ENGAGING THE STUDENT AS A CUSTOMER: A RELATIONSHIP MARKETING APPROACH

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Increasingly organizations are recognizing the value of establishing close relationships with their customers. Despite this, research has not deeply explored how the intangible aspects of relational exchange such as customer satisfaction, as well as affective commitment, calculative commitment, and trust, combine to determine loyalty in the higher-education sector. This is in part a result of reluctance within the sector to view students as customers of institutional brands. This research uses a structural equation modeling approach and a sample of 474 students to examine, first, the determinants of loyalty within the higher-education sector and, second, the role of relationship strength as a moderator of those determinants. The results indicate that student loyalty was most strongly determined by psychological attachment, and a sense of belonging to the brand. Student satisfaction, while a contributing determinant, alone was insufficient in generating loyalty. The results also indicated that students rejected the notion of loyalty determined by inertia and high switching costs. In addition, trust was not found to be a strong determinant of recommendation or return. Importantly, while relationship strength has been found to determine loyalty in other service contexts, the drivers of loyalty remained the same despite the strength of the relationship that students perceived that they had with their institution. The findings of this study suggest the need for a more comprehensive, involved, and proactive strategy to developing, managing, and maintaining the student–university relationship. The study also encourages the sector to adopt a relationship marketing approach to the management of higher-education services.

As competition intensifies, relationship marketing initiatives have increasingly been viewed as a means of achieving a sustainable competitive advantage. Considerable attention from both scholars and practitioners has been given to the concept of relationship marketing and customer–brand bonding (Crosby, Evans, and Cowles 1990; Mattila 2006; McEwen 2004; Palmatier et al. 2006), and the benefits of developing strong relationships with customers are now well established. Strong relationships result in customer retention, positive referral, an increased propensity to repurchase, and most significantly, customer loyalty (Hennig-Thurau, Gwinner, and Gremler 2002; Mattila 2006; Palmatier et al. 2006; Reichheld 2003). Customer retention is also a more cost-effective approach than continual customer acquisition (Anderson and Mittal 2000; Reichheld 1996). Mitchell (2002) reports, for example, that firms can expect a 10 percent increase in revenue from strengthening the nature of the customer–brand relationship through the implementation of customer relationship management programs. Given the importance placed on the development of strong customer–brand relationships, firms should endeavor to understand, first, the nature of customer–brand relationships and, second, the factors that influence the strength of such relationships (Bowden 2009a, 2009b; Fournier 1998; Palmatier et al. 2006).

The primary goal of relationship marketing is to develop a base of customers that have formed strong relationships with the firm's brand and are therefore deeply committed to that brand. In this sense then, it is necessary for the two parties to the relationship to mutually perceive that a relationship exists (Barnes 1997; Wong and Sohal 2002). Barnes (1997) and Czepiel (1990), for example, suggest that for a relationship to exist, it must be characterized by a "special status" or a sense of closeness or attachment between the customer and the brand. A close customer–brand relationship is, by direct implication, one that is likely to be enduring in nature (Barnes 1997). Clear economic benefits are, of course, prerequisite to the development of customer–brand relationships; however, customers often receive benefits from marketing exchanges that extend beyond basic economic benefit. It is these intangible, noneconomic benefits that, it is argued, are so important that they can constitute a source of sustainable competitive advantage (Arnett, German, and Hunt 2003). Strong, deep,

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intense relationships are less vulnerable to competitive influence, and are also more likely to continue into the future (Barnes 1997). Despite the importance of understanding customer–brand relationships and calls to investigate the relational determinants of loyalty (Palmatier et al. 2006), few studies have investigated the determinants of relationship strength.

Traditionally, customer satisfaction has been viewed as the primary antecedent to loyalty given the link between satisfaction, repeat purchase, positive recommendation (Cronin, Brady, and Hult 2000), and profitability (Allen and Willburn 2002; Oyewole 2002; Reichheld 2003). However, satisfaction as a measure of the strength of the customer–brand relationship has been criticized as too cognitive in nature, measuring only a rational assessment of past experience (Fournier and Yao 1997; Oliver 1999). Prior research has tended to focus on the investigation of individual relational variables and their effect on loyalty (Palmatier et al. 2006). Such studies do not capture either the full nature or the psychological depth that customers may perceive in their brand relationships (Fournier 1998). This in turn limits firms' understanding of how to develop, foster, and strengthen such relationships. Certainly, at a minimum, customers must be satisfied in order to consider repeat purchase or recommendation of a brand; however, it is conceivable that trust, affective or emotional commitment, as well as calculative or utilitarian commitment also contribute to the development of strong and enduring customer–brand relationships (Anderson and Weitz 1989; Czepiel 1990; Doney and Cannon 1997; Palmatier et al. 2006). Exactly which relational determinants are more salient for customers who state that they have a strong relationship with their brand versus those who state that they have a weak relationship with their brand is not clear.

While considerable research exists (e.g., Palmatier et al. 2006) with regard to relationship marketing as a broad strategic option for firms to pursue, that research has largely been conducted on service organizations in the hospitality, banking, retailing, and health sectors. The relationship marketing paradigm as a method by which to engage students in the higher-education sector has not been employed. In fact, there appears to be some reluctance within the higher-education sector to apply conventional marketing principles, principles that have the potential to greatly assist management decision making within the sector. This is, in part, due to the perception that the educational service at face value seems different to conventional products and services (Litten 1980; Ng and Forbes 2009). Limited attention has also been given over to the development and nature of the relationship between students and their institutions in the sector. This is despite calls for higher-education research to specifically investigate the role of relationship marketing in the establishment of student loyalty (Helgesen 2008).

It follows that in the higher-education context, an important marketing objective concerns the attraction and, ultimately, retention of students who form a relationship with the university brand. This unique relationship has been defined as the interdependence between students and the university, and the consequences that arise from that interdependence (Yang and Grunig 2005). Students in particular form a unique relationship with their educational institution as students perform multiple roles (Yang, Alessandri, and Kinsey 2008). Students are, for example, important internal stakeholders, act as consumers of the educational product and service, are suppliers of economic resources through their monetary transactions with the institution, and are potential advocates and donors of the institutions alumni networks (Yang, Alessandri, and Kinsey 2008). The student–university relationship therefore has the potential to lead to the development of a positive reputation in the educational marketplace (Yang, Alessandri, and Kinsey 2008).

