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Moderating effects in relationship marketing: The roles of customer expertise and price orientation

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This study explains a relationship marketing model in which relationship investment (RI) influences the relationship quality (RQ), which generates customer loyalty (CL) in the life insurance industry and explores the model's moderating effects. This study uses structural equation modeling (SEM) to examine the moderating effects and proposes that the customer's price orientation moderates the relationship between RQ and CL. Empirical findings provide further support for the relationship marketing model in that, the more resources, effort, and time the salesperson devotes to the relationship, the greater the RQ the customers perceive. The paper also discusses managerial implications and suggestions for future research.

Key words: Relationship marketing, relationship quality, price orientation, customer loyalty, life insurance.

INTRODUCTION

Marketers use relationship marketing (RM) to establish long-term relationships with their customers and to generate favorable outcomes (Crosby et al., 1990; Morgan and Hunt, 1994). Recent theories and researches on RM have demonstrated the importance of relationship quality (RQ) in accomplishing these objectives and examined enhanced factors and substantial outcomes of seller-buyer RQ in meta-analysis (Palmatier et al., 2006). However, marketers still have much to learn about RQ beyond the primary effects of

RQ, which has constituted the major part of recent research.

The literature offers a wide range of antecedents for RQ, and researcher reports positive and negative results of RM (Colgate and Danaher, 2000; Kalwani and Narayandas, 1995; Hibbard et al., 2001); still, extensive empirical research has largely ignored the moderating effects of customer characteristics. Seider et al. (2005) and Evanschitzky and Wunderlich (2006) summarize and extend the literature by proposing that customer characteristics moderate the relationship between satisfaction and repurchase behavior. The internet's virtual universality has resulted in the quick dispersal of knowledge and has created many expert customers who have comprehensive knowledge of the product category and of alternative choices and who are more aware of and susceptible to competitive offerings than are less experienced customers (Mitchell and Dacin, 1996), who rely more on a limited number of information sources. Therefore, this study views customer expertise as a key moderator affecting the RM model because expert and less experienced customers exist simultaneously in the life insurance industry. In addition, price-oriented customers often compare the competitive insurance market in

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Abbreviations: RI, Relationship investment; RQ, relationship quality; CL, customer loyalty; SEM, structural equation modeling; RM, relationship marketing; CMV, common method variance; MLE, maximum likelihood estimation; CFA, confirmatory factor analyses; RMSEA, root mean square error of approximation; RMR, root mean square residual; NFI, normed fit index; CFI, comparative fit index; AGFI, adjusted goodness-of-fit index; AVE, average variance extracted.

a search for better deals and are more aware of competitive offerings than are less price-oriented customers (Evanschitzky and Wunderlich, 2006), so price orientation can also moderate customers' purchasing behavior. Based on the findings of Evanschitzky and Wunderlich (2006) and Seider et al. (2005), customers have become increasingly more informed in choosing insurance products and customer characteristics as the moderators of RQ in the life insurance industry.

This study explores the concept of RQ to determine empirically whether a salesperson's efforts in the area of RM can generate superior outcomes and whether customer characteristics moderate the relationship between RQ and customer loyalty (CL). This research uses a systematic literature review and tests the theoretical model using statistical data from life insurance customers in pursuit of answers to three main questions. Firstly, which RM actions carried out by salespersons are the most effective for building customer relationships? Secondly, what outcomes does customer RQ affect the most and thirdly, which moderators are the most effective in influencing RQ and outcome linkages? The findings offer implications for both theoretical development and managerial practice.

The next section reviews the existing literature on antecedents, RQ, moderators and outcomes of RM to generate the hypotheses. The following section describes the data used in the statistical analysis and presents the statistical analysis itself. The next section interprets the variable measurement, reliability and validity of the measurement items in the questionnaire. The penultimate section considers statistical evidence in an evaluation of our hypotheses' validity over alternative explanations, and the final section concludes.

THEORETICAL BACKGROUND AND HYPOTHESES

Many scholars and marketers view RM as that which develops and maintains the long-term, confidential, and reciprocal relationships between individuals or organizations based on mutual trust and collaboration (for example, Doney and Cannon, 1997; Morgan and Hunt, 1994; Wilson, 1995). To cover all forms of relational exchange and to focus on the process of RM, Morgan and Hunt (1994) define RM as "all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges." Many contextual factors contribute to the success or failure of specific relationship marketing efforts. For example, Morgan and Hunt (1994) emphasize that the presence of relationship commitment and trust is central to successful relationship marketing, and Mummalaneni and Wilson (1991) find that a satisfying and committed interpersonal relationship helps maintain the exchange relationship. In a RM meta-analysis, Palmatier et al. (2006) explain that the literature has dealt with customer-focused, seller-focused and

dyadic antecedents; customer-focused relational mediators pertaining to RQ; moderators; and customer-focused, seller-focused and dyadic outcomes of RM as relational constructs that mediate the effects of RM efforts on outcomes.

RQ is an assessment of the intensity of the seller-buyer relationship based on prior cooperative experiences (Crosby et al., 1990; Garbarino and Johnson, 1999; Smith, 1998). While opinions differ about what constructs make up RQ (Dwyer et al., 1987; Dorsch et al., 1998; Hennig-Thurau and Klee, 1997; Leuthesser, 1997; Kumar et al., 1995), they generally view trust, commitment, and satisfaction as the indicators of RQ.

