

# Towards a Model of Relationship Development for Hospitality Practice

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## **Abstract:-**

An emphasis on customer loyalty within the service sector has led to the development of the relationship marketing paradigm. Whilst relationships between buyers and sellers are complex, there are multiple models proffered by academics that contribute to an understanding of the determinants of relationship development. This article reviews previous studies explaining how developing customer loyalty was initially linked to customer satisfaction, but is now firmly focussed on developing relationships with customers. Through an examination of a series of relationship development models, the article identifies the antecedents of relationship development and discusses each in terms of its suitability for hospitality provision. It has been found that the Key Mediating Variable (KMV) model is the most appropriate model for a hospitality context, subject to the addition of a minor modification to reflect the importance of advocacy or positive word of mouth communication. The authors present a modified model of relationship development that is appropriate for the development of customer loyalty within the hospitality sector. This will assist academics and hospitality operators to understand the manner in which relationships are developed and how best to treat guests in order to achieve repeat business and to facilitate positive word of mouth communication.

**Keyword(s):** Customer satisfaction; customer loyalty; relationship development; hospitality provision; positive word of mouth communication; shared values; Key Mediating Variable model.

## **INTRODUCTION**

Creating customer loyalty, which is manifested by the act of repurchase, is a major goal of service sector businesses because retaining existing customers generates more profit than attracting new ones (Bove and Johnson, 2000; Reichheld and

Schefter, 2000; Reichheld and Detrick, 2003). This is particularly important in the hospitality industry which is a major growth industry representing 8% of total employment worldwide (Heath 2003). Globalisation has meant that the sector has experienced intense competition prompting Fyall and Spyriadis (2003) to call on the industry to adopt a more sophisticated approach to marketing. O'Mahony (2006) asserts that the industry needs to move away from a tendency to lower prices to create a relationship with customers that leads to repeat visitation. However, not every customer who repurchases a service is genuinely loyal to the service provider (Dick and Basu, 1994; Jones and Sasser, 1995), and in this regard Jones and Sasser (1995) assert that customers can be categorised as loyalists, defectors, mercenaries and hostages. Only two of these categories or groups of customers (loyalists and hostages) tend to repurchase. Furthermore, whilst loyalists are those customers who value and seek to continue in a relationship with a seller or service provider, a hostage is a customer who has little option but to remain in a relationship because there are barriers to exiting. Consequently, loyalists see the relationship as valuable and wish to maintain a relationship, while hostages are trapped in the relationship and in many cases are motivated to end the relationship at the first opportunity.

Early work on customer loyalty has focused on developing loyalists through the delivery of high levels of service quality (Parasuraman, et al., 1985: 1988). Berry (1983) was among the first to present relationship development as a determinant of customer loyalty defining relationship marketing as '... attracting, maintaining and – in multi-service organizations – enhancing customer relationships' (p.25), maintaining that relationship marketing is advisable for firms that expect to have more than one business transaction with their customers but essential where there are alternatives available in the market.

The hospitality industry is entering an era of intense competition. This environment heightens

the need for hospitality providers to develop true customer loyalty, where customers repurchase whilst having a positive attitude towards the firm (Dick and Basu, 1994; Jones and Sasser, 1995). According to Bowen and Chen (2001), who investigated the relationship between customer satisfaction and customer loyalty in a business hotel context, true loyalty consists of two simultaneous dimensions: repurchase intention and positive word-of-mouth communication. Through an examination of a series of relationship development models, this article seeks to present a model of relationship development that is suitable for the hospitality industry by identifying the antecedents of relationship development. The authors then discuss the dimensions of the Key Mediating Variable (KMV) model and recommend its use, with some minor modifications, as the most appropriate model for a hospitality context.

### Literature review

The concepts of service quality, customer satisfaction and customer loyalty have permeated the marketing literature for some time. Much of this work has been concerned with the improvement of service quality in order to ensure a high level of customer satisfaction, ostensibly because customer satisfaction was proposed to be a major determinant of customer loyalty (Cardozo, 1965; Parasuraman et al., 1985).

In his early work, Cardozo (1965), who was among the first to propose that customer satisfaction leads to customer loyalty, advised marketers to pay more attention to uncovering the determinants of customer satisfaction. Further work confirmed this view and a services marketing orientation focussed primarily on providing high levels of service quality in order to gain the highest level of customer satisfaction developed (Parasuraman et al., 1985; Reichheld and Sasser 1990; Zeithaml et al., 1990). Anderson (1973) was among the first to propose a systematic way of measuring customer satisfaction arguing that dissatisfaction occurs when there is a disparity between expectations and actual performance. Parasuraman et al. (1985) gained worldwide recognition by extending this notion of disparity to include five gaps or areas where disparity can occur which led to the development of the SERVQUAL instrument. For some considerable time SERVQUAL and its subsequent iterations (for example, DINESERV) were embraced to assist in delivering high levels of service quality.

However, customer satisfaction was soon found to be a complex phenomenon that can vary from industry to industry and Fornell (1992) pointed out, for example, that different industries experience different market conditions and that these conditions can have a moderating impact on the link between customer satisfaction and customer

loyalty. Jones and Sasser (1995) extend this concept advising that the effect of customer satisfaction on customer loyalty where substitutes are available in the market and the costs of switching to those substitutes are low (switching costs), is weaker than in industry sectors where the competition is low and switching costs are high. Moreover, the link between customer satisfaction and customer loyalty can be moderated by positive emotions that customers hold in high-involvement service settings, such as the hospitality industry, where 'the service delivery takes place over an extended period of time and active customer participation occurs' (Bloemer and Ruyter, 1999, p.315). There is now general agreement that customer satisfaction is not an end goal in itself as it does not always lead to customer loyalty (Fornell, 1992; Jones and Sasser, 1995; Bloemer and Ruyter, 1999; Lee et al., 2001; Reichheld, 1993; Reichheld and Teal, 1996; Yi and La, 2004), and this has prompted a reinvestigation of the development of relationships between buyers and sellers or, in a hospitality context, between hosts and guests. Whilst there is some evidence to show that the practice of relationship marketing has been used by middle-eastern businessmen for some time (Gronroos, 1994), the amount of published research on relationship marketing began to increase after Berry formally introduced the concept in 1983. In addition to achieving high levels of customer satisfaction, Berry (1983) proposed that relationship development is founded on creating and offering high quality services that customers are prepared to pay for (core service strategy) and recording the history of the specific needs of each customer in order to customise the service to meet those specific needs (relationship customisation). In the latter period of the 1980s, however, relationship marketing entered a new phase where researchers examined how relationships between buyers and sellers are developed. Using early social relationship theory to ground their work, Dwyer et al., (1987) were among the first to affirm that business relationships involved five phases of relationship development, which are awareness, exploration, expansion, commitment and dissolution. Whilst their theory of relationship development is broad, it has provided the foundation for the majority of relationship marketing publications that have emerged since that time.

