The Influence of Brand's Origin on Relationship Marketing Effectiveness

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Abstract

Relationship retention is a key feature in relationship marketing theory. Meanwhile, the origin of the brand is one important element in transactional marketing theory. This study attempts to examine the variable capabilities of transactional marketing theory to give effect to the social exchange in relationship marketing. The origin of brands and relational marketing activities (communication and competence) are hypothesized to have an effect on consumer confidence, which in turn affects the marketing effectiveness of relationships. The sample is 200 students at a state university in Indonesia. The product categories studied are smartphones. The results of the analysis indicate that the origin of the brand has no significant effect on the marketing effectiveness of relationships and beliefs, while traditional variables of relationship marketing such as sales and communication skills have a significant effect on process and outcome variables. Previous research has also found that relationship marketing has no significant effect when the model is built on the basis of transactional marketing. Therefore, the results of this study complement each other with the results of previous research and asserted that marketing activities in the current era of global competition both require transactional marketing and relational marketing.

Keywords: relationship marketing; relationship marketing effectiveness; selling skills; transactional marketing; brand origin.

1. Preliminary

Relationship marketing is an important field in the current marketing literature (Zhang et al, 2008), both in the context of sellers to consumers and between business to business (Palmatier et al, 2008). Relationship marketing is important in focusing the dynamics of the relationship between service providers and service recipients (Willcocks, 2008). Relationship marketing enables the creation of more efficient and effective relationships with consumers to gain greater business benefits (Sivaraks et al, 2011). This comes through the ability of relationship marketing in consumer retention (Alrubaiee and Al Nazer, 2010).

Much research has been done to determine the factors that participate in encouraging the effectiveness of the relationship marketing strategy. The literature review by Palmatier et al (2005) identified three groups of antecedents, four mediators, and four moderators. Included in the antecedent group are consumer antecedents (benefits of relationship and dependence on the seller), seller's antecedents (relationship investment and sales expertise), and dyadic antecedents (communication, similarity, relationship duration, frequency of interaction, and conflict). Meanwhile, the mediator group includes commitment, trust, relationship satisfaction, and relationship quality. Moderators include exchange types (goods vs. services), form of exchange (direct vs. indirect), form of market (business vs. consumer), and nature of relationship (individual vs. organizational). Another literature emphasizes the importance of consumer involvement in encouraging the effectiveness of relationship marketing (Gordon et al, 1998). Meanwhile, in a more recent study, Palmatier et al (2009) identified the presence of consumer gratitude factors as an important factor in mediating the influence of marketing investments in relationships to their performance outcomes, as well as the perceptual role of marketers' controls and seller consistency perceptions as moderator variables (Palmatier et al, 2007).

One of the unexplored factors in determining the effectiveness of relationship marketing is the origin of the brand. The origin of the brand is one of the important relational attributes that are extrinsic in the perception of consumer value (Dorai and Varshney, 2012). As a relational attribute, it is relevant to see that the origin of the brand can participate as an antecedent of the marketing effectiveness of relationships from external factors. Therefore, it is necessary to examine how the effect of the origin of the brand on the effectiveness of relationship marketing.

Consideration of the role of brand origin becomes important as globalization is happening nowadays has brought various types of foreign products into the local market. In order for foreign products to compete with local products, there needs to be a strategy to create relationships with consumers, especially on ethnocentric consumers. By knowing the role of the origin of the brand on the effectiveness of relationship marketing, it is possible to formulate a number of strategies that enable the brand to succeed in a new market abroad, as well as for foreign brands that want to survive in the local market.

2. Theoretical review

2.1. The Origin of the Brand

The origin of the brand is seen as an important variable in consideration of buying a product. This is reasonable consi-

dering there are differences in the quality of resources and production between regions with one another that impact on differences in outcomes such as brands and products. Therefore, when an area is deemed to have a positive image and possesses expertise in a particular product category, the brand of the area obtains associative benefits and obtains a positive brand image (Sun et al, 2017). In general, developed countries are regarded as having a high quality brand and have a higher symbolic value than local brands to consumers in developing countries, especially for those who tend to choose western lifestyles (Zhou et al, 2010). Therefore, products with brands from developed countries get a higher buying intention than local products (Sun et al, 2017). In line with this, brand manufacturers are trying to show the association of their brand origin through brand naming, product design, and store design (Shukla, 2011).