Ng and Forbes (2009) note that a form of student consumerism has become common in the university systems. In a similar vein to customers of service organizations, students expect to be able to voice their opinions about the quality of the service they are receiving. Robert Bellah (1999 quoted in Ng and Forbes 2009) reports that one Stanford Business School student commented to his teacher that he "didn't pay $40,000 for this bullshit" and walked out of class. The idea of the student as customer of the institution is therefore not far removed from reality and the need to ensure that students are satisfied with the educational service provided is essential.

Some preliminary research in this area has demonstrated that relationship marketing principles can be applied to the higher-education context (Yang, Alessandri, and Kinsey 2008). Yang, Alessandri, and Kinsey (2008), for example, found that students did in fact perceive that they were in a relationship with the institution and that this relationship was communal in nature in that students perceived that the university intended to maintain a long-lasting bond with them. Those authors further found that the quality of the student–university relationship was a key driver of students' positive perceptions of the institutional brand. The students who held the highest-quality perceptions of the institution were also likely to have the strongest perceived relationship with the university brand itself.

Proactive management of the student–university brand relationship is therefore essential given that students, in essence, may act as either detractors or loyalists toward the university (i.e., recommendation of and return to the university) (Reichheld 1996, 2003). The student–university relationship has the potential to lead to the development of a positive reputation in the educational marketplace (Yang, Alessandri, and Kinsey 2008).

Despite the importance of adopting a customer relationship management orientation in the higher-education sector, empirical research regarding the relational determinants of loyalty such as satisfaction, trust, and commitment within the sector remains limited (e.g., Al-Alak 2006; Helgesen 2008; Shah 2009). In particular, research has not investigated the difference in these determinants for students who have stated that they have either a strong or weak relationship with their institution, as well as the underlying drivers of this. The purpose of the current study is to address these issues and to demonstrate how a relational marketing orientation can assist higher-education management.

First, based on relationship theory, a model of loyalty in the higher-education sector is developed. This model examines the role of four specific relational determinants in the development of student loyalty, including satisfaction, trust, calculative commitment, and affective commitment. Second, the moderating effect of self-stated relationship strength with the higher-education institution (i.e., strong versus weak) on the salience of these relational determinants of loyalty is examined.

An understanding of the drivers of customer–brand relationships in the higher-education sector would have important strategic implications for the way in which higher-education providers manage their customer–brand relationships. Institutions that are aware of the nature of customer–brand relationships and the relational concepts that determine strong customer–brand bonds can therefore ensure effective resource allocation to improve their service performance.

DEVELOPING ENGAGING RELATIONSHIPS IN HIGHER EDUCATION

Drawing on recent research in the discipline of services marketing and the associated shift toward service-dominant logic and cocreation, students of higher-education institutions are defined in this study as customers (Vargo and Lusch 2004). The conceptualization of students as customers is an approach that management within the sector is reluctant to adopt (Ng and Forbes 2009). This may be because of the somewhat flawed view that the adoption of a marketing perspective (and hence, viewing students as customers) comes at the expense of the institutions' pedagogical objectives. In fact, the opposite is true; both marketing objectives and pedagogical objectives can be achieved simultaneously. Within the service-dominant logic approach provided by Vargo and Lusch (2004), customers are viewed as coproducers of services. Customers are active participants in service exchanges. They are also central to the coproduction of the value from this interaction. Management's role is therefore to actively participate and interact with the customer. Similarly, marketing is the process of undertaking activities in participation with the customer to create, foster, and maintain relationships in the pursuit of mutual value (Vargo and Lusch 2004).

By adopting the service-dominant logic framework within a higher-education context, the "student as customer" metaphor does not in fact imply an increased distance between the student and the educational process, faculty, and administrators as suggested by McCulloch (2009). And it does not suggest that the educational experience is merely a passively used, "product"-based output of exchange (McCulloch 2009). Rather, conceptualizing the student as a customer emphasizes the importance of fostering a two-way interactive, dialogue-based relationship between the institution and its student body. Both the institution and the student body are subsequently inherently and inseparably involved in service production and value extraction. The approach taken in this study to defining the student as a customer views the student as coproducer of the higher-education service. This study also views the student as an active cocreator of the type, nature, and strength of the relationship that is formed between the institution and the student. This study adopts an interdisciplinary approach by applying marketing theory to the management of higher-education services and encourages the adoption of a relationship marketing approach within the sector.

Although prior studies have examined the effect of satisfaction, trust, and commitment on loyalty in the service sector (e.g., Garbarino and Johnson 1999; Palmatier et al. 2006; Verhoef, Franses, and Hoekstra 2002), the role of these relational determinants in the higher-education sector has received limited attention (e.g., Al-Alak 2006; Shah 2009). This is despite the importance of understanding the drivers of loyalty in this sector. It is also despite calls for the higher-education sector to behave like the private sector in responding to the needs of its customers (Shah 2009). Moreover, the moderating role of relationship

strength on the effect that satisfaction, trust, calculative commitment, and affective commitment have on loyalty has received limited attention in the mainstream marketing and higher-education literature (e.g., Barnes 1997; Dagger, Danaher, and Gibbs 2009; Wong and Sohal 2002). There is little understanding of the process of relationship formation in this sector, and even less understanding of what it takes for a customer to feel close to his or her institution. By examining this issue, current knowledge is extended by exploring the nature of customer–brand relationships in the higher-education sector as well as the dimensions of these relationships. The impact that these dimensions have on the overall strength of the relationship is also addressed so that a clearer understanding of the relational determinants that predict strong customer–brand relationships in the sector is established. Theory supporting these research gaps is reviewed in the following section. The research model is presented in Figure 1. The present study examines (1) the structural interrelationships between relational constructs in the formation of customer loyalty and (2) whether the salience of these constructs differs significantly between customers who state that they have either a strong or a weak relationship with the institution.

Customer Loyalty

Oliver defines loyalty as a "deeply held commitment to rebuy or to repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (1999, p. 34). Loyalty in high-involvement service situations is therefore necessarily described as being driven by a degree of dispositional commitment. This deterministic approach to loyalty emphasizes the role of psychological mediating variables such as dispositional commitment, satisfaction, and trust as antecedent to the development of loyalty. This approach views loyalty as the result of psychological choice process (Knox and Walker 1995). Such an approach provides management with the opportunity to isolate and manipulate psychological variables of interest in order to explore the drivers of loyalty (Odin, Odin, and Valette-Florence 2001).