More recently, researchers have turned their attention to identifying those determinants of relationship development that provide promising results in improving customer loyalty (Morgan and Hunt, 1994; Oliver and Rust, 1997; Patterson 1997; Bowen and Shoemaker, 2003; Berman, 2005; MacMillan et al., 2005; Chu and Fang, 2006). Analysis of these approaches indicates that there are two schools of thought that have emerged. The

first hold that simply satisfying customers is not enough to retain them, and, consequently, service providers need to ensure that a customer is delighted (which is a feeling of positive surprise) if they are to become a loyal customer (Oliver and Rust, 1997; Patterson 1997; Berman, 2005). The second is that simply providing a higher level of satisfaction, or customer delight, cannot in itself ensure a high level of customer loyalty. Proponents of this view argue that continually delighting repeat customers is impossible to sustain and that customers may choose another service provider for a variety of exogenous reasons, asserting that it is the quality of the relationship being created between the service provider and the customer that leads to true loyalty (Morgan and Hunt, 1994; Kotler, 1999; Bowen and Shoemaker, 2003; MacMillan et al., 2005; Chu and Fang, 2006). Morgan and Hunt (1994) further claim that relationship quality is characterised by high levels of trust and commitment and that it is these variables that are the key ingredients of customer loyalty.

Since the publication of the Dwyer et al. (1987) relationship development framework in 1987, several models of relationship development have been proposed to assist those wishing to develop business relationships (Anderson and Weitz, 1989; Crosby et al., 1990; Anderson and Narus, 1990; Moorman et al., 1992; Morgan and Hunt, 1994; Wetzels et al., 1998; Garbarino and Johnson, 1999; Bove and Johnson, 2000). The next section of this article provides a chronologically ordered review of a number of these models discussing the dimensions and appropriateness of each model for

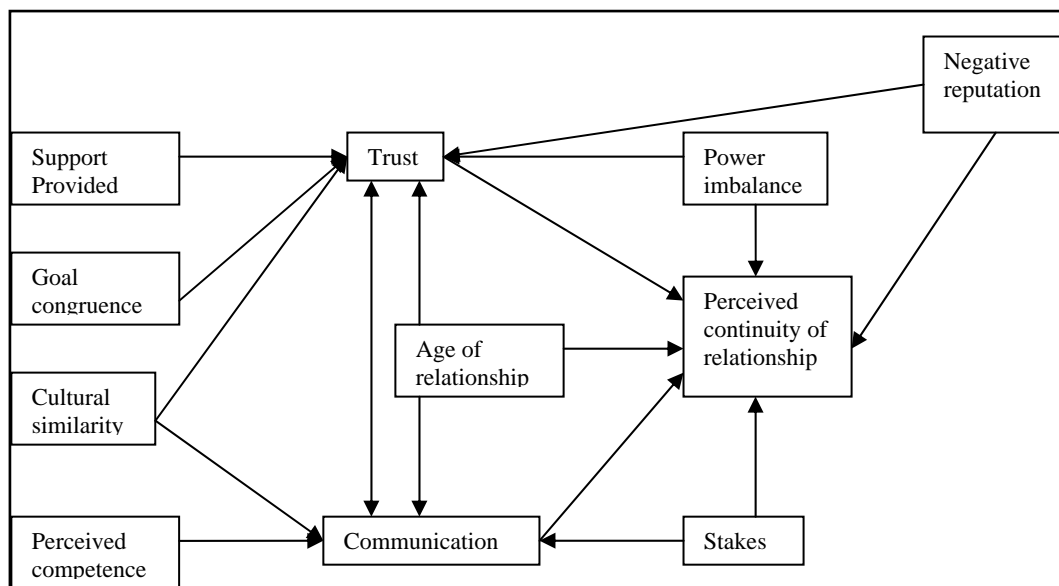
relationship development between host and guests in a hospitality context.

**Modelling successful relationships**

In the analysis below, the evolution of various relationship development models is profiled across a variety of industry sectors, showing that business relationship development is context dependent thereby supporting the need to customise a model specifically for the hospitality industry. Models were selected for review on the basis of their empirical support. That is, models that were developed as part of a research process and empirically tested for validity. Using these criteria, the following models were examined to determine their potential for application to the hospitality industry.

***Relationship development between manufacturers and members of conventional purchase channels***

Whilst Anderson and Weitz’ (1989) model of relationship development between manufacturers and members of conventional purchase channels is comprehensive, the relationships it represents are different from many buyer-seller relationships. This is because the sellers in this case are manufacturers who are perceived to be more powerful than the buyers. Nevertheless, the main purpose of Anderson and Weitz’ (1989) study was to examine the factors that can ensure a harmonious continuous relationship, which can be juxtaposed as customer loyalty.



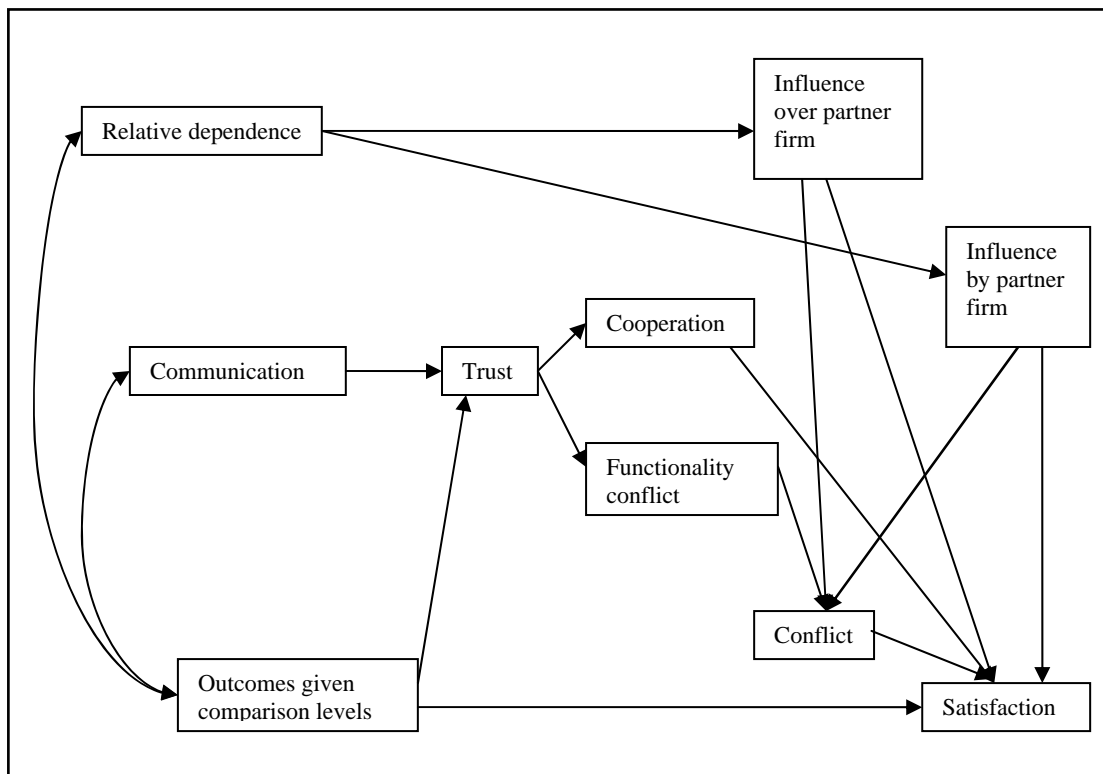
**Figure 1:** Determinants of continuity in conventional industry channel dyads  
**Source:** Anderson and Weitz (1989, p.311)