The development of research in the field of origin of brands today begins to question the ability of the origin of the brand in influencing marketing outcomes such as buying intent and actual buying behavior. Thogersen et al (2017) suggests that this is due to three things. First, consumers do not see that the origin of the brand becomes something important and worth remembering (Samiee et al, 2005). Second, even if they know the origin of the brand, they are less willing to use it as a consideration to buy.

Third, some research indicates that the accuracy and knowledge of the origin of the brand to consumers is generally low. It is estimated that about 50% -88% of consumers are wrong in weighing the brand's origin (Samiee et al, 2005), even for global brands (Samiee et al, 2005). Sometimes, consumers simply conclude the brand's origin of the language used, although it is usually a trick of the marketer to show that he is from a particular country, but not.

Marketers attempt to cover up the home country or vice versa, using language from other countries deemed to have a strong image to gain positive equity (Cakici et al, 2017). For example, using a foreign language slogan. This can not be done directly because stating the origin of the wrong brand is unlawful (Hornikx and van Meurs, 2017).

But Cakici et al (2017) and Balabanis and Diamantopoulos (2011) show that the awareness that one is wrong in determining the origin of the brand, triggers a cognitive dissonance that makes a change in the intention of buying consumers from initially positive to negative, but not vice versa, from initially negative to positive. That is, the misclassification of the origin of the brand has a negative effect on consumers' buying intentions, even though a brand allegedly originating from a low-quality country turns out to be from a high-quality country.

However, for certain product categories, the origin of the brand does have an effect on buying intentions and buying decisions. This is mainly on the category of luxury products (Shukla, 2011). Therefore, it is argued that the association of the origin of the brand directly affects the consumer's decision on brand attributes and their effect on buying intentions (Cakici et al, 2017; Balabanis and Diamantopoulos, 2011).

2.2. Relationship Marketing

Relationship marketing is "an approach designed to develop strong relationships with key corporate stakeholders, including consumers, by encouraging effective communication and encouraging mutual commitment, mutual trust, long-term engagement, and creating mutually beneficial exchange of values" (Gummesson, 2008). The position of the company in the network determines what value arises and for whom it is directed in building relationships (Ballantyne et al, 2003). Interactions within the network then allow new values to grow and be shared (Ballantyne et al, 2003).

The concept of relationship marketing is proposed to address the awareness that transactional marketing with a short-term perspective has ceased to be consistent with today's more intense trade developments in competition and more complex in relationships among stakeholders (Badi et al., 2017). The shift to the concept of relationship marketing is seen as a paradigm shift in marketers (Gummesson, 1999). Relationship marketing brings marketing issues from transactional to interaction-based in network relations (Gummesson, 1999).

The concept of relationship marketing at this time has developed quite complex and composite (Gummesson, 2017). The first self-concept marketing concept was present in the late 1980s in marketing services and business to business marketing (Gummesson, 2017). Of course, there has been a discussion of relationships before, but has not been conceptualized in one whole concept of relationship marketing. Interestingly, in its development, there is also globalization in the relationship marketing literature, ranging from the Nordic countries such as by Gronroos (1997) to the United States, Australia, and England (Sheth, 2017).

The theoretical basis of relationship marketing is the theory of social exchange (Bagozzi, 1995). The social exchange theory states that if one exchange partner does something special to his partner, then his partner earns the obligation to reciprocate with positive behavior (Clark et al, 2017). This is then referred to as the norm of reciprocity (Bagozzi, 1995). Reciprocity serves to satisfy, encourage, and strengthen the partner's omitmen in exchange relations (Hoppner et al, 2015). It has been shown that reciprocity can enhance relationship satisfaction, trust, and commitment (Hennig-Thurau et al 2002). Relationship marketing then evolves from a dualistic relationship to a multi-party relationship (Gummesson, 2008), involving consumers, referrals, influensers, recruiters, suppliers, and internal markets (Payne et al, 2005). In this connection, where parties in a relationship exchange resources, reciprocity's ability to improve relationships, trust and commitment is maintained (Hoppner et al, 2015).

