ganesan, 2000; Mohr and Spekman, 1994; Morgan and Hunt, 1994; Robinson *et al*., 1967).

From Table 2.4, lots of information are shared at different relationship stages. Williamson (1979; 1985) points out that information providers may sometimes fail to disclose information and may in fact disguise and distort it. Alternatively speaking, customers may suffer the uncertainty about financial service provider's opportunistic propensity or opportunism. Opportunism is defined as the seller's tendency to engage in self interest seeking activities with guile or deception (Williamson, 1985). Williamson admits that not all service providers behave opportunistically under all circumstances. Therefore, appropriate relational information should be shared during the development and maintenance of long-term relationship.

Table 2.4 Information Issues on Relationship Phases*

Relationship Phase	Activities	Examples of Relational Information Issues
Awareness	Identifying potential exchange partners.	Partner characteristics and performance record.
Exploration	Evaluating the transactional or relational values available.	Availability of benefits from association. Suitability of product and service solutions. Data contributing to conclusions about trust. Effectiveness of trial commitments.
Expansion	Trial interactions that reveal the benefits of a relationship through experience and extend the range of relational activities.	Problem solving. Trial purchases. Exchange of proprietary information. Trial integration of selected systems.
Commitment	Mutual dedication of non-transferable assets.	Integration of strategically critical systems. Linkage of legacy data. Joint efforts at process improvement. Broader coordination with a supply chain network.
Dissolution	Withdrawing from a relationship that does not satisfy criteria for desired business performance.	Customer ratings. Supplier ratings. Relationship performance tracking.
* Adapted from Schurr (2002)		

From the standpoint of marketing, it is both desirable and profitable to gain increased customer commitment and deepen the relationship overtime by sharing appropriate relational information. Relational exchange involves a number of people in two or more organizations engaging in a series of activities over an extended period of time. As more value accrues to the exchange process, partners are more likely to make non-transferable commitments of assets, as suggested in Table 2.4.

In brief, information sharing is a prerequisite for the financial service providers in learning their customers, and for correcting their failures. It expresses a bilateral expectation that parties will proactively provide information useful to the partner (Heide and John, 1992). Thus, information sharing can be seen as an important factor in different relationship growth phases.

2.4.2.3 Significance of Information Sharing in Gaining Mutual Benefits

Financial service providers and customers can gain mutual benefits in variety ways via information sharing.

From the Perspective of Financial services providers

Information sharing allows financial services providers create the right financial products and deliver suitable service at the right time in the right place. Information is used for identifying and meeting customers' needs (Moberg *et al.*, 2002). Financial service providers do not automatically know which financial products and services customers want. Information about the purchases that consumers *actually* make and services that the customers *actually* use is routinely collected and analyzed, customers are offered financial products and services that respond to their demonstrated needs and desires. This greatly reduces the cost of developing those products and services and the risk that they will not respond to customer demand, thereby greatly increases the competitive advantage of financial service providers (Mohr *et al*., 1996).

Information sharing enhances trust in the long-term relationship (Morgan and Hunt, 1994). The information obtained can assist providers to understand customers' needs, wants and desires. Therefore, in order to build up long-term relationship, the expectation of getting all information is an ongoing process (Heide and John 1992). Information can help the companies to strengthen their customer base and simultaneously weaken the customer base of their competitors (McKean 1999). The more a company understands their customers, the longer the customers stay with the company. In order to achieve the targets of customer retention and company profitability, the abilities to apply information and to process the complexity of information are the essential requirements. Both sides of companies and customers are willing to share information to each other continuously.

Clopton (1984) finds that more information sharing may lead to achieve mutual goals. In addition, Macneil (1980) argues that free exchange of confidential information is a characteristic of more close relational exchanges. Therefore, information sharing increases the customers' satisfaction.

Information sharing is essential in influencing trust and satisfaction

(Cannon and Perreault, 1999; Morgan and Hunt, 1994; Shamdasani and Balakrishnan, 2000). The share of information is essential to provide the services, products, convenience, safety, accessibility, recognition, and low costs that customers expect and demand (Ritchie and Brindley, 2001).

From the Perspective of Customers

Information sharing allows customers to be informed rapidly and via the contact points in which they are most likely interested (Rich, 2000). Once a new product or service is launched, the potential customers will be well informed. The readily available of basic, personal information about customers' demonstrated interests allows the correct information transformation toward the appropriate customers.

Information-sharing plays a significant role in reducing the prices that customers pay for goods and services. For example, because widely available customer information allows manufacturers, wholesalers, and retailers to know what to make, what to stock, and when, it reduces the costs of excess inventory and outdated stock. Information-sharing greatly enhances the speed with which decisions can be made. All of these benefits depend upon the routine collection and sharing of information. Moreover, in each of these practical circumstance, the customer would not have anticipated in advance that he or she would need the information from the service providers.

Financial service providers and customers benefit from information sharing across a wide variety of methods. The following sub-section discusses the definition and components of information sharing.

2.4.3 Definition and Components of Information Sharing

Frenzen and Nakamoto (1993) view information sharing as a flow of information through a social network composed of nodes representing individual actors and graphs representing the social relations that link actors. Information flow takes place when an item is passed from one node to another over a graph; without the graph or the consent of the nodes, information flow will not be observed.

Cannon and Perreault (1999) define information sharing as the expectations of open sharing of information that may be useful to both parties. More open sharing of information is indicated by the willingness of both parties to share important, even proprietary, information. Heide and John (1992) define information sharing as “a bilateral expectation that parties will proactively provide information useful to the partner (p. 35)”. The more general concept of information sharing refers to formal and informal of sharing timely and meaningful information among parties in an empathetic manner (Anderson and Narus, 1990; Morgan and Hunt, 1994; Sharma and Patterson, 1999).

Alternatively, information sharing has been generally regarded as a simple and single process to some extents. Mohr and Nevin (1990) point out that information sharing, which is one form of the sharing behaviors, has the variation in the nature of the sharing relationship between parties, such as transactional and relational. Information sharing falls within a spectrum of exchanges that may range from transactional to relational (Anderson and Narus 1990; Dwyer *et al.* 1987). Transactional exchanges are discrete, simple, and often anonymous (Dwyer *et al.* 1987). Relational exchanges are continuous, complex, and require the integration of knowledge and processes between buyers and sellers (Day, 1999).

This paper states that the information sharing should be shifted from transactional sharing to relational sharing in order to achieve the customer relationship management. The distinction between these two different approaches of information sharing is likely due to the information content. Macneil (1980) argues that free sharing of confidential information is a characteristic of more relational sharing.

Based on the nature of information, Parsons (2002) further mentions that information can be either descriptive or evaluative; in which the degree of sharing is measured in terms of the depth and breadth of information. Depth refers to the quality or level of intimacy associated with the information, and breadth refers to the quantity or amount of information disclosed. On the other hand, the shift towards relational marketing is based on the relational sharing paradigm. Sharing information relationally is important prior maintaining the relational marketing.

2.5 Summary

This chapter first reviews the significance, definition and foundation of customer relationship management. Then, it also states the importance and definition of life-long customer, relationship quality and information sharing. Lastly, this study further reviews the nature, antecedents and consequences of relationship quality. Based on the literature review, the conceptual framework of relationship quality in this study is developed in the next chapter.

Chapter 3: Conceptual Framework and Research Hypotheses

Derived from the literature reviews state in chapter 2, this chapter aims at illustrating the proposed relationship quality model that is shown in Figure 3.1 in this study. Firstly, this chapter emphasizes the importance of relationship quality comprising trust and satisfaction as the focal variable. Next, the impact of information sharing on relationship quality is discussed followed by the discussion of anticipation of future interaction and willingness to refer.

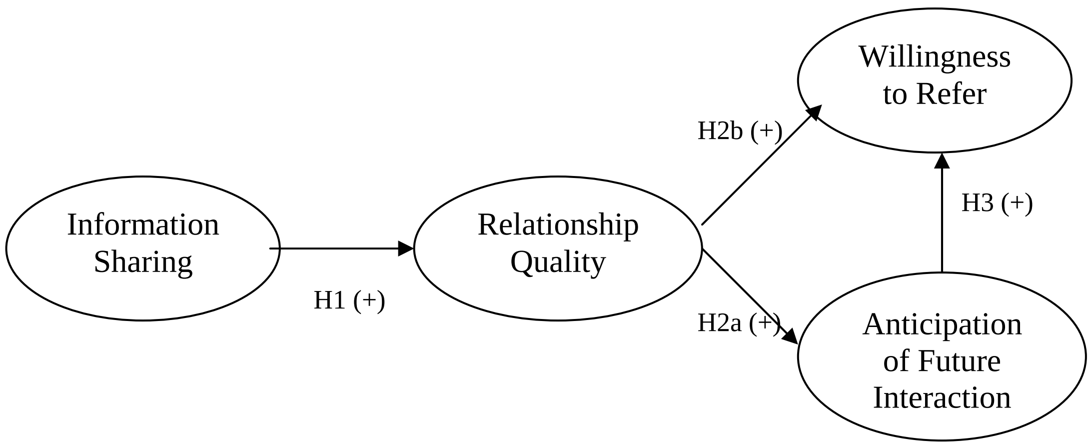

FIGURE 3.1. Proposed Relationship Quality Model

3.1 The Relationship Quality Framework

Previous research conceptualizes relationship quality as a higher-order construct consisting of several dimensions (Crosby *et al.*, 1990; Dwyer and Oh, 1987; Kumar *et al.*, 1995; Roberts *et al*., 2003). Even though there is no agreement on which dimensions make up relationship quality, Crosby *et al.* (1990), Shamdasani and Balakrishnan (2000) and Wray *et al.* (1994) identify relationship quality as a higher-order construct comprising of two dimensions, namely trust and satisfaction. Consistent with their researches, this study also considers relationship quality to be a higher-order construct that encompasses trust and satisfaction in measuring the relationship between the individual customers and their financials services providers.

3.1.1 Trust

Trust is a complex construct that encompasses integrity, reliability, and confidence (Dorsch *et al.*, 1998; Gundlach and Murphy, 1993; Moorman *et al.*, 1992; Morgan and Hunt, 1994). Anderson and Weitz (1989) define trust as "one party's belief that its needs will be fulfilled in the future by actions undertaken by the other party (p.312)". Morgan and Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity. Moorman *et al.* (1993), however, define it as the willingness to rely on a sharing partner in whom one has confidence. Geyskens and Steenkamp (1995) conclude that there is a consensus emerging when trust encompasses two essential elements: trust in the partner's honesty (or credibility) and trust in the partner's benevolence (Ganesan, 1994; Kumar *et al*., 1995).

Trust in the financial services providers' credibility is based on the extent to which their customers believe that their financial services providers are sincere, perform their role effectively and reliably (Anderson and Narus, 1990; Ganesan, 1994; Kumar *et al*., 1995). On the other hand, trust in the financial services providers' benevolence is their customer's perception of the extent to which the financial service providers are concerned about the welfare of their customers (Kumar *et al*., 1995). As trust is regarded as important in the interpersonal relationship literatures (Rempel *et al*., 1985), it is modeled as one of the indicators of relationship quality, consistent with Kumar *et al.* (1995).

3.1.2 Satisfaction

Satisfaction refers to the degree in which interactions between the customers and their providers are able to meet the customers' expectations, and can be based on evaluations of the tangible product or non-product related attributes such as delivery, service, or communication (Parsons, 2002; Wilson, 1995). Roberts *et al.* (2003) agree the definition from Crosby *et al*. (1990), satisfaction is the summary measure that provides an evaluation of the quality of all past interactions with the service providers and, in doing so, shapes expectations about the quality of future interactions (Crosby *et al*., 1990). Storbacka *et al*.'s (1994) also define customer satisfaction is the "customers' cognitive and affective evaluation based on their personal experience across all service episodes within the relationship (p.25)". In brief, the context of satisfaction is used in the sense of cumulative satisfaction (as opposed to transactional or episodic satisfaction).

In a study of business-to-business relationships, Dorsch *et al*. (1998) find that more satisfied buyers have higher quality relationships with their vendors. This study suggests that customers of high-quality relationships are more satisfied with the roles assumed and performed by the service providers (Crosby *et al.*, 1990) and are more committed to the relationship (Dwyer *et al.*, 1987). Consistent with Crosby *et al.* (1990), Dwyer *et al.*, 1987 also show that satisfaction is identified as another component in measuring relationship quality in this study, with the exception of trust.

As a result, it is posited that trust and satisfaction are the key components representing relationship quality in this study. The impact of information sharing on relationship quality is then discussed.

3.2 Antecedent of Relationship Quality – Information Sharing

Information sharing is essential in influencing trust and satisfaction (Cannon and Perreault, 1999; Morgan and Hunt, 1994; Shamdasani and Balakrishnan, 2000). Trust and satisfaction are considered as the vital components of relationship quality (Crosby *et al*., 1990). In this study, the effect of information sharing on relationship quality is examined.

Despite the general shortage of empirical investigation on information sharing, there are some useful contributions from a number of authors. They generally conceptualize information sharing in terms of formal and informal sharing as well as timely and meaningful information between parties in an empathetic manner (Anderson and Narus, 1990; Morgan and Hunt, 1994; Sharma and Patterson, 1999).

Timely and meaningful communication assists customers to appreciate the latest developments in the market and helps to resolve problems and misconceptions. By contacting customers on a frequent basis, answering their questions and giving them regular follow-up of investments help the development of trust in the relationship. Information can be used to aid in problem solving or better understanding the dyad partner (Boles *et al.*, 2000).

Sharing information in an empathetic way relates to providing relevant information in an appropriate based on the knowledge of customer. Knowledge of the customers refers to the expended effort in understanding customers' needs and learning their specific requirements (Parasuraman *et al.*, 1985; Shamdasani and Balakrishnan, 2000).

Efforts to "stay in touch" with the customers are identified as the key determinant of relationship maintenance in insurance (Crosby, 1984), wholesale banking (Greenwich Associates, 1987), and many other selling fields (Crosby *et al.*, 1990). Its purpose is to shape realistic expectations, help educate clients to become more financially literate, keep customers informed about their investments in a language that they can understand, and finally show customers they care about the relationship (Sharma and Patterson, 1999). According to Shamdasani and Balakrishnan (2000), knowing the customers with meaning of effort is identified as an antecedent of trust and satisfaction.

The idea underlying information sharing is related closely to the concept of communication, which is central to channel performance in Mohr and Nevin's (1990) work. Morgan and Hunt (1994) find that frequent and high quality information sharing results in greater trust, while Anderson and Narus (1990) state that from both a manufacturer's and a distributor's perspective, communication is positively related to trust. Open and prompt communication among partners is viewed as an indispensable characteristic of trusting relationships (Larson, 1992), because it provides the basis for continued interaction, from which partners further develop common goals and values.

In sum, information exchange between the financial service providers fosters more confidence in the continuity of the relationship and reduces dysfunctional conflict (e.g., Dwyer *et al*., 1987). Information exchange, therefore, will resolve the potential conflicts in operations and enhance a satisfactory working relationship. This is because by effectively exchanging information between partners it will enable the service providers and their customers to anticipate and respond to each other's needs. The fulfillment of each other's needs will lead to an increase in the level of satisfaction (Ahmed and Al-Motawa, 1997). Research on business relationships find ample evidence of the positive effect of different forms of communication on trust (Morgan and Hunt, 1994) and on relationship satisfaction (Morgan and Hunt, 1994; Mohr *et al*., 1996). This leads to the following hypothesis:

H1: There is a positive relationship between information sharing and relationship quality.

3.3 Consequences of Relationship Quality

Relationship quality is a higher-order construct comprising trust and satisfaction. Bejou *et al.* (1996) conclude that relationship quality is an important prerequisite to a successful long-term relationship. Anticipatione of future interaction and willingness to refer are identified as the signals of successful long-term relationship in this study.

3.3.1 Anticipation of Future Interaction

The value of a relationship is the basis of the relationship between service providers and their customers. Relationship continuity is the parties' anticipation of future interaction. Kellerman (1987) identifies "anticipation of future interaction" as an outcome goal of dyadic encounters. Anticipation of future interaction assesses the intention of both parties to continue the relationship in the future.