Considerable emphasis has been placed on the creation of loyalty to increase brand equity, reduce marketing costs, increase sales and market share, and enhance consumer resistance to competitor strategies (Baldinger and Rubinson 1996; Bowen and Chen 2001; Chaudhuri and Holbrook 2001; Rundle-Thiele 2005). Customer loyalty has been strongly linked to increased word-of-mouth recommendation and intention to repurchase (Bowen and Chen 2001; Dick and Basu 1994; Rundle-Thiele 2005). The establishment of loyalty is viewed as essential in the development of strong customer–brand relationships and also in the development of a sustainable competitive advantage. In the higher-education sector, it is important that institutions foster positive attitudes toward their brand in order to encourage positive word-of-mouth recommendations as well as potential repeat purchase through continuing education (Mavondo, Tsarenko, and Gabbott 2004).

Customer Satisfaction as a Determinant of Student Loyalty

Satisfaction is defined as the extent to which a customer experienced a pleasurable level of consumption-related fulfillment (Oliver 1997; Verhoef, Franses, and Hoekstra 2002). Operationally, customer satisfaction develops in the short term as a result of prior interactions with the service provider (Geyskens, Steenkamp, and Kumar 1999). It also develops through repeated positive reinforcement (Hennig-Thurau, Gwinner, and Gremler 2002). The role of satisfaction in the development of strong customer–brand relationships is clearly argued by Storbacka, Strandvik, and Gronroos (1994), who suggest that customer satisfaction is the customer's cognitive and affective evaluation of the service provider based on all consumption episodes that the customer has had with the service provider. High levels of customer satisfaction indicate that a service provider consistently fulfills its service promise (Delgado-Ballester and Munuera-Aleman 2001) and that the customer has confidence in the reliability and integrity of the firm (Morgan and Hunt 1994). Consequently, if a customer is not satisfied, a deeply committed, emotionally bonded relationship cannot occur (Crosby, Evans, and Cowles 1990; De Wulf, Odekerken-Schröder, and Iacobucci 2001; Roberts, Varki, and Brodie 2003). Customer satisfaction is essential to the buyer–seller relationship (Crosby, Evans, and Cowles 1990). A customer must, at a bare minimum, be satisfied with the service provider if a strong and enduring customer–brand relationship is to be built (Bowden 2009a). It is important that satisfaction is measured at a global evaluative level in order to ensure an understanding of the overall nature of the relationship.

Satisfaction is a focal point in the study of customer loyalty (Garbarino and Johnson 1999; Gustafsson, Johnson, and Roos 2005; Oliver and Burke 1999). A number of studies in the service sector report the positive effects of satisfac-

Figure 1
Effect of Relational Constructs on Loyalty
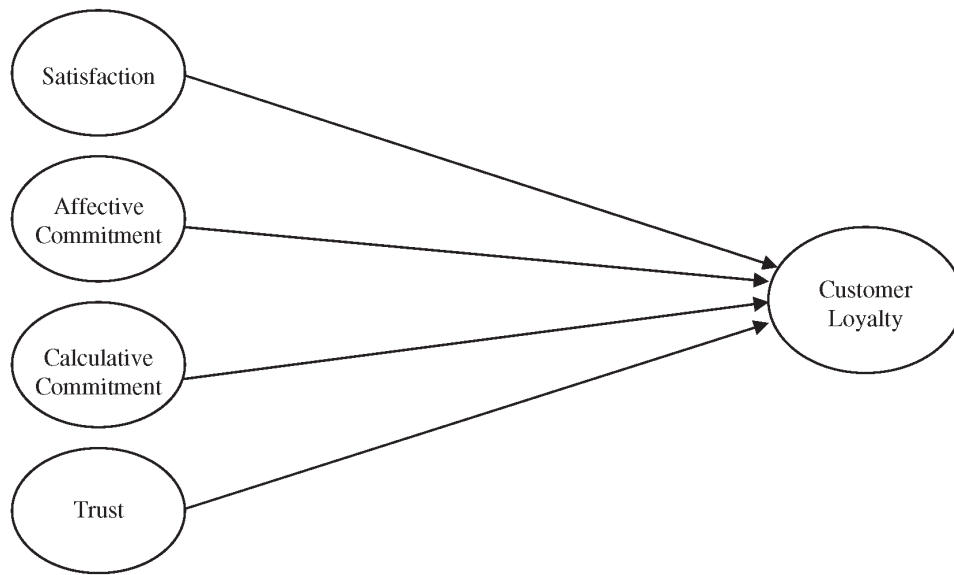
tion on purchase intentions (Anderson and Mittal 2000; Garbarino and Johnson 1999; Heskett et al. 1994), referrals (Heskett et al. 1994; Verhoef, Franses, and Hoekstra 2002), repurchase behavior (Anderson and Mittal 2000), retention (Gustafsson, Johnson, and Roos 2005), relationship duration (Bolton 1998), return on investment, and profit (Reichheld and Sasser 1990).

In the higher-education sector, student satisfaction has been defined in a number of ways. Elliott and Healy (2001) define it as a short-term attitude that arises from the students' evaluation of the educational experience. Elliott and Shin (2002) define it as the subjective outcome of the various outcomes and experiences at the institution. A variety of studies have found that satisfaction is an important predictor of student loyalty. Satisfaction has been strongly linked to favorable outcomes such as positive recommendation by students (Mavondo, Tsarenko, and Gabbott 2004), increased revenue and reduced costs for educational institutions (Shah 2009), and relationship continuity through students undertaking continued education (Al-Alak 2006; Helgesen and Nesset 2007). Several studies have found that student satisfaction explains a large proportion of the variance in students' willingness to recommend the institution (Al-Alak 2006; Athiyaman 1997; Marzo-Navarro, Pedraja-Iglesias, and Rivera-Torres 2005). Secondary loyalty benefits may also follow from high levels of satisfaction such as the attraction of new students, retention of existing students, donation behavior, and alumni membership (Helgesen and Nesset 2007). The literature suggests that customers weigh

prior satisfaction evaluations heavily in their decision to patronize higher-education providers (Bolton 1998). It is hypothesized that customer satisfaction will influence customer loyalty:

Hypothesis 1: Customer satisfaction has a significant positive effect on customer loyalty.