De Wulf et al. (2001) view perceived relationship investment (RI) as an antecedent of seller-buyer RQ, a critical factor that encourages customers to stay in the relationship and to set an expectation of reciprocation. In addition to RI, customers often perceive that salesperson expertise reflects relevant competencies associated with goods or service transactions, so such expertise will enhance the RQ (Crosby et al., 1990). In the life insurance industry, the RI and expertise of salespersons are the most important factors influencing the quality that customers perceive in the seller-buyer relationship. Consequently, this study considers RI and salesperson expertise as the antecedent of salesperson-customer RQ.

Some studies operationalize CL as a composite or multidimensional construct that includes word of mouth, repeat purchase, and purchase of other products or services (Reynolds and Beatty, 1999; Sirdeshmukh et al., 2002; Stum and Thiry, 1991). Word of mouth, when customers positively refer the salesperson to another potential customer, indicates a positive impression of salesperson expertise; repeat purchase indicates that the customers intend to maintain the relationship; and purchasing other products or services shows that the customers intend to deepen the relationship.

Contingent factors such as customer expertise and price orientation moderate the association between RQ and CL. Customer expertise, where a customer with more knowledge sources exhibits greater cognitive differentiation than do customers with fewer knowledge sources, suggests that the less experienced customers' evaluation of past experiences has a much stronger effect on affective loyalty than it does for expert customers (Evanschitzky and Wunderlich, 2006). Price orientation drives customers to search for the best deals in terms of better price, quality and function of product or service (Arnold and Reynolds, 2003) and tends to overwhelm considerations of RQ.

Researchers discuss the antecedents and consequences of RM but do not focused on an applicable RM model for the life insurance industry. This study addresses the RI and expertise of front-line salespersons and the characteristics of customers in the life insurance industry and hypothesizes that RI, salesperson expertise,

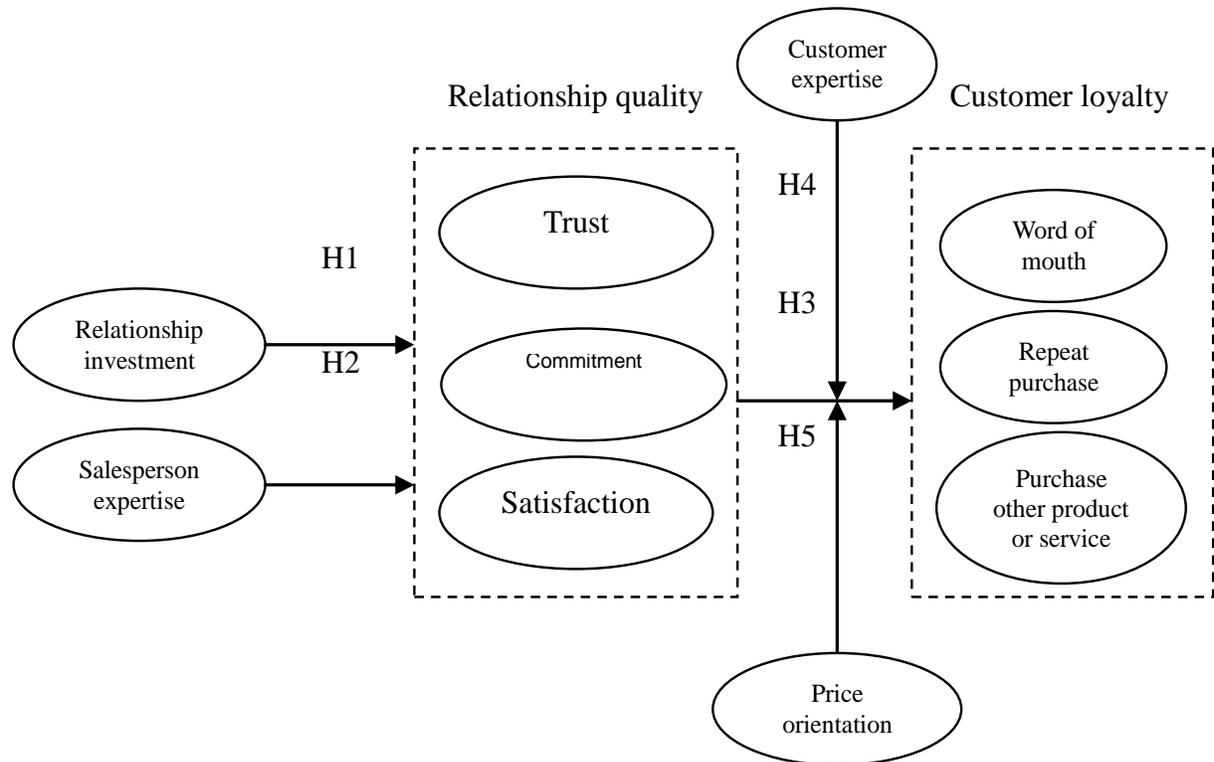


Figure 1. Hypothesized model.

RQ, customer expertise, and price orientation lead to CL. Figure 1 shows a conceptual model.

Antecedents of salesperson-customer RQ

Relationship investment

RI refers to the investment of time, effort, and other irrecoverable resources in a relationship to create psychological bonds that encourage customers to stay in that relationship and to set an expectation of reciprocation (Smith and Barclay, 1997). De Wulf et al. (2001) define perceived RI as “a consumer’s perception of the extent to which a seller devotes resources, efforts, and attention aimed at maintaining or enhancing relationships with regular customers.” These irrecoverable resources create psychological ties in a salesperson-customer relationship that encourage repeated customer exchanges with certain salespersons and demonstrate the customer’s perception of the salesperson-customer relationship.

Therefore, this study defines perceived RI as a customer’s perception of a salesperson’s dedicating his or her resources, effort, and attention to developing and maintaining a specific relationship with that customer (De Wulf et al., 2001; Smith and Barclay, 1997).