As figure 1 shows, trust and communication are presented as the major elements of the model, being central to the continuity of the relationship between exchange partners. The proposed determinants of trust and communication are the level of *support provided*, since high levels of support provided to channel members can lead to an increase in trust; *goal congruence*, as exchange partners that commit to agreed organizational goals are likely to show more trust in their exchange partner; *cultural similarity*, because exchange partners who come from a similar cultural background are likely to have higher levels of trust in and communication with their partners; *perceived competence*, based on the notion that exchange partners performance can increase communication; *age of the relationship*, since the longevity of the relationship is thought to increase the level of trust, communication and continuity; *negative reputation*, because the level of trust and continuity decreases when manufacturers have a reputation for being unfair; *power imbalance*, where trust and continuity decrease when manufacturers exercise their power to control a channel member; and *personal stakes*, since communication and continuity increase when channel members perceive themselves to be an important member or stakeholder in the relationship.

Although the aim of Anderson and Weitz' (1989) model was to represent those factors important to the continuity of a relationship which could be related to the concept of customer loyalty in a service context, many of the factors proposed in their model (including support provided, goal congruence, power imbalance and stakes) are too specific to an industrial context to be generalised. As a result, it is considered that this model would not provide a useful basis to encapsulate the development of host-guest relationships in a service context.

**Relationship marketing between manufacturers and distributors**

Although customer loyalty is not a feature of this model, Anderson and Narus (1990) continued Anderson and Weitz' (1989) approach by examining the working partnership between a manufacturer and distributor in an attempt to explain the development of a buyer-seller relationship in an industrial context. The perceived connection between satisfaction and customer loyalty noted in the review of literature is implied. The major outcome sought in Anderson and Narus' (1990) model is sustainable satisfaction between exchange partners, which is thought to lead to a long-term continuation of the relationship between the manufacturer and distributor.



**Figure 2: Model of manufacturer and distributor working partnerships**  
**Source: Anderson and Narus (1990, p.44)**

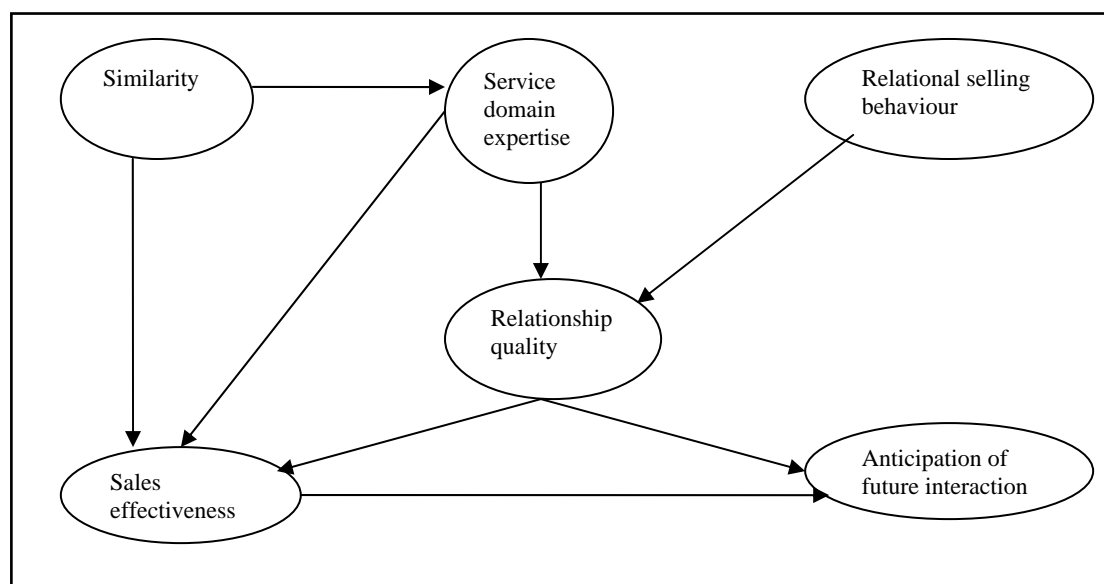
As indicated in Figure 2, Anderson and Narus (1990) suggest that the level of satisfaction in a working partnership can be directly influenced by four factors. These factors are *influence over partner firm*, *influence by partner firm*, *cooperation*, *conflict* and *outcomes given comparison levels*. In common with other models, Anderson and Narus (1990) note that while communication increases trust, trust and communication do not have a direct impact on satisfaction. It appears that trust only influences satisfaction indirectly through cooperation and functionality conflict.

Whilst useful in mapping business relationships, Anderson and Narus' (1990) model is unwieldy and contains constructs that are exclusive to an industrial context. Moreover, satisfaction, which is the outcome of this model, is thought to be a less desirable for relationship development in a service

context, because the link between satisfaction and customer loyalty is thought to be weak in a hospitality context (Shoemaker and Lewis, 1999; Bowen and Shoemaker, 2003). Consequently, the Anderson and Narus' (1990) model is not considered to be applicable in a hospitality context.

#### ***Relationship development between life insurance customers and personal sellers***

Crosby et al. (1990) present one of the first published models that deal with service sector relationships. They investigated the antecedents and consequences of relationship quality between life insurance customers and personal sellers. The buyer-seller relationship in this context is also significantly different from the relationship presented by Anderson and Weitz (1989) because the more powerful member in this model is the buyer.



**Figure 3:** Relationship quality model

**Source:** Crosby et al. (1990, p.69)

In this instance, however, an insurance agent who sells life insurance to a customer commonly becomes the customer's only contact through the life of the insurance policy. Therefore, the development of a relationship between a life insurance agent and a customer is far more likely than the development of a relationship between an insurance company and a customer. In this model, relationship quality is a two-dimensional construct comprising trust and satisfaction, which are proposed to be mediating constructs between three antecedents and two consequences of relationship quality. This implies that relationship quality between personal sellers and life insurance customers helps increase sales effectiveness and the anticipation of future interactions. In order to

increase the level of relationship quality, however, personal sellers should have a high degree of similarity with customers (*similarity*), a high degree of expertise in what they are selling (*service domain expertise*) and should also behave in a manner that enhances and maintains their interpersonal relationship with their customers (*relational selling behaviours*).