Crosby *et al.* (1990) point out that low expectation of future sharing would be an outgrowth of current relational problems, whereas high expectation of future interchange would reflect a favorable perception of the current relationship. Trust increases effectiveness and efficiency by allowing parties to develop confidence that in the long run (Anderson and Weitz, 1989; Dwyer *et al*., 1987). Satisfaction is likely to have an important effect on the stay-or-leave decision (Jackson, 1985; Levitt, 1981). Ensuring trust and satisfaction in the service encounter is paramount to ensuring future interaction. Hence, the best predictor of a customer's likelihood of seeking future contact with a financial services provider is the quality of the relationship to date.

Heide and Miner (1992) highlight the close relationship between expectations of future interaction (“the shadow of the future”) and cooperative behavior. Anderson and Weitz (1989) underscore the importance of future expectations in determining the continuity of exchange in channel dyads. Similarly, the literature on social exchange points to the role of future expectations in determining the long-run survival of the relationship. If the parties do not perceive that they will receive worthwhile benefits from the relationship in the future, they are likely to exit. This leads to the following hypothesis:

H2a: There is a positive relationship between relationship quality and anticipation of future interaction.

3.3.2 Willingness to Refer

Getting existing customers to provide referrals should be one of the effective ways to add new business (Johnson *et al.*, 2003). A referral from a customer can often open the gates and allow a salesperson to see previously "off-limits" prospects (Boles *et al.*, 1997). Bachrach (1999) describes a study conducted by the Toronto Stock Sharing in which customers are asked if they are willing to provide referrals to their stockbroker. Ninety-four percent of them say they are. Then, the same customers are asked if they have ever been asked by their stockbroker for referrals. Only 11% answers yes. However, it is surprising that referrals are often overlooked by businesses (Connors, 1998) and the subject is of very little academic research (Boles *et al.*, 1997).

Maintaining high-quality relationships with a customer appears to help increase customer's willingness to refer. Obtaining referrals is critical to the success of continued relationship. This leads to the following hypothesis:

H2b. There is a positive relationship between relationship quality and willingness to refer.

When the customers anticipate the future interaction, they will be more likely to reciprocate by providing referrals to their financial service providers (Johnson *et al*., 2003). This assertion has some support in the practitioner literature, which suggests that the easiest referrals come from clients with whom the salesperson has an ongoing relationship (Washburn, 1996). Additionally, the marketing literature argues that when there is an anticipation of future interaction, relational behavior should be fostered (Noordewier *et al*., 1990). Repeated interactions with the same individual increase the desire for customer's willingness to help their financial services providers, such as providing referrals. As willingness to refer is an important aspiration of financial services providers, this leads to the following hypothesis:

H3. There is a positive relationship between anticipation of future interaction and willingness to refer.

3.4 Summary

This study conceptualizes the relationship quality model with information sharing as antecedent while anticipation of future interaction and willingness to refer as consequences. There are five hypothesizes which summarized in Table 3.1 to be tested and the research methodology will be illustrated in the next chapter.

Table 3.1. Five Hypothesizes in Relationship Quality Model

Hypothesis to be tested in this study	
H1.	There is a positive relationship between information sharing and relationship quality.
H2a.	There is a positive relationship between relationship quality and anticipation of future interaction.
H2b.	There is a positive relationship between relationship quality and willingness to refer.
H3.	There is a positive relationship between anticipation of future interaction and willingness to refer.

Chapter 4: Research Methodology

The purpose of this chapter is to explain the procedures for conducting the research model developed in Chapter 3. The plan for completing the research is summarized in Figure 4.1. The research plan starts with the literature review and the research model. They are discussed in Chapter two and three respectively. This chapter begins with the selection of sampling populations. Next is an explanation of the research instrument followed by a description of the data collection of large-sample survey methods. From the analysis of the collected data, research findings and conclusions are drawn. The data analysis, research findings, and conclusions are presented in Chapter five and six.

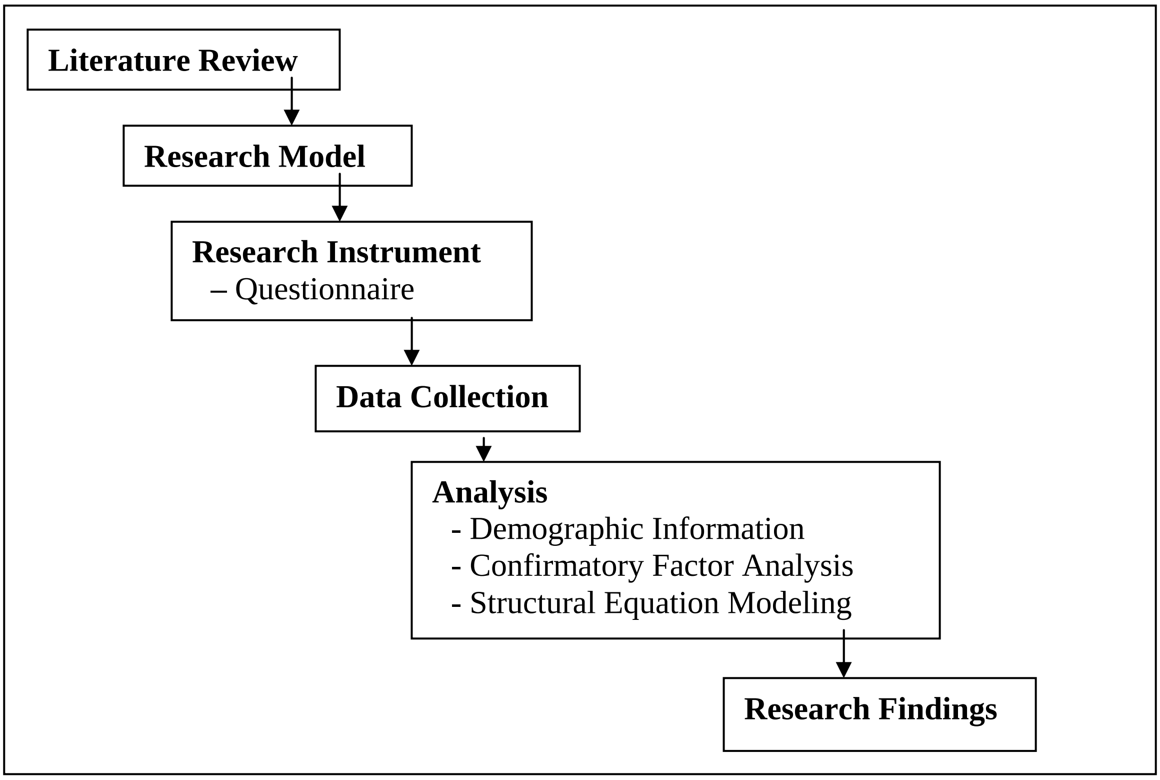

FIGURE 4.1. Research plan

4.1 Selection of Sampling Populations

Financial services are selected as the sampling populations in this study based on several reasons that are pointed out in the followings.

First, financial services (e.g., insurance, private banking, estate/financial planning) are identified as one of the professional services (Crosby *et al*., 1990). The financial services providers have to offer highly complex, intangible, and highly customized services over a continuous stream of transactions (and/or service encounters) (Crosby *et al*., 1990). Therefore, there is a strong emphasis on the need for effective management of customer relationships (Lovelock *et al*., 1998). Furthermore, the financial service providers, as “relationship manager”, are to re-mix the service offering and add value in interaction with clients (Colgate and Lang, 2003; Sharma and Patterson, 1999). Hence, their interpersonal skill becomes a critical source of differentiation, satisfaction and thus customer retention (Sharma and Patterson, 1999).

Secondly, financial services characterize with massive information sharing. Customers evaluate the total relationship is not only based on service interactions with their financial service providers, but also the information obtained from them (Frankwick *et al.*, 2001). It indicates that information sharing heavily influences the relationship quality between financial services providers and their customers.

Sharma and Patterson (1999) point out that strong communication skills are needed to ensure customers understand investments (and thus become more confident in their ability to assess financial risks and outcomes) and to lead them through the inevitable fluctuating investment performance. Through the timely communication of financial service providers, customers receive information about their current status of their investments, possible future opportunities and risks, and whether or not they are achieving expected financial returns.

Last, this service is selected because of its importance in the Hong Kong economy. This is determined from the contributions of the selected service in Hong Kong accounting for 85% of Hong Kong's GDP (tdctrade.com). Many leading financial service firms have their regional financial teams in Hong Kong. This is due to the co-location of financial, engineering, legal, design, and other skills necessary to put together large infrastructure projects. As this service industry has major contributions to the economic growth in Hong Kong, this indicates that it is valuable to have a study on explaining how relationship quality can be developed.

4.2 Formation of Questionnaire

There are two major research methods, qualitative and quantitative. Qualitative research allows the researcher to develop understanding and to build a theory upon earlier understanding. It is suitable for conducting exploratory research which describes unknown variables, important context, and lack of theory base for study and/or lengthy study. The common approach for conducting a qualitative research is through an interview.

The quantitative research allows the researcher to measure the relationships between known constructs. It is suitable for a short duration study. Whereas the quantitative research, it allows the researchers to measure the relationships between known constructs. It is suitable for a short duration study. The most common approach in conducting quantitative research is through conducting a survey.

Although doing interview can gain more in-depth ideas about the conceptual framework, this study mainly focuses on examining the relationship between the constructs. The quantitative research is applied.

4.2.1 Research Instrument

The research instrument is designed based on the relationship quality model, which is presented in Figure 3.1.

4.2.1.1 Focal Construct - Relationship Quality

As discussed in Chapter 3, relationship quality is identified as a higher-order construct consisting of trust and satisfaction in this study. Consistent with the Crosby *et al*.' study (1990), five items including (1) keeping promises, (2) sincere, (3) reliable, (4) honest, and (5) puts customers' interests first are used to measure trust (Crosby *et al.*, 1990; Kim and Cha, 2002). The three-item scale consists of (1) satisfied/dissatisfied, (2) pleased/displeased, and (3) favorable/unfavorable are used to measure satisfaction (Crosby *et al*., 1990; Dorsch *et al*., 1998; Kim and Cha, 2002).

4.2.1.2 Antecedent of Relationship Quality – Information Sharing

Information sharing is suggested as the antecedent of relationship quality. Four items are related to share information effectively in an empathetic manner developed by Sharma and Patterson (1999). One item obtained from qualitative interview is used to measure information sharing.

4.2.1.3 Consequences of Relationship Quality – Anticipation of Future Interaction and Willingness to Refer

In order to measure consequences of relationship quality, anticipation of future interaction and willingness to refer are used. Three items for assessing anticipation of future interaction is adapted from Crosby *et al.* (1990) and Lusch and Brown (1996). Four items for measuring willingness to refer are used. Three of the items include (1) willingness to refer, (2) giving referral actively and (3) giving referral upon request (Boles *et al*., 1997). The remaining item is obtained based on the qualitative interview.

4.2.2 Refinement of the Instruments

Prior to the large sample survey, a pilot study with a small sample size is conducted to refine the survey instruments in the questionnaire.

4.2.2.1 Pilot Study

A prototype of the survey questionnaire is prepared based on the variable definitions. It is pre-tested by the expert judges to ensure potential respondents understand the questions. Two professors in Marketing, four postgraduate students with major in either Marketing or Finance and two financial service providers are the respondents, who will examine the questionnaire in terms of: (1) appropriateness of phrases and scaling items for each question; and (2) assess questions for face validity.

Items that are too “long-winded” and difficult to understand are simplified. Moreover, to allow clearer understanding, some items need further clarification. For example, one item, “my financial service provider is trustworthy” belongs to the trust variable in the questionnaire. This item originally has no further description of what areas a financial service provider can be trusted in, which makes the question ambiguous. Therefore, it is rephrased to make it easier to understand.

A total of 30 postgraduate students are invited for this pilot study. Although it is a convenience sampling method, students are common to be the respondents when testing theoretical frameworks (Jones and Suh, 2000). All of the respondents are full-time postgraduate students at a major university (The Hong Kong Polytechnic University) in Hong Kong. After the completion of pilot study, some items with low factor loading in the stipulated variables are modified.

4.2.3 The Questionnaire

The final questionnaire is finalized after the pilot test. The following sub-sections describe how the anchor items of each construct are established and summarized in Table 4.1. All anchor items are scored on a 7-point scale ranging from `1=strongly disagree' to `7=strongly agree'. The questionnaire is developed into two versions. They are English and Chinese versions that are presented in Appendix 1a and 1b respectively. The questions are originally based on English and then translated into Chinese. The questions are back-translated into English in order to maintain the consistency. The translation is done by the English-speaking and Chinese-speaking professors of the Hong Kong Polytechnic University.

This study examines the relationship quality model focusing on the period of relationship maintenance instead of the establishment of relationship. The length of relationship between financial service providers and customers is used as the control variable in this study. The respondents with the length of relationship over three years are considered as the qualified respondents in arriving the period of relationship maintenance.

Table 4.1 Research Instrument used in Questionnaire

Items with Modification for Measuring Different Constructs	**Original References**
Information Sharing	
Your agent keeps you very well informed about the performance of your financial product (e.g., regular report).	Sharma and Patterson, 1999
Your agent explains financial concepts and recommendations in a meaningful way.	Sharma and Patterson, 1999
Your agent never hesitates to give you as much information as you like to have.	Sharma and Patterson, 1999
Your agent does not hesitate to explain to you the pros and cons of the financial products he/she recommends to you.	Sharma and Patterson, 1999
Overall, you and your agent are highly interacted.	Qualitative Interview

Items with Modification for Measuring Different Constructs	**Original References**
Trust	
Your agent keeps his/her promises.	Crosby *et al.*, 1990
Your agent puts your interests before his/her own when preparing your proposal.	Crosby *et al.*, 1990
You trust your agent's analysis of financial products.	Crosby *et al.*, 1990
Your agent is willing to help you make your financial decisions even if there's nothing in it for him/her.	Qualitative Interview
If problems such as your claims arise, your agent is honest about the problem.	Qualitative Interview
Satisfaction	
In general, you are satisfied with your agent's after sales performance.	Crosby *et al.*, 1990
In general, you are pleased about your agent's follow-up performance.	Crosby *et al.*, 1990
In general, you are favorable to your agent's overall performance.	Crosby *et al.*, 1990
Overall, you are satisfied with your agent's performance.	Qualitative Interview
Anticipation of Future Interaction	
You are willing to discuss the value of your financial products with your agent in the next year.	Crosby *et al.*, 1990
You are willing to work with your agent for restructuring your financial products to better serve your needs in the next year	Crosby *et al.*, 1990
You expect the relationship with your agent to continue a long time.	Lusch and Brown, 1996
Willingness to Refer	
You are willing to give other prospective customers' information to your agent.	Johnson *et al.*, 2003
Your agent would be your "first choice" to contact whenever you want to buy any financial products.	Johnson *et al.*, 2003

Items with Modification for Measuring Different Constructs	**Original References**
Willingness to Refer	
If a close friend or family member asks you to introduce somebody about financial products, you would recommend your agent to him/her due to the actual performance of your agent.	Johnson *et al.*, 2003
You would say positive things about your agent based on your experiences in buying financial products.	Qualitative Interview

4.3 Data Collection of Large-Sample Survey

In this section, the sample selection, sampling procedure and the sample size are discussed.

4.3.1 Sampling Procedure

A field survey is conducted to collect data from individual customers in the general public. In order to ensure the response rate, the convenience sample is chosen. The survey questionnaire is administered through street interview. The street interviews are held at the different exit of four different MTR stations in Hong Kong. They are Mong Kok Station, Tsim Sha Tsui Station, Causeway Bay Station and Wan Chai Station. The reason for selecting these four MTR stations is the high successful rate for financial service providers to do cold call due to relatively high volume of pedestrian traffic. To check the qualification of respondents, the questionnaire includes: (1) their experiences in purchasing financial products, and (2) the length of relationship with their financial agents so as to reduce the bias of respondents. Each qualified respondent is given a Ten Hong Kong dollar fast food cash coupon with the completion of survey.