Yet the use of social exchange theory in the new relationship marketing literature is later done (Hoppner et al. 2015). Previously, the theory of relationship marketing used the commitment-belief theory (Morgan and Hunt, 1994) which is actually a subset of the theory of social exchange. The belieftrust theory holds that trust leads to a commitment of relationships because partners provide high value to a trusting relationship that is eager to commit to the relationship (Morgan and Hunt, 1994). Commitment is present when partners feel sustainable relationships need to be maintained so that it takes effort or investment to maintain them (Hoppner et al. 2015). Meanwhile, trust demonstrates confidence in the reliability and integrity of exchange partners (Morgan and Hunt, 1994).

A number of variables have been suggested contributing to relationship marketing. Morgan and Hunt (1994) and Berry (1995) point out the importance of communication, shared values, relationship benefits, termination costs, opportunistic behavior, trust and commitment as antecedents of effective supplier and consumer relationships. Leadership in a relationship marketing system is also seen as important in relationship marketing (Badi et al, 2017).

Other concepts that have been proposed related to the effectiveness of relationship marketing are organizational conformity, consumer's life-time, supply bundle, consumer profitability analysis, and strategic partnership with consumers (Sheth, 2017) and relationship quality (Clark et al, 2017; Palmatier et al, 2006; Jap et al., 1999). In recent developments, new concepts are expressed such as emotional feedback, consumption meaning, and social media marketing (Sheth, 2017). The use of social media for example, has been shown to improve highquality relationships with stakeholders (Clark and Melancon, 2013). Social media are capable of promoting high quality relationships, providing new relationship marketing opportunities, and adding value to the organization (Jung et al, 2013; Verma et al, 2016).

In general, the literature agrees that relationship marketing has an effect on consumer retention (Clark et al., 2017; de Macedo Bergamo et al., 2012). In addition, relationship marketing is also seen to encourage consumers to co-operate with the company creating value (Badi et al, 2017). Creation of shared values is present when values are created and shared together in interactions with consumers and other stakeholders (Badi et al, 2017). This is called collaborative excellence (Badi et al., 2017).

Recent developments seek to address the complexity and composity of relationship marketing into a new concept called total relationship marketing (Gummesson, 2017). Meanwhile, in an effort to respond to a crisis in the growing relationship marketing literature, Sheth (2017) suggests a new relationship marketing that is no longer merely linking suppliers and consumers in buying and selling relationships, but rather to a virtual joint venture that involves elements such as information systems, human resources, cash flow, logistics, contracts, inventories, sales, marketing, services, and so on.

2.3. Relationship Marketing Effectiveness

Palmatier et al (2006) observes that the effectiveness of relationship marketing is demonstrated by three dimensions: the outcomes are consumer focused, the outcomes are focused on the seller, and the dyadic outcomes. Focused consumer outcomes are expectations of sustainability, mouth-to-mouth marketing, and consumer loyalty. Seller's focused outcomes include the seller's objective performance. Dyadik's outline includes cooperatives.

Previous research has found that the marketing effectiveness of relationships is strongest influenced by relationship quality (Palmatier et al, 2006). The quality of the relationship is an overall evaluation of the strength of a particular relationship (Verma et al., 2016). The quality of the relationship is in turn influenced by the satisfaction of the relationship, ie 'the affective and emotional state of the consumer to a relationship, usually evaluated cumulatively throughout the history of the relationship' (Palmatier et al, 2006). The quality of the relationship is also influenced by the commitment of the relationship, which in turn is influenced by trust (Clark et al, 2017).

2.4. The Origin of Brand and Relationship Marketing

In terms of the marketing theory of relationships Palmatier et al (2006), the origin of the brand is not seen as one of the antecedent variables. There are only two antecedent variables that focus consumers on the benefits of relationship and dependence on the seller. However, the origin of the brand may contribute to these two variables in a specific context. The origin of the brand can be viewed as a relationship benefit as it relates to a well-known brand that will increase the status for consumers who are concerned about the origin of the brand, and therefore can be viewed as a benefit of the relationship. Similarly, when the seller is the only marketing channel available from the origin of a particular brand, it can be translated as consumer dependence on the seller.

Correspondingly, no research has used the origin of the brand within the framework of relationship marketing. The related construct, the brand image, is used in the study of Schlesinger et al (2016) and is known to be significantly related to consumer satisfaction and trust, which in turn both affect consumer loyalty. Brand image variables can be specified to be the image of the origin of the brand and these variables are known to be influenced by shared values. The image of the origin of the brand can be the starting point in the relationship marketing framework to drive consumer satisfaction and consumer confidence in the brand, which in turn increases the effectiveness of relationship marketing, such as consumer loyalty.