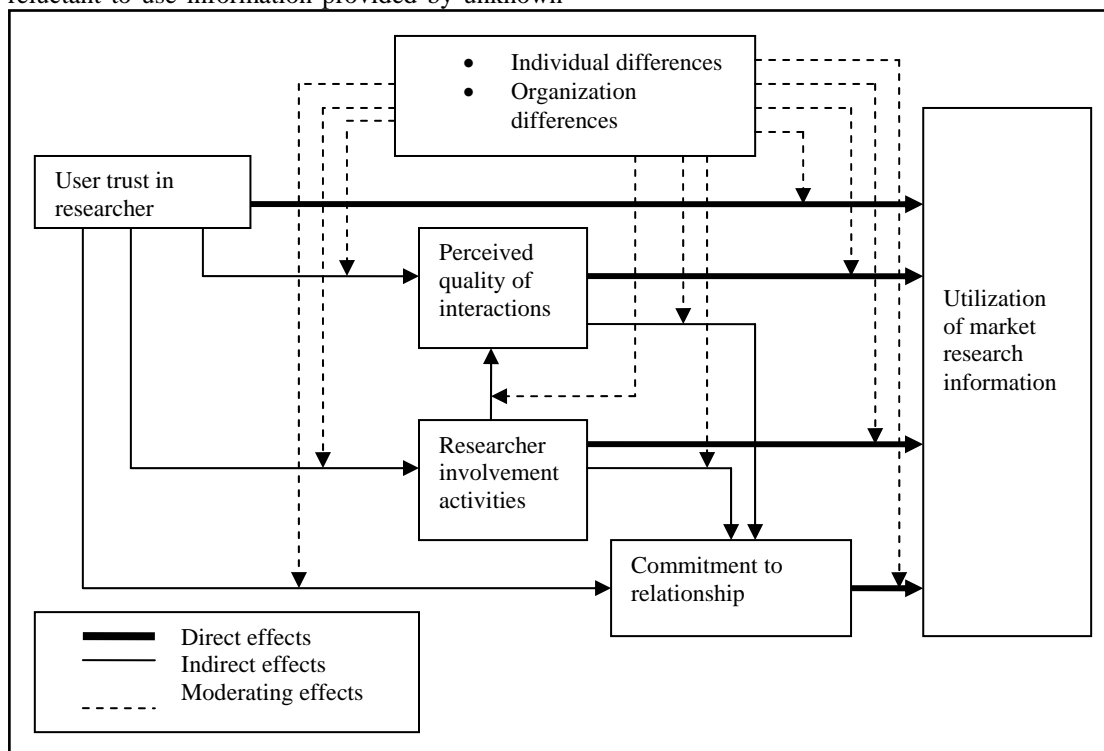
This model is clearly less complex than previous suggestions, but is limited in terms of its viability for hospitality provision. The first of these limitations is that it involves the development of a one-on-one relationship between a salesperson and customer which is not a critical concern in the hospitality industry where multiple service interactions occur. In addition, the antecedents of

relationship quality proposed by these authors are not as comprehensive or straightforward as more recent relationship development models (Morgan and Hunt, 1994; Garbarino and Johnson, 1999; Bove and Johnson, 2000).

**Relationship development between researchers and the users of research**

Moorman et al. (1992) provide an alternative service sector model that explores long-term relationships between providers and users of market research. This investigation was highly pragmatic, in that the inability to retain quality employees for a significant period means that tacit knowledge of the firm is lost, which leads to service inconsistency when new staff are appointed. Moreover, users commonly feel reluctant to use information provided by unknown

researchers, and consequently the development of a long-term relationship between researchers and users is thought to be an important factor in ensuring the effective utilisation of research information. As figure 4 shows, Moorman et al. (1992) propose four determinants of the utilisation of market research information. These determinants are *user trust in researcher*, *perceived quality of interactions*, *researcher involvement activities* and *commitment to relationship*. Trust is proposed to be the most influential construct in this model because it provides a positive influence on the utilization of market research information both directly and indirectly. It also indicates that every link proposed in this model is moderated by individual and organisational differences.



**Figure 4:** Model of relationship between providers and users of market research  
**Source:** Moorman et al. (1992, p.316)

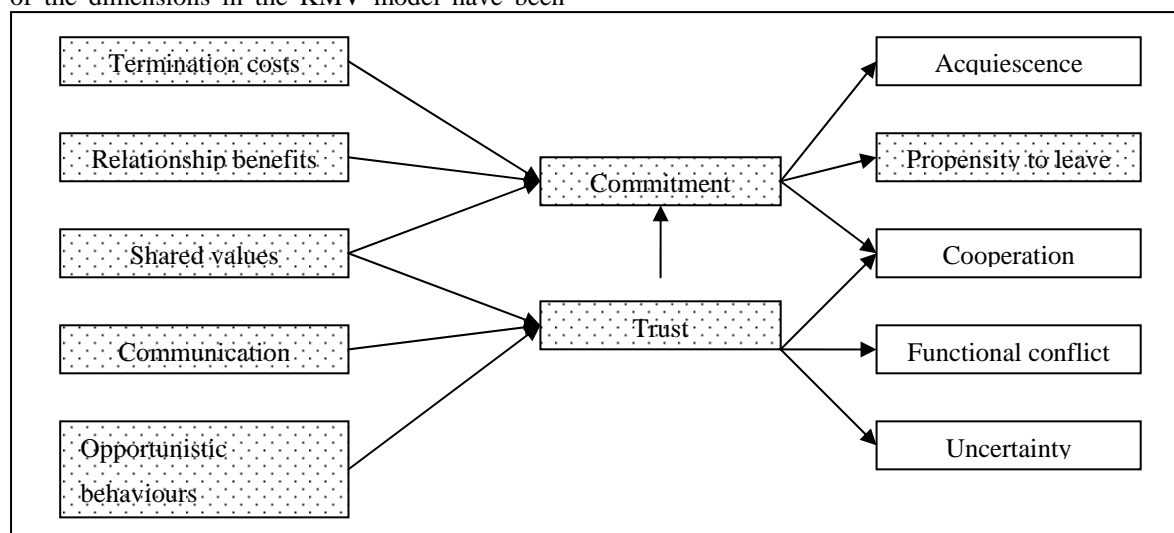
Although the recruitment of employees on short-term contracts is a feature of the hospitality industry, particularly in seasonal operations such as resort hotels, the model proposed by Moorman et al. (1992) is not as comprehensive as some of the models presented in this section. Moreover, the utilisation of market research information, which is the focal outcome of this model, is not applicable to a hospitality context where ongoing relationships are required to lead to repurchase intentions. Consequently, this model is not considered appropriate for application in a hospitality context.