4.3.2 Sample Size

Regarding the adequacy of the sample size for exploratory factor analysis, the recommended limit should be 5 to 1 ratio of observations to item (Nunnally and Bernstein, 1994). As the maximum number of items in the constructs of relationship quality model is 21 in this study, the required sample size of this study should be minimum 105 samples for exploratory factor analysis. Such sample size is appropriate in the marketing research area to purify the initial instruments (Knutson *et al.*, 1991; Stevens *et al.*, 1995). For confirmatory factor analysis, a recommended sample size to assess model estimation should be around 200 (Hair *et al*., 1995; Hinkin *et al*., 1997). Therefore, the total sample size should be over 200, and it should be the guideline for collecting the data in the large-sample survey.

Chapter 5: Survey Results

This chapter reports the results of statistical analyses of the survey data that are collected using the research methodology stated in Chapter 4. This chapter starts with an evaluation of respondent demographics and treatment of missing data. Next, the test of normality and non-response rate are illustrated. Then the two-step modeling procedures, recommended by Anderson and Gerbing (1988) are followed to evaluate the proposed model. The first step involves the evaluation of internal and external consistency for the four measurement models (information sharing, relationship quality, anticipation of future interaction and willingness to refer). The second step aims at estimating the prescribed relations among the fixed measurement models, i.e. structural model evaluation.

5.1 Demographic Information

The proposed model is examined based on an analysis of total 207 questionnaires completed by individual customers. In this section, the sex, age, occupation and education level of respondent are evaluated.

As shown in Table 5.1, 43% male (89) and 57% female (118) respondents are evenly distributed. Major respondents are between the ages of 25 and 29 (34.8%). Among the respondents, 31.9% are managers and 28% of the respondents provide professional services. About 88.3% respondents possess college or more advanced degree.

Table 5.1 Demographic Profile of Respondents

	No. of Respondents (N=207)	%
Sex		
Male	89	43.0
Female	118	57.0
Missing	0	0
Age		
Below 20	0	0
20-24	45	21.7
25-29	72	34.8
30-34	37	17.9
35-39	29	14.0
40-44	16	7.7
45-49	5	2.4
50-54	1	0.5
55 or above	0	0
Missing	2	1.0
Education Level		
Primary or below	2	1.0
Secondary	15	7.2
Post-Secondary	6	3.0
Diploma/ High Diploma/ Certificate	64	30.9
Tertiary/ University	98	47.3
Postgraduate or above	21	10.1
Missing	1	0.5
Occupation		
Clerk	37	17.9
Salesperson	7	3.4
Marketing Executive	23	11.1
Student	10	4.8
Manager	66	31.9
Professional	58	28.0
Self-employed	3	1.4
Others	2	1.0
Missing	1	0.5

Descriptive Information

For the purchasing patterns, near 95% of the respondents purchases saving insurance (195) rather than investment linked insurance (12) as their whole life insurance. Only 1.4% of the respondents (3) purchases both saving and investment linked. About 99% of the respondents (205) purchases both medical and accident insurance.

5.2 Test of Normality and Non-Response Rate

Test of Normality

Due to the use of structural equation modeling, the assumption of multivariate normal distribution must be satisfied (Hoyle and Panter, 1995; West *et al.*, 1995). If these assumptions are not met, there is no guarantee to ensure that the estimated parameters are asymptotically unbiased and efficient (West *et al.*, 1995).

In reality, it is impossible to find data that is exactly normally distributed. Therefore, it is more appropriate to look at the actual departure from normality of the measured items (Norušis, 1993). In which it is assumed that if all the individual items appear to be normally distributed, the overall sample distribution is multivariate normal (Noronha, 1999).

For checking the extent of the actual departure from normality of each measured item, values of skewness, kurtosis, mean and standard deviation of total 21 measured items are computed (Hair *et al.*, 1995; Lai, 1999; Li and Cavusgil, 1999; Norušis, 1993; Stevens *et al*., 1995; West *et al*., 1995). Skewness is a measure of a curve's deviation from symmetry (Hair *et al*., 1995). Positive skewness (toward the left) indicates the curve is above the normal diagonal while negative skewness (toward the right) indicates the curve is below the normal diagonal. The skewness values of the measured items, ranging from –

0.335 to –1.204, indicate a reasonably symmetric curve with scores somewhat clusters just to the right of the normal diagonal for all measured items.

Kutosis is a measure of the peakedness of the curve, compared to the normal distribution (Hair *et al*., 1995). Positive kurtosis indicates the distribution is more peaked than the normal curve while negative kurtosis indicates the distribution is less peaked than the normal curve. The kurtosis values for measured items in this study ranged from –0.652 to 1.871 indicates that the curve is slightly deviated from a perfectly normal distribution. As all values of skewness and kurtosis are smaller than the absolute value of 1, except "your agent explains financial concepts and recommendations in a meaningful way" and "you are willing to work with your agent for restructuring your financial products to better serve your needs in the next year", the data obtained from the sample is not considered to be deviated from normality and the existence of problems with a non-normal distribution do not appear to be significant (Ferrando and Lorenzo-Seva, 2000). The findings of skewness, kurtosis, mean and standard deviation of the measured items are presented in Appendix 2.

Test of Non-Response Rate

A total of 207 surveys are conducted within two months. The potential response bias between early and late respondents is assessed. The "extrapolation" method is one of the methods for estimating non-response bias (Armstrong and Overton, 1977; Scott, 1961). It is based on the assumption that those respondents who respond late are expected to be similar to non-respondents, so as to identify non-response bias by comparing the answers of early respondents and late respondents.

According to the procedures mentioned in the relevant literature (Dorsch *et al*., 1998; Kanuk and Berenson, 1975; Li and Cavusgil, 1999; Sharma and Lambert, 1994), the whole sample is divided into two groups, namely early respondents and late respondents. Therefore, the sample of 207 respondents are split into two groups on the basis of the received data chronologically, in which the first 50% of completed questionnaires is defined as the group of early respondents and the last 50% is considered as late respondents (Kanuk and Berenson, 1975). Two independent samples t-test is then employed to determine any significant difference in the mean composite score of information quantity, information quality, trust, satisfaction, anticipation of future interaction and willingness to refer. The results show that there is no significant difference at the 0.05 significance level between early respondents and late respondents in all mean composites scores of the constructs.

5.3 Treatment of Missing Values

The impact of missing values should be considered before performing any statistical analysis. In this study, there are 2 missing cases out of 207 cases for an individual item. For these missing values, they are replaced by the overall mean resulting in not too much information are lost, and the statistical analysis would not suffer serious problem (Hair *et al*., 1995; Norušis, 1993).

5.4 Measurement Model Results ~ Confirmatory Factor Analysis (CFA)

For the parameters of measurement models, full-information estimation approach – maximum likelihood (ML) method is employed for estimating their confirmatory factor analysis in this study. Two specific steps are designed in the present study to conduct the confirmatory factor analysis. The first step allows a comparison of Chi-square (χ^2) based on the different factor models while the second step examines the goodness-of-fit, construct reliabilities and construct validity at the construct level (cf. Anderson and Gerbing 1988).

5.4.1 Item Elimination for the Measurement Models

Prior to assessing the factor model comparisons and the confirmatory factor analysis of the measurement models, items with lower than 0.50 factor loadings for each measurement model are removed.

Information Sharing

In the confirmatory factor analysis, five questionnaire items related to information sharing are forced to load on one factor. The factor loadings are recommended to be above 0.50 to be acceptable in the CFA procedure (Hair *et al*., 1995). Therefore the item of "Overall, you and your agent are highly interacted", which the factor loading (0.158) is lower than 0.50, should be removed. After removing it, support ($\Delta\ \chi^2$: 2.792 and Δ d.f.: 3) is found for the information sharing facet measured with four items.

Relationship Quality ~ Trust & Satisfaction

For the reason of relationship quality being made up of trust and satisfaction, the measurement models of trust and satisfaction are assessed together in the first factor level of the relationship quality construct. Same as procedures for the information sharing measurement model at the first order level, the five questionnaire items related to trust are forced to load on one factor and the four questionnaire items related to satisfaction are forced to load on another factor. After removing one trust item (i.e. "your agent is willing to help you make your financial decisions even if there's nothing in it for him/her"; factor loading: 0.028) and one satisfaction item (i.e. i.e., "in general, you are favorable to your agent's overall performance"; factor loading: 0.218), support ($\Delta\ \chi^2$: 23.957 and Δd.f.: 13) is found for the trust facet and the satisfaction facet with four items and three items respectively.

Anticipation of Future Interaction

Same as procedures for the information sharing measurement model at the first order level, the three questionnaire items related to anticipation of future interaction are forced to load on one factor. One item (i.e. "You are willing to discuss the value of your financial products with your agent in the next year"; factor loading: 0.171) with lower than 0.5 factor loading should be deleted.

Willingness to Refer

Same as procedures for the information sharing measurement model at the first order level, the four questionnaire items related to willingness to refer are forced to load on one factor. No items should be deleted as the factor loadings of all items are greater than 0.50.

As a result, a total of 17 items are remained in measuring information sharing, trust, satisfaction, anticipation of future interaction and willingness to refer. The factor model comparisons are done as follow.

5.4.2 Factor Models Comparison

In CFA, the factor structure is restricted a priori according to guidelines offered by theory. This study hypotheses four measurement models comprising three first-order factor models (information sharing, anticipation of future interaction and willingness to refer) and one second-order factor model (relationship quality comprises trust and satisfaction). This section aims at making the comparisons between different factor models and chi-squares, with significant reductions in the chi-squares indicating a better fit of the data the theoretical model which can be achieved by Amos 4.0.

Four different factor models are developed in comparing their chi-square in order to increase the confidence in accepting the hypothesis factor model. Figure 5.1 displays the Factor Model 1 with one factor of relationship quality comprising 17 items. Figure 5.2 contains the Factor Model 2 with five factors comprising five measurement models (information sharing, trust, satisfaction, anticipation of future interaction and willingness to refer). For the reason of relationship quality being made up of trust and satisfaction, the composite scores are computed by averaging each set of items in the underlying first order construct. Therefore, four trust items and three satisfaction items are computed into one trust item and one satisfaction item respectively. Figure 5.3 shows the Factor Model 3 with one factor of relationship quality made up of 12 items. Figure 5.4 presents the Factor Model 4 comprising of three first order measurement models (information sharing, anticipation of future interaction and willingness to refer) and one second order measurement model (relationship quality made up of trust and satisfaction).

The chi-square differences between the four factor models are summarized in Table 5.2. The change in Chi-square and degrees of freedom are used to evaluate the competing models. Factor Model 1 shows the highest chi-square and degree of freedoms (χ^2= 860.447 & d.f.= 119). Factor Model 2 and Factor Model 3 also present the relative high chi-square and degree of freedom (χ^2= 129.191 & d.f.= 109 and χ^2= 306.803 & d.f.= 54 respectively). Factor Model 4 yields the greatest chi-square reduction and the lowest degree of freedoms (χ^2= 47.294 & d.f.= 48) among the four factor models. These results suggest that the Factor Model 4 provides the most parsimonious fit to the data. It confirms that four measurement models comprising three first order measurement models (information sharing, anticipation of future interaction and willingness to refer) and one second order measurement model (relationship quality) are better fit for the data and should be used for confirmatory factor analysis in this study.

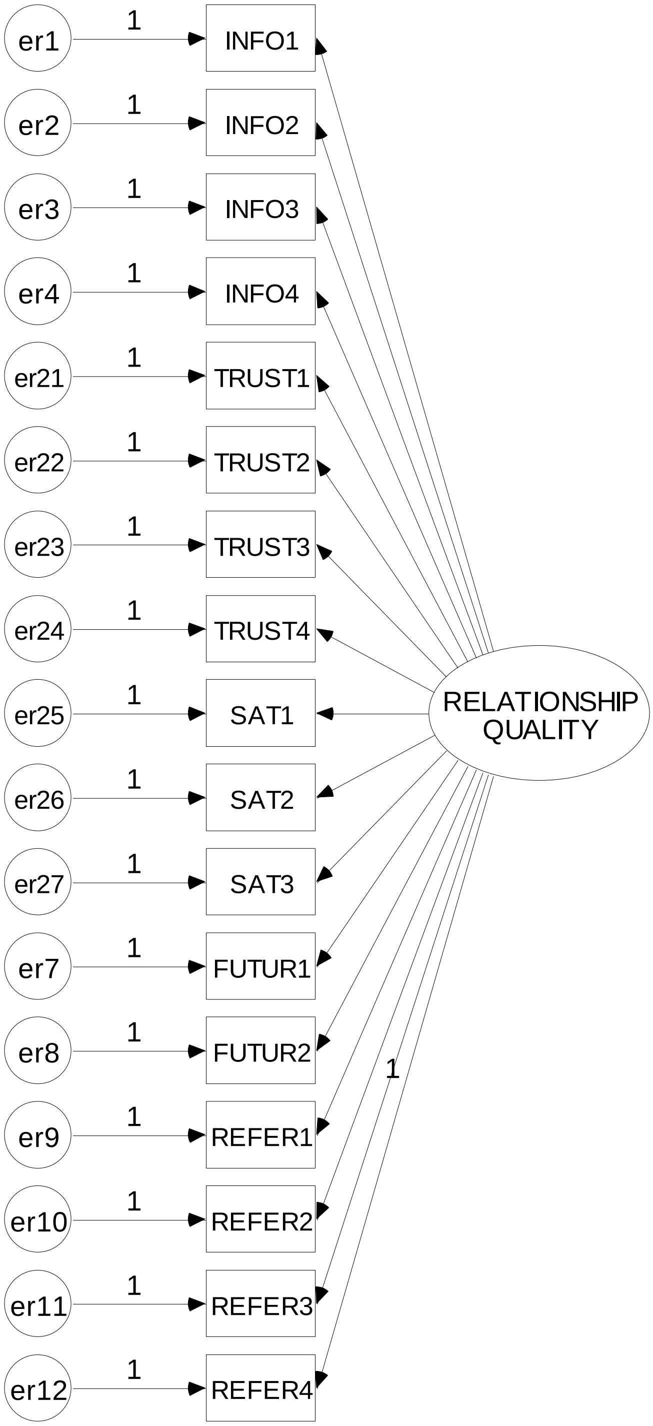

FIGURE 5.1. Factor Model 1: One-Factor Model with 17 Items

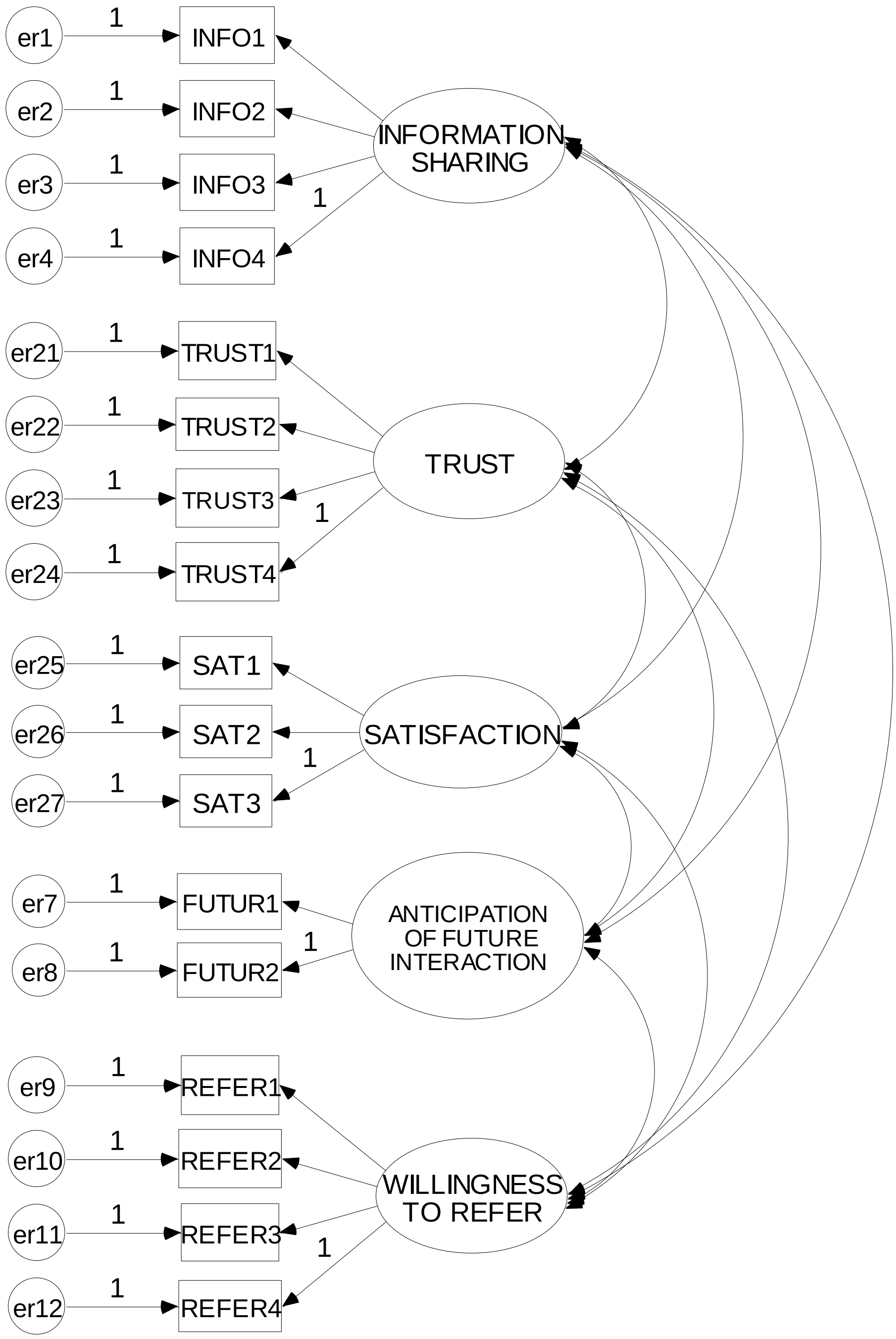

FIGURE 5.2. Factor Model 2: Five-Factors Model with Five 1st Order Measurement Models

