RELATIONAL BENEFITS IN A HIGHER EDUCATION SERVICE CONTEXT: A STUDENTS' PERSPECTIVE

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Abstract

Relationship marketing (RM) represents a possible marketing strategy for regional, new universities in Australia. Universities have been interested in student retention for many reasons other than marketing. However, now faced with increased domestic competition and the adoption of a student customer focus, the need to stem student attrition has become more pronounced. RM represents a possible strategy for regional, new universities, as the key outcome of RM is the retention of current customers. An important aspect of RM is that relationships are mutually beneficial to both the customer and the organisation. There exists little literature on the benefits of RM to the customer, however, in order for RM strategies to be effective, customers must also perceive there to be a benefit from participating in a relationship.

This paper is concerned with the relational benefits perceived by first year students participating in relationships with their lecturers/tutors at regional, new universities in Australia. The findings of an exploratory study and subsequent questionnaire survey identified three categories of relational benefits. This study found that learning environment benefits were the most important category of relational benefits perceived by first year student at regional, new universities, followed by motivation benefits and then assessment confidence benefits.

Introduction

Relationship marketing (RM) is an attractive marketing strategy for regional, new universities in Australia. Wide sweeping government reform to the Australian higher education sector has increased domestic competition with universities evolving toward customer driven enterprises. In this newly 'marketised' sector, the focus upon first year student retention has become more pronounced. As such, RM may provide a competitive advantage for regional, new institutions and potentially may stem first year student attrition. This paper presents the findings of a study that examined the research question: 'What are the relational benefits perceived by first year students engaging in relationships with their lecturers/tutors at regional, new universities in Australia'.

Background

Relationship marketing (RM) represents a possible marketing strategy for Australian universities to embrace. In this newly 'marketised' educational service setting (Marginson 1997a), Australian universities must now consider marketing strategies that not only attract

new undergraduate students, but also retain their first year students for the duration of their degree.

The Australian higher education literature chronicles a number of critical turning points in the industry that have changed the character of institutions (Watts 1986; Dawkins 1988; Karmel 1989; Aitkin 1997; Marginson 1997a, 1998; Sharpham 1997; Nelson 2002). The partial commercialisation and corporatisation of higher eduction institutions has meant that the academic enterprise today is an established concept (Symes 1996; Marginson 1998). Australian public universities can be grouped into five distinct categories, namely Sandstone, Redbrick, Gumtrees, Unitechs and New Universities (Marginson & Considine 2000). These categories were the result of the 1987 Dawkins reforms and the 1996 Vanstone reforms (Marginson 1997a). This paper is concerned with New Universities.

New Universities are institutions that were granted university status post-1986 and which emphasise access, customer friendliness, regional factors and teaching quality (Marginson 1997a; Marginson & Considine 2000). Mostly found in regional areas, New Universities maintain a junior standing and market themselves harder in order to enhance their status (Marginson 1997b) and to secure and retain student numbers (Sharpham 1997). While the retention of first year students has long been a concern for universities worldwide, regional, new universities tend to be more vulnerable to first year student attrition. With comparatively lower university participation than in metropolitan areas (Stevenson, Machlachlan & Karmel 1999), regional, new universities attract a large number of mature-age students, fewer school leavers and more first generation higher education families (Marginson & Considine 2000). Regional, new universities now use marketing strategies to create a competitive advantage and improve their status (Marginson 1997b), with the protection of the undergraduate student 'customer' base a key priority. RM is focused on customer retention and, accordingly, would suit the needs of regional, new universities.

RM is concerned with attracting, building and maintaining long-term collaborative and cooperative relationships with existing and potential customers (Jackson 1985; Gummesson 1987; Grönroos 1990; Evans & Laskin 1994; Jüttner & Wehrli 1994; Berry 2002; Roberts, Varki & Brodie 2003). As such, attracting new customers becomes an intermediate objective with customer retention the primary concern of the organisation (Jackson 1985; Grönroos 1994; Jüttner & Wehrli 1994; Berry 2002; Sheth & Parvatiyar 2002). RM is not universally applicable to all service contexts (Greenberg & Li 1998; Egan 2001; Rao & Perry 2002) and it remains a somewhat ambiguous, non-specific and ill-defined phenomenon that is difficult to operationalise (Bagozzi 1995; Fournier, Dobsha & Mick 1998; Healy, Hastings, Brown & Gardiner 2001). However, it is evident that the customers' perspective of the relationship is paramount (Barnes 2001) and that relationships are complex, multi-faceted and context dependent (Holmlund & Törnroos 1997).