**Relationship development between automobile suppliers and dealers**

The key mediating variables (KMV) model was developed by Morgan and Hunt (1994) in order to explain the development of relationships between tyre manufacturers and dealers. The key mediating variables in the model are trust and commitment, which are predicted to determine relationship development and quality. Morgan and Hunt (1994) propose that the quality of a relationship between exchange partners can only be perceived as high when an individual trusts in, and is committed to, a relationship with their partners. Consequently, it is important for a supplier who seeks to develop quality relationships with dealers, to concentrate on ensuring a high level of trust and commitment. As figure 5 shows, five constructs are presented as the major antecedents of relationship quality (trust and

commitment). These are termination costs, relationship benefits, shared values, communication and opportunistic behaviour. Morgan and Hunt (1994) also indicate that relationship quality between suppliers and their dealers will lead to five outcomes which are high *acquiescence*, low *propensity to leave*, high *cooperation*, high *functional conflict* and low *uncertainty*. A number of the dimensions in the KMV model have been

adopted from relationship development models advanced by previous researchers, including the link between trust and commitment (Moorman et al., 1992), the link between shared values and trust (Anderson and Weitz, 1989) and the link between communication and trust (Anderson and Narus, 1990).



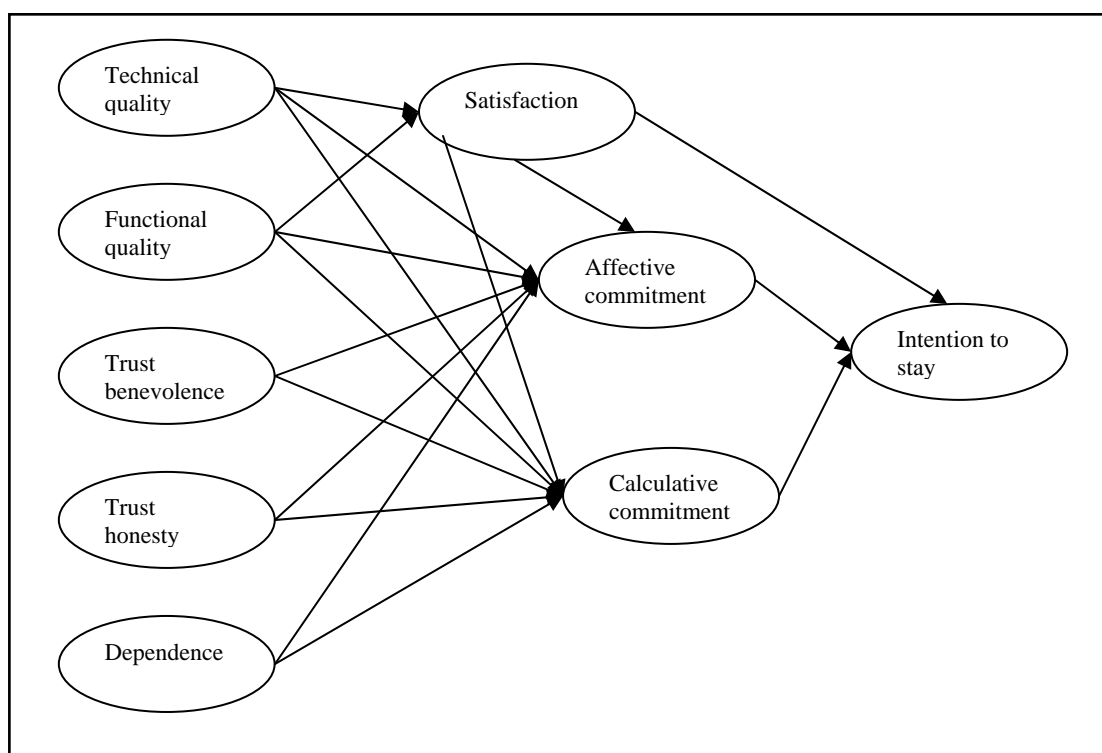
**Figure 5:** The KMV model of relationship marketing

**Source:** Morgan and Hunt (1994, p.22)

Although the KMV model was developed in an industrial context, it contains broad constructs that allow easy adaptation to other contexts. Moreover, the KMV model has a high degree of validity because it builds on the work of previous scholars and has been used as a framework in several other studies including Zineldin and Jonsson (2000), Friman et al., (2002), Cote and Latham (2003), Bowen and Shoemaker (2003), MacMillan et al. (2005) and Li et al., (2006). The model consequently holds promise as a potential model for relationship development in the hospitality industry, but given that it was proposed in 1994 a number of other relationship development models that have subsequently emerged are presented and discussed below.

#### ***Relationship development between a manufacturer and an industrial customer***

Wetzels et al. (1998) modeled the relationship between a manufacturer and an industrial customer in the Dutch office equipment industry. They present three mediating variables between the antecedents and *intention to stay* including *satisfaction*, *affective commitment* and *calculative commitment*. The antecedents are *technical quality*, *functional quality*, *trust benevolence*, *trust honesty* and *dependence*. Although there are five exogenous constructs included in the model, they only cover service quality (technical quality and functional quality), trust toward an exchange partner (trust benevolence and trust honesty) and dependence.



**Figure 6:** Model of relationship development between an office equipment manufacturer and industrial customers

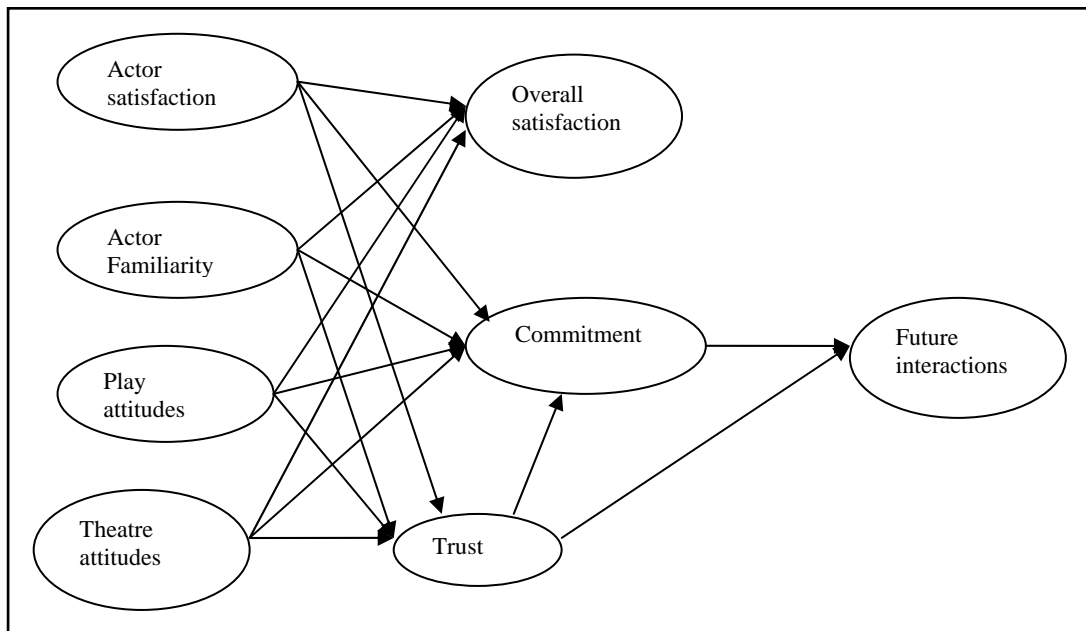
**Source:** Wetzels et al. (1998, p.413)

Independently it was found that within the hospitality industry that the link between satisfaction and intention to stay is relatively weak (Shoemaker and Lewis, 1999; Bowen and Shoemaker, 2003), and therefore, it appears inappropriate to adopt a model that relies on satisfaction as a determinant of intention to stay as a means to develop customer loyalty within the hospitality sector.