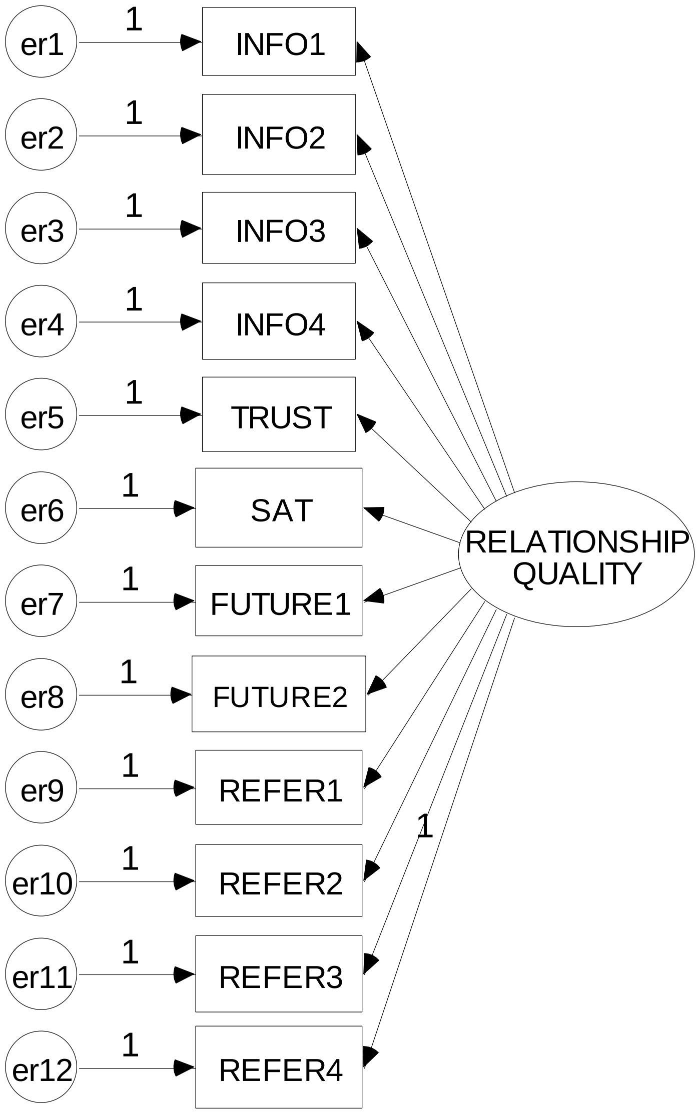

FIGURE 5.3. Factor Model 3: One-Factor Model with 12 Items

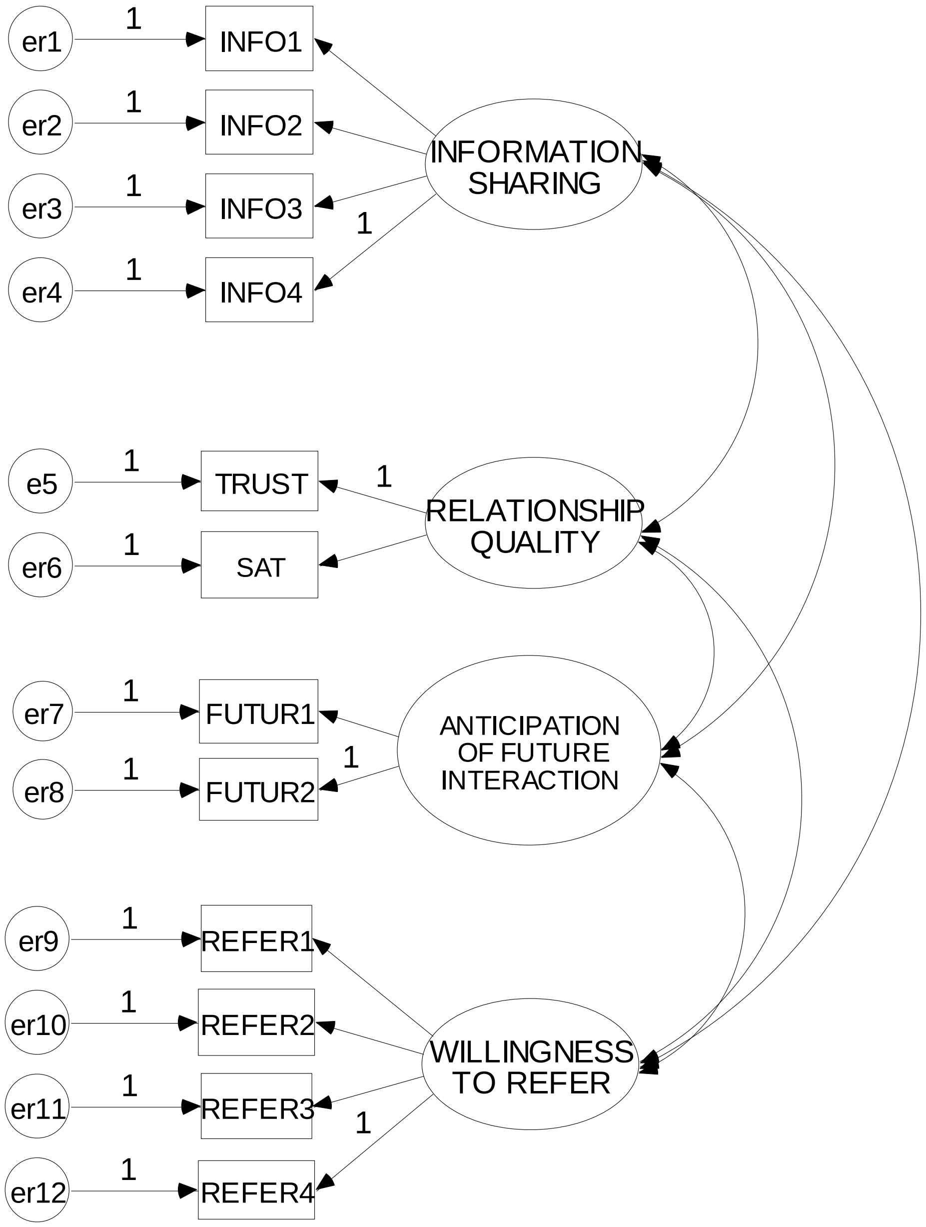

FIGURE 5.4. Factor Model 4: Four-Factors Model with Three 1st Order Measurement Models and One 2nd Order Measurement Model

Table 5.2 Comparisons of Fit Indices of Competing Models

Goodness-of-fit Indices	Model 1	Model 2	Model 3	Model 4
Chi-square (χ^2)	860.447	129.191	306.803	47.294
Degrees of freedom (df)	119	109	54	48
GFI* (Goodness of fit index)	0.634	0.931	0.776	0.964
IFI* (Incremental fit index)	0.337	0.982	0.612	1.001
NFI* (Normed fit index)	0.304	0.896	0.565	0.933
CFI* (Comparative fit index)	0.326	0.982	0.604	1.000
RMSEA** (Root mean square of approximation)	0.174	0.030	0.151	0.000

*GFI, IFI, NFI & CFI values close to 1 indicate a good fit.
** The lower the RMSEA values, the better the model is considered. Values below 0.05 suggest adequate fit.

5.4.3 Confirmatory Factor Analysis of the Measurement Models

After comparing the chi-square differences between different factor models, Factor Model 4 is chosen for confirmatory factor analysis. CFA of the four measurement models (information sharing, relationship quality, anticipation of future interaction and willingness to refer) is done. The goodness-of-fit, construct reliabilities and construct validity of the measurement models are accessed.

In order to assess the confirmatory factor analysis at the construct level, four measurement models (information sharing, relationship quality, anticipation of future interaction and willingness to refer) are forced to correlate with each others (see Figure 5.4). For relationship quality, the items of trust and satisfaction are represented by the composite scores of the corresponding first order factors as observed variables in assessing the measurement model. The composite scores are computed by averaging each set of items in the underlying first order construct.

The results of standardized estimates and error variances of the measurement models are presented in Table 5.3. All the observed first order factors have a high standardized estimation loading on the corresponding construct with a critical ratio larger than 1.96, indicating the tested first order factors are statistically significant in measuring the corresponding concept at the 0.05 significance level (Arbuckle and Wothke, 1999).

Overall Model Fit

Prior to evaluating the construct reliabilities and construct validities, the goodness-of-fit of each measurement models is accessed. The goodness-of fit of each measurement model, which represents the overall model fit, is evaluated by the absolute fit measures and incremental fit measures (Hair *et al.*, 1995; Hu and Bentler, 1995).

The absolute fit measures refer to those measures that directly assess how well a proposed model represents the sample data. The Chi-square (χ^2) value is the most fundamental measure of overall model fit. A significant χ^2 (i.e., $p < .05$) means the observed and estimated models differ considerably, therefore, the desire is to have a non-significant χ^2. However, the χ^2 statistic is sensitive to sample size and has been criticized for several reasons. In large samples, the χ^2 test is too merciless; even models that approximate the sample covariance matrix are usually rejected. In small samples, the χ^2 test lacks power as it is too forgiving of important miss-specifications in the model. Chi-square (χ^2) test is very sensitive to sample size and thus the absolute fit measures in this study employ both Chi-square (χ^2) test, Goodness-of-fit index (GFI) and Root Mean Square Error of Approximation (RMSEA).

The incremental fit measures refer to those evaluate the proportionate improvement in fit by comparing the proposed model with a baseline model which is a single-factor model with no measurement error (Hair *et al.*, 1995). Browne and Cuddeck (1992) point out that statistical goodness of fit tests are often more the reflection of the sample size than of the adequacy of the model. Therefore, rather than trying to ask whether the model is correct or fits the population covariance matrix exactly, it is sensible to assess the degree of lack of the model fit. This can be achieved by assessing the incremental fit measures including Incremental fit index (IFI), Normed fit index (NFI) and Comparative fit index (CFI).

Thus, the overall model fit is assessed in terms of six measures (χ^2, GFI,, RMSEA, IFI, NFI and CFI) from two perspectives: absolute fit and incremental fit. These indices are also employed for evaluating the goodness-of-fit of measurement models in this study.

When considering the extent of overall model fit of the measurement model at the construct level, both absolute fit measures and incremental fit measures are employed. Chi-square test (χ^2) is initially employed to evaluate model fit (Bagozzi and Yi, 1988; Hu and Bentler, 1995).

Table 5.3 The Results of the Measurement Models at the Construct Level

Parameters	Standardized Estimate	Standard Error	Critical Ratio	Error Term	Critical Ratio of Variance	Variance Estimate of Error Term **
INFORMATION SHARING					4.312	0.352
INFO1* *[Your agent keeps you very well informed about the performance of your financial product (e.g., regular report).]*	0.629			er1	7.932	0.537
INFO2 *[Your agent explains financial concepts and recommendations in a meaningful way.]*	0.695	0.156	6.957	er2	6.943	0.445
INFO3 *[Your agent never hesitates to give you as much information as you like to have.]*	0.711	0.152	7.010	er3	6.655	0.394
INFO4 *[Your agent does not hesitate to explain to you the pros and cons of the financial products he/she recommends to you.]*	0.557	0.144	6.083	er4	8.646	0.601
RELATIONSHIP QUALITY					5.355	0.592
TRUST* *[Composite Value of four trust items:1) Your agent keeps his/her promises; 2) Your agent puts your interests before his/her own when preparing your proposal; 3) You trust your agent's analysis of financial products; 4) If problems such as your claims arise, your agent is honest about the problem.]*	0.954			er5	1.968	0.181
SAT *[Composite Value of three satisfaction items: 1) In general, you are satisfied with your agent's after sales performance.; 2) In general, you are pleased about your agent's follow-up performance; 3) Overall, you are satisfied with your agent's performance.]*	0.564	0.106	5.496	er6	8.230	0.433

Parameters	Standardized Estimate	Standard Error	Critical Ratio	Error Term	Critical Ratio of Variance	Variance Estimate of Error Term **
ANTICIPATION OF FUTURE INTERACTION					4.850	0.302
FUTURE1* *[You are willing to work with your agent for restructuring your financial products to better serve your needs in the next year]*	0.726			er7	5.893	0.271
FUTURE2 *[You expect the relationship with your agent to continue a long time.]*	0.778	0.181	7.060	er8	4.676	0.324
WILLINGNESS TO REFER					4.543	0.406
REFER1* *[You are willing to give other prospective customers' information to your agent.]*	0.630			er9	8.530	0.616
REFER2 *[Your agent would be your "first choice" to contact whenever you want to buy any financial products.]*	0.772	0.155	8.063	er10	6.488	0.430
REFER3 *[If a close friend or family member asks you to introduce somebody about financial products, you would recommend your agent to him/her due to the actual performance of your agent.]*	0.643	0.125	7.226	er11	8.411	0.467
REFER4 *[You would say positive things about your agent based on your experiences in buying financial products.]*	0.709	0.139	7.722	e12	7.616	0.458

*The corresponding parameter was constrained to unity (1.00) to ensure model identification
** Significant at the 0.05 level significant level

Chi-square value (χ^2= 47.294, d.f.= 48) is yielded for the measurement models as shown in Table 5.4, indicating a reasonable model fit.

As presented in Table 5.4, the other goodness-of-fit indices of IFI (1.003), NFI (0.932), GFI (0.965) and CFI (1.000) are over the acceptable level (i.e. >0.900) which is suggested by Hair *et al.* (1995), and Hu and Bentler (1995). RMSEA (0.000) also reaches the cut-off value (<0.05). Hence, the results of both absolute fit measures and incremental fit measures provides satisfactory evidence on the model fit of the measurement model at the construct level.

Table 5.4 Goodness-of-fit Indices of the Measurement Model at the Construct Level

Goodness-of-fit Indices	Proposed Model
Chi-square (χ^2)	47.294
Degrees of freedom (df)	48
GFI* (Goodness of fit index)	0.964
IFI* (Incremental fit index)	1.001
NFI* (Normed fit index)	0.933
CFI* (Comparative fit index)	1.000
RMSEA** (Root mean square of approximation)	0.000
*GFI, IFI, NFI & CFI values close to 1 indicate a good fit. ** The lower the RMSEA values, the better the model is considered. Values below 0.05 suggest adequate fit.	

Construct Reliability

Reliability concerns the extent to which a measurement of a phenomenon provides stable and consistent results (Carmines and Zeller, 1979). Reliability has two dimensions: repeatability and internal consistency (Zikmund, 1997). The dimension of internal consistency is an important verification measure in terms of its ability of a scale item, which correlates with other scale items intended to measure the same variable. There are two methods for testing internal reliability in this study, Cronbach's alpha (α) and confirmatory factor analysis (CFA). Cronbach's alpha (α) estimates the degree to which the items in a scale are representative of the domain of the construct being measured (Pedhazur and Schmelkin, 1991). It is utilized in this study as a verification of reliability of the composite items comprising each scale for each construct. CFA provides a statistical method to evaluate both the reliability of each item in the scale, as well as any potential cross-loading issues with other items or scales.