Empirical research on the association between RI and

RQ has provided evidence that RI enhances overall customer perceived RQ. Expectation of reciprocation can help strengthen and maintain a relationship, thereby positively influencing trust, commitment, and satisfaction (Anderson and Weitz, 1989; Ganesan, 1994). The salesperson’s efforts in terms of time, exertion, and other non-replaceable resources meet the needs and expectation of customers and generate stronger customer relationships that enhance the seller-buyer RQ (Blau, 1964; De Wulf et al., 2001). The salesperson-customer interaction relationship is based on reciprocity such that, when a salesperson makes a RI in his or her customers, those customers gain a favorable impression of the salesperson (Hart and Johnson, 1999; Smith, 1998).

Whether the impact of RI on RQ can be measured by the combination of the dimensions of trust, commitment, and satisfaction has rarely been investigated empirically, although, a good deal of work has been done on each dimension alone: researchers have found that RI results in increased trust (Ganesan, 1994), commitment (Anderson and Weitz, 1992; Baker et al., 1999; Bennett, 1996; Dwyer et al., 1987; Morgan and Hunt, 1994), and satisfaction (Anderson and Narus, 1990; Ganesan, 1994; Smith and Barclay, 1997). Therefore, this study hypothesizes that: H₁, Customer perception of a higher level of RI generates a higher level of RQ consists of trust, commitment and satisfaction.

Salesperson expertise

Salesperson expertise reflects the customer's perception of relevant capability associated with the goods or services provided by the salesperson (Crosby et al., 1990; Smith and Barclay, 1997). In the service exchange context, consumers face considerable uncertainty because services are intangibles, so they often seek a long-term sales relationship marked by trust. The salesperson's professional ability to reduce the customer's uncertainty determines the quality of such a relationship (Crosby et al., 1990; Mayer et al., 1995).

The salesperson's professional capability or knowledge is important determinants of the customer's perceived trust in the salesperson (Moorman et al., 1992; Swan et al., 1985). Many authors have demonstrated the effects of salesperson expertise on the customer's perception of the buyer-seller RQ. The salesperson with a higher level of perceived expertise generates customer trust (Busch and Wilson, 1976; Doney and Cannon, 1997). Sirdeshmukh et al. (2002) also find that frontline employees' operational capability, operational benevolence, and problem-solving orientation have a significant and direct effect on the customer's trust. In the life insurance industry, Boles et al. (2000) replicate and extend Crosby et al.'s (1990) RQ model and find that salesperson knowledge is more important in evaluating salesperson effectiveness among life insurance customers than for buyers in the business-to-business setting, and that salesperson expertise may be more important to the rating of a salesperson by an individual consumer when the salesperson has only one chance to impress the customer. This emphasis on expertise is particularly important in the life insurance industry, where a salesperson may have only one or two interactions with the customer in which to make the sale (Boles et al., 2000). Therefore, this study hypothesizes that: H₂, Customer perception of a higher level of salesperson expertise generates a higher level of RQ consists of trust, commitment and satisfaction.

Consequences of salesperson-customer RQ

Because the effectiveness of RM tactics is evaluated in terms of the behavioral changes they create, De Wulf et al. (2001) define customer behavioral loyalty as "a composite measure based on a customer's purchasing frequency and amount spent compared with the amount spent at other sellers." In RM meta-analysis, Palmatier et al. (2006) define CL as "a composite or multidimensional construct that combines different groupings of intentions, attitudes, and seller performance indicators." RM studies have contended that RQ outcomes ought to be investigated on a more concrete level, and such RM outcomes as CL and positive customer word of mouth have been key dimensions in the marketing literature

(Hennig-Thurau et al., 2002). This study refers to the findings of Reynolds and Beatty (1999), Sirdeshmukh et al. (2002), and Stum and Thiry (1991) to define CL as positive word of mouth, intent to maintain the relationship (repeat purchase), and development of new relationships (purchase of other products or services). This study, then, defines CL as a commitment to repurchasing a preferred product or service that a certain salesperson provides and recommending the salesperson to others.

One of the most common outcomes expected from RM efforts is CL, defines as repurchase and positive word of mouth (De Wulf et al. 2001; Palmatier et al., 2006; Sirdeshmukh et al., 2002). Firms and salespersons work to affect the customer's behavior and attitude, an internal perception, to create the external effect of CL (Stum and Thiry, 1991). In other words, the salespersons provide professional advice and build customer relationships to enhance customer perceived RQ and promote CL. Because the customer's perception of risk with the specific salesperson is reduced, the customer can make confident predictions about the salesperson's future behavior (Morgan and Hunt, 1994; Sirdeshmukh et al., 2002). RQ (consisting of trust, commitment and satisfaction) can foster a CL to the exchange relationship (Hennig-Thurau et al., 2002; Morgan and Hunt, 1994; Bolton, 1998; Reynolds and Beatty, 1999) such that customers' experience of satisfaction, trust, and commitment increases favorable word of mouth and future purchases (Berry and Parasuraman, 1991). Therefore, this study tests the hypothesis that: H₃, A higher level of perceived RQ generates a higher level of CL consists of word of mouth, repeat purchase and purchase of other products or services.

Moderators of RQ's influence on CL

Expert customers have more comprehensive knowledge about product content, the product category, alternative choices (Evanschitzky and Wunderlich, 2006) and competitive offerings than do less experienced others (Mitchell and Dacin, 1996). Expert customers with more knowledge sources exhibit greater cognitive differentiation, while those with fewer knowledge sources tend to emphasize past experiences, which approach has a much stronger effect on affective loyalty (Evanschitzky and Wunderlich, 2006). Overall, customers with more expert knowledge evaluate RQ in terms of their special judgment, rather than in terms of past exchange experiences. Therefore, this study hypothesizes that: H₄, Customer expertise has a negative moderating effect on the association between RQ and CL.