***Relationship development between a theatre company and a customer***

Garbarino and Johnson (1999) examined relationship development between a theatre

company and customers. In this context, the relationship is quite different from those discussed previously as there is no direct interaction between service provider (actor) and customer. Unlike the hospitality industry, where service staff communicate personally with guests during a service encounter, actors provide the service to customers at a distance. This lack of interpersonal interaction between service provider and customers explains why the antecedents of relationship quality are different to those that have been proposed by the previous studies presented in this article.



**Figure 7:** Model of relationship development between a theatre company and customer

**Source:** Garbarino and Johnson (1999, p.74)

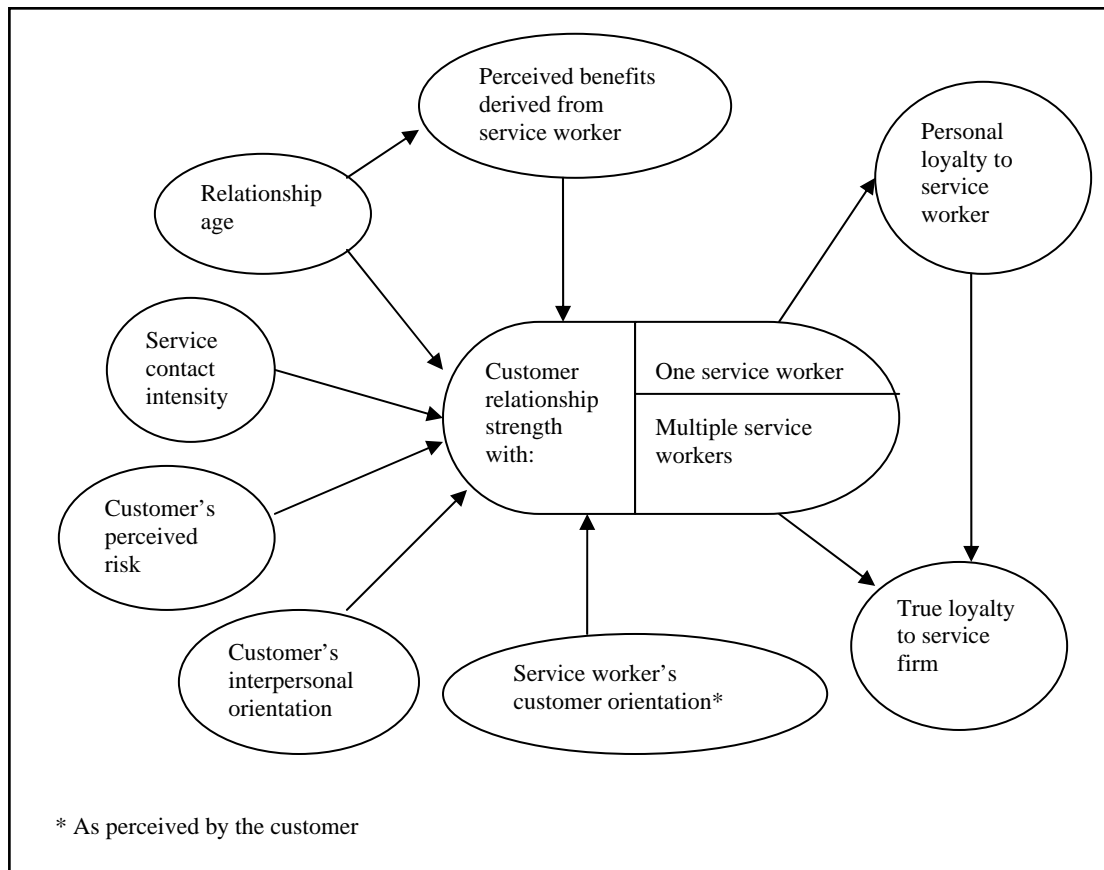
Similar to many relationship marketing researchers, Garbarino and Johnson (1999) agree with Morgan and Hunt (1994) that trust and commitment are the mediating variables in their relationship development model. Their determinants of trust and commitment are significantly different from those previously proposed by Morgan and Hunt (1994) being: *actor satisfaction, actor familiarity, play attitudes* and *theatre attitudes*. In addition, while every determinant is proposed to have a positive influence on trust, commitment and satisfaction, of these only trust and commitment lead to future interaction. This confirms the view in the literature that satisfaction does not necessarily lead to customer loyalty.

Despite the fact that the outcome proposed in Garbarino and Johnson's (1999) model is a desirable outcome for hospitality providers, the determinants included in their model, although relevant, are not as comprehensive as those proposed by Morgan and Hunt (1994). Moreover, the independent constructs included in the Garbarino and Johnson (1999) model are too specific to a theatre context to be suited to hospitality provision. Consequently, the Garbarino and Johnson (1999) model is not proposed as a

model for the development of relationships within the hospitality industry.

***Relationship development between a customer and a service worker in professional and personal service context (Bove and Johnson, 2000)***

Bove and Johnson (2000) investigated the relationship between a customer and service worker in hairdressing and law, which are personal and professional service contexts. In these contexts, customers generally have one-on-one contact with one or two service workers and, in most cases, prefer to be served by the same person. Bove and Johnson's model consists of five antecedents that lead to customer relationship strength with service workers in various situations. The antecedents are: *perceived benefits derived from the service worker, relationship age, service contact intensity, customer's perceived risk, customer's interpersonal orientation* and *service worker's customer orientation* as perceived by the customer. However, it should be noted that only relationship strength with multiple service workers has a direct impact on true loyalty to the firm, whilst relationship strength with one service worker can lead to true loyalty through personal loyalty to that service worker. This is an important issue for hospitality providers.



**Figure 8:** The customer-service worker relationship model

**Source:** Bove and Johnson (2000, p. 493)

Bove and Johnson (2000) advise that the customer-service worker relationship model is more suited to professional and personal service businesses, where customers frequently interact with the same service worker every time they contact the service firm. The Bove and Johnson (2000) model is comprehensive, particularly in the manner in which it explains relationship development between service workers and customers. While features of the model are certainly suited to the provision of hospitality services, the model has never been tested and does not have any research base or empirical data to support it.