A typical procedure for reliability assessment is to compute the Cronbach alpha coefficient (Cronbach, 1951) which ranges from 0 (no reliability) to 1 (perfect reliability) (Lord and Novick, 1968). However, Cronbach alpha is based on a restrictive assumption that all indicators are equally important. An alternative conceptualization of reliability is that it represents the proportion of measure variance attributable to the underlying dimension. As a result, the construct reliability in this study is accessed by calculating Construct Reliability and Average Variance Extracted (AVE). The Construct Reliability and Average Variance Extracted (AVE) can be computed from the following formula due to Werts, Linn and Joreskog (1974):

Construct Reliability = $(\Sigma \text{std. loading})^2 / [(\Sigma \text{std. loading})^2 + \Sigma \varepsilon j]$ *which* εj *(measurement error of corresponding j indicator)=* $1 - (\text{std. loading})^2$

Average Variance Extracted $=\Sigma$std. loading^2/ (Σstd. loading^2+ $\Sigma\varepsilon j$) *which*

εj (measurement error of corresponding j indicator)= 1 – (std. loading)^2

An additional measure of reliability employed is Cronbach's coefficient alpha (α), which is achieved by SPSS 11.0. This statistical process in this step is a cross-check mechanism to verify the CFA findings. Construct reliability at the construct level is also assessed by Construct Reliability and Average Variance Extracted (AVE) of each construct which is same as the first order level. Construct Reliability and AVE aim at determining each construct with multiple indicators in the measurement model to ensure adequate internal consistency and reflect the overall amount of variance of each observable item accounted for by the latent construct respectively (Hair *et al*., 1995).

Table 5.5 Construct Reliability of Latent Constructs

Second Order Construct	Construct Reliability *	Average Variance Extracted (AVE) **	Cronbach's coefficient alpha (α)
Information Sharing	0.7445	0.4236	0.7418
Relationship Quality	0.7491	0.6141	0.6996
Anticipation of Future Interaction	0.7228	0.5662	0.7144
Willingness to Refer	0.7839	0.4773	0.7817

*construct reliability = (Σstd. loading)^2/ [(Σstd. loading)^2+ $\Sigma\varepsilon j$]

** average variance extracted $=\Sigma$std. loading^2/ (Σstd. loading^2+ $\Sigma\varepsilon j$)

εj (measurement error of corresponding j indicator)= 1 – (std. loading)^2

The construct reliability is assessed by calculating the composite reliability and the average variance extracted value of each construct. The calculated values for assessing the construct reliability and AVE of each measurement model at their construct level are presented in Table 5.5.

The cut-off points of construct reliability and AVE value are generally 0.70 and 0.50 respectively. Although the AVE value of information sharing construct (0.4236) is marginally below the suggested cut-off value (i.e. 0.5), it is still considered as reliable measures of the underlying constructs on the basis of theory and content considerations (Anderson and Gerbing, 1988), as well as the associated high construct reliability (0.7445) and Cronbach’s alpha (0.7418). Information sharing is considered as reliable.

Although the Cronbach’s alpha (0.6996) of relationship quality is marginally below the recommended value (0.7), the construct reliability and AVE value of relationship quality (0.7491 and 0.6141 respectively) are higher than the recommended value (0.7 and 0.5 respectively). Relationship quality is also considered as reliable.

The construct reliability, AVE value and Cronbach’s alpha of anticipation of future interaction (0.7228, 0.5662 and 0.7144 respectively) are higher than the recommended value (0.7, 0.5 and 0.7 respectively). Anticipation of future interaction is considered as statistically reliable.

For assessing the construct reliability of willingness to refer, the AVE value (0.4773) is marginally below the suggested cut-off value (i.e. 0.5), it implies that AVE value of willingness to refer has a room for improvement. The value of Cronbach's alpha (0.7822) and construct reliability (0.7839) exceeds the recommended level of 0.70 (Hair *et al.*, 1995). As a result, the high value of Cronbach's alpha and construct reliability indicates the specified items are sufficient in representing the underlying construct. Therefore, willingness to refer is still considered as statistically reliable.

Construct Validity

Construct validity refers to the relationship between a construct and its indicators. A construct is valid to the extent that it measures what is supposed to measure (Zikmund, 1997). Construct validity is addressed by analyzing both convergent validity (i.e., the items and constructs that are supposed to be correlated with one another) and discriminant validity (i.e., the items and constructs that are not supposed to be correlated with one another). Campbell and Fiske (1959) indicate that correlations among different measures of the same trait (i.e., construct) can be statistically significant and sufficiently large, while discriminate validity would be applied as the differences between measures being statistically significantly and sufficiently large. CFA provides a statistical tool to evaluate both convergent and discriminate validity.

Convergent Validity

Convergent validity is assessed by determining whether the estimated loading of each indicator on the underlying first order construct is significant or not (Anderson and Gerbing, 1988; Bagozzi *et al.*, 1991; Fornell and Larcker, 1981; van Birgelen *et al*., 2000). For assessing convergent validity of the measurement model at the construct level, the critical ratio and standard error are assessed. As shown in Table 5.3, the findings with high critical ratio (>1.96) and low standard error (< half of the standardized estimates) at the 0.05 significance level provide a great evidence of adequate convergent validity on the measurement model at the construct level.

Discriminant Validity

Apart from assessing the convergent validity of each construct, discriminant validity for the measurement models at the construct level is assessed and aims at determining the external consistency. Discriminant validity for the measurement models at the construct level is assessed by comparing the average variance extracted (AVE) of each construct to the square of the correlation between the two constructs (Brady and Robertson, 2001; Fornell and Larcker, 1981; Spreng and Mackoy, 1996). As shown in Table 5.5, AVE values of information sharing, relationship quality, anticipation of future interaction and willingness to refer are 0.4236, 0.6141, 0.5662 and 0.4771 respectively. The correlations between pairs of latent constructs and the corresponding square values are displayed in Table 5.6. Therefore, the AVE values of the latent constructs are greater than the square of these correlations (see Table 5.6). Consequently, discriminant validity is achieved at the construct level.

Table 5.6 Correlations of Latent Constructs in Measurement Model

	Information Sharing	**Relationship Quality**	**Anticipation of Future Interaction**	**Willingness to Refer**
Information Sharing	1.00			
Relationship Quality	0.219 (0.048)*	1.00		
Anticipation of Future Interaction	0.159 (0.025)	0.592 (0.350)	1.00	
Willingness to Refer	0.275 (0.076)	0.486 (0.236)	0.503 (0.253)	1.00

*Square of correlation coefficient of respective latent construct is presented inside the parentheses.

To sum up, according to the absolute fit measures and incremental fit measures, the evidence on goodness-of-fit of the measurement models at the construct level are highly supported by the data. The high values on construct reliability, convergent validity and discriminant validity provide satisfactory evidence on the internal and external consistency of the four measurement models (information sharing, relationship quality, anticipation of future interaction and willingness to refer) at the construct level. After accessing the internal and external consistency by confirmatory factor analysis of each constructs at construct level, the proposed structural model is evaluated by structural equation modeling technique.

5.5 Structural Model Evaluation

Structural equation modeling technique aims at providing comprehensive assessment of proposed models, and in offering great potential for further model development testing (Anderson and Gerbing, 1988). The estimation of proposed structural model and test of hypotheses are examined simultaneously by structural equation modeling with AMOS Graphic 4.0 in this study.

5.5.1 Analyses of Nested Models

Prior to investigating the proposed structural model and the significance of individual paths, the nested model comparisons are used in order to provide greater confidence on accepting the proposed structural model (Andersond and Gerbing, 1988; Hair *et al.*, 1995).

For analyzing the nested models, series of models are evaluated by comparing the change in chi-square associated with canceling the effect of certain paths (Bentler and Bonett, 1980). Apart from comparing the significant chi-square differences and overall model fit indices (CFI, NFI, IFI and RMSEA), Morgan and Hunt (1994) suggest that the parsimonious normed fit index (PNFI) should be accessed in order to reach the model parsimony and to compare the data fit of models (Hair *et al.*, 1995; James *et al.*, 1982). The emphasis on parsimony or "simplicity" in the structural equations modeling literature is due to "the simpler hypothesis is usually the more elegant, more convenient to work with, more easily understood, remembered, and communicated (Lambert and Brittan, 1970, p.69)". Then the chi-square, overall model fit indices and parsimonious normed fit index are compared among the saturated model and the nested models to determine which one is the best model to fit the sample data.

Figure 5.5 shows the *saturated* model, which contains paths from information sharing to relationship quality, anticipation of future interaction and willingness to refer; from relationship quality to anticipation of future interaction and willingness to refer and from willingness to refer to anticipation of future interaction. Therefore, no path in the saturated model is restricted.

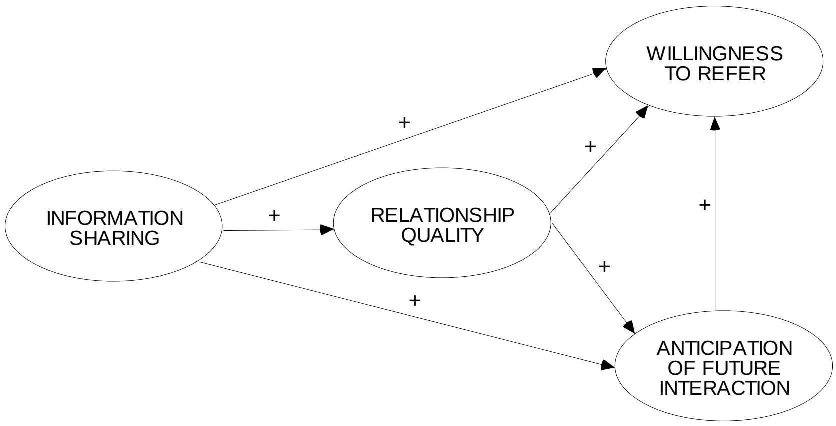

FIGURE 5.5. Saturated Model

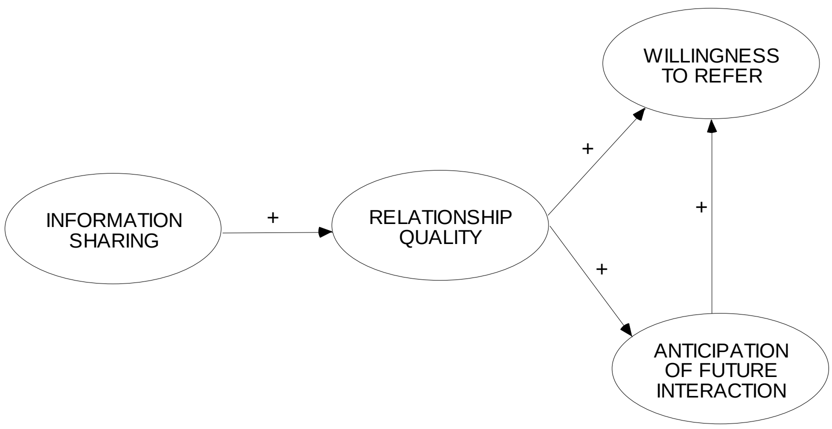

FIGURE 5.6. Model A (Hypothesis Model)

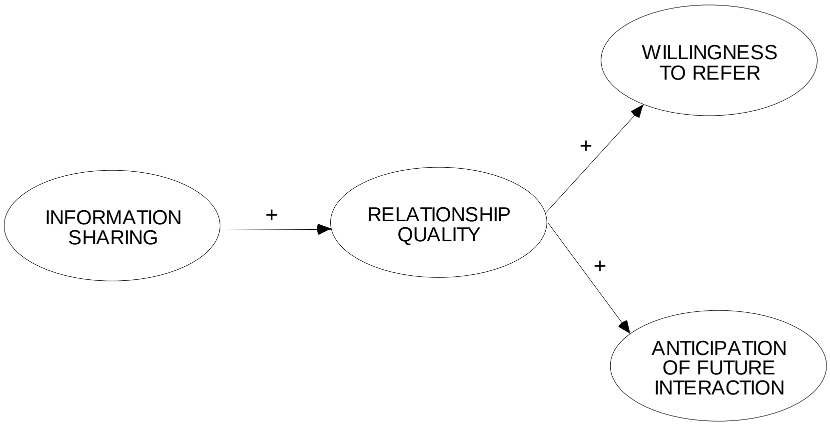

FIGURE 5.7. Model B

From this *saturated* model, two nested models are evaluated. 1) Figure 5.6 presents Model A, which is identical to the *saturated* model except canceling the path from information sharing to anticipation of future interaction and willingness to refer; 2) Figure 5.7 presents Model B, which is almost equivalent to Model A, except the path from anticipation of future interaction to willingness to refer is omitted.

Table 5.7 Comparison of Goodness-of-fit Indices of the Saturated Model Against Other Nested Models

Goodness-of-fit Indices	**Saturated Model**	**Model A (Hypothesis Model)**	**Model B**
Chi-square (χ^2)	47.294	51.624	57.612
Degrees of freedom (df)	48	50	51
GFI*	0.964	0.962	0.958
IFI*	1.001	0.998	0.990
NFI*	0.933	0.927	0.918
CFI*	1.000	0.997	0.990

PNFI**	0.678	0.702	0.710
RMSEA***	0.000	0.013	0.025

*GFI, IFI, NFI & CFI values close to 1 indicate a good fit.

** The higher PNFI, the better model is considered.

***The lower the RMSEA values, the better the model is considered. Values below 0.05 suggest adequate fit.

The results of the nested models analysis are reported in Table 5.7. For the *saturated* model, it has a χ^2 of 47.294, with 48 degrees of freedom (GFI=0.964; IFI=1.001; NFI=0.933; CFI=1.000; RMfound SEA=0.000). To compare between the *saturated* model and Model A, as shown in Table 5.7, the chi-square difference between these models is $\Delta\chi^2$ 4.33 with Δd.f. of 2. GFI and NFI for both the *saturated* model (0.964 and 0.933 respectively) and Model A (0.962 and 0.927 respectively) are above the suggested value (0.90). Although the *saturated* model yields lower chi-square and higher GFI and NFI when comparing with Model A, IFI, CFI and PNFI indicated that Model A (0.998, 0.997 and 0.702 respectively) is still preferred with better fit comparably to the *saturated* model (1.001, 1.000 and 0.678 respectively). The major reason is that Model A has an improvement in parsimony (from 6 paths to 4 paths) by sacrificing only less than 1% in absolute fit measures and incremental fit measures than the *saturated* model. Accepting Model A is worth to make for the sake of parsimony.

Then in comparing Model A and Model B, as shown in Table 5.7, it seems that there is no substantial difference on all statistics of goodness-of-fit indices, but the chi-square difference between these models is $\Delta\chi^2$ 5.988 with Δd.f. of 1, indicates that Model A is preferred with better fit comparably to Model B.

According to the results of the nested models comparison, Model A with canceling the effect of information sharing on both anticipation of future interaction and willingness to refer is preferred with better fit comparably to the *saturated* model and Model B. As Model A is the hypothesis model in this study, the proposed structural model is investigated by structural equation modeling in the following section.

5.5.2 Structural Equation Modeling of Proposed Structural Model

Figure 5.8 presents the proposed structural model (i.e. relationship quality model) that is the interest of the discussion in this study, in which four measurement models (i.e. information sharing, relationship quality, anticipation of future interaction and willingness to refer) are connected with each other by specifying the hypothesized relationships with the parameters γij and βij. The latent variables measuring relationship quality and outcome are represented by the symbol ηi, that indicates an endogenous variable and its value is determined within the model (Hughes *et al.*, 1986). The latent variable measuring information sharing is represented by the symbol ξi, that indicates an exogenous variable and its value is determined by factors outside the model (Hughes *et al.*, 1986). The parameters δij and εij represent the error variance of the observed variables that measure exogenous and endogenous variables respectively, while ζij represents the error variances of those endogenous variables.