This paper focuses upon relational benefits. Relational benefits are defined as the customer's perceived benefit that results from engaging in a relationship with an organisation above and beyond the core service performance (adapted from Gwinner, Gremler & Bitner 1998). Customers may have relationships with an organisation itself and/or the contact persons representing the organisation (Crosby & Stephens 1987). Relationships must be mutually beneficial, providing benefits to both the organisation and the customer (Czepiel 1990; Kim, Han & Lee 2001; Priluck 2003). The organisation benefits from relationships primarily through retention economics, which asserts that the cost of replacing customers is

comparatively more expensive than retaining customers (Grönroos 1990; Holmlund & Kock 1996; Sheth & Parvatiyar 2000; Barnes 2001; Hennig-Thurau, Gwinner & Gremler 2002).

In contrast, the relational benefits to the customer have received little attention in the literature (Barnes 1995; Reynolds & Beatty 1999). The decision to engage in relational behaviour is thought to reflect a choice reduction strategy by the customer (Sheth & Parvatiyar 2000). Although yet to be empirically proven, such relational behaviour may benefit the customer in a number of ways including: customisation, reduced costs through dealing with known suppliers, risk reduction, psychological comfort, task simplification and lower search costs (Sheth & Parvatiyar 1995; Priluck 2003). It is hypothesised that such relational benefits are more pronounced in services settings where the service product is personal, customised, variable in quality, high-contact, complex, and high involvement (Berry 1995; Gwinner, Gremler & Bitner 1998; Patterson & Smith 2001), such as higher education services.

Within the literature there are few empirical studies of relational benefits. Gwinner, Gremler & Bitner (1998) identified three categories of customer benefits with confidence benefits the most important followed by social benefits and special treatments benefits. As customer relational benefits are context specific (Reynolds & Beatty 1999; Patterson & Smith 2001), the use of a higher education service environment in this study may augment the benefits presented by Gwinner, Gremler & Bitner (1998). Overall, the relational benefits literature is incomplete. Consequently, this study addresses this gap in the RM literature by examining the customer relational benefits prevalent in an Australian higher education service context.

Methodology

This study used exploratory and descriptive research design elements in a cross-sectional setting. A two-stage methodology was applied, with the Stage 1 exploratory study employing interview and focus group methods. Stage 1 generated insight into relational benefits perceived by first year Business students enrolled in a regional, new university. Interviews were used in a preliminary capacity with six interviews conducted by the researcher. To complement the interviews, three focus groups comprising of 20 participants were undertaken. Having completed the Stage 1 exploratory study, the Stage 2 main study was undertaken.

Stage 2 was the administration of a quantitative questionnaire. A self-administered questionnaire was drafted and piloted with 65 actual respondents, surrogate respondents and colleagues. Using a two-stage sampling process, the questionnaire was administered at three regional, new universities. Due to privacy concerns of the participating universities, the questionnaire was administered in a lecturer or tutorial component of a first year course. Screening questions at the beginning of the questionnaire ensured that only those students in the required sample frame completed the questionnaire. The Business students sampled were Australian, full-time, undergraduate, first year students. Furthermore, only internally enrolled students, that is students who are on-campus and participate in face-to-face teaching, were sampled. Thus, excluding distance education and on-line students. From the eligible sample frame of 416 students, a useable sample of 334 responses was collected, representing a response rate of 80.3%. For Stage 2, an exploratory factor analysis, first-order confirmatory factor analysis and second-order confirmatory factor analysis were conducted.