#### **Summary**

Of the models presented, the KMV model provides the most systematic and rational approach to relationship development research. The KMV model is the most comprehensive formulation when compared with the other models presented in this article and incorporates improvements to many of these models. In addition, the KMV model has been widely used in many analytical studies (Bowen and Shoemaker, 2003; Cote and Latham, 2003; Friman et al., 2002; MacMillan et al., 2005; Morgan and Hunt, 1994) and has been shown to be valid within a business hotel context (Bowen and Shoemaker, 2003). In order to align it more fully

with the needs of the hospitality industry, however, a further modification is proposed. The next section of this article examines each of the dimensions of the KMV model concluding with a revised model for hospitality provision.

#### **The dimensions of the KMV model and implications for hospitality provision**

In the KMV model, Morgan and Hunt (1994) propose that there are five antecedents that influence trust and commitment. These are termination costs, relationship benefits, shared values, communication and opportunistic behaviour. Each of these antecedents will now be explained.

##### **Termination costs**

Klemperer (1987 p.138) defines termination costs as the '... substantial changeover costs of switching from a product to one of its substitutes'. Although researchers suggest that there are several types of termination cost (Jackson, 1985; Jones, et al., 2000), Ping (1993) distils these into two types; economic costs that include penalty fees for breaking an agreement within a contract and psychological costs that include social loss such as losing one's friendship with staff. Whilst termination costs are recognised as an important

tool to counter a price war in highly competitive industries, many economic costs are associated with what is termed captive or false loyalty (Patterson and Smith, 2003; Yang and Peterson, 2004). This type of loyalty is seen as unsustainable in the long run and does not lead to positive word of mouth communication for the service provider.

### ***Relationship benefits***

Gwinner et al., (1998, p.102), define relationship benefits as 'those benefits customers receive from long-term relationships above and beyond the core service performance (e.g. reduced anxiety as opposed to on-time package delivery)'. Gwinner et al. (1998) recommend that service providers build loyalty strategies around relationship benefits because there is a strong link between relationship benefits and commitment which in turn leads to loyalty. Types of relationship benefits include confidence benefits, social benefits and special treatment benefits (Yen and Gwinner, 2003). Confidence benefits are 'the reduction of uncertainty in transactions and the increase in realistic expectations for the service encounter' (Yen and Gwinner, 2003, p.485). These benefits are especially important for service businesses, where a product cannot be seen, touched, or tasted prior to consumption.

Social benefits are '... the emotional aspects of relationships and focus on personal recognition of customers by employees and the development of friendships between customers and employees' (Yen and Gwinner, 2003, p.485). Special treatment benefits involve both economic and other customisation advantages including privileges received by loyal customers when contracting with a service provider. Special treatment makes customers feel more important than other guests, and encourages them to become committed to a service provider. In a hospitality context, a loyalty program is one of the most common special treatment benefit used to reward loyal customers. Frequent customers are often offered reduced prices or upgrades as well as express check in services and complimentary items.

### ***Shared values***

Morgan and Hunt (1994, p.25) define shared values as '... the extent to which partners have beliefs in common about what behaviours, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong'. They emphasise the importance of shared ethical values as an antecedent of trust and commitment noting that buyers who perceive that their suppliers share the same ethical values are likely to have higher trust as well as higher commitment toward suppliers.

The concept of shared values is the only construct in the KMV model that is proposed to be an antecedent of both trust and commitment. This

view is supported by Conway and Swift (2000), who note that 'the higher the level of psychic distance, the greater the time and effort required to develop successful relationships' (p.1391). Differences in values and norms between customers and service providers have also been found to lead to frustration during service encounters mainly due to miscommunication (Cushner and Brislin, 1996). This has important implications for the international hospitality industry.

### ***Communication***

Described as "the essential glue" for social relationships, communication is also perceived to be one of the most important ingredients for the development of business relationships (Mohr and Nevin, 1990; Morgan and Hunt, 1994; Dwyer et al., 1987). Anderson and Narus advise that (1990, p.44) communication refers to '... the formal as well as informal sharing of meaningful and timely information between [partners]' and plays a very important role in helping both parties to decide whether or not they want to continue to the next stage of the relationship. This is consistent with Dwyer et al.'s (1987) contention that communication is essential when a relationship is in an exploratory stage because in these early stages '... the relationship is very fragile in the sense that minimal investment and interdependence make for simple termination' (Dwyer et al., 1987, p.16). There are strong links between communication and relationship commitment (Sharma and Patterson, 1999; Zineldin and Jonsson, 2000). However, from a service provision perspective faulty communication such as overpromising in selling, advertising and other company's communication is equally important because this leads to higher levels of customer dissatisfaction. Consequently, it is important for service providers to ensure that they communicate accurately with customers and to understand that communication can also be used to help customers to overcome feelings of uncertainty and risk during the consumption of a service (Sharma and Patterson, 1999).

### ***Opportunistic behaviour***

Opportunistic behaviour or '... self-interest seeking with guile' (Williamson, 1975, p.6) is proposed to have a negative impact on trust. In essence, opportunistic behaviour involves '... lying, stealing, cheating and calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse' (Williamson, 1985, p.47). Hardy and Magrath (1989) explain, however, that in most cases opportunistic behaviour is not an unlawful act, with the result that those that engage in such behaviour do not directly break the law or the conditions of a legal contract. Instead they take advantage of or

exploit the other party, often using loopholes in a contract or by behaving in an unethical but nonetheless legal manner.

Opportunistic behaviour such as distortion of information and violation of rules and regulations has been found to have a significant negative impact on trust (Dwyer et al., 1987; Hardy and Magrath, 1989; Morgan and Hunt, 1994; Mukherjee and Nath, 2003). Whist Mukherjee and Nath's (2003) study was conducted in a service context (online banking), it would be expected that opportunistic behaviour would have a similar impact on the development of trust within a hospitality context. In other words, hospitality guests are likely to feel less trusting of hospitality providers if they perceive that those providers engage in, or are likely to engage in, opportunistic behaviour. Opportunistic behaviour has also been found to have a negative impact on commitment (Gutiérrez et al., 2004) and loyalty intention (Chiou and Shen, 2006).

### **Trust**

In addition to the emphasis on trust within previously presented models, Morgan and Hunt (1994) propose trust as one of two key mediating variables in the KMV model. Trust occurs when a trusting party perceives that another party is trustworthy in terms of their integrity (Coulter and Coulter, 2002; Larzeiere and Huston, 1980), reliability (Schurr and Ozanne, 1985), credibility (Doney and Cannon, 1997), benevolence (Anderson and Narus, 1990; Doney and Cannon, 1997), honesty (Coulter and Coulter, 2002), confidentiality (Coulter and Coulter, 2002) and the capability to fulfil promises (Singh and Sirdeshmukh, 2000).

Morgan and Hunt (1994), whose definition is one of the most widely quoted by relationship marketing researchers, argue that willingness to trust should be conceptualised as an outcome of trust rather than included as a component of the definition of trust. The common consequences of trust are: anticipation of future intentions (Caceres and Paparoidamis, 2007; Garbarino and Johnson, 1999; Johnson and Grayson, 2005; Sanzo et al., 2003), commitment (Moorman et al., 1992; Morgan and Hunt, 1994) and relationship enhancement (Selnes, 1998). From a hospitality perspective, service providers are perceived to be trustworthy when they keep the promises that they have made, including those presented in brochures and other promotional materials that influence the purchase decision, or promises made in person during a service encounter.