For relationship quality, the items of trust and satisfaction are represented by the composite scores of corresponding first order factors as observed variables in assessing the structural model. The composite scores are computed by averaging each set of items in the underlying first order construct. λx, ij and λy, ij indicate the relationships between observed first order variables and the underlying latent independent and dependent variables respectively. These standardized parameter estimates, in fact, provide the important information about the relative strength of relationship between them.

5.5.2.1 Overall Model Fit

Table 5.8 presents the result of standard estimates and error variances of the proposed structural model. All the observed factors have a high standardized estimated loading on the corresponding construct with a critical ratio larger than 1.96, indicating the tested factors are statistically significant in measuring the corresponding concept at the 0.05 significance level (Arbuckle and Wothke, 1999).

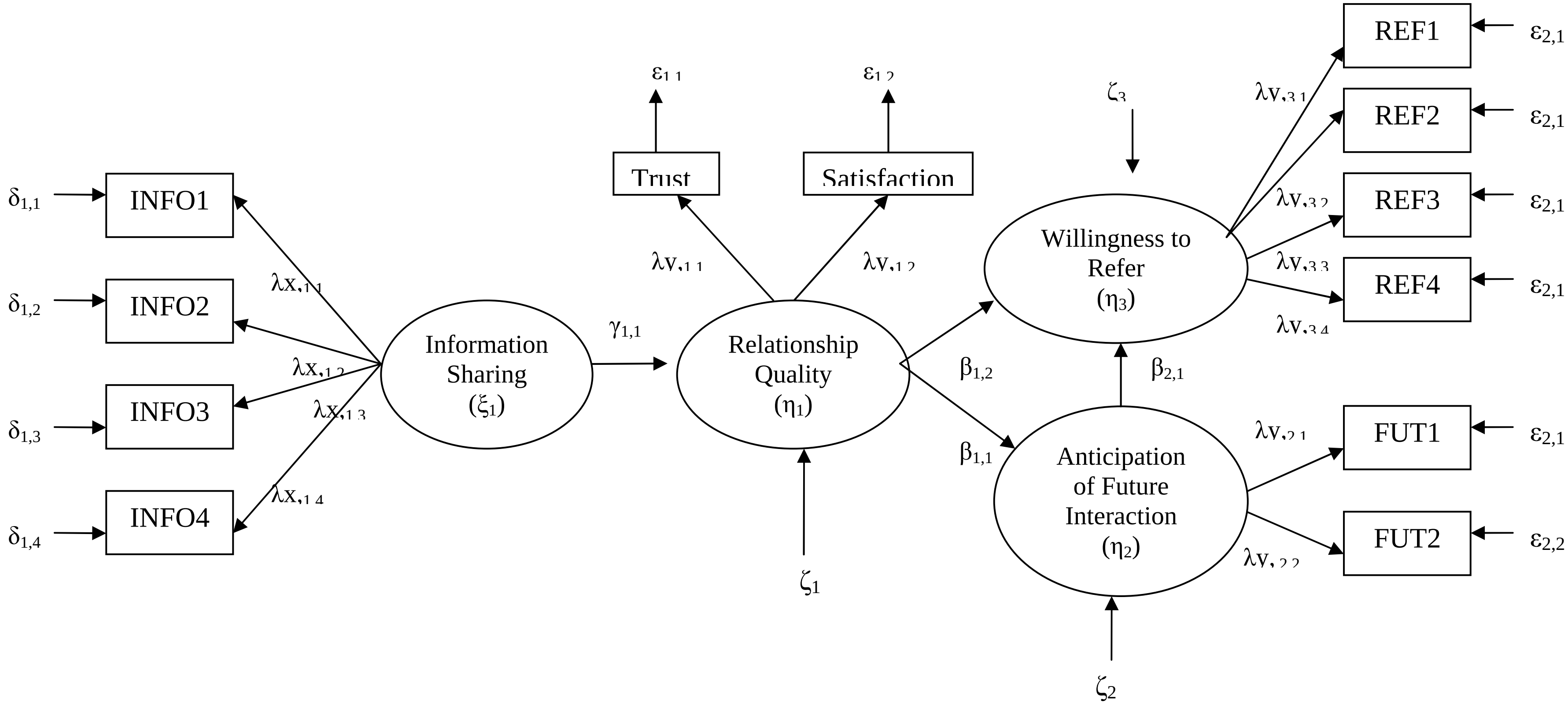

FIGURE 5.8. The Proposed Structural Model

Table 5.8 Results of Estimation of the Proposed Structural Model

Parameters	Standardized Estimate	Standard Error	Critical Ratio	Error Term	Critical Ratio of Variance	Variance Estimate of Error Term **
Paths						
Information Sharing → Relationship Quality ($\gamma_{1,1}$)	0.231	0.110	2.649	--	--	--
Relationship Quality → Anticipation of Future Interaction ($\beta_{1,1}$)	0.603	0.088	5.015	--	--	--
Relationship Quality → Willingness to Refer ($\beta_{1,2}$)	0.311	0.105	2.484	--	--	--
Anticipation of Future Interaction → Willingness to Refer ($\beta_{2,1}$)	0.316	0.144	2.522	--	--	--
Information sharing				δ_1	4.320	0.354
INFO1* $\lambda x_{,1,1}$ *[Your agent keeps you very well informed about the performance of your financial product (e.g., regular report).]*	0.631	--	--	$\delta_{1,1}$	7.880	0.535
INFO1 $\lambda x_{,1,2}$ *[Your agent explains financial concepts and recommendations in a meaningful way.]*	0.691	0.155	6.933	$\delta_{1,2}$	6.970	0.449
INFO1 $\lambda x_{,1,3}$ *[Your agent never hesitates to give you as much information as you like to have.]*	0.713	0.153	7.033	$\delta_{1,3}$	6.560	0.391
INFO1 $\lambda x_{,1,4}$ *[Your agent does not hesitate to explain to you the pros and cons of the financial products he/she recommends to you.]*	0.556	0.144	6.067	$\delta_{1,4}$	8.643	0.602

Parameters	Standardized Estimate	Standard Error	Critical Ratio	Error Term	Critical Ratio of Variance	Variance Estimate of Error Term **
Relationship Quality				ξ_1	5.399	0.536
Trust $\lambda y,_{1,1}$* *[Composite Value of four trust items:1) Your agent keeps his/her promises; 2) Your agent puts your interests before his/her own when preparing your proposal; 3) You trust your agent's analysis of financial products; 4) If problems such as your claims arise, your agent is honest about the problem.]*	0.933	--	--	$\varepsilon_{1,1}$	1.988	0.184
Satisfaction $\lambda y,_{1,2}$ *[Composite Value of three satisfaction items: 1) In general, you are satisfied with your agent's after sales performance.; 2) In general, you are pleased about your agent's follow-up performance; 3) Overall, you are satisfied with your agent's performance.]*	0.574	0.103	5.895	$\varepsilon_{1,2}$	8.301	0.425
Anticipation of Future Interaction				ξ_2	4.227	0.193
FUT1 $\lambda y,_{2,1}$* *[You are willing to work with your agent for restructuring your financial products to better serve your needs in the next year]*	0.727	--	--	$\varepsilon_{2,1}$	5.866	0.271
FUT2 $\lambda y,_{2,2}$ *[You expect the relationship with your agent to continue a long time.]*	0.777	0.181	7.045	$\varepsilon_{2,2}$	4.683	0.325

Parameters	Standardized Estimate	Standard Error	Critical Ratio	Error Term	Critical Ratio of Variance	Variance Estimate of Error Term **
Willingness to Refer				ξ_3	4.274	0.274
REF1 $\lambda y_{,3,1}$* *[You are willing to give other prospective customers' information to your agent.]*	0.626	--	--	$\varepsilon_{3,1}$	8.558	0.621
REF2 $\lambda y_{,3,2}$ *[Your agent would be your "first choice" to contact whenever you want to buy any financial products.]*	0.775	0.158	8.011	$\varepsilon_{3,2}$	6.384	0.425
REF3 $\lambda y_{,3,3}$ *[If a close friend or family member asks you to introduce somebody about financial products, you would recommend your agent to him/her due to the actual performance of your agent.]*	0.644	0.126	7.190	$\varepsilon_{3,3}$	8.391	0.466
REF4 $\lambda y_{,3,4}$ *[You would say positive things about your agent based on your experiences in buying financial products.]*	0.709	0.140	7.662	$\varepsilon_{3,4}$	7.609	0.459
*The corresponding parameter was constrained to unity (1.00) to ensure model identification ** Significant at the 0.05 level significant level						

When considering the extent of goodness-of-fit of the proposed model, Chi-square test (χ^2) is initially employed to evaluate model fit (Bagozzi and Yi, 1988; Hu and Bentler, 1995). The Chi-square value is 51.624 at 50 degrees of freedom, as shown in Table 5.7. All of other goodness-of-fit indices, RMSEA (0.013), IFI (0.998), NFI (0.927) and CFI (0.997), reach the acceptable level that suggested by Hair et al. (1995). Therefore, the results of goodness-of-fit indices provide satisfactory evidence on the model fit of the proposed structural model.

5.5.2.2 *Hypotheses Testing*

An examination of the estimated path coefficients among the second order constructs in the proposed structural model, indicating the four relationships in the proposed structural model, (1) information sharing → relationship quality (H1), (2) relationship quality → anticipation of future interaction (H2a), (3) relationship quality → willingness to refer (H2b); and (4) anticipation of future interaction → willingness to refer (H3), are statistically at the 0.05 significance level (see Table 5.8).

Therefore, hypothesis 1 is supported with information sharing being positively and significantly related to relationship quality with a standardized path estimate ($\gamma_{1,1}$) of 0.231, standard error of 0.110 and associated with a critical ratio of 2.649. Similarly, hypothesis 2a and hypothesis 2b are also supported that relationship quality is positively and significantly related to anticipation of future interaction and willingness to refer with a standardized path estimate ($\beta_{1,1}$ and $\beta_{1,2}$ respectively) of 0.603 and 0.311, standard error of 0.088 and 0.105 and associate with a critical ratio of 5.015 and 2.484 respectively. Hypothesis 3 is supported with anticipation of future interaction being positively and significantly related to willingness to refer with a standardized path estimate ($\beta_{2,1}$) of 0.316, standard error of 0.144 and associate with a critical ratio of 2.522.

5.6 Summary

To conclude, the findings confirm that the proposed structural model is well fitted with satisfactory goodness-of-fit indices for determining the relationships among information sharing, relationship quality, anticipation of future interaction and willingness to refer through the use of confirmatory factor analysis and structural equation modeling technique. Table 5.9 summarizes the results of hypothesis test. All of the hypotheses are statistically supported by data.

Table 5.9 Results of Hypothesis Test

Hypothesis	**Supported**
H1: There is a positive relationship between information sharing and relationship quality.	Supported
H2a: There is a positive relationship between relationship quality and anticipation of future interaction.	Supported
H3: There is a positive relationship between relationship quality and willingness to refer.	Supported
H4: There is a positive relationship between anticipation of future interaction and willingness to refer.	Supported

Chapter 6: Discussion and Conclusions

Based on the statistical findings in Chapter 5, this chapter first discusses the importance of information sharing towards relationship quality and relationship among information sharing, relationship quality, anticipation of future interaction and willingness to refer. Secondly, both theoretical implications and managerial implications on the findings are examined. Thirdly, the limitations of this study are pointed out following by the suggestions for the direction of future research. Finally, the conclusions are drawn.

6.1 Discussion of the Results

This section discusses (1) the impact of information sharing on relationship quality; (2) the mediating effect of relationship quality between information sharing and anticipation of future interaction and willingness to refer; and (3) the relationship among relationship quality, anticipation of future interaction and willingness to refer.

6.1.1 Impact of Information Sharing on Relationship Quality

The findings of this study highlight the critical role of information sharing ($\gamma_{1,1}$=0.231) in influencing relationship quality; and consistent with other research (e.g. Morgan and Hunt, 1994). Information sharing is identified as one of the major antecedents of trust and satisfaction, which are the key components of relationship quality.

Information sharing positively influences the quality of relationships between financial service providers and customers. Frequent information exchange allows the partners to understand each other's goals and resources, as well as each other's limitations. The expectation of obtaining information in an ongoing relationship enables both parties to cope better with internal processes and external market conditions (Heide and John, 1992).

The results also confirm the importance of information sharing on maintenance is a long-term relationship. As suggested by Wren and Simpson (1996, p.72), "a customer's initial contact with a seller must include some form of either written or oral communication. The style, tone and content of this initial communication will likely shape the first impressions of either or both parties and may affect the nature of the relationship that develops". This statement establishes the need to include the construct of information sharing in the buyer-seller relationship, particularly as it relates to the initial selling strategy undertaken by the financial services providers.

As Hatfeld (1993) and Bland (1997) state in their studies, the findings provide deeper in-sight about the effectiveness of information sharing between the customers and their financial service providers. Further, regular information sharing can help develop a sense of closeness and ease in the relationship. Financial service providers emphasizes on information sharing in order to enhance customers trust and satisfaction. It will eventually lead to the improvement of relational consequences concerning anticipation of future interaction and willingness to refer.

6.1.2 *Mediating Effect of Relationship Quality*

The positive and significant relationships among information sharing, relationship quality, anticipation of future interaction and willingness to refer are supported in the proposed model. Relationship quality is identified as a significant mediator between information sharing and anticipation of future interaction and willingness to refer.

The results do not show a direct impact of information sharing on anticipation of future interaction and willingness to refer. This provides evidence to verify the role of relationship quality as a mediating variable. Therefore, the sequential flow from information sharing to both anticipation of future interaction and willingness to refer through relationship quality suggests that long-term relationships can be maintained by high trust and satisfaction in the service provided from the service providers, together with appropriate information sharing.

6.1.3 *Relationship among Relationship Quality, Anticipation of Future Interaction and Willingness to Refer*

The results of this study indicate that willingness to refer and anticipation of future interaction are the consequences of relationship quality. The results are discussed as follow.

Relationship Quality and Anticipation of Future Interaction

The results from Boles *et al.* (1996) show that relationship quality has in-significant impact on the customer's anticipation of future interaction. However, this study, which is consistent with the findings from Crosby *et al.* (1990), find that there is a significant positive correlation between relationship quality and the customer's anticipation of future interaction ($\beta_{1,1}$ =0.603) with the financial service providers.

The findings may be explained by the variety of financial products. If the financial products are contract-based and unnecessary to have further modification, for instance 5-years hospital saving program, the customers may not want to have interaction with their financial service providers in the future. Alternatively, for the investment link insurance products, customers may desire to have further interaction in order to keep track the profiles of their financial products. In Hong Kong, many customers are more likely to have constant meetings with their financial services providers due to the popularity of life-long financial products that may require modification.

Relationship Quality and Willingness to Refer

Consistent with the findings of Boles *et al*. (1996), the results show that relationship quality has a significant influence on willingness to refer ($\beta_{1,2}$=0.311). In Chinese society, one has to be very careful when refering friends and/or relatives to a service as it directly influences the reputation of the customers who refers. If their friends and/or relatives suffer unsatisfied financial services from the recommended financial service providers, they are more likely to blame this referral on the referrers instead of the financial service providers. Therefore, customers seem to provide referrals only when they trust and satisfy with their financial services providers. Customers, who have greater trust and satisfaction with their financial service providers, are likely to have a greater confidence in giving referrals.

As expected, relationship quality is found to have a greater significant impact on anticipation of future interaction than willingness to refer. After purchasing the financial products from the financial services providers, if the customers trust and satisfy with their financial services providers, they may depend on their financial service providers to keep track of the changes of their other financial products. That is the reason why customers are anxious to anticipate future interaction. In addition, customers are unlikely to provide referrals actively, even though they are willing to provide a list of their friends to their financial service providers when they are asked for. As a result, customers are more willing to have further interaction with their financial service providers than to provide referrals.

Anticipation of Future Interaction and Willingness to Refer

This study provides a clarification on the connections between relationship quality, anticipation of future interaction and willingness to refer. Relationship quality is positively correlated to anticipation of future interaction and willingness to refer, in which, anticipation of future interaction ($\beta_{2,1}$=0.316) has a significant impact on willingness to refer.