Findings

Stage 1: Exploratory study findings. Respondents were probed as to what benefits they received from relationships with lecturers/tutors. All the benefits identified were social or personal non-economic benefits. Analysis and interpretation of the exploratory study identified 15 relational benefits – provision of accurate information (B1); assessment confidence (B2); clear exam expectations (B3); recognised by the lecturer/tutor (B4); enjoyed class (B5); one-to-one rapport (B6); grade satisfaction (B7); real world applications (B8); improved content understanding (B9); increased course interest (B10); motivated to do well (B11); up-to-date with the course work (B12); positive learning environment (B13); felt it was okay to make mistakes (B14); and felt a part of the class (B15).

Stage 2: Main study findings. Firstly, an exploratory factor analysis was conducted on the 15 relational benefit indicator variables. The factor solution generated by SPSS reported that there were three factors, which explained 64% of the variance. The pattern matrix that emerged for the variables showed a significant Bartlett's test (p = 0.000) and Kaiser-Meyer-Olkin measure of sampling adequacy of 0.92, which indicated that the factor solution was acceptable. Upon examination of the findings, the three relational benefit first-order factors were labelled *Learning Environment, Motivation* and *Assessment Confidence.* Scale reliability was then determined for *Learning Environment* (Cronbach's alpha = 0.90), *Motivation* (Cronbach's alpha = 0.85) and *Assessment Confidence* (Cronbach's alpha = 0.71). None of the three scales could be improved through the removal of variables, as reported by SPSS. Additionally, the Cronbach's alpha values were above the preferred 0.7 threshold (Hair, Anderson, Tatham & Black 1995). Multicollinearity was then assessed using SPSS. With no evidence of multicollinearity found among the 15 indicator variables, further analysis was conducted.

Next, a confirmatory factor analysis (CFA) was undertaken for each factor using AMOS 4.0. Critical ratios greater than +1.96 and standardized regression weights greater than 0.7 were required for the CFA (Hair et al. 1995). As a result, six variables were removed during the CFA, being accurate information (B1); grade satisfaction (B7); real world applications (B8); improved content understanding (B9); up-to-date with the course work (B12); and felt it was okay to make mistakes (B14).

The remaining nine relational benefit indicator variables met the required criteria and loaded upon the three factors. Firstly, for the *Learning Environment* factor, it was found that five variables were reliable indicators of the factor, being felt a part of the class (B15); one-to-one rapport (B6); recognised by the lecturer/tutor (B4); enjoyed class (B5); and positive learning environment (B13). Secondly, following the CFA, *Motivation* was reduced to a two-item factor comprising of motivated to do well (B11) and increased course interest (B10). Consequently, the revised *Motivation* factor was not suitable for CFA re-calculation as AMOS 4.0 required three indicator variables. Thirdly, the CFA findings identified *Assessment Confidence* as a two-item factor comprising of assessment confidence (B2) and clear exam expectations (B3). Similarly, *Assessment Confidence* was not suitable for CFA re-calculation as it comprised of only two indicator variables. Following the CFA, discriminant validity was assessed using the chi-square difference procedure (Andersen & Gerbing 1988). Discriminant validity was established between the three factors, thus it was concluded that they were different.

The three first-order factors of *Learning Environment, Motivation* and *Assessment Confidence* measured a second-order factor *Relational Benefits*. Therefore, a second-order CFA was conducted, the results of which are presented in Figure 1.