Calculative and Affective Commitment as a Determinant of Student Loyalty

Commitment is defined as a customer's enduring desire to maintain a valued relationship (Morgan and Hunt 1994; Palmatier et al. 2006). It is an implicit or explicit pledge of relational continuity (Fullerton 2003; Geyskens et al. 1996; Pritchard, Havitz, and Howard 1999; Sanchez and Iniesta 2004) and it reflects the degree to which a service provider is entrenched as the most acceptable choice within the service category (Amine 1998; Liljander and Roos 2002; Warrington and Shim 2000). Such psychological attachments are important precursors to loyalty as they are indicative of an assessment of the perceived value of a loyal relationship (Evanschitzky et al. 2006; Fullerton 2003, 2005). Relationship commitment is central to relationship marketing. It focuses management efforts on the development of long-term customer–provider relationships and discourages investment in short-term transactional sales (Morgan and Hunt 1994). Berry and Parasuraman (1991) contend that in services marketing, successful relationships

are fundamentally based on a sense of mutual commitment. Despite the centrality of commitment in the development of strong and enduring relationships, commitment as a potentially significant determinant of loyalty in the higher education sector has received little attention. There is, however, strong theoretical support for the relationship between commitment and loyalty in the broader services and relationship marketing literature. This literature is discussed next.

In the relationship marketing literature, commitment is characterized as consisting of two major subcomponents: calculative and affective commitment (Amine 1998; Dick and Basu 1994; Fournier 1998; Fullerton 2003). This dual conceptualization is considered important since calculative and affective commitment are fundamentally different in nature, and have different effects on loyalty (Fullerton 2005; Geyskens et al. 1996).

Calculative commitment has been defined in cognitive terms as a decision that binds a customer to a specific behavioral disposition (Pritchard, Havitz, and Howard 1999). Calculative commitment occurs where the customer faces significant switching costs, relational dependency, and a lack of choice (Evanschitzky et al. 2006; Fullerton 2003, 2005). It also occurs where the perceived benefits that the customer receives are not easily replaced by an alternative exchange partner (Fullerton 2003). Under this condition, calculatively committed customers remain loyal as a result of perceived risk and perceived switching costs despite the customer's level of satisfaction (Evanschitzky et al. 2006; Fullerton 2003; Hansen, Sandvik, and Selnes 2003; Hess and Story 2005). This commitment is therefore strongly associated with rational, cost–benefit evaluations of the utility that a service provides, as opposed to feelings of shared values and affiliation (Wetzels, de Ruyter, and van Birgelen 1998). Some studies report that calculative commitment is positively related to attitudinal and behavioral loyalty (Evanschitzky et al. 2006), and negatively related to switching behavior (Ahluwalia, Unnava, and Burnkrant 1999; Fullerton 2003).

In the Australian higher education context, there would appear to be a high level of calculative commitment given, first, that students are only offered a selection of one or two institutions to attend based on their tertiary entry scores and stated institution preferences, and second, that switching between universities during the qualification process is time-consuming and difficult because of grade-based performance requirements. It is therefore expected that

Hypothesis 2: Calculative commitment has a significant positive effect on customer loyalty.

Affective commitment is defined as an emotional attachment that a customer develops toward a service provider that expresses their psychological closeness to that provider (Garbarino and Johnson 1999; Johnson, Herrmann, and Huber 2006). It indicates a desire to remain with an exchange partner because of a sense of identification, belongingness, liking, involvement, and trust (Bendapudi and Berry 1997; Fullerton 2003; Morgan and Hunt 1994; Pritchard, Havitz, and Howard 1999). The development of socially based bonds to a service provider is considered an important stage in the development of effective marketing relationships (Fullerton 2005; Mattila 2004). Gremler and Gwinner (2000) suggest that the role of interpersonal bonds such as familiarity, care, friendship, and trust play a key role in the development of affective commitment. Rapport, defined as a personal connection between the two interactants, has also been found to have a strong influence on service evaluations (Fullerton 2003; Gremler and Gwinner 2000). Affective commitment signifies that the exchange relationship has developed within the context of free will and choice (Evanschitzky et al. 2006; Hansen, Sandvik, and Selnes 2003).

Affective commitment has been linked to a desire to continue the service provider relationship, a willingness to invest in the relationship, and a greater propensity to engage in positive word-of-mouth recommendation (Harrison-Walker 2001; Wetzels, de Ruyter, and van Birgelen 1998). A positive relationship has also been identified between affective commitment and behavioral loyalty (Evanschitzky et al. 2006), customer referrals, services purchased (Verhoef, Franses, and Hoekstra 2002), retention, share of business, advocacy, and decreased switching intentions (Fullerton 2003, 2005). The impact of affective commitment on both attitudinal and behavioral loyalty has also been found to be greater than the effect of calculative commitment on loyalty (Evanschitzky et al. 2006).

In the higher-education sector, many retention studies have focused on the role of academic ability as a predictor of retention. However, more recent studies have suggested that academic ability and performance account for only half of the variance in student retention (DeShields, Kara, and Kaynak 2005). Other factors such as preexisting attitudes toward the institution (Athiyaman 1997; Hennig-Thurau, Lager, and Hansen 2001), social inclusion and engagement on campus, as well as commitment to and belief in the institutional brand are important for student retention. DeShields, Kara, and Kaynak (2005) found that treating students as partners to the institution and adopting a customer orientation toward students were essential in instilling a sense of mutual relationship–based commitment.

Indeed, commitment to the institution has been identified as influencing secondary loyalty behaviors such as alumni membership as well as donation behaviors (Helgesen and Nesset 2007):

Hypothesis 3: Affective commitment has a significant positive effect on customer loyalty.

Trust as a Determinant of Student Loyalty

Trust is defined as the level of confidence in an exchange partner's reliability and integrity and is demonstrated through relational qualities such as consistency, competency, honesty, and benevolence (Morgan and Hunt 1994). It involves a generalized, time-dependent expectancy that the exchange partner can be relied on to deliver relationship qualities such as consistency, honesty, benevolence, and competence (Morgan and Hunt 1994; Verhoef, Franses, and Hoekstra 2002; Wetzels, de Ruyter, and van Birgelen 1998). Confidence in an exchange partner is considered particularly important in the service sector (Verhoef, Franses, and Hoekstra 2002), and for services that are highly experiential and difficult to evaluate (Hennig-Thurau, Gwinner, and Gremler 2002).