Some scholars have argued that a price orientation is one of customers' core motivational drives in purchasing behavior (Evanschitzky and Wunderlich, 2006; Kim et al., 1999; Mägi, 2003). Price-oriented customers often search for the best deals in terms of price, quality and function of

product or service, comparing competitive offerings in terms of price orientation more often than do less price-oriented customers. Arnold and Reynolds (2003) reveal that positive experiences with a specific salesperson may not generate loyalty in price-oriented customers because they are always searching for better deals. Less price-oriented customers tend to be less aware of competing offerings and to base their loyalty on their experiences with the specific salesperson. Thus, price orientation can influence the effect of a customer's perception of RQ on loyalty, and this study hypothesizes that: H_5 , Price orientation has a negative moderating effect on the association between RQ and CL.

RESEARCH METHODS

Sample and data collection

In order to avoid ambiguous items on the questionnaire that could puzzle respondents, this study asks five business managers of large and medium-sized life insurance companies in Taiwan to complete a pretest, and make modifications to the applicability, clarity, comprehensibility and logic of the overall design based on the results of the pretest. The study focuses on the Chinalife Company, one of four listed insurance companies in Taiwan and provider to more diversified customers than other companies since it merged with foreign insurance companies, as the research sample. This study gathers data through 500 questionnaires mailed to the managers of Chinalife Company, which managers then delivered to their life insurance customers. The customers completed the questionnaires in August and September 2007 and returned them to us by mail. After some telephone follow-up, of the 500 questionnaires, 351 are returned, a 72% response rate.

Measures

The relevant literatures provide measurement items used for each construct. The items are adjusted for current conditions of the features of Taiwan's life insurance industry, and items adapt from English scales are translated into Chinese. One person back-translate the questionnaire into English to validate the translation equivalence (Douglas and Craig, 1983). Then this study compares the original and back-translated versions for conceptual equivalence and refines them where necessary.

All items, except the demographic ones, are measured on a Likert 5-point scale. First, the RI items measure the customer's perception of a salesperson who dedicates his resources, effort, time, and attention to developing and maintaining a specific relationship with the customer. This study adopts measurement items from De Wulf et al. (2001) and Smith (1998) to develop four RI items. Second, the four salesperson expertise items adopt from Boles et al. (2000), Crosby et al. (1990), and Doney and Cannon (1997) measured the level of relevant knowledge, experience, and overall competency that customers perceived the salespersons to possess. Third, the RQ items including trust, commitment and satisfaction measure the strength of the relationship between salespersons and customers. Trust is measured in terms of the customer's belief that he or she can rely on the salesperson to serve the customer's long-term interest; commitment is measured in terms of the customer's desire to maintain the relationship; and satisfaction is measured in terms of the emotional state that occurs in response to evaluating an interaction experience. Seventeen items are adopted from Crosby et al. (1990), De Wulf et al. (2001),

Doney and Cannon (1997), Hennig-Thurau et al. (2002), Jap and Ganesan (2000), Reynolds and Beatty (1999), Siguaw et al. (1998), and Sirdeshmukh et al. (2002). Seven items measure trust, five items measured commitment, and five items measured satisfaction. Fourth, the customer expertise items measure the customer's relevant knowledge about insurance and the customer's experience, while the price orientation items measure the customer's price sensitivity. Six items are adopted from Evanschitzky and Wunderlich (2006), Klein and Keith (2003), and Mägi (2003), with three items for each construct. Fifth, the CL items measure whether customers positively refer the salesperson to another potential customer (word of mouth) and whether customers intend to maintain the relationship (repeat purchase) and develop new relationships (purchase other products or services) in the future. Three items are adopted from Reynolds and Beatty (1999), Sirdeshmukh et al. (2002), and Stum and Thiry (1991). All the items on the questionnaire are listed in Appendix A.

Questionnaire surveys often generate common method variance (CMV) biases when all items are filled out by the same respondent. In order to avoid CMV, this study includes ten reversed items (Podsakoff et al., 2003) so the questionnaires filled out by respondents who responded carelessly or used meaningless consistency are removed.

Reliability and validity

To ensure the internal consistency of the measurement items, the study first evaluates each item using the item-to-total method and removes items with lower correlations. This study drops one item from the salesperson expertise scale, one item from the trust scale, two items from the commitment scale, one item from the satisfaction scale, one item from the customer expertise scale, and one item from the price orientation scale because of low item-to-total correlation. The reliability of the measurement after low correlation items are removed showed a Cronbach α between 0.647 and 0.897 (Nunnally, 1978), so this measurement reaches the threshold for reliability.

This study uses LISREL 8.52 to analyze the relationships between variables and estimated parameters using maximum likelihood estimation (MLE). MLE is used to estimate data that must accord with multivariate normality requirements that the sample size is at least 100 (Ding et al., 1995). A suitable sample size for LISREL is no larger than 500 (Tanaka, 1987; Marsh et al., 1988), so this sample size is appropriate for both LISREL and MLE.