The relationship marketing theory framework also confirms the importance of communication and expertise as the antecedents of the seller's side. In line with previous studies (Morgan and Hunt, 1994), we suspect a positive relationship between communication and sales expertise to trust.

In line with the above considerations, the researchers built a number of hypotheses as follows:

Hypothesis 1: The image of the origin of the brand has a positive effect on trust.

Hypothesis 2: The Selling skill positively affects trust.

Hypothesis 3: Communication has a positive effect on trust.

Hypothesis 4: The image of the origin of the brand positively affects the marketing effectiveness of the relationship.

Hypothesis 5: The selling skill positively affects the effectiveness of the relationship marketing

Hypothesis 6: Communication has a positive effect on the effectiveness of relationship marketing.

Hypothesis 7: Trust positively affects the effectiveness of relationship marketing.

The relationship between variables in this study is shown in Figure 1 below:

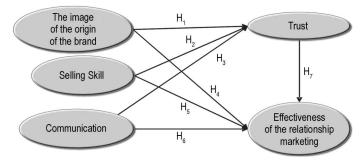


Figure 1. Model of Research Hypothesis

3. Research methodology

The target population in this study is a student from a state university in Indonesia. Students are selected for their high homogeneity in demographic, educational, and socioeconomic variables (Peterson, 2001). The product category of research has its own problem because the study of brand origins generally use different product categories with relationship marketing studies. In the context of students, the study of the origin of the brand generally uses medicinal products (Jun and Choi, 2007), luxury goods (Aiello et al, 2010), and clothing (Rahman, 2011). While relationship marketing research usually uses the university itself (Seeman and O'Hara, 2006), sports teams (Witkemper et al, 2012), and social networking sites (Valkenburg et al, 2006). The lack of product similarity between these two fields encourages researchers to use new product categories. The selected product is a smartphone product. Smartphones are selected because these products are used by almost all students and have a large variety of brand origins ranging from domestic product smartphones, Chinese products, Korean products, to European and American products. This ensures no bias results of research on the origin of a particular brand. Despite the minimal marketing relationships in the mobile phone industry (Persaud and Azhar, 2012), it can be represented with social media and specialized applications of the mobile phone manufacturer.

The sample was chosen randomly simple with a margin of error of 5% and a 95% confidence level. The final sample consists of 200 students. Data collection is done by distributing questionnaires to students who are outside the classroom and can be believed, through direct observation, to have a smartphone.

All the operationalized constructs can be seen in Table 1. Each indicator is measured by a five-point Likert type scale (0 = strongly disagree to 5 = strongly agree). To test the hypothesis, a two-step confirmatory modeling strategy is used using the SEM method.

Construct's	Definition	Code	Indicator	Reference	
Brand Origin Image	Brand Origin Image	lmg1	I always have a good impression on the origin country of my mobile brand	Schlesinger et al. (2016)	
		lmg2	In my opinion, the origin country of my mobile brand has a good image in the minds of consumers.		
		lmg3	Overall, I have a positive image on the origin country of my mobile brand.		
Seller Expertise	The seller's competence in creating the product or repairing the product damage	Exp1	The manufacturer of this phone has a high competence in creating mobile phones.		
		Exp2	This official mobile phone service has a high level of competence in repairing phone damage.	Palmatier et al. (2006)	
		Exp3	This phone manufacturer has a long experience in making mobile phones.		
		Exp4	The official service of this phone has a long experience in fixing the phone.		
		Exp5	This mobile phone manufacturer as a whole has a high competence in making mobile phones.		
		Exp6	The official service of this phone as a whole has a high competence in fixing the phone.		
Communication	The number, frequency, and quality of information shared between exchange partners	Com1	I often interact with this brand mobile phone manufacturer in social media	Palmatier <i>et al.</i> (2006)	
		Com2	I often use special applications from this brand manufacturer.		
		Com3	Manufacturers of this brand of mobile phones often update content on applications they design.		
Trust	Confidence in the reliability and integrity of exchange partners	Tr1	I feel the manufacturer of this mobile brand is good and honest.	Morgan dan Hunt, 1994	
		Tr2	Manufacturers of this brand have high integrity.		
		Tr3	We can fully rely on the manufacturer of this brand.		
		Tr4	We can hope that the manufacturer of this brand will try to provide the best service.		
The effectiveness of relationship marketing	Customer focused outcomes from relationship marketing activities	Ef1	I will continue to purchase products from this brand if my phone is now unusable.	— Palmatier <i>et</i> — <i>al.</i> (2006)	
		Ef2	I told my friends about the advantages of this phone brand.		
		Ef3	If the manufacturer of this brand sells a product other than a mobile phone, I would still choose it over other brands.		