Morgan and Hunt (1994) suggest that trust is so important in customer–provider relationships that it should be considered the cornerstone of any relational exchange. Research has found that trust is positively related to loyalty (Chaudhuri and Holbrook 2001), attitudinal loyalty, generalized commitment (Delgado-Ballester and Munuera-Aleman 2001; Geyskens, Steenkamp, and Kumar 1999; Geyskens et al. 1996; Gounaris 2005), personal connections with the service provider (Hess and Story 2005), liking (Nicholson, Compeau, and Sethi 2001), customer referrals (Verhoef, Franses, and Hoekstra 2002), and relationship quality (Wong and Sohal 2002). This implies that loyalty to the service provider will be greater where customers perceive that they are in a trustworthy relationship. Despite the centrality of trust in the development of strong and enduring relationships, trust as a potentially significant determinant of loyalty in the higher-education sector appears to have been omitted. Yet customer loyalty to the firm is consequently considered greater where the customer trusts the firm and believes the firm has the required capacity to respond to his or her needs (Delgado-Ballester and Munuera-Aleman 2001; Hennig-Thurau, Gwinner, and Gremler 2002).

Helgesen (2008) emphasizes the importance of adopting a customer orientation in the higher-education sector, and ensuring that the student is not viewed as merely an economic transaction. It is essentially the exchange relationship and the social experiences that the student has with and within the institution that inform students' perceptions of the institution and shape their future behaviors toward it (Helgesen 2008). Carvalho and de Oliveira Mota (2010) note that the sector is particularly appropriate for investigating the role of trust in creating loyalty since it is a high-involvement context and involves an extended service encounter. Despite this, they suggest that research on higher education has yet to include student trust as a direct antecedent of student loyalty. Carvalho and de Oliveira Mota's (2010) recent study found that students are in fact no different from consumers of other service settings in that strengthening student trust positively affected loyalty outcomes such as willingness to recommend and return to the higher-education provider:

Hypothesis 4: Trust has a significant positive effect on customer loyalty.

The Role of Relationship Strength

Relationship strength is defined as the magnitude of the bond between the customer and the service provider (Barnes 1997; Dagger, Danaher, and Gibbs 2009; Roberts, Varki, and Brodie 2003) and it is used as a measure to assess the closeness and therefore likelihood of the relationship lasting (Barnes 1997). Consequently, a relationship that is deemed to be strong reflects customers' perceptions of how well the relationship fulfills their expectations, goals, and desires (Wong and Sohal 2002). A number of terms have been used to describe relationship strength, including relationship quality, relationship intensity, relationship closeness, relationship depth, and customer engagement (Barnes 1997; Bowden 2009a). Those relationships that are deemed to be strong, close, and intense are by implication the most likely to endure over the long term. This is because customers who are emotionally attached to a service provider perceive a range of intangible benefits that extend beyond the basic economic utility of the service offering (Arnett, German, and Hunt 2003; Barnes 1997). Conversely, weak relationships are more susceptible to competitive or situational influence and hence potential dissolution. Importantly, the development of strong relationships have been found to predict customer retention, positive referral, an increased propensity to repurchase, and most significantly, customer loyalty (Hennig-Thurau, Gwinner, and Gremler 2002; Mattila 2006; Palmatier et al. 2006; Reichheld 2003).

There is little consensus regarding the conceptualization of relationship strength, and the variables used to describe

the construct have tended to depend on each study's specific context. Relationship strength has been measured using a multidimensional, higher-order approach (e.g., Crosby, Evans, and Cowles 1990; Dwyer, Schurr, and Oh 1987; Kumar, Sheer, and Steenkamp 1995) as a first-order construct consisting of dimensions such as satisfaction, commitment, and trust (Crosby, Evans, and Cowles 1990; Dorsch, Swanson, and Kelley 1998; Dwyer, Schurr, and Oh 1987; Ulaga and Eggert 2006) and also as a global evaluation (e.g., Barnes 1997; Storbacka, Strandvik, and Gronroos 1994; Wong and Sohal 2002). The present study adopts the latter approach to measuring relationship strength; that is, relationship strength is measured directly as the customers' overall impression of the strength of their relationship with their institution (Barnes 1997; Wong and Sohal 2002). While satisfaction, trust, and commitment are viewed as important determinants of the strength of the bonds in the customer–brand relationship, these dimensions are measuring factors related and antecedent to relationship strength. This approach allows for relationship strength to differ from perceptions of satisfaction, trust, and commitment.

It is expected that relationship strength will act as a moderator on the relationships in the research model. To date, no study has investigated whether the salience of key relational determinants such as satisfaction, trust, calculative commitment, and affective commitment differs for customers who state that they have either strong or weak relationships with their higher-education institution despite the inherently dynamic nature of relationships. This study therefore contributes to a deeper understanding of relationship formation and maintenance in the higher-education sector.

METHOD

A self-administered, cross-sectional survey was given to first-year students undertaking a first-year unit at one metropolitan Australian university. These students were enrolled in a variety of degree specializations, including, for example, commerce, accounting, law, arts, linguistics, media, and language. The survey was voluntary. A total of 474 participants agreed to participate in our study representing a response rate of 81 percent. This sample was sufficient to achieve a high level of statistical power (McQuitty 2004).

The total sample of 474 was split into two separate groups based on the students' stated strength of relationship with the university in order to investigate the effect of relationship strength on the relational constructs. In order to ensure that only the weakest and strongest student–university relationships were captured for analysis, those scoring at

the extreme bottom end of the eight-point relationship strength scale (0–2 inclusive, *n* = 122) and those scoring at the extreme top end of the scale (5–7 inclusive, *n* = 103) were retained for analysis. Cohort 1 was therefore defined to be those students who self-stated that they perceived a strong relationship between themselves and the institution. Cohort 2 was defined as those students who self-stated that they perceived a weak relationship between the institution and themselves.

Measures

Satisfaction is summarized in this study as the extent to which customers experienced a pleasurable level of consumption-based fulfillment (Oliver 1997). Satisfaction was measured with the scales provided by Dagger, Danaher, and Gibbs (2009). These scales were designed to capture the extent to which customers' expectations were either confirmed or positively or negatively disconfirmed. Calculative and affective commitment was measured using Verhoef, Franses, and Hoekstra's (2002) scales. Calculative commitment was defined in this study as a psychological commitment that arises from an uncertainty regarding the quality of alternatives and a sense of inertia leading the customer to remain with the current service provider (Fullerton 2003). The calculative commitment items assessed customers' perceptions of switching costs. Alternatively, affective commitment was defined as a psychological commitment based on a customer's sense of identification with and belongingness toward a service provider (Verhoef, Franses, and Hoesktra 2002). The affective commitment items were designed to capture the customer's emotional feelings of attachment and were measured using Verhoef, Franses, and Hoesktra's (2002) scales. Trust was summarized as confidence in the service provider's reliability and integrity (Morgan and Hunt 1994). The scales to measure trust were taken from Verhoef, Franses, and Hoekstra (2002). Relationship strength was measured using Dagger, Danaher, and Gibbs's (2009) single-item scale and was designed to capture the customers' overall perceptions of the strength of their relationship with the institution. Relationship strength was tested as a moderating variable, and hence is not diagrammatically reflected in Figure 1. Finally, customer loyalty, which was defined as a deeply held commitment to repatronize (Oliver 1999), was measured using the scales of Plank and Newell (2007) and Zeithaml, Berry, and Parasuraman (1996). The actual scales used for this study can be found in Appendix A.