Good relationship quality leads to the continuity of interaction and thus provides the financial service providers' ongoing opportunities to identify the customers' unmet needs and propose new business. Financial service providers are able to improve and provide better services to their customers via the enduring interaction. On the other hand, the ability of the customers to ensure that their financial service providers giving good services is enhanced by continuous interaction. Consequently, customers are more willing to provide referral to their friends and/or relatives. This referral behavior may explain why willingness to refer is influenced by anticipation of future interaction. In order words, anticipation of future interaction is likely to reinforce the affiliation between relationship quality and willingness to refer.

6.2 Implications of the Study

This section examines a variety of theoretical and managerial implications derived from the findings.

6.2.1 Theoretical Implications

Several theoretical implications can be derived from the findings of this study for researchers.

6.2.1.1 Generalization of Relationship Quality Model

Consistent with other researchers (Crosby *et al.*, 1990; Lagace *et al*., 1991; Wray *et al*., 1994; Bejou *et al*., 1996), the study reveals that relationship quality is conceptualized as a higher order construct, which is made up of the components of trust and satisfaction. Only a few scholars have examined relationship quality perceived by customers empirically in Chinese society. This study, measures relationship quality as perceived by the customer, is determined by second-order factoring of trust and satisfaction in Chinese society. Although culture in Western countries is different from Chinese countries, the measurement of relationship quality as a high-order construct, comprising trust and satisfaction, is found to be practical in Chinese society. This important concept is demonstrated to have relevance in a Chinese cultural context.

The nature and maturity of the financial services industry in Hong Kong is dissimilar from other Western countries. Although there is a contractual system in the Hong Kong financial services industry, the maintenance of relationships is still vital in Hong Kong. The cause-effect relationship quality model is confirmed to be important in Hong Kong and this study provides statistical support for the relevance of the relationship quality model in a Chinese society.

6.2.1.2 Information Sharing as the Antecedent of Relationship Quality

Apart from similarity, service domain, relational selling behavior and equity (Crosby *et* al., 1990 and Boles *et* al., 2000), information sharing is found to be another driver of relationship quality. Information sharing is one of the major antecedents of trust and satisfaction (Morgan and Hunt, 1994) and relationship quality primarily concerns trust and satisfaction. By encouraging information sharing, data can be gathered in ongoing interaction with customers, resulting in timely and valuable data. As a result, trust and satisfaction are cultivated between service providers and customers through this ongoing information sharing.

Information sharing is often considered as a necessary condition for the existence of a relationship (Bendapudi and Berry 1997; Crosby and Stephens 1987; Duncan and Moriarty 1998). Duncan and Moriarty (1998, p.2) regard information sharing as a "human activity that links people together and creates relationships". In an industrial marketing environment, it is suggested that relationship effectiveness varies directly with the extent of buyer-seller communication (Crosby and Stephens 1987; Håkanson 1982). Therefore, the impact of information sharing on relationship quality cannot be ignored in future studies. Information sharing is likely to be one of the major antecedents of relationship quality.

6.2.1.3 Relationship Quality leads to Long-term Relationship Consequences

This study provides more insight into the consequences of relationship quality regarding anticipation of future interaction and customers' willingness to provide referrals (Johnson *et al.*, 2003). The anticipation of future interaction allows the financial service providers to penetrate the financial account of each customer through the cross-selling of other financial products, or the upgrading of existing financial policies. As a result, the existing customers become more profitable. Anticipation of future interaction is an important indicator for the success of long-term relationship maintenance with existing customers.

The results also imply that a high quality service provider-customer relationship can be enhanced the chances of future interaction and customers' willingness in giving referrals for their financial services providers. Some researchers argue the importance of referral as the consequence of long-term relationships and this study confirms that referral plays an important role in the Hong Kong financial services industry. Based on the findings, over 90% (186) of the respondents chooses their financial service providers owing to a referral by either friends or relatives. It implies that referral is an important factor in gaining new business in the Chinese financial industry.

The positive relationship between anticipation of future interaction and willingness to refer confirms the suggestion of Verhoef *et al.* (2002) that the close affiliation between relationship length and customer referral. Anticipation of future interaction increases confidence in customers' beliefs about their financial service providers and thus increases the confidence for the customers providing referral. Willingness to refer is also a key ingredient for the success of long-term relationship establishment with new customers.

With the enhancement of trust and satisfaction through information sharing, customers are more willing to provide a referral and willing to continue the relationship. Anticipation of future interaction acts as one of the indicators in maintaining the long-term relationship with existing customers while willingness to refer acts as one of the signals in establishing the relationship with the new customers. This study suggests that anticipation of future interaction and willingness to refer are likely to be major outcomes when studying long-term relationships in the Chinese financial industry, consistent with the findings of Crosby *et al.* (1994) and Boles *et al.* (2003).

6.2.2 Managerial Implications

Several interesting managerial implications can be derived from the findings of this study for service providers.

6.2.2.1 Relationship Quality Model in Financial Services Industry

Based on the findings from this study, relationship quality plays an important role in maintaining the long-term customers' relationship in the Hong Kong financial service industry. This implies that the role of financial service providers has shifted from the salesperson to financial services consultants and/or relational managers.

In the past, the financial service industry was full of uncertainties and many customers had limited knowledge about financial services and/or financial products. It was difficult for them to gain relevant information for increasing their financial knowledge. Financial services providers were the decision-makers for their customers and the customers had lots of uncertainties about their purchased financial products.

Nowadays, the Internet creates a new marketing arena and the situation has been changed. Customers receive lots of information about the financial products through the Internet and/ or from the public media. The customers become more knowledgeable and want to reduce their uncertainties when purchasing the financial products. Dwyer, Schurr and Oh (1987) mention that uncertainty leads to deeper communication for reducing uncertainty. Financial service providers should be advised to provide their customers with relevant information and helped them to understand their purchased financial products. Being financial consultants, they should suggest to their customers suitable financial products based on their actual needs.

Information sharing is found to be one of the most important elements in maintaining a long-term relationship between financial services providers and their customers. Regular and effective information sharing with clients is essential in order to reduce perceived risk and uncertainty, shape expectations, educate the client, resolve any misunderstandings and explain the options in an empathetic way. Financial service providers must maintain constructive interactions with customers. Some of the useful interactions and activities include (1) consistent communication with guests through newsletters, direct mail, electronic mail and telemarketing; (2) provide information about new event or package promotion programs; and (3) provide all relevant information, both positive and negative, to customers.

In sum, financial service providers should always act in the best interests of customers by appropriate information sharing and long-term relationship maintenance via enhancing trust and satisfaction.

6.2.2.2 Relationship Quality Model in Chinese Society

Establishing and Maintaining of Guanxi

Consistent with the study of Crosby *et al*. (1990), study shows that relationship quality plays an important role in achieving long-term relationships in the financial service industry. This study identifies the importance of information sharing in maintaining long-term relationships via enhancing relationship quality in Chinese society. Although financial service is information intensive industry, trust and satisfaction are still playing significant role in affecting anticipation of future interaction and willingness to refer in Hong Kong. Kale and Barnes (1992) point out that Western culture is characterized by a high level of importance attributed to the content orientation (i.e., product knowledge), while an Asian culture places a high level of importance on the style dimension (i.e., relationship building) (Kale and Barnes, 1992). The results highlight the importance of long-term relationships in Chinese society and recommend reinforcing the establishment and maintenance of *Guanxi*.

In the Chinese language, *Guanxi* generally refers to relationships or social connections based on mutual interests and benefits (Bian, 1994; Yang, 1994). An element essential to the development and sustaining of *guanxi* is "xin" or trust. Trust is one of the components of relationship quality. Financial service providers should recognize that customer relationships based on trust and service are their most valuable asset. Customers are only willing to give their hard-earned money to financial institutions because they know that they can trust their institutions to handle their financial products responsibly. Financial service providers have always to secure and maintain the trust with their customers in order to maintain *Guanxi*.

Researchers emphasize the importance of *Guanxi* in Chinese society. For the financial service industry, financial service providers should put more efforts in building and maintaining *Guanxi* with their customers. Many customers have complaints about not receiving their financial service providers' support after purchasing the financial products. If their financial service providers contact them again, the customers may perceive their financial services providers selling them irrelevant financial products.

This study suggests that financial service providers should put more efforts in maintaining *Guanxi* with their customers by building trust and providing good service. The relevant activities include (1) send birthday card, presents, or thank you letter to customers; (2) have lunch and/or dinner with customers; and (3) give a hand to customers whenever they need your help. In sum, financial service providers should treat their customers as their friends in order to establish and maintain *Guanxi* in Chinese society.

Building Network

Willingness to refer is identified as major ingredient in gaining new customers. Schuster and Copeland (1996) make the point that cold-call selling is generally not effective in Asian countries and that substantive discussions usually do not take place during the first meeting and probably not until after several meetings. Networking seems to be particularly important in Chinese society, as the Chinese generally have a strong defense mechanism (Huang, 1994) against people whom they are not familiar with. Most potential customers ask for their friends or relatives' to provide referrals when they are looking for financial services providers. If their service providers cannot provide trustful and satisfied service, they will not recommend their service providers to their friends or relatives. It may be because they are afraid of losing face. According to Yau

(1994), “face is a concept of central importance because of its pervasive influence interpersonal relations among Chinese (p.74)”. Due to the importance of referral in Chinese society, financial service providers should behave honestly and provide satisfied service. It can be achieved by sharing all relevant information to their customers.

In other words, financial service providers should pay more attention to sharing information with their customers. Financial service providers should maintain regular contacts with their customers in order to show their efforts in maintaining the relationship. The proper way to maintain long-term relationships with customers is to let the customers know that their financial service providers are always ready to help.

6.2.2.3 Understanding in What Ways Information can be Shared

The findings show that information sharing has positive impact on relationship quality. This study suggests in what ways information can be shared in order to assist financial services providers strengthening relationship quality.

Providing Up-dated Information

Financial service providers should inform their customers about the performance of their financial product regularly. It can be achieved by providing regular reports. The reports should provide accurate and updated information. Information must be unbiased and integrated to present the full range of available options which readers are able to understand.

Apart from providing the updated information related to the customers' financial products, financial service providers should provide up-dated relevant information to their customers actively. The increased levels of information sharing assist the financial service providers in providing good, timely advice to the customer based on his or her needs.

Presenting Relevant Information in Systematic Way

The way of the financial service providers to explain financial concepts and recommendations should be in a meaningful way. Information must be presented in a simple, nonjudgmental, non-threatening and non-patronizing manner to the customers and directed to their needs. In practice, financial service providers should pay more attention on the information sharing sequence, presentation arrangement, body language, styles and report format. For example, financial service providers are recommended to adjust the format of shared information based on their customers' academic background and/or their personal preferences.

Providing all the information may lead to information overload. Information overload refers to the obtained information exceeding the required information (Losee, 1989). There is a vast amount of information that can vary from irrelevant to very relevant to customers (Ariely, 2000). Keller and Staelin (1987) interpret their findings as evidence that consumers cannot be overloaded with information. Financial service providers are required to be the information editor (Palmquist and Ketola, 1999) with the aim of meeting the customers' expectation. Schramm (1973) highlights that "whatever content will help people structure or organize some aspects of their environment that are relevant to a situation in which they must act (p.38)". Therefore, the financial service providers should share relevant information with their customers in systematic way.

Providing Enough Information in Assisting Customers Decision Making

Customers become more knowledgeable and financial service providers become the advisors in assisting their customers to purchase correct financial products. This study recommends that, consistent with Holley's (1998) suggestion, the financial service providers should provide enough information to their customers so as to enable them to make a reasonable purchasing decision.

Apart from providing enough information, meaningful and timely information should be shared between clients and financial service providers. Its purpose is to shape realistic expectations, to educate clients to become more financially literate, to keep clients informed about their investments in a language that they can understand, and finally to show clients they think from their side and concern with the relationship. When the customers understand all the received information, their uncertainties will be decreased and thus customers will have confidence in making the appropriate decision.

In other words, information is something that makes decision making easier by reducing uncertainty (Duncan and Moriarty, 1998). More shared information increases the decision confidence and leads to customers feeling more confident about their judgments. Whenever the relevant information is shared, the customers may not suffer the problems of information uncertainty and/or information load (Urbany, Dickson, and Wilkie 1989). Information sharing greatly enhances the speed with which the decisions can be made. Hence, the findings suggest that the relevant information should be communicated in a form that readers can easily absorb (Wernerfelt, 1996).

Providing Comprehensive Product Analysis

After hiring financial service providers, managers have to provide training courses that enrich their financial knowledge. Financial service providers have to learn the existing financial products that are provided by both their current financial firms and competitors. Then the financial service providers can have enough knowledge to answer customers' financial questions, analyze various financial products and suggest proper financial products to diverse customers. If the financial service providers are able to give prompt explanation of the financial products to their customers, they are more likely to project a positive image to their customers. Hence, the training programs should be provided frequently in order to maintain the financial service providers' knowledge about up coming financial products.

Apart from understanding the various financial products, development of information sharing skills should be one of the main parts in the training programs. Contact people should be sensitized to the nature of the social process underlying interpersonal relationship development (Crosby *et al.*, 1990). The training courses can be focused on what, when, how and where the information should be shared with customers.

It is extremely important for the financial service provider to maintain regular contacts with customers and to share meaningful information with them. This study suggests that the financial service providers provide up-dated information, present relevant information in systematic way, provide enough information in assisting customers' decision making and provide comprehensive product analysis in order to enhance relationship quality and eventually establish a long-term relationship.

6.2.2.4 Implementation of Advanced Information Technology in Achieving CRM

The results of this study emphasize the importance of information sharing in promoting high relationship quality between financial service providers and customers and thereby leading to anticipation of future interaction and willingness to refer. The corresponding information technology should be implemented with the intention to achieve effective CRM by facilitating the information sharing process.

New technologies create innovative means of interacting with customers. When sharing information with customers, financial service providers are able to use information technology in forming the appropriate reports, e.g. improving either proposal layout or content. Apart from the report formation, information technology aims at facilitating the appropriate schedule of financial service providers, e.g. arrange regular meeting with different customers. Information technology should be implemented so as to let financial service providers obtain the information which is most relevant for different customers.

Using information technology to keep track of the customers' information via different communication channels is recommended. Whenever the customers have financial questions, financial service providers should be capable of figuring out the complete customer profile. With the assistance of information technology, financial service providers are able to understand the interest in different financial products of their customers.

Information technology allows financial service providers to collect all the information about customers and thus increase the understanding of their customers. The cost of alerting customers about a new product or opportunity can be a major obstacle to the launch of new businesses and prevent innovative products from ever reaching the marketplace. On one hand, information technology makes possible targeted marketing whereby organizations use their own information, as well as data from public records and other sources, to develop new financial products. On the other hand, when financial firm develops a new product, it is more convenient for financial service providers to increase the cross-selling to potential customers based on their comprehensive profile. Information technology should be implemented in facilitating information sharing and collecting information so as to reduce the cost in developing new financial products.

With the use of advanced technology, the abilities in assessing information relevancy and sharing proper quantity of information are enlarged. The chance for collecting customers' information may be increased. Information plays an important role in achieving CRM. As a result, financial service providers are more likely to achieve CRM with the use of appropriate technology advancing information sharing. In addition, the managers should provide comprehensive training programs to every financial service providers with the purpose of assuring their ability in using the advanced information technology.

6.2.2.5 Increasing the Value of Existing Customers

Businesses do not automatically know which products and services consumers want, nor do they know which consumers become their potential customers. Customers' information is critical to the successful operation of a business, but it is costly to obtain. These information costs are sand in the gears of commerce: markets would function more efficiently if it is less costly to determine the right product to deliver to the right consumer at the right time.

Information sharing allows businesses to ascertain customer needs accurately and rapidly. By examining patterns of customer transactions, comparing customer information shared across different institutions, and using that information to better understand customer objectives, businesses can anticipate customer needs and measure the demand for potential products and services.

6.3 Limitations of the Study

This study is subject to several shortcomings that limit the interpretation of the findings as it is so often the case in consumer research. Firstly, this study is performed using a convenience sampling method to collect data, and thus the generalization of results may be limited.

Secondly, this study employs the cross-sectional design. A longitudinal study can provide stronger inferences but, due to the time and cost constraints, it cannot be employed. The model develops and tests here can benefit from being tested in a longitudinal design.