Table 1. Operationalization of Research Constructs

4. Results and Analysis

4.1. Descriptive statistics

Students generally look good at the image of the origin of their country of origin mobile brands (M = 4.03, SD = 0.60). They also assess the competence of their mobile phone manufacturers high. The average communication that occurs between them and their mobile phone provider manufacturers is 3.47 (SD = 0.69), with a range from low to very high. Their level of trust in brand mobile phone manufacturers is relatively lower than other variables except communication (M = 4.01, SD = 0.45). The marketing effectiveness of smartphone provider relationships is quite high (M = 4.20, SD = 0.39).

4.2. Zero Order Correlation

Before testing the hypothetical model, we present the Pearson product moment correlation matrix between variables in this model (Table 2).

Variable		1	2	3
1	Brand Origin Image			
2	Selling Expertise	.316**		
3	Communication	.239**	.256**	
4	Trust	.153*	.307**	.241**
5	Effectiveness of Relationship Marketing	.297**	.471**	.366**

^{*}p < 0.05

Table 2. Correlation of Pearson Product Moments

4.3. Hypothesis Model Test

The variables in our study are modeled as latent constructs. These constructs reflect the marketing of smartphone relationships among students measured by three items for the image of the origin of the brand, communication, and marketing effectiveness of relationships, six items for seller skills, and four items for trust. For the sake of clarity, we do not present a factor analysis model (i.e. a measurement model) in graph presentation. However, factor analysis models show good data descriptions because all factors are loading above 0.46.

We proceed in two steps to investigate our hypothesis. First, we test the model according to Figure 1. Next we will test whether the model fit can be improved by adding or subtracting the theoretically meaningful path from the hypothetical model. We used three indices to check for model matches of the ratio χ^2 / df, Comparative Fit Index (CFI), and Root Mean Square Error of Approximation (RMSEA). Models considered to be very good have a ratio of χ^2 / df < 3.0; CFI value > 0.95; and RMSEA value < 0.06 (Kline, 1998).

Our hypothetical model has a less ideal fit value but can still be considered good: the ratio χ^2 / df 3.82; CFI value 0.85; and the value of RMSEA 0.12. Three of the seven hypothesized

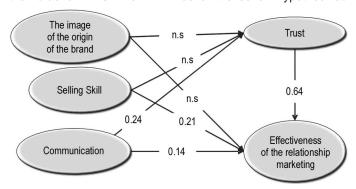


Figure 2. Model of structural equations. The ellipse shows a latent construct estimated using at least two observation variables, the coefficient denotes a significant standard beta

^{*}p < 0.01

pathways are insignificant, ie, the H1 path from the brand's origin image to trust, the H2 pathway from the seller's expertise to trust, and the H4 path from the image of the brand's origin to the marketing effectiveness of the relationship.

After removing the three insignificant hammers, the model is again tested. Match modified model did not show any significant change, ratio χ^2 / df 4.43; CFI value 0.85; and the value of RMSEA 0.13. We decided to accept the results provided by this model. The final model showing all the research hypotheses visualized by paths H1 to H7 is shown in Figure 2. The reported coefficients are standard beta.

4.4. Models with Age Control and Gender

To test whether the model persists when factors of age and gender are controlled, we test models that allow paths drawn from age and gender to trust variables and marketing relationship effectiveness variables. This model produces $\chi 2$ / df 3.72; CFI value 0.85; and the value of RMSEA 0.12 and the age and gender factors did not have a significant effect.

5. Discussion and Implications

Our study is the first to examine the relationship between the origin of the brand towards the effectiveness of relationship marketing. This relationship proved to be insignificant, justifying the status quo view in relationship marketing theory. This finding raises the question of whether the image of the origin of the brand is an element of transactional marketing or vice versa, is a new kind of marketing element better than relationship marketing?