All the measures were first subjected to exploratory factor analysis. Cronbach's alpha was examined (Hair et al.

Table 1
Standardized Path Estimates for the Research Model

Relationship		β	CR
H1: Satisfaction → Loyalty		0.401	4.372
H2: Calculative Commitment → Loyalty		−0.117	−2.756
H3: Affective Commitment → Loyalty		0.552	6.364
H4: Trust → Loyalty		0.013	0.197
Model Fit *n* = 474			
χ^2 (df)	47.400 (25)		
CFI	0.99		
IFI	0.99		
GFI	0.98		
RMSEA	0.04		

Note: CR = critical ratio.

2006) as was average variance extracted. These criterion were found to be strong. Fornell and Larcker's (1981) stringent tests were used to establish the discriminant validity of the measures, and all construct pairs passed these tests (see Appendix B). Multicollinearity was not considered to be a problem as the tolerance values were lower than the recommended 10 percent cutoff. Data analysis followed the two-step procedure recommended by Anderson and Gerbing (1988), including estimation of the measurement model followed by estimation of the structural model. The measurement model indicated good fit and all of the items that were retained served as strong measures for their respective constructs (χ^2 = 47.4, degrees of freedom [df] = 25, goodness-of-fit index [GFI] = 0.98, comparative fit index [CFI] = 0.99, incremental fit index [IFI] = 0.99, root mean square error of approximation [RMSEA] = 0.04).

Results

Goodness-of-fit statistics indicated that the structural model fit the data adequately (GFI = 0.98, CFI = 0.99, IFI = 0.99, RMSEA = 0.04, *n* = 474). The proposed model explained 84 percent of the variance in the customer loyalty construct. Two of the four structural path coefficients were found to be positive and significant. One structural path coefficient was found to be negative and significant. The results are summarized in Table 1.

A significant and large effect was found for satisfaction on loyalty (β = 0.401, *p* < 0.01), which supports Hypothesis 1. Surprisingly, calculative commitment was found to be negatively related to customer loyalty in this study (β = –0.117, *p* < 0.05). Therefore, support was not found for Hypothesis 2. Affective commitment had a significant, large effect on customer loyalty (β = 0.552, *p* < 0.01), sup-

porting Hypothesis 3. In fact, affective commitment was found to be the strongest determinant of loyalty in the context investigated. Interestingly, trust was not found to significantly predict customer loyalty (β = 0.013). Thus, Hypothesis 4 was not supported.

Following the recommendations of Byrne (2004), a multigroup analysis of structural invariance was used in order to test the invariance across customer cohorts and to therefore determine whether any differences between the two cohorts existed.

An unconstrained baseline model was established which had a χ^2 (df) of 73.146 (50), and a CFI, IFI, and RMSEA of 0.98, 0.98, and 0.04, respectively. Measurement invariance was then determined by fixing all item-factor loadings to be equal across cohorts resulting in a χ^2 (df) of 82.209 (55). When compared with the unconstrained model, the item-factor loadings were determined equivalent across cohorts ($\Delta\chi^2$ (df) = 8.063 (5)). Having satisfied the conditions necessary at the measurement level, structural invariance tests were undertaken (Byrne 2004). The results of this analysis are shown in Table 2. The analysis indicated that although affective commitment was a significant driver of loyalty for both cohorts, the effect of affective commitment on customer loyalty was consistent across cohorts. These findings suggest that in the context of this study, stated relationship strength does not affect the way in which customers evaluate their service experiences.

IDENTIFYING THE KEY PREDICTORS OF ENGAGING RELATIONSHIPS IN HIGHER EDUCATION

Barnes (1997) and Czepiel (1990) suggest that for a relationship to exist it must be characterized by a "special status."

Table 2
Structural Invariance Analysis of Constructs Across Cohorts

Constraint	Weight		χ^2 (df)	$\Delta\chi^2$ (df)
	Cohort 1 (Strong)	Cohort 2 (Weak)		
Fully Unconstrained Model			73.146 (50)	
Factor Loadings			82.209 (55)	8.063 (5)
Factor Loadings and Equal Coefficients for				
Satisfaction → Loyalty	0.024	0.293	81.349 (56)	0.140 (1)
Trust → Loyalty	0.075	0.224*	82.185 (56)	0.976 (1)
Affective Commitment → Loyalty	0.787*	0.537*	81.420 (56)	0.211 (1)
Calculative Commitment → Loyalty	–0.279*	–0.093	81.287 (56)	0.078 (1)
Model Fit:				
χ^2 (df)	38.433 (25)	34.707 (25)	73.146 (50)	
CFI	0.98	0.98	0.98	
IFI	0.98	0.98	0.98	
GFI	0.93	0.94	0.94	
RMSEA	0.07	0.05	0.04	

Notes: Cohort 1, $n = 104$, strong relationship; Cohort 2, $n = 122$, weak relationship. * $p < 0.05$.

This special status is often considered to be driven by a sense of closeness or attachment between the customer and the brand that strengthens the bond and reduces the potential for relationship dissolution. The logical implication of close relationships is that they are likely to be enduring in nature (Barnes 1997). Hence, the achievement of deeply committed relationships confers a number of tangible economic benefits for the firm such as increased profits and market share. Close relationships also confer a number of intangible, noneconomic benefits in the form of positive word-of-mouth recommendation and strong attitudinal loyalty (Arnett, German, and Hunt 2003). Despite the importance of developing strong relationships and understanding the depth and the nature of these relationships, there has been little investigation in this important area of research. The model presented extends theory, first, by examining the role of satisfaction, trust, and commitment in the development of loyalty and, second, by investigating the moderating effect of perceived relationship strength on these constructs.

Satisfaction was found to have a significant positive effect on loyalty. These findings are in line with prior research which suggests that satisfaction predicts churn (which refers to customer turnover), recommendation, repeat purchase, and relationship duration (Bolton 1998; Gustafsson, Johnson, and Roos 2005; Hennig-Thurau, Gwinner, and Gremler 2002). This is also consistent with findings in the higher-education literature, which suggest that satisfaction strongly predicts relationship continuity, positive recommendation, a positive image of the college, as well as a positive image of the qualification program (Al-Alak 2006; Helgesen and Nesset 2007). This suggests that continued attention needs to be given to measuring and monitoring student satisfaction in the sector.