### **Commitment**

Commitment is the second key mediating variable in the Morgan and Hunt (1994) model. Achrol and

Mentzer (1995, p.78) describe commitment as '... an essential ingredient for successful long-term relationships'. Commitment has been conceptualised in a number of different ways including; unwillingness to consider an alternative (Leik and Leik, 1977), an action that is undertaken in order to maintain a relationship (Dwyer et al., 1987), and a desire to maintain a relationship (Moorman et al., 1992; Morgan and Hunt, 1994; Bowen and Shoemaker, 2003).

Commitment is the positive feeling that customers have toward their relationship with a service provider, which in turn encourages them to maintain the relationship indefinitely. The key to ensuring a high level of commitment is to assist customers to realise the importance of their relationship with a service provider. (Bowen and Shoemaker, 2003; Garbarino and Johnson, 1999; Morgan and Hunt, 1994). The importance of commitment is reinforced by recent studies that have found that commitment leads to repurchase intentions, as well as positive word-of-mouth communication (Fullerton, 2005; Garbarino and Johnson, 1999; Sanzo et al., 2003; Wetzels et al., 1998).

Although a large body of research refers to commitment as a unitary concept (Bowen and Shoemaker, 2003; Moorman et al., 1992; Morgan and Hunt, 1994), some researchers also see commitment as a binary concept consisting of two dimensions. These are affective commitment and continuance commitment, also called calculative commitment (Fullerton, 2005; Gounaris, 2005; Wetzels et al., 1998). Affective commitment can be referred to as '... an affective state of mind an individual or partner has toward a relationship with another individual or partner' (Wetzels et al., 1998, p.409). Continuance commitment can be referred to as '... the perceived structural constraints that bind the firm to its partner and not a cognitive consideration of possible future opportunities' (Gounaris, 2005, p.128).

Affective commitment and continuance commitment have different effects on relationship development. It is argued that affective commitment provides a positive impact on relationship development, whilst continuance commitment provides a negative impact on a relationship (Fullerton, 2005; Gounaris, 2005; Wetzels et al., 1998). Fullerton (2005), for example, notes that affective commitment has a strong positive impact on both repurchase intention in banking, telecommunications and grocery retail services, whilst continuance commitment was found to have a weak positive impact on repurchase intentions in banking, telecommunications services and a negative impact on repurchase intentions in grocery retail service settings. Continuance commitment has also been found to have a negative impact on advocacy (another term for positive

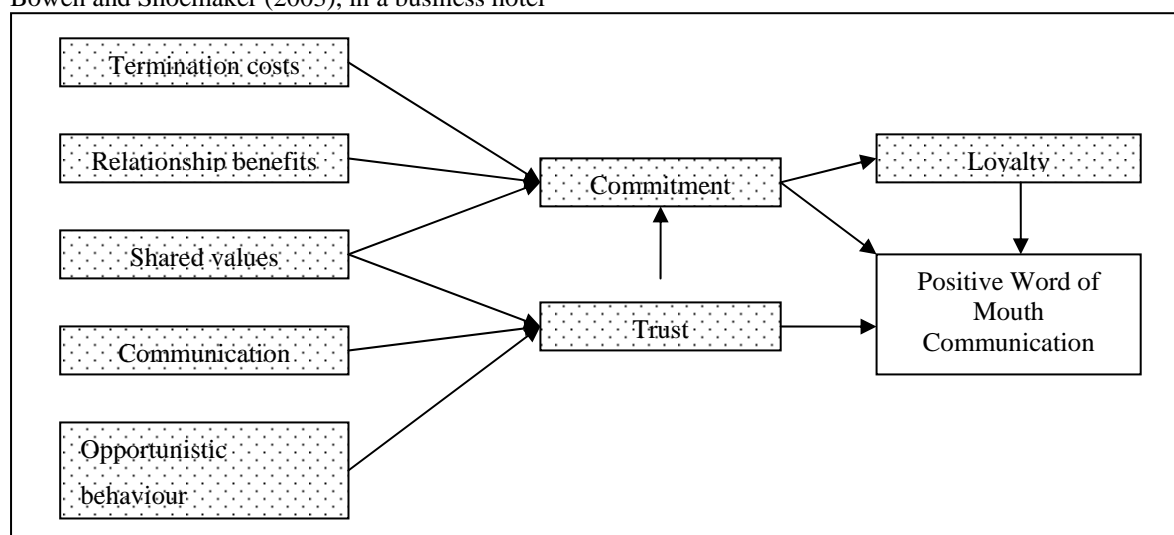
word-of-mouth communication) across all service settings. Moreover, Gounaris' (2005) study of business-to-business services found that only affective commitment can lead to a higher intention to stay in a relationship with a service provider.

### Conclusion and implications

The KMV model, proposed by Morgan and Hunt (1994), is the most comprehensive model for relationship development because it simultaneously employs three of the most common antecedents of trust (namely shared values, communication and opportunistic behaviours). Since its introduction in 1994, the KMV model has been widely used in many studies such as those by Friman et al. (2002), Zineldin and Jonsson (2000), Bowen and Shoemaker (2003), Cote and Latham (2003), MacMillan et al. (2005) and Li et al. (2006). The model has already shown promise when used by Bowen and Shoemaker (2003), in a business hotel

setting, although it is accepted that in many cases the relationship between business guests and business hotels is a corporate relationship. Unlike Bove and Johnson's model, it allows for the development of relationships in services where multiple service workers are involved and in the global hospitality industry where guests may be concerned about opportunistic behaviour when dealing with an international service provider from a different cultural background.

One specific modification is suggested, however, in order to fully reflect the hospitality environment. This is important because, according to Bowen and Chen (2001), true loyalty consists of two simultaneous dimensions: repurchase intention and positive word-of-mouth communication. As a result the following amended model is presented to incorporate this additional element.



**Figure 5:** The modified KMV relationship development model proposed for hospitality providers  
**Initial source:** Morgan and Hunt (1994).

The model therefore has theoretical and practical implications. Theoretically, for example, the model can be used to conduct research into the impact of the five antecedents of relationship development and to determine the impact of these antecedents on hospitality guests' commitment to an ongoing relationship with a hospitality provider. In a practical sense the model can be used to establish whether there are differences in the importance that guests place on each of the dimensions of the model particularly in a cross-cultural context. This would allow hospitality operators to customise their style of service to suit guests from different cultural backgrounds. With this in mind, implications for further research include using the model to assess differences in guests service preferences based on cultural background. To this end it is suggested that a study conducted within hotels that draw their

clientele from a variety of cultural backgrounds would be valuable. Tourist resort hotels would provide an excellent environment to conduct such a study.

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