The review of the smartphone product category shows that in addition to the brand's origins, needs and reliability are seen as key factors driving the intention of buying (Mramba, 2015). Since the ultimate goal is the buying intention that is expected to lead to actual purchases, one can surmise that the problem of brand origins is a matter of transactional marketing, rather than a relational matter. In relation to consumer loyalty, smartphone users are generally not loyal to one particular brand (Mramba, 2015). This can be due to relational marketing instead of marketing appropriate for smartphone products, or vice versa, smartphone marketers have not realized the benefits of relational marketing.

Relationship marketing theory criticizes that transactional marketing is no longer appropriate to the conditions of contemporary competition. However, this study proves that transactional marketing still has great ability in business. The main purpose of transactional marketing is the buying intention which is a short-term construct, compared to the marketing of relationships that use the consumer loyalty output variable. It appears that both can be paired in sequence. In new consumers, marketers use brand-based transactional marketing theory while for the old consumer, marketers use relationship marketing theory.

This may explain the results of the present study which do not indicate a significant influence of the origin of the brand on consumer loyalty. Other studies, for example by Kim and Ko (2012) also found similar results. They seek to integrate relationship marketing theory and brand equity theory into a single model. The final variable sought is purchasing intention with the luxury goods category. Because transactional marketing theories become the main focus, the model shows that the variables of relationship marketing theory, ie equity relations, have no significant effect on buying intentions. Meanwhile, transactional variables such as value equity and brand equity have a significant effect on buying intentions.

Current research and Kim and Ko (2012) studies are complementary. Kim and Ko's (2012) study shows the marketing of insignificant relationships in the context of transactional marketing, while our research shows that transactional marketing is not significant in the context of relationship marketing. This

confirms that both types of marketing are not two things that must fight each other to show superiority, but that both are true in their respective contexts. That is, in the contemporary world with full competition today, transactional marketing and relationship marketing are equally important. Transactional marketing helps in consumer acquisition while relationship marketing helps in consumer retention.

One might argue that relationship marketing is the most important in today's modern era in order to retain the consumers it has. But simply using existing customer base can actually hamper growth. Companies not only need to increase sales from old customers, but also increase sales from new customers. For certain product categories, relationship marketing can even be detrimental because old consumers buy at members' special rates while new customers buy at a greater price.

Moreover, without transactional marketing, there will be parts of society that do not have a seller base. Some companies will work with bad relationship marketing so that their customers end up loose and disloyal to their brand. But since other companies are only focused on maintaining their existing consumer base, these free consumers do not get the space and the business inefficient.

Bridges and Freytag (2009) have observed that in the real world, marketers use transactional marketing, relationship marketing, and a mixture of both depending on the market environment and the market environment can not be uniform across product categories. The two main factors that determine the degree of competition and the intensity of technology. Companies will tend to be oriented towards transactional marketing in high tech situations and moderate to high competition intensity and low technological situations but high competition. Companies will adopt relationship marketing if high tech trends in competition intensity situations are low or high but not moderate. It is clear that companies are intensive in transactional marketing as well as relationships in situations of high competition intensity and high tech trends. They will be transactional to grab customers and become relational to sus-tain consumers. The trend of rapid technological change makes consumer risk move to competitors with more advanced technology while stiff competition makes when consumers have moved, it becomes difficult to get new customers. Due to the high difficulty of acquiring new consumers, the intensity of transactional marketing is also spurred along with relationship marketing. Again, both are not opposite but complementary. In today's competitive modern era, we can not only rely on relationship marketing but also transactional marketing.

6. Conclusion

This study does not show the relationship between the origin of the brand and the marketing effectiveness of the relationship. Despite this seemingly insignificant relationship, the implications of this study are broad. Backed by previous research, we show that the general assumption of relationship marketing as marketing this century has no solid foundation. In fact, both transactional marketing and relationship marketing are equally complementary and increasingly important in the era of global competition. Relationship marketing can not stand on its own, as previous research shows. Transactional marketing also can not stand alone, as shown in our study. Marketers must balance between the two types of marketing efforts: transactional and relational, in order to achieve maximum profit from marketing efforts.

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