Satisfaction is most frequently conceptualized and assessed according to the extent to which customers' expectations are either confirmed, exceeded, or disconfirmed (Oliver 1999). Therefore, it would be beneficial for higher-education service providers to ensure that they have a clear and deep understanding of students' expectations before enrolling at the institution. It is, for example, conceivable that students' expectations change markedly as students progress through their qualifications and as they become more experienced with the service provider (Mavondo, Tsarenko, and Gabbott 2004). An understanding of student expectations at a personal, social, and institutional level, for example, would assist management in the process of value creation. This in turn may act as a mechanism by which to strengthen students' relationships with the institution.

Satisfaction alone, however, was found to be only one factor in this study contributing to the development of customer loyalty. This suggests that satisfaction may operate only as a minimum requirement for loyalty in the sector. In highly involving service contexts where customers have high anticipatory expectations shaped by word-of-mouth recommendations, the customer may reasonably expect to

be satisfied. A confirmation bias may then operate to assimilate satisfaction levels to expectation levels (Szymanski and Henard 2001). While satisfaction measurement is an important first step in developing an understanding of the nature of engaging relationships in the sector, it is important to also understand the role of other relational determinants of loyalty.

A key finding of this study concerns the critical role of affective commitment in the development of customer loyalty. Affective commitment was found to be an even stronger predictor of loyalty than customer satisfaction. It seems that a deeper emotional connection between the student and the institution in the form of affective commitment is required to produce both stable and strong relationships, and hence enduring loyalty. These findings are in line with prior research which suggests that the formation of emotional bonds leads to favorable behavioral outcomes (Harrison-Walker 2001; Hennig-Thurau, Gwinner, and Gremler 2002; Hess and Story 2005; Johnson et al. 2001; Wetzels, de Ruyter, and van Birgelen 1998).

In addition to the loyalty benefits that affective commitment confers on organizations, affective commitment is frequently described as leading to a form of stickiness that moderates attitudinal and behavioral responses under conditions of service failure (Mattila 2004). While affectively committed customers may exhibit significant attitude degradation immediately following service failure, affective commitment mitigates the spillover effect of postfailure attitudes on loyalty, as committed customers rely on past affective experiences in the determination of future loyalty behaviors (Mattila 2004). These findings point to the importance of developing a personal connection between the customer and service provider and draw attention to the contribution of affective commitment in the formation of loyalty, particularly with regard to service environments. The development of affective commitment in order to mitigate service failure situations seems even more important in the case of higher education given that the service relationship between the student and the institution in the higher-education context may be ongoing for a period of years.

The findings of this study strongly suggest that higher-education institutions should invest in service development programs that target the development of affective bonds. In particular, management should attempt to actively promote and strengthen the student–institution relationship by concentrating on the development of interpersonal bonds based on familiarity, care, friendship, trust, and rapport (Gremler and Gwinner 2000). Relationships between customers and

employees are central in the perception of service quality since service products are highly intangible service experiences. The employee is a central enabler of the service experience. Consequently, the more highly regarded the employee is perceived to be by the customer, the stronger is the relationship bond. In this sense, affective commitment may be established in the higher-education sector through the flexibility of the institution and its members to adapt its service style to the customers' needs.

Surprisingly, calculative commitment was found to have a negative relationship with loyalty in this study. This is contrary to previous studies that have found that calculative commitment predicts customer loyalty (Ahluwalia, Unnava, and Burnkrant 1999; Evanschitzky et al. 2006; Fullerton 2003; Hansen, Sandvik, and Selnes 2003). Some studies, however, have found that calculative commitment has no effect on intention to stay with a firm (Hansen, Sandvik, and Selnes 2003) or to positively refer a firm (Verhoef, Franses, and Hoekstra 2002). The results of the current study are in line with these latter findings. An explanation may be that students may not perceive themselves to be in a service relationship that is governed by switching costs and inertia. Rather, students may perceive that they are in a service relationship governed by free will and choice. This is despite the fact that they may have enrolled into tertiary qualification programs spanning three or more years. This is an important finding and requires further examination since calculative commitment is usually strongly and positively associated with loyalty for high-involvement service contexts.

Based on these findings, it follows that from a management perspective, higher-education institutions could therefore more proactively manage their relationships with students by promoting a deeply felt relational affiliation between the customer and the service provider rather than relying on the more passive approach based on relational dependency, cognitive complacency, and inertia to ensure loyalty. A reliance on calculative forms of commitment to create loyalty in the higher-education sector fails to demonstrate an understanding of the deep psychological attachments that students seek to form with their institution.

Finally, the nonsignificant role of trust in the generation of loyalty in the sector offers another surprising result. Previous studies in the service sector have, for example, found that trust is an important determinant of loyalty (Berry 1995; Chaudhuri and Holbrook 2001; Morgan and Hunt 1994; Rauyruen and Miller 2007; Verhoef, Franses, and Hoekstra 2002). This was not, however, the case in the current study. One speculative explanation for this result may

be the following. Trust may be an important determinant of loyalty for service firms where there is a significant degree of perceived risk in the decision-making process. However, because the nature of the higher-education sector revolves strongly around the provision of a relatively standardized product, which is publicly regulated and endorsed, higher education may be perceived as a low-risk social good. Higher-education institutions may subsequently, by default, be perceived as trustworthy, reliable, and as having the customers' best interests at heart. Consequently, loyalty may be driven by other more salient determinants such as affective commitment and satisfaction.

A compelling finding of the current study was that students' stated strength of relationship with the higher-education institution did not influence the salience of relational constructs. This finding suggests that all students have similar needs with regard to their higher-education experience regardless of the strength of their perceived relationship with the institution. The finding that affective commitment, for example, operates equally to determine customer loyalty for students who state that they have either a strong or a weak relationship with their institution highlights the importance of service strategies which acknowledge that students' seek to develop an emotional closeness to the institution at which they are studying. Institutions should actively foster and develop these psychological connections with their student base in order to ensure high levels of positive recommendation and indeed repeat purchase through continued education. From an operational perspective, the development of a strong sense of belonging is central to the development of student loyalty.