All of the measurement variables in the questionnaire use reflective scales, so confirmatory factor analyses (CFA) are used to estimate the goodness-of-fit of RI, salesperson expertise, customer expertise, price orientation, and CL. Certain factors influence the observed variables when this study tests theory models and extracts first-order common factors. If the correlation between these common factors is high, this study must extract higher-level common factors (Anderson and Gerbing, 1988) and use second-order CFA to estimate the goodness-of-fit of RQ. All the fit indices except for the χ^2 , which may be influenced by sample size, reveal a very good fit for RI and salesperson expertise: $\chi^2_{(13)}=27.21$, $p>0.01$; root mean square error of approximation (RMSEA)=0.056; root mean square residual (RMR)=0.022; normed fit index (NFI)=0.98; comparative fit index (CFI)=0.99;]=0.98; adjusted goodness-of-fit index [AGFI]=0.95. The fit indices for RQ also reveal an acceptable fit: $\chi^2_{(51)}=312.53$, $p<0.01$; RMSEA=0.12; RMR=0.050; NFI=0.94; CFI=0.95; GFI=0.87; AGFI=0.80. The correlation matrix of ETA and KSI show that the interaction degree of three first-order common factors is high, between 0.67 and 0.83, so this study extracts the higher-order common factor. All the fit indices reveal a good fit for the customer expertise and price orientation: $\chi^2_{(1)}=0.60$, $p>0.01$; RMSEA=0.0; RMR=0.0058; NFI=1.00; CFI=1.00; GFI=1.00; AGFI=0.99. The model of customer loyalty is saturated, and the fit

Table 1. Means, standard deviation, correlation coefficient matrix and square root of AVE of constructs.

	Mean	Std. deviation	RI	SE	RQ	CE	PO	CL
Relationship investment (RI)	3.84	0.70	0.77					
Salesperson expertise (SE)	3.88	0.68	0.49**	0.79				
Relationship quality (RQ)	3.55	0.57	0.59**	0.63**	0.86			
Customer expertise (CE)	3.17	0.74	0.06	0.11*	0.06	0.80		
Price orientation (PO)	2.97	0.85	-0.16**	-0.09	-0.36**	0.20**	0.77	
Customer loyalty (CL)	3.57	0.74	0.59**	0.56**	0.76**	0.14**	-0.22**	0.81

The diagonal line values are AVE. * Correlation is significant at the 0.05 level (two-tailed). ** Correlation is significant at the 0.01 level (two-tailed).

Table 2. Estimates of path coefficients in structural model.

Hypothesis	Path	Parameter	Completely standardized estimate	t-value
H ₁	Relationship investment→Relationship quality	γ_{21}	0.51	7.63**
H ₂	Salesperson expertise→Relationship quality	γ_{22}	0.41	6.44**
H ₃	Relationship quality→Customer loyalty	β_{12}	0.91	12.25**

Goodness-of-fit statistics, $\chi^2_{(61)/df}=2.21$; RMSEA, 0.059; RMR, 0.025; NFI, 0.98; CFI, 0.99; GFI, 0.94; AGFI, 0.92; ** $p<0.01$.

was perfect at $\chi^2_{(0)}=0.00$, $p=1$. The LISREL-based composite reliability levels of the measurement scales ranged from 0.730 (price orientation) to 0.897 (RQ), indicating good reliability.

Convergent validity is tested in two ways. First, all factor loadings from CFA were significant for the relationship investment scale (minimum t -value is 13.33, $p<0.01$), the salesperson expertise scale (minimum t -value is 14.35, $p<0.01$), the RQ scale (minimum t -value is 10.48, $p<0.01$), the customer expertise scale (minimum t -value is 7.89, $p<0.01$), the price orientation scale (minimum t -value is 4.66, $p<0.01$) and the CL scale (minimum t -value is 15.39, $p<0.01$). All scales exceeded 0.67 except for the price orientation scale (minimum factor loading is 0.49, $p<0.01$). The average factor loading is 0.76 for the relationship investment scale, 0.79 for the salesperson expertise scale, 0.87 for the relationship quality scale, 0.80 for the customer expertise scale, 0.74 for the price orientation scale, and 0.81 for the customer loyalty scale. In the second test for convergent validity, the average variance extracted (AVE) for each scale exceeds 0.5. These results support the convergent validity of the scale items (Anderson and Gerbing, 1988; Fornell and Larcker, 1981).

Finally, this study checks the evaluation of discriminant validity by comparing AVE for each pair of constructs with the square of the correlation between them. All the square roots of AVE values exceed the correlation coefficient, which results support the discriminant validity (Table 1). In addition, this study forces the estimated correlation coefficient to 1 between two constructs, and then compares a constrained model with an unconstrained model by conducting χ^2 differences tests (Anderson and Gerbing, 1988). The test of discrimination between the two constructs with the highest the correlations—salesperson expertise and relationship quality, and relationship quality and customer loyalty—shows that all χ^2 differences were highly significant ($\Delta\chi^2_{(1)}=144.27$, $p<0.01$ and $\Delta\chi^2_{(1)}=34.39$, $p<0.01$, respectively).

ANALYSES AND RESULTS

Mediator model

The study includes testing the structural model using LISREL 8.52. In the mediator model, the latent independent variables are RI (ξ_1) and salesperson expertise (ξ_2), the latent mediator variable (η_2) is RQ, and the latent dependent variable (η_1) is CL. Table 2 presents the results of the model analysis. All the goodness-of-fit statistics are satisfactory, so the full mediator model is acceptable ($\chi^2_{(61)/df}=2.21$; RMSEA=0.059; RMR=0.025; NFI=0.98; CFI=0.99; GFI=0.94; AGFI=0.92). All relationships between latent constructs are significant, which provides initial evidence for the conceptual model and supports the nomological validity of the constructs.