Figure 1:
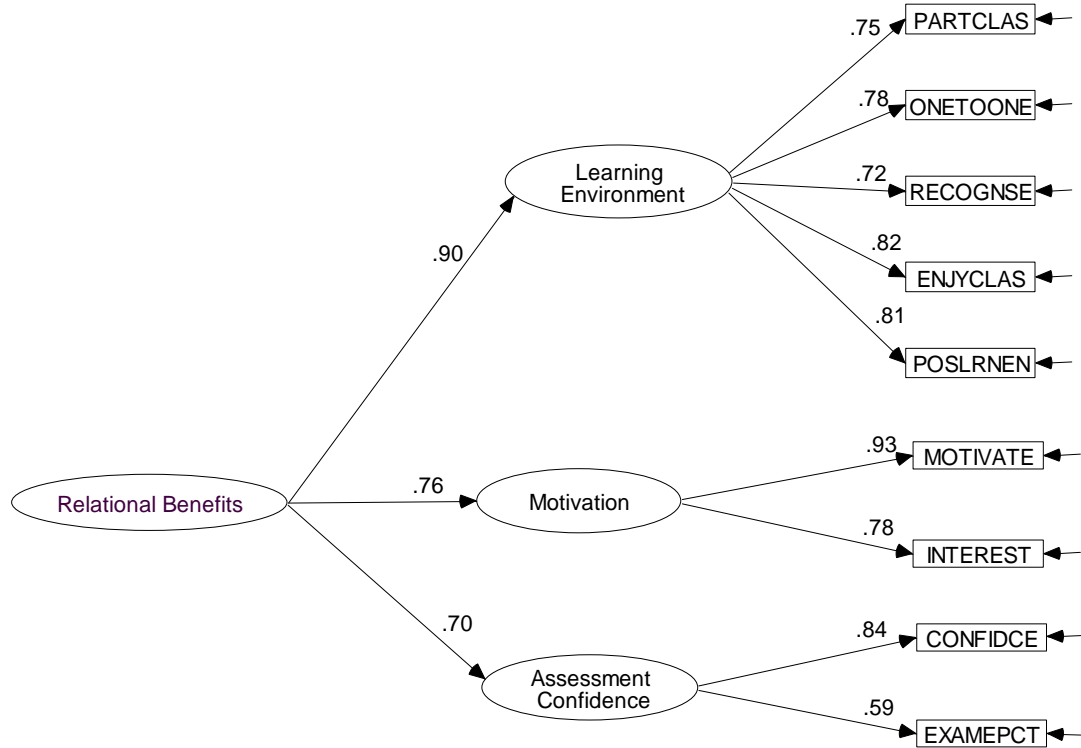
As shown in Figure 1, three categories of relational benefits were identified in this study. *Learning Environment* (0.90) loaded the highest upon the second-order factor, followed by *Motivation* (0.76) and then *Assessment Confidence* (0.70). Examination of the critical ratios found that all paths were significant as each critical ratio exceeded +1.96. With the exception of clear exam expectations (EXAMEPCT), all of the indicator variables reported standardised loadings greater than 0.7. Reliability and validity tests were conducted. It was concluded that the second-order factor demonstrated acceptable predictor reliability and construct reliability. Further, discriminant validity and convergent validity were established.

Conclusions and Implications

In conclusion, little empirical attention has been given to the customers' relational benefits beyond the seminal research by Gwinner, Gremler & Bitner (1998). This study addressed this gap in the literature, finding three categories of relational benefits prevalent in an Australian higher education service context. These categories of relational benefits, in order of importance, are *Learning Environment, Motivation* and *Assessment Confidence. Learning Environment* was found to be the most important of the relational benefits perceived by first year student customers. *Learning Environment* included 1) feeling a part of the class; 2) one-to-one rapport with the lecturer/tutor; 3) being recognised by the lecturer/tutor; 4) enjoyment of the class; and 5) positive learning environment benefits. Next, *Motivation* comprised of two relational benefits being 1) enhanced motivation to do well and 2) increased interest in the course. Finally, first year students' perceived *Assessment Confidence* as a relational benefit of participating in relationships with lecturers/tutors. *Assessment Confidence* comprised of 1) assessment confidence and 2) clear exam expectations relational benefits.

The theoretical implication of the findings of this study is that relational benefits are context specific. That is, customers' benefits are not generic across different service settings and thus, customers may not be seeking the same benefits from different service providers (Reynolds & Beatty 1999; Patterson & Smith 2001). This study also has practical implications for the higher education marketing practices of regional, new universities. The relational benefits identified are advantageous to the understanding of student-lecturer/tutor relationships. Further, the findings may assist both management and lecturers/tutors alike in the implementation of an effective RM program that may stem first year student attrition. Future research opportunities include the examination of relational benefits for on-line and distance education students, advanced level students, international students and postgraduate students.

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