CONCLUSION

This study demonstrated that it would be beneficial for the higher-education sector to adopt a relationship approach to the marketing of higher-education services and to also view the students that they serve as customers of their brands. Interestingly, this study found that affective commitment and satisfaction were together found to be the major drivers of student loyalty. This was irrespective of whether the students viewed themselves as having strong or weak relationships with their institution. Strong and engaging relationships in the higher-education sector appear to be driven more by the quality of psychological and emotional bonds with the institution as well as a high level of satisfaction with its performance. Interestingly, this study also demonstrated that trust and calculative commitment did not determine loyalty in the sector. An explanation is offered

in terms of trust being an inherently assumed and expected feature of the decision-making process within the sector. At the same time, the findings with regard to calculative commitment demonstrate that perceived switching costs and inertia are not a key consideration in the students' decision to patronize their institution of choice. Overall, the results of the study emphasize the importance of developing a proactive rather than passive or reactive management strategy in the development of student–institution relationships. This strategy requires a careful consideration of students' a priori expectations and their satisfaction with regard to these expectations. It also requires active management of the student–university relationship through targeted relationship-building mechanisms. In particular, institutions should be cognizant of the importance of developing a strong psychological attachment and emotional bond between the student and the institution in the development of enduring loyalty.

LIMITATIONS AND FUTURE RESEARCH

The results of this study need to be interpreted in light of several limitations. This study employed a cross-sectional sample of first-year university students. Future longitudinal research could also investigate the extent to which noneducational factors such as the students' campus experience, living circumstances, and student-based social networks influence the nature and strength of the student–university relationship throughout the students' enrollment. This would provide insights into the evolution of student–university relationships throughout the degree program.

It would also be beneficial, for example, to examine the extent to which students are engaged with the institutional brand prior to commencement of their qualification by measuring students' a priori expectations. This would assist in developing an understanding of interrelationships between expectations, relational determinants, and ultimately, behavioral outcomes. It would then be beneficial to track these students' level of engagement with the institution as they progress through their qualification. Replication should also be extended to other university contexts in order to further increase confidence in the research model and enhance a broader understanding of the loyalty-formation process.

The sample for this study was drawn from students enrolled in multiple faculties within the university and the measurement items were taken at the institutional level in order to account for this. It would be beneficial for future research to extend this investigation to the measurement

of specific faculties and departments. In addition, future research is needed to investigate the extent to which student–university versus student–teacher–based relationships differ, as well as their differential effects on student loyalty outcomes such as return and recommendation. It may be useful, for example, to study the positive cumulative effects of individual student–teacher relationships on students' perceptions of the overall university brand, and hence, the student–university relationship.

This study was conducted within one higher-education institution in a major metropolitan city in Australia. The institution has an enrollment of 36,000 students across four faculties (business, arts, human sciences, and science). Of this total enrollment, 35 percent of these students are international students. China is the most common country of origin of these international students (excluding its special administrative regions and Taiwan). In Australia, the annual dropout rate from undergraduate degrees nationally is 18 percent. The institution studied had a comparatively low attrition rate of 14 percent in 2010 (where attrition is defined as the proportion of students who commenced an undergraduate degree but failed to complete or return to that degree in the same year). Given the multicultural nature of the sample, this study has some generalizability to other higher-education contexts. However, additional investigation of this model within other international higher-education institutions is warranted, particularly in light of the university selection process in Australia whereby students limit their university selection to their top five institution preferences, and based on their tertiary entrance rank, are then provided with one institutional offer. International replication of the model will assist in identifying further cross-cultural variation.

These limitations and future research directions aside, our study makes an important contribution to understanding how satisfaction, commitment, and trust influence loyalty and thus how university management can more effectively engage its student base.

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APPENDIX A
Scales Used to Represent Constructs

Satisfaction (coefficient alpha: 0.93; standardized loadings: 0.80–0.91; scale: 1 = "strongly disagree" to 7 = "strongly agree")

My choice to use this university was a wise one.
I am always delighted with this university's service.
Overall, I am satisfied with this university.
I think I did the right thing when I decided to use this university.
I feel good about using this university.

Calculative Commitment (coefficient alpha: 0.83; standardized loadings: 0.78–0.90; scale: 1 = "strongly disagree" to 7 = "strongly agree")

Because it is difficult to stop my business with this university, I remain a customer.
I remain a customer of this university because it is difficult to switch to another university.
I remain a customer of this university because it costs much time and energy to switch to another university.

Trust (coefficient alpha: 0.89; standardized loadings: 0.84–0.91; scale: 1 = "strongly disagree" to 7 = "strongly agree")

I can count on this university to provide a good service.
This university usually keeps the promises that it makes to me.
This university puts the customers' interests first.
This university can be relied on to keep its promises.

Affective Commitment (coefficient alpha: 0.88; standardized loadings: 0.84–0.92; scale: 1 = "strongly disagree" to 7 = "strongly agree")

I am a loyal customer of this university.
Because I feel a strong attachment with this university, I remain a customer with them.
Because I feel a strong sense of belonging with this university, I want to remain a customer with them.

Relationship Strength

On the following scale how would you rate your relationship with this university: 0 = "no relationship" to 7 = "strong relationship."

Loyalty (coefficient alpha: 0.93; standardized loadings: 0.88–0.90; scale: 1 = "strongly disagree" to 7 = "strongly agree")

I say positive things about my university to other people.
I recommend my university to someone who seeks my advice.
I encourage friends and relatives to do business with my university.
I consider my university my first choice for university education.
I am willing to maintain my relationship with my university.
I am loyal to my university.

APPENDIX B
Discriminant Validity of Construct Pairs

	Satisfaction	Trust	Calculative Commitment	Affective Commitment	Loyalty
Satisfaction	**0.74**	0.69	0.13	0.48	0.72
Trust	0.774**	**0.75**	0.09	0.35	0.54
Calculative Commitment	−0.103*	−0.085	**0.64**	0.01	0.10
Affective Commitment	0.694**	0.569**	0.150**	**0.72**	0.60
Loyalty	0.783**	0.654**	−0.039	0.738**	**0.67**

Notes: The calculated values of the squared structural path coefficients between all possible pairs of constructs are presented in the upper triangle of the matrix. The average variance extracted is shown on the diagonal (in boldface). Discriminant validity was established for all construct pairs since the average variance extracted was greater than the squared structural path coefficient. In the case of the satisfaction and loyalty construct pairing, an additional chi-square difference test was conducted and confirmed discriminant validity between the pair. Correlations are significant ** at the 0.01 level (two tailed); * at the 0.05 level.