Researchers should compare rival models, rather than just testing the performance of a proposed model (Bagozzi and Yi, 1988; Bollen and Long, 1992; Rust et al., 1995). On the basis of Morgan and Hunt (1994), this study compare this hypothesized model with the rival model based on the overall fit of the competing models relative to degrees of freedom, the percentage of the models' hypothesized parameters that are statistically significant, and their ability to explain variance in the outcomes of interest. In the proposed model, RI and salesperson expertise affect CL via RQ. In the rival model, RI, salesperson expertise, and RQ affect CL

Table 3. Goodness-of-fit test of single-sample model.

Moderator: customer expertise								
	χ^2	<i>df</i>	RMSEA	RMR	NFI	CFI	GFI	AGFI
All samples	134.81	61	0.059	0.025	0.98	0.99	0.94	0.92
High-sample	94.42	61	0.062	0.030	0.96	0.99	0.91	0.86
Low-sample	131.14	61	0.075	0.031	0.97	0.98	0.91	0.87
High-sample size=144, Low-sample size=207								
Moderator: price orientation								
All samples	134.81	61	0.059	0.025	0.98	0.99	0.94	0.92
High-sample	87.57	61	0.045	0.024	0.96	0.99	0.94	0.91
Low-sample	119.97	61	0.085	0.028	0.97	0.98	0.88	0.82
High-sample size=217, Low-sample size=134.								

Table 4. Differences in χ^2 values of path coefficient invariance test.

Moderator: customer expertise		χ^2	<i>df</i>	$\Delta\chi^2$
Model 1	Baseline model	247.78	134	-
Model 2	Free model (β_{12} : free)	247.62	133	0.16
Moderator: price orientation				
Model 1	Baseline model	263.04	134	-
Model 2	Free model (β_{12} : free)	257.82	133	5.22*

* $p < 0.05$.

directly. RQ does not mediate any relationship.

The overall fit of the rival model relative to degrees of freedom is slightly better than that of the proposed model; χ^2 is improved by 0.04 (2 *df*), which is significant ($\chi^2_{(59)}/df=2.28$; RMSEA=0.059; RMR=0.025; NFI=0.98; CFI=0.99; GFI=0.94; AGFI=0.92). The second criterion for comparison is the percentage of significant parameters. All of the hypothesized parameters in the proposed model are supported at the significant level ($p < 0.01$). However, only one of the hypothesized parameters in the rival model is supported at the significant level. The parameter between RQ and CL is significant, but the parameters between RI and CL, and salesperson expertise and CL are not. Finally, the squared multiple correlation of CL is reduced from 0.82 to 0.81 in the rival model. Therefore, both the relative percentage of significant parameters and the relative predictive power support the proposed theoretical model better than they do the rival model.

Moderator model

Multi-group structural equation modeling (SEM) is used to test moderating effects. This study splits the samples into subsamples according to whether the means of customer

expertise and price orientation scored high or low to ensure within-group homogeneity and between-group heterogeneity. This approach is in accordance with Jöreskog and Sörbom's (1996) multi-group SEM's two-stage analysis. The first stage is the goodness-of-fit test of the single-sample model in multi-group SEM analysis (Table 3). All the goodness-of-fit statistics of high- and low-samples in customer expertise and price orientation scales are satisfactory.

The path coefficient invariance test of the second stage revealed differences in χ^2 values between the baseline model (path coefficient invariance model) and the free model (all paths constrained to be equal across high- and low-samples, except for the link that is potentially affected by the moderator variables). Table 4 shows the significant decrease in χ^2 from the baseline model to a model in which one relationship is set free, which suggests that the moderator variable has a significant influence on that relationship (De Wulf et al., 2001). The results of customer expertise, which acts as a moderating variable, show that customer expertise does not significantly moderate the impact of RQ on CL ($\Delta\chi^2_{(1)}=0.16$, $p > 0.05$). In the price-orientation free model, price orientation significantly moderates the impact of RQ on CL ($\Delta\chi^2_{(1)}=5.22$, $p < 0.05$). As Table 5 shows, the within-group path coefficients are consistently higher in the low price-

Table 5. Estimates of path coefficients in multi-group SEM.

Moderator: customer expertise						
Hypothesis	Path	Parameter	High-sample Completely standardized estimates	t-value	Low-sample Completely standardized estimates	t-value
H ₄	Relationship quality→ customer loyalty	β_{12}	0.89	10.91**	0.91	11.02**
Moderator: price orientation						
H ₅	Relationship quality→ customer loyalty	β_{12}	0.80	9.92**	1.01	12.71**

** $p < 0.01$.

oriented subsample ($\beta_{12}=1.01$) than in the high price-oriented ($\beta_{12}=0.80$) subsample.

The results of the hypotheses tests are presented as follows. RI and RQ: The path coefficient of RI and RQ (γ_{21} of ξ_1 and η_2) is 0.51 ($t=7.63$), which is both significant and positive. This result supports H1, that customer perception of a higher level of RI generates a higher level of RQ consists of trust, commitment and satisfaction.

Salesperson expertise and RQ: The path coefficient of salesperson expertise and RQ (γ_{22} of ξ_2 and η_2) is 0.41 ($t=6.44$), which is both significant and positive. This result supports H2, that customer perception of a higher level of salesperson expertise generates a higher level of RQ consists of trust, commitment and satisfaction.

RQ and CL: The path coefficient of relationship quality and customer loyalty (β_{12} of η_2 and η_1) is 0.91 ($t=12.25$), which is significant and positive. This result supports H3, A higher level of perceived relationship quality generates a higher level of customer loyalty consists of word of mouth, repeat purchase and purchase of other products or services.

Moderating effect of customer expertise: The $\Delta\chi^2$ of the baseline model and the free model is 0.16 ($p>0.05$); although the path coefficient of low customer expertise is better than that of high customer expertise, neither one is significant, so no support is provided for H4, that customer expertise has a negative moderating effect on the association between relationship quality and customer loyalty.

Moderating effect of price orientation: The $\Delta\chi^2$ of the baseline model and the free model is 5.22 ($p<0.05$), which is significant. The path coefficient of low-price orientation is better than that of high-price orientation, giving support to H5, that price orientation has a negative moderating effect on the association between relationship quality and customer loyalty.

DISCUSSION

Most RM research and practice has argued that firms,

especially those in the service industry, should focus on building customer relationships to retain existing customers and create new customers. However, firms often fail to receive satisfactory performance levels and feedback when they pursue RM activities (Colgate and Danaher, 2000; Kalwani and Narayandas, 1995). The empirical evidence from the present study shows that the customer's perceived RQ and behavior are affected by more micro-level factors than they are by macro-level factors. For example, almost all life insurance companies provide insurance products that are very much the same, so customer satisfaction tends to come from the salesperson exchange, not from the insurance companies themselves. Our research findings offer theoretical implications for the interpretation of previous research. First, relationship investment and expertise of salespersons are the most effective implements for building customer relationships. The RI and expertise of salespersons positively affect the RQ, which is equivalent to the customer's perceived trust, commitment, and satisfaction. The findings support the contention that the relationship quality depends on whether salespersons take the time and effort to increase customer loyalty, improve their relationship with customers, retain customers, and work with customers, and whether a salesperson possesses complete professional knowledge about insurance products or services. In fact, the effect of RI on RQ ($\gamma_{21}=0.51$) is greater than that of salesperson expertise ($\gamma_{22}=0.41$). This result suggests that salespersons must have, in addition to essential insurance professional knowledge, the ability to structure and keep up a long-term, robust, and reciprocal relationship with customers, which leads to customer trust, commitment, and satisfaction.

Second, customer loyalty, which consists of word of mouth, repeat purchase and purchase of other products or services, is affected by customer relationship quality. Consistent with the extant literature, better relationship quality enables customers to make confident predictions about the future behavior of salespersons (Bolton, 1998; De Wulf et al., 2001; Morgan and Hunt, 1994;

Sirdeshmukh et al., 2002) and enhances customers' overall loyalty. As the differences between the products and services from firm to firm diminish, salesperson-customer relationship quality becomes more important. Especially in the life insurance industry, the customer's perception of the quality of the relationship with the salesperson is usually based on prior cooperative experiences and, if that perception is good, promotes customers' recommendations and repurchase behaviors.

Third, customer characteristics are the most effective moderators in influencing RQ and customer loyalty. While the hypothesis that customer expertise has a negative moderating effect on the association between relationship quality and customer loyalty is not supported, the result that the path coefficient is higher in the low-customer expertise sample than in the high-customer expertise sample accords with our expectations. What the insurance companies provide are customized services and products to meet customer needs via the salesperson's service. Thus, the customer needs only a modicum of insurance knowledge because the salesperson offers the customer relevant insurance information and product content. Once the salesperson wins the customer's confidence, the customer will deal with the salesperson based on the value of past exchange experiences.

The hypothesis that price orientation has a negative moderating effect on the association between relationship quality and customer loyalty is supported, and the path coefficient is higher in the low-price orientation sample ($\beta_{12}=1.01$) than in the high-price orientation sample ($\beta_{12}=0.80$), which finding is consistent with the literature (Arnold and Reynolds, 2003; Evanschitzky and Wunderlich, 2006; Kim et al., 1999; Mägi, 2003). This result suggests that customers who are sensitive to price are accustomed to searching for optimum product portfolios that provide relatively acceptable price, quality and function. Customers with low price sensitivity spend less time examining competitive offers than do those with high price sensitivity and base their loyalty on prior experiences with salespersons. Therefore, the influence of the salesperson who uses relationship marketing activities to enhance customer loyalty is greater in customers who are less price-oriented than in those who are more price-oriented.

MANAGERIAL IMPLICATIONS

Recruiting and training salespersons for a life insurance company

Life insurance companies often recruit many salespersons, and then cull out those who are not qualified to do the job. Efficiency in recruiting qualified life insurance salespersons is key to effective competition. Sales skills, along with empathy, affinity and the ability to get along with customers, are all important to the selection process

because these skills are related to enhancing customer loyalty.

Training policy for a life insurance company

Investment in relationships and salesperson expertise both enhance the customer's perception of relationship quality. The life insurance company would benefit from using management teams and training units to draft short-term, medium-term, and long-term plans enhance these elements. The life insurance company must strengthen the approach to sales that includes relationship marketing. Marketing models based on customer demand orientation can create sustaining competitive advantages and enhance customer loyalty for a company in an unfavorable environment.

SUGGESTION FOR A SALESPERSON IN THE LIFE INSURANCE INDUSTRY

Naturally, salespersons should work to enhance their personal capability, but several suggestions in particular are useful for increasing relationship-related skills.

The concept of lifelong learning:

Insurance salespersons can move customers with whom they have positive relationships from simple insurance sales into integrated financial planning services. Lifelong learning for salespersons is the most important factor in attaining the kind of personal and professional growth necessary to moving into these additional areas. The salesperson must recognize his or her role in this growth and organize a learning plan.

Enhancement of service quality

The core product in the service industry is "service." Salespersons use their resources and capabilities to provide diversified services and to enhance investment in RM with customers. Attention to these issues can promote competitiveness and extend occupational life.

Enhancement of the customer relationship

RM has become popular in the Taiwanese life insurance industry. The relationship with customers evolves from the seller-buyer relationship into a partner relationship in which salespersons establish closed and long-term partnerships with their customers.

LIMITATIONS AND DIRECTIONS FOR FURTHER RESEARCH

As with all empirical studies, this study has several

limitations. First, the study explores the effect of salespersons' capabilities and of customers' characteristics on relationship marketing activities in the life insurance industry in Taiwan, so future research should exercise in generalizing the results across countries and industries. Taiwan is similar to China in culture, customs, business operation models and marketing strategy, and many well known international life insurance companies regard Taiwan as the path to the China market. Future research could replicate and extend this study model to the China life insurance industry or other countries and industries.

Second, the findings did not support the hypothesis that customer expertise can affect the customer's perception of RQ on CL, at least partly because knowledge and information about the life insurance products surveyed have become more complex and diversified and public comprehension of life insurance products does not differ significantly from customer to customer. Therefore, future research can study the relationship between customer expertise and RM by surveying other kinds of insurance products, such as fire and casualty insurance. Third, all items in the questionnaire survey are measured by a single customer's statement. In testing two or more constructs, questionnaire survey is easy to generate single source bias that the respondents are single source. Although we used reversed items to help ensure the quality of responses (Podsakoff et al., 2003), future research can use more objective indexes and subjects who are not single sources in order to avoid CMV.

Finally, RM derives from western cultures and theories; Western RM and Chinese guanxi (relationship) have quite different underlying mechanisms in nature. Companies that apply to their non-western home countries exotic practices based on Western theories without adaptation have suffered some disappointments in China (Wang, 2007). Future research can further compare RM with Chinese guanxi (relationship) marketing by studying the markets in China or Taiwan in order to offer information to Western life insurance companies that want to enter the China or Taiwan markets.

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Appendix A. The items on the questionnaire.

Construct	Definition	Measurement	Adopted papers
Capability of salesperson			
Relationship investment	Salesperson dedicates his resources, effort, time, and attention to develop and maintain a specific relationship with the customer.	My salesperson makes effort to strengthen my loyalty. My salesperson makes effort to improve the relationship with me. My salesperson cares about whether can keep me. My salesperson makes time and effort to maintain the relationship with me.	De Wulf, Odekerken-Schröder, and Iacobucci (2001) and Smith (1998)
Salesperson expertise	Knowledge, experience, and overall competency of salesperson.	My salesperson knows the kind and characteristic of life insurance product very well. My salesperson possesses complete insurance professional knowledge. My salesperson is not an insurance expertise. My salesperson has the capability about selling insurance product.	Boles, Johnson, and Barksdale, Jr. (2000), Crosby, Evans, and Cowles (1990), and Doney and Cannon (1997)
Relationship quality			
Trust	The confident belief that customer can rely on the salesperson to serve the long-term interest of customer.	My salesperson is very credible. My salesperson has no ability to complete this business. My salesperson is very honest. My salesperson would not to respond my need. I am always careful to deal with my salesperson. My salesperson would instigate me to buy many insurance products. My salesperson would conceal some important information in order to influence my decision.	Crosby, Evans, and Cowles (1990), De Wulf, Odekerken-Schröder, and Iacobucci (2001), Doney and Cannon (1997), Hennig-Thurau, Gwinner, and Gremler (2002), Jap and Ganesan (2000), Reynolds and Beatty (1999), Siguaw, Simpson and Baker (1998), and Sirdeshmukh, Singh and Sabol (2002).
Commitment	The willingness of customer maintains the exchange relationship with certain salesperson.	When my salesperson is criticized, I would defend for him. I am searching other salesperson for substituting for my salesperson. When my salesperson makes mistake, I am willing to forgive him. I am willing to purchase the products that my salesperson provides continually. If other salesperson provides better insurance products, my salesperson would be replaced.	
Satisfaction	Customer's affective or emotional state toward a relationship, typically evaluated cumulatively over the history of the exchange.	I am satisfied the relationship with my salesperson. I take pleasure in dealing with my salesperson. I feel depressed for the relationship with my salesperson. I feel cheerful for the relationship with my salesperson. It is right decision that deals with my salesperson.	
Characteristics of customer			
Customer expertise	Knowledge, experience, and competency of customer.	I understand the kind and characteristic of the life insurance product that I bought very well. I have complete insurance professional knowledge. I don't understand all of the kinds and characteristics of the insurance products.	Evanschitzky and Wunderlich (2006), Klein and Keith (2003), and Mägi (2003)

Appendix A. Contd.

Price orientation	Customer is aware of competitive offerings and enjoys searching for bargains, because searching for better deals is pleasurable to him or her.	I would compare with the difference of premium or ensuring amount that differ salespersons provide when I purchase life insurance. I deal with my salesperson because he offers better the amount of premium. I deal with my salesperson because his life insurance product would content with my need.	
Customer loyalty			
Word of moth	Likelihood of a customer positively referring the salesperson to another potential customer.	I often recommend the service that my salesperson offers for my relatives and friends.	Reynolds and Beatty (1999), Sirdeshmukh, Singh and Sabol (2002), and Stum and Alain (1991)
Repeat purchase	Customer's intention of maintain the relationship in the future, which captures the likelihood of continued purchases from the salesperson.	I would maintain exchange relationship with my salesperson continually.	
Purchase other product or service	Purchasing across product and service line which are provided by certain salesperson.	If I have the needs of other insurance products, I would deal with my salesperson first.	

Note: All are five-point scales with "strongly disagree" and "strongly agree" as anchors, unless otherwise noted.