Another limitation refers to the measurement of relationship quality consequences. The anticipation of future interaction and willingness to refer are the measurement of customers' intentions rather than actual behaviors. While the customers may intend to continue to purchase from or refer other customers to that financial services provider, without measuring actual behavior, it is difficult to sure that these intentions are really the precursors of behavior. The possible improvement would be to measure the number of people who have become customers due to the spread of positive information from an individual customer.

Finally, the parsimonious model is employed in this study and only one major antecedent, information sharing, of relationship quality is investigated. For reaching the more comprehensive model, the parsimonious model could be considered as a limitation. More antecedents, for example expertise and similarity, should be investigated together with information sharing so as to develop a more comprehensive framework of relationship quality.

6.4 Directions for Future Research

Future studies will adapt the relationship quality model developed in this study in various service industries to further enhance its generalization. In addition, the data in this study is collected in Hong Kong only. Future research should consider using subjects in other Asian countries as well, like Japan and China, so as to increase the generalization of the model.

Researchers could extend this research to evaluate the impact of other constructs, such as interdependence, on relationship quality. Future research could expand on this work in examining whether information sharing is a better predictor of relationship quality than other constructs.

This study focuses on issues related to relationships from the customers' perspective only. However, because relationships involve more than one person, it is important to look at the issues studied here from the financial service provider's perspective. What do financial service providers make a good relationship or how do they determine when a relationship is important? Looking at the financial service providers' side of the story might provide further insight into why relationships between individual customers and financial service providers are not always good and may suggest additional ways to improve them.

6.5 Conclusion

The main achievement of this study is to show that the information sharing has a strong impact on relationship quality. The positive relationships among information sharing, relationship quality, anticipation of future interaction and willingness to refer are statistically supported from the data. Relationship quality is thus identified as a significant mediating variable between information sharing and anticipation of future interaction and willingness to refer between the financial services providers and customers' relationship. Anticipation of future interaction is found to play an important role in willingness to refer.

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Appendix 1a: The Questionnaire (English Version)

Survey Questionnaire

The purpose of this survey is to examine how the long-term relationship between client and financial agent is developed. The result of this study will provide valuable information to financial services managers so that they can provide better service.

Please note that ALL information provided is for research purposes and will be kept in the strictest confidence. This questionnaire comprises six sections; and please based on the instruction provided after answering Question A to complete this questionnaire.

Question A:

Have you purchased any insurance products from your financial agent?

☐ **Yes, please answer section 1 to section 7. If you have more than one financial agents, please focus on the financial agent who has the longest relationship with you in answering the following questions.**

☐ **No, thank you for answering the question. End of the questionnaire.**

Please note that the term "your agent" used in this questionnaire refers to your financial agent who provides any insurance products to you.

Section 1: Communication Effectiveness

Based on the following **scale,** please **circle** the number (1-7) that indicates the degree of communication effectiveness with your agent in the following statements. (Each question should have one answer).

1 represents **strongly disagree**	**2** represents **disagree**	**3** represents **slightly disagree**	**4** represents **neutral**	**5** represents **slightly agree**	**6** represents **agree**	**7** represents **strongly agree**

	Strongly Disagree 1			……………………..			Strongly Agree 7
1. Your agent keeps you very well informed about the performance of your financial product (e.g., regular report).	1	2	3	4	5	6	7
2. Your agent explains financial concepts and recommendations in a meaningful way.	1	2	3	4	5	6	7
3. Your agent never hesitates to give you as much information as you like to have.	1	2	3	4	5	6	7
4. Your agent does not hesitate to explain to you the pros and cons of the financial products he/she recommends to you.	1	2	3	4	5	6	7
5. Your agent is willing to help you make your financial decisions even if there's nothing in it for him/her.	1	2	3	4	5	6	7
6. Overall, you and your agent are highly interacted.	1	2	3	4	5	6	7
7. Your agent keeps his/her promises.	1	2	3	4	5	6	7
8. Your agent puts your interests before his/her own when preparing your proposal.	1	2	3	4	5	6	7
9. You trust your agent's analysis of financial products.	1	2	3	4	5	6	7
10. If problems such as your claims arise, your agent is honest about the problem.	1	2	3	4	5	6	7

Section 2: Attitudes and Expectation

Based on the following **scale,** please **circle** the number(1-7) that indicates your attitudes and expectation towards your agent in the following statements. (Each question should have one answer)

1 represents **strongly disagree**	**2** represents **disagree**	**3** represents **slightly disagree**	**4** represents **neutral**	**5** represents **slightly agree**	**6** represents **agree**	**7** represents **strongly agree**

	Strongly Disagree 1			…………………….			Strongly Agree 7
11. In general, you are satisfied with your agent's after sales performance.	1	2	3	4	5	6	7
12. In general, you are pleased about your agent's follow-up performance.	1	2	3	4	5	6	7
13. In general, you are favorable to your agent's overall performance.	1	2	3	4	5	6	7
14. Overall, you are satisfied with your agent's performance.	1	2	3	4	5	6	7
15. You are willing to discuss the value of your financial products with your agent in the next year.	1	2	3	4	5	6	7
16. You are willing to work with your agent for restructuring your financial products to better serve your needs in the next year.	1	2	3	4	5	6	7
17. You expect the relationship with your agent to be continued for a long time.	1	2	3	4	5	6	7
18. You are willing to give other prospective customers' information to your agent.	1	2	3	4	5	6	7
19. Your agent would be your "first choice" to contact whenever you want to buy any financial products.	1	2	3	4	5	6	7
20. If a close friend or family member asks you to introduce somebody about financial products, you would recommend your agent to him/her due to the actual performance of your agent.	1	2	3	4	5	6	7
21. You would say positive things about your agent based on your experiences in buying financial products.	1	2	3	4	5	6	7

Section 3: Financial Product Information

Please write down the appropriate answer in question 57 and 58.

25) What financial company does your financial agent belongs to?

26) How long have you known your financial agent?

27) Indicate whether your agent is responsible for each of your financial products/services listed below.		*(Please tick either "yes" or "no")* Yes	No
a) Insurance			
i.	Whole life		
	➢ Savings insurance	☐	☐
	➢ Investment linked insurance	☐	☐
ii.	Term Life	☐	☐
iii.	Medical	☐	☐
iv.	Critical illness	☐	☐
v.	Accident	☐	☐
vi.	Mortgage insurance	☐	☐
vii.	Children education	☐	☐
viii.	Female	☐	☐
ix.	Senior	☐	☐
b) Stock		☐	☐
c) Money market/ mutual fund		☐	☐
d) MPF		☐	☐

Please tick the appropriate answer (28-29).

28) How were you introduced to your financial agent?

☐ Referred by friends/ business partners
☐ Referred by relatives
☐ From television/ magazine/ promotion materials
☐ Your agent is your friend/ relatives
☐ Other, please specify ______________________________

29) Have you introduced your agent to other people?

☐ No

☐ Yes, you introduced your agent to …
☐ your other business partners
☐ your friends
☐ your relatives
☐ others, please specify _______________

Section 4: Personal Background

Please tick the appropriate answer.

30) What is your gender?

☐ Male ☐ Female

31) What is your age?

☐ Below 20 years old ☐ 20 – 24 years old

☐ 25-29 years old ☐ 30-34 years old

☐ 35 – 39 years old ☐ 40-44 years old

☐ 45-49 years old ☐ 50 – 54 years old

☐ 55 years old or above

32) What is your job nature?

☐ Clerk ☐ Salesperson ☐ Marketing Executive

☐Student ☐ Manager ☐ Professional

☐ Self-employed ☐ Others, please specify ________________________

33) What is your highest level of education?

☐ Primary or below

☐ Secondary

☐ Post-secondary

☐ Diploma/High Diploma/Certificate

☐ Tertiary/University

☐ Postgraduate

☐ Other, please specify ________________________________

☆ ***Thank you very much for your cooperation!*** ☆

Appendix 1b: The Questionnaire (Chinese Version)

問卷調查

本問卷調查的目的是瞭解財務顧問如何與客戶建立長久的關係；研究結果對改善財務顧問的服務質素十分重要。***有關你所提供的資料純綷用作研究用途，內容絕對保密。本問卷共分為六個部份；請根據回答問題甲後的指引來完成這份問卷。***

問題甲 請問你有否透過<u>個人財務顧問</u>購買任何保險產品**?** ☐ 有，請回答第一至第七部份。如你顧用多於一位的財務顧問，請根據與你關係最長的那一位財務顧問來回答以下問題。 ☐ 沒有，多謝回答有關問題。問卷完。

本問卷內所提及的 **"**顧問**"** 是指向你提供保險的財務顧問。

第一部份: 有效資料交換

請根據下列的**比例**在第三部份的句子中***圈出****適當的數字（１－７）以反影你與顧問之間的有效資料交換的程度。(每條問題只可選一個答案)* 。

1代表	2代表	3代表	4代表	5代表	6代表	7代表
非常不同意	不同意	少許不同意	中立	少許同意	同意	非常同意

		非常不同意 1	……………………...					非常同意 7
1.	顧問能有效地讓你知道你的財務產品最新的狀況 (如定期報告)。	1	2	3	4	5	6	7
2.	顧問能透過有效的方法去向你解釋財務概念及提供建議。	1	2	3	4	5	6	7
3.	不論資料的多寡，顧問從不介意向你提供你所需要的資料。	1	2	3	4	5	6	7
4.	顧問不會介意分析他所提出意見的優點及缺點。	1	2	3	4	5	6	7
5.	即使顧問沒有得到任何利益，他仍樂意協助你作出你的個人財務決定。	1	2	3	4	5	6	7
6.	總括來說，你與顧問有緊密的交流。	1	2	3	4	5	6	7
7.	顧問能夠遵守他的諾言。	1	2	3	4	5	6	7
8.	在準備建議書時，顧問會把你的利益放在首位。	1	2	3	4	5	6	7
9.	你相信顧問在財務產品上的分析。	1	2	3	4	5	6	7
10.	假設有問題出現時， 顧問會誠實地向你匯報。	1	2	3	4	5	6	7

第二部份: 態度及期望

請根據下列的**比例**在第三部份的句子中***圈出***適當的數字（１－７）*以反影你與顧問之間的的態度及期望* 。*(每條問題只可選一個答案)*

1 代表	**2** 代表	**3** 代表	**4** 代表	**5** 代表	**6** 代表	**7** 代表
非常不同意	不同意	少許不同意	中立	少許同意	同意	非常同意

	非常不同意 1			……………………..			非常同意 7
11. 基本上，顧問的售後表現使你滿意。	1	2	3	4	5	6	7
12. 基本上，顧問的跟進表現使你高興。	1	2	3	4	5	6	7
13. 基本上，顧問的整體表現值得你稱讚。	1	2	3	4	5	6	7
14. 總括來說，你滿意顧問的表現。	1	2	3	4	5	6	7
15. 你願意與顧問在未來的一年討論繼續持有這個財務產品的價值。	1	2	3	4	5	6	7
16. 你願意與顧問在未來的一年共同調整你的財務產品以便更切合你的需要。	1	2	3	4	5	6	7
17. 你期望與顧問的關係會持續一段長時間。	1	2	3	4	5	6	7
18. 你會樂意給予你的顧問有關其他可能顧客的資料。	1	2	3	4	5	6	7
19. 當你想要購買任何財務產品時，你的顧問將會是你的首選。	1	2	3	4	5	6	7
20. 如果有緊密朋友或家庭成員要求你介紹財務顧問時，基於顧問的實際表現，你會向他/ 她推薦你的顧問。	1	2	3	4	5	6	7
21. 基於你購買財務產品的經驗，你會對顧問抱有正面的評價。	1	2	3	4	5	6	7

第三部份: 財務產品資料

請於問題 25 及 26 填寫適當的答案。

22. 請問你與投資顧問認識多久?

23. 請問你的投資顧問屬於哪間投資公司？

24. 請列明下列哪項財務產品是透過你的財務顧問替你負責的。 *(請剔出"是" 或"否")*	是	否
保險		
• 人壽保險		
➢ 儲蓄人壽保險	☐	☐
➢ 投資連繫壽險	☐	☐
• 定期人壽保險	☐	☐
• 醫療保險	☐	☐
• 危疾保險	☐	☐
• 意外保險	☐	☐
• 按揭壽險	☐	☐
• 兒童教育保險	☐	☐
• 女性保險	☐	☐
• 長者保險	☐	☐
股票	☐	☐
貨幣市場/ *互惠基金*	☐	☐
強積金	☐	☐

請剔出適當的答案(28-29) 。

25. 你是怎樣認識投資顧問?

☐ 由朋友/ 商業夥伴介紹
☐ 由親戚介紹
☐ 從電視/ 雜誌/ 推銷材料
☐ 顧問是你的朋友/親戚
☐ 其他, 請註明___________

26. 你有否向其他人推薦顧問?

☐ 否

☐ 有, 你推薦顧問給予 …

☐其他的合作夥伴
☐朋友
☐親戚
☐其他, 請註明______________

第四部份: 個人背景

請剔出適當的答案 ·

27. 請問你的性別是

☐ 男 ☐ 女

28. 請問你的年齡是

☐ 少於 20 歲 ☐20 - 24 歲

☐ 25-29 歲 ☐ 30-34 歲

☐ 35 – 39 歲 ☐ 40-44 歲

☐ 45-49 歲 ☐ 50 – 54 歲

☐多於 55 歲

29. 請問你的工作?

☐ 文職人員 ☐ 營業人員 ☐ 市場策劃人員/主任

☐ 學生 ☐ 經理 ☐ 專業人員

☐自僱人仕 ☐其他, 請註明 ______________________

30. 請問你的教育的最高程度

☐ 小學或以下
☐ 中學
☐ 預科
☐ 文憑/高級文憑/證書
☐ 大專/大學
☐ 碩士或以上
☐ 其他, 請註明______________________________

☆ 非常感謝你的合作! ☆

Appendix 2: Skewness, Kurtosis, Mean and Standard Deviation of Measured Items

Measured Variables	**Skewness**	**Kurtosis**	**Mean**	**Standard Deviation**
Information Sharing				
Your agent keeps you very well informed about the performance of your financial product (e.g., regular report).	-0.701	0.483	4.78	1.008
Your agent explains financial concepts and recommendations in a meaningful way.	-0.954	1.389	4.88	0.953
Your agent never hesitates to give you as much information as you like to have.	-0.995	0.868	5.06	0.979
Your agent does not hesitate to explain to you the pros and cons of the financial products he/she recommends to you.	-0.710	0.146	4.97	1.007
Overall, you and your agent are highly interacted.	-0.765	0.611	4.83	0.934
Trust				
Your agent keeps his/her promises.	-0.828	-0.195	5.01	1.045
Your agent puts your interests before his/her own when preparing your proposal.	-0.918	-.048	5.16	0.986
You trust your agent's analysis of financial products.	-0.828	0.775	5.01	1.047
Your agent is willing to help you make your financial decisions even if there's nothing in it for him/her.	-0.928	0.520	4.97	1.094
If problems such as your claims arise, your agent is honest about the problem.	-1.069	-0.011	5.15	1.068

Measured Variables	Skewness	Kurtosis	Mean	Standard Deviation
Satisfaction				
In general, you are satisfied with your agent's after sales performance.	-1.054	0.257	4.92	0.918
In general, you are pleased about your agent's follow-up performance.	-0.988	-0.652	4.79	0.936
In general, you are favorable to your agent's overall performance.	-0.335	-0.573	4.81	1.015
Overall, you are satisfied with your agent's performance.	-0.388	-0.170	4.83	0.799
Anticipation of Future Interaction				
You are willing to discuss the value of your financial products with your agent in the next year.	-1.204	1.871	5.06	.966
You are willing to work with your agent for restructuring your financial products to better serve your needs in the next year.	-0.671	0.177	4.98	1.007
You expect the relationship with your agent to continue a long time.	-0.756	0.591	5.00	1.149
Willingness to Refer				
You are willing to give other prospective customers' information to your agent.	-0.644	-0.087	4.94	1.010
Your agent would be your "first choice" to contact whenever you want to buy any financial products.	-0.443	-0.129	4.76	0.959
If a close friend or family member asks you to introduce somebody about financial products, you would recommend your agent to him/her due to the actual performance of your agent.	-0.432	-0.128	4.86	0.889
You would say positive things about your agent based on your experiences in buying financial products.	-0.610	0.404	4.85	1.020