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The effects of relationship marketing on relationship quality in luxury restaurants

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The main purpose of this research is to develop a new model to examine the impact of relationship marketing underpinnings namely: customer orientation, expertise, food quality, price fairness and physical environment on the quality of firm-customer relationship as well as the levels of contribution of these underpinnings and explore the effects of relationship quality on customer satisfaction, word-of-mouth and customer loyalty. The new model of relationship quality based on literature was developed and tested empirically among 25 luxury restaurants in Shiraz (Iran). The questions used in this study were taken from the relevant literature which contained 36 questions addressing all the variables. Face-to-face interview of customers was administered in the luxury restaurants for a period of two weeks. A total of 830 usable questionnaires were collected. The findings suggest that relationship quality most influenced by customer orientation (29%), expertise (24%), food quality (20%), price fairness (15%) and physical environment (12%). Beside, this study shows that the most impacts of relationship quality are on customer satisfaction (53%) customer loyalty (36%), word-of-mouth (20%). Also customer loyalty most influenced by customer satisfaction (42%). Customer satisfaction also has an effect on word-of-mouth (33%). Luxury restaurants can build and maintain quality customer relationship through customer orientation, expertise, food quality, price fairness and physical environment. The outcome of the study can help luxury restaurants in developing effective strategies for enhancing the quality of firm-customer relationships. It has been suggested that in order to keep customers satisfied firms should constantly improve overall relationship quality. By comparing the levels of contributions of the relationship marketing underpinnings, luxury restaurants are now able to decide on the level of attention and effort to be assigned to each, based on their importance.

Key words: Customer orientation, expertise, food quality, price fairness, physical environment, relationship quality, customer satisfaction, customer loyalty, luxury restaurant.

INTRODUCTION

The study and practice of relationship marketing has experienced explosive growth over the last decade (Srinivasan and Moorman, 2005; Palmatier et al., 2006). The impetus for the heightened interest in relationship marketing seemingly comes from studies that have demonstrated significant increases in profits from increases in customer retention (Rigby et al., 2003; Winer, 2001). Relationship marketing states that firms should identify their most profitable customers and then customize marketing strategy on the basis of customer asset value

(Greenleaf and Winer, 2002; Lewis, 2005). The goals of a relationship marketing strategy are to get and keep valuable customers. Just to maintain one's block of business, it is necessary to generate new customers because some existing customers will be lost. The intense competitive nature of today's business environment has resulted in a greater need for firms to build closer relationships with customers (Wong and Sohal, 2002). However, only high quality firm-customer relationship would deliver the needed competitive edge. This occurs when the firm begins leveraging firm-customer relationship to gain privileged information about customers and thereby better understand their needs and serve them more satisfactorily than competition (Ndubisi, 2007).

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Quality relationship therefore ensures that: the firm is close enough to customers to be able to correctly sense and serve their needs more effectively; and customers stick with the firm from which they enjoy a good relationship. Customer orientation involves practicing the modern marketing concept at the individual level (Saxe and Weitz, 1982), which should foster long-term relationships with customers based on customer-driven value creation (Jonson, 1997). It is generally believed that customer orientation should foster stronger relationships, and that relationship quality is an indicator of a stronger relationship (Anderson, 1996). The model proposed and tested in this study examines employee customer orientation and expertise as key antecedents of interpersonal relationship quality, which in turn leads to greater customer satisfaction (Macintosh, 2005). Further, the model tests the expected link between customer satisfaction and two key relationship outcomes, customer loyalty and word-of-mouth (WOM). However, the model also tests the direct effects of interpersonal relationship quality on customer loyalty and WOM (Gremler et al., 2001).

By examining these linkages, the study hopes to provide a clearer understanding of the relationships between customer orientation, relationship quality, and positive marketing outcomes at the organizational level. Delivering superior service and ensuring higher customer satisfaction have become strategic necessities for companies. The economic benefits of customer satisfaction and customer loyalty are immense. Loyal customers recommend new customers to a company, exhibit preference for it over its competitors and repurchase from it (Zeithaml et al., 1996). Cultivating loyalty and retaining customers is important in any business (Reibstein, 2002). Many studies have explored and confirmed the relationships from service quality to customer satisfaction and further to customer loyalty and willingness to recommend in a consumer market context (Fornell, 1992; Rust et al., 1995). However several important issues in this line of research remain to be addressed and empirically tested. In services, word-of-mouth (WOM) frequently has a significant impact, both positively and negatively, on the acquisition of new customers. Therefore, as Hennig-Thurau et al. (2002) suggest, loyalty and WOM are two key service relationship outcomes.

This research extends prior literature by investigating possible antecedents of customer WOM behaviors. Customer WOM is arguably one of the most important outcomes of customer-firm relationships (Brown et al., 2002; Reichheld, 2003; White and Schneider, 2000). Managers need to be aware of the ability that relationship benefits and service relationship quality may have to increase customer WOM propensity. Kim et al. (2006) was one of the first studies to examine predictors and outcomes of relationship quality within the luxury restaurant industry. Iranian consumers were used as respondents. The study developed both conceptual and structural

models to examine the mediating effect of relationship quality on a number of relationship management activities and outcomes. The purpose of this paper is to apply the measurement model originally tested with Iranian customers to confirm that the predictors of relationship quality for luxury restaurants are valid. This study also examines the relative importance of each predictor of relationship quality, and identifies strategies for luxury restaurants that should enhance the level of customer satisfaction, customer loyalty and word-of-mouth.

LITERATURE REVIEW

Relationship marketing is an important strategy for organizations that strive to remain competitive in today's marketplace (Kale, 2004). The increased interest in relationship marketing is due in part to the important influence of customer satisfaction on customer loyalty (Gustafsson et al., 2005). Shani and Chalasani (1992) define relationship marketing as "an integrated effort to identify, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time". Morgan and Hunt (1994) use a more general definition of relationship marketing by defining it as "all marketing activities directed toward establishing, developing, and maintaining successful. relational exchanges".

The present study focuses on "relationship quality" as a relationship outcome and an overall means of assessing the strength of a relationship between firm and customer (Garbarino and Johnson, 1999). There is, as yet, no clear consensus in the literature on the set of dimensions that comprise the construct of "relationship quality" (Hennig-Thurau et al., 2002). The importance of relationship satisfaction and loyalty as indicators of the higher-order construct of relationship quality has been stressed by various authors (Shamdasani and Balakrishnan, 2000; Hennig-Thurau et al., 2001). Other researchers have added word-of-mouth as a dimension of relationship quality (Roberts et al., 2003; Hewett et al., 2002). In the same context, de Wulf et al. (2001) assumed that better relationship quality is accompanied by greater satisfaction, loyalty, and word-of-mouth – pointing out that, although these three attitudinal dimensions are distinct, consumers tend to "lump" them together (de Wulf et al., 2001). On the other hand, Woo and Ennew (2004), conceptualised relationship quality as a higher-order construct using cooperation, adaptation and atmosphere as first-order constructs determining overall relationship quality. They provided evidence of a direct and positive influence of relationship quality on service quality but failed to establish the same link with satisfaction and behavioral intention.

Researchers generally agree that customer satisfaction is a key factor in determining long-term business success

(Reynolds and Arnold, 2000). The salesperson with which the customer has the most contact has been identified as a critical determinant of the degree to which customers experience satisfaction (Williams and Attaway, 1996). Since the salesperson is a critical determinant of customer satisfaction (Jap, 2001), it can be argued that the salesperson's customer-orientation level would be a significant factor in determining customer satisfaction levels.

Such an argument is based on the fact that salespeople possessing greater levels of customer orientation have higher ratings of customer satisfaction (Gillis et al., 1998). In the marketing literature, loyalty has been widely recognised as being of the utmost importance (Howard and Sheth, 1969).

Reichheld (1996) studied the positive effect on profits of having a loyal customer base. Aaker (1991) discussed the role of loyalty in the brand equity process, specifically noting that customer loyalty reduced marketing costs. Fornell and Wernerfelt (1987) noted that the costs of customer retention are substantially less than those of customer acquisition. In addition, loyalty produces positive word-of-mouth recommendation, and greater resistance among loyal consumers to competitive strategies from rival suppliers (Oliver, 1999; Dick and Basu, 1994).

Defined as any positive communication about a service firm's offerings, word-of-mouth (WOM) is considered a key relational outcome (Hennig-Thurau et al., 2002; Harrison-Walker, 2001). As an information source, WOM is a powerful input into decision making. With consumers exposed to numerous marketer-generated communications, which are designed to gain attention and alter behavior, WOM stands out as a highly trusted information source.

Word-of-mouth assists in attracting new customers which is important for a firm's long term economic success (Hennig-Thurau et al., 2002). It also serves to reduce cognitive dissonance for existing customers (Wangenheim, 2005).

Because cognitive dissonance, is experienced by individuals, over the concern of having made a wrong decision (Festinger, 1957) customers spread WOM as they try to convince themselves of the customers to reduce their post-decision dissonance purchase decision they made (Wangenheim, 2005).

Evidently, WOM is one of the strategies used by service providers whose offerings are largely intangible, and experience or credence based. In these services customers rely heavily on the advice and suggestions from others who have experienced the service (Kinard and Capella, 2006).

Customer orientation

Donavan and Licata (2002) describe customer orientation as a personality variable that reflects the service worker's disposition to meet customer needs. A number of researchers have also reported that a customer-oriented firm outperforms competitors and is more likely to establish long-term, mutually beneficial relationships with customers (Bejou and Palmer, 1998; Saxe and Weitz, 1982). For service providers, employees' customer orientation is commonly identified as an indicator of relationship quality (Parsons, 2002). Employees who are able to provide prompt and courteous service are likely to enhance customer satisfaction.

A number of studies emphasize the important influence of customer orientation on relationship quality (Gustafsson et al., 2005). Kim et al. (2006) found employees' customer orientation to have a very strong influence on relationship quality. Customers expect excellent service via courteous and knowledgeable employees (Bove and Johnson, 2000). Therefore, it is expected that firms which are highly customer oriented will be able to enhance the overall relation quality with the customers. Customer orientation is a focus on discovering and meeting customers' purchase needs while keeping their best interests in mind (Saxe and Weitz, 1982). Kelley (1992) contended that management could positively or negatively influence customer orientation. The positive relationship of customer orientation to job performance in a variety of fields has been well established (Boles et al., 2001; Joshi and Randall, 2001). Researchers also have proposed antecedents to salespeople's customer orientation including job satisfaction, organizational commitment (Bettencourt and Brown, 2003), emotional intelligence (Rozell et al., 2004), organizational culture (Williams and Attaway, 1996), and motivation and sales skills (Pettijohn, 2002).

Customer orientation is initially developed in personal selling management and is often regarded as an indicator of the quality of customer–salesperson relationships. Customer orientation refers to the extent to which salespeople adjust their sales strategies to help customers make purchase decisions that will satisfy their needs (Saxe and Weitz, 1982). Salespeople that are customer-oriented are able to empathize with customers and are concerned with satisfying their needs better than would their competitors (Wray et al., 1994). Driver (2001) has noted that customer orientation has a significant impact on the relationship quality in a number of studies. Bejou and Ingram (1996) use artificial neural network analysis to investigate the determinants of relationship quality and find that the degree of customer orientation has a significant impact on the relationship quality. Kim et al. (2006) found employees' customer orientation to have a very strong influence on relationship quality for luxury restaurants. Customers of luxury restaurants expect excellent service via courteous and knowledgeable employees. As a result, a customer-oriented dining staff will have a positive influence on customer satisfaction and customer loyalty (Bove and Johnson, 2000). Therefore, it is expected that restaurants which are highly customer oriented will be able to create a high level of

customer satisfaction and enhance the overall relation quality with their customers (Meng and Elliott, 2008).

H_1: There is a significant positive relationship between customer orientation and relationship quality.

Expertise

Prior research on relationship quality (Crosby et al., 1990) suggests that contact person expertise is a significant antecedent of relationship quality. Other research suggests that expertise is perhaps the most important antecedent of relationship quality (Doney and Cannon, 1997) and has been found to be related to satisfaction at the individual level (Macintosh, 2002; Macintosh, 2005). Experienced and knowledgeable employees can reduce customers' perceived uncertainty and anxiety, which may lead to higher customer satisfaction and loyalty. Therefore, the level of expertise possessed by employees including knowledge, experience or skills relevant to a particular domain or activity is a vital determinant of relationship quality (Cheng et al., 2008).

H_2: There is a significant positive relationship between expertise and relationship quality.

Food quality

Research has shown that food quality is often the most important factor impacting customer loyalty with regard to restaurant choice (Clark and Wood, 1999; Mattila, 2001). MacLaurin and MacLaurin (2000) also concluded that food quality was one of nine important elements for theme restaurants in Singapore. These studies demonstrate the importance of food quality in developing customer satisfaction and customer loyalty within the restaurant industry. Based on previous research, it is hypothesized that food quality has a significant influence on the relationship quality restaurants are able to create with their customers (Meng and Elliott, 2008).

H_3: There is a significant positive relationship between food quality and relationship quality.

Price fairness

Perceived price fairness is a psychological factor that plays an important role in consumers' reactions to price (Kim et al., 2006). Ranaweera and Neely (2003) found that perceived reasonable price has a positive influence on customer retention. Similarly, Oh (2000) suggests that price fairness has a positive impact on purchase intention through the mediating role of customer value. Bhattacharya and Friedman (2001) also argue that perceived price fairness can be used to enhance profits

and customer satisfaction. Organizations that offer different prices to various customers may create resentment among their customers, thus negatively impacting customer satisfaction. Given the previous findings, it is hypothesized that perceived price fairness has a direct impact on the level of relationship quality between luxury restaurants and their customers.

H_4: There is a significant positive relationship between price fairness and relationship quality.

Physical environment

Research has shown that the physical environment for firms within the hospitality industry can influence overall customer satisfaction (Garbarino and Johnson, 1999). Specific to the restaurant industry, Stevens et al. (1995) demonstrate the importance of physical facilities on the perceived level of service quality provided by restaurants. Tangibles, such as decor, dining area comfort, and cleanliness of both the dining area and restrooms, were all shown to impact perceived service quality. Because customers of luxurious restaurants typically pay higher prices for their meals, their expectations related to comfort, decor, and cleanliness are higher than for customers of non-luxurious restaurants. Therefore, it is hypothesized that the physical environment of luxury restaurants will have a positive and significant impact on the relationship quality between luxury restaurants and their customers (Meng and Elliott, 2008).

H_5: There is a significant positive relationship between physical environment and relationship quality.

Relationship quality and customer satisfaction

Relationship quality refers to a customer's perceptions of how well the whole relationship fulfils the expectations, predictions, goals, and desires the customer has concerning the whole relationship (Jarvelin and Lehtinen, 1996). It in turn forms the overall impression that a customer has concerning the whole relationship including different transactions. Gummesson (2002) identified two dimensions of relationship quality in the service interface. He defined them as professional relations and social relations. The former relationship is grounded on the service provider's demonstration of competence, while the latter is based on the efficacy of the service provider's social interaction with the customer.

Relationship quality is considered as an overall assessment of the strength of a relationship (Garbarino and Johnson, 1999) and captures the essence of relationship marketing (Jap et al., 1999). Although discussion regarding the conceptualization of relationship quality remains unresolved, there is agreement that relationship quality is a "higher-order construct consisting

of several distinct, although related dimensions" (Dorsch et al., 1998) and different dimensions need to be combined to an overall relationship quality measure (Walter et al., 2003). Relationship quality is viewed as a three-dimensional construct composed of customer satisfaction, word-of-mouth and customer loyalty. Kim and Cha (2002) investigate the antecedents affecting relationship quality between employees and customers and the consequences influenced by the relationship quality. Tseng (2005) explores the effects of relationship marketing tactics on enhancing relationship quality in the service industries. They are included as constitutional elements of relationship quality.

Customer satisfaction is defined as a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption related fulfillment including the level of under or over fulfillment (Oliver, 1997). Satisfaction is thus a function of relative level of expectation and perceived performance. Customer satisfaction is a complete evaluation of the accumulated purchase and consumption experience, which reflects a comparison between the sacrifice experienced and the perceived rewards (Chitty et al., 2007).

The level of customer satisfaction reflects perceptions and attitudes formed from previous service experiences, and influences repurchase intentions (McGuire, 1999). Service incident or a long-term service relationship (Rust and Oliver, 1994). Customer satisfaction is an important element in service delivery because understanding and satisfying customers' needs and wants can generate increased market share from repeat custom and referrals (Barsky, 1992). Satisfaction is defined as the customer's overall evaluation of his/her experience with the firm. Customers also make assessments of their satisfaction with the contact person that they interact with. Satisfaction with the contact person is suggested as a key component of relationship quality. Since in many service organizations, contact service people serve as the key representative of the firm (Macintosh, 2005). Prior research on luxury restaurants has shown that relationship quality is positively related to customer satisfaction (Kim et al., 2001; Kim et al., 2006).

H_6: There is a significant positive relationship between relationship quality and customer satisfaction.

Customer loyalty

Oliver (1997) defines loyalty as a deeply held commitment to rebuy or repatronise same-brand or same brand-set purchasing despite situational influences and marketing efforts; having the potential to cause switching behavior. The marketing literature suggests that customer loyalty can be defined in two distinct ways (Jacoby and Kyner, 1973). These are described as the "behavioral approach" and the "attitude approach". According to the behavioral approach, customer loyalty is defined by the actual repurchase behavior of the customer (Cunningham, 1961). It is assumed in this theory that the preference structure of the consumer is reflected in the consumer's behavior. One of the strengths of this approach is that it offers a relatively objective measurement of customer loyalty (Hŝt and Andersen, 2004). The attitude-based approach, on the other hand, defines customer loyalty as intention to repurchase (Fournier and Yao, 1997). According to this approach, merely describing the actual behavior of the consumer does not suffice, but a proper analysis and description is clearly required of the underlying attitudes/preference structure of the consumer, if the loyalty concept is to have a real explanatory value and does not just – in the worst case – happen to be based on coincidence. The attitude-based approach has later been extended to incorporate the concept of "relative attitude" (Dick and Basu, 1994). Acknowledging that loyalty is not an unambiguous concept and that both the attitude-based and the behavioral approach deserve merit. They have developed a model for loyalty that integrates both of these approaches (Chitty et al., 2007).

Previous research suggests that customer satisfaction can influence customer loyalty and future purchase intentions (Abdullah et al., 2000). Several authors have suggested that it is the most important element of customer loyalty (Anderson and Fornell, 1994). Hypothesis 7 examines potential direct effect of relation-ship quality on customer loyalty. This hypothesis is premised on the prior research findings that suggest that a strong relationship at the interpersonal level can represent a bonus to the firm in the sense that it provides an additional bond that ties the customer to the firm (Macintosh and Lockshin, 1997).

H_7: There is a significant positive relationship between relationship quality and customer loyalty.

Word-of-mouth

Word-of-mouth (WOM) refers to the informal communication between consumers about the characteristics of a business or a product (Westbrook, 1987). The goals of a relationship marketing strategy are to get and keep valuable customers. Just to maintain one's block of business it is necessary to generate new customers because some existing customers will be lost. Hennig-Thurau et al. (2002) suggest that WOM is a key service relationship outcome. Considering the importance of WOM in services, most service providers have done little to implement specific strategies to foster WOM (Gremler et al., 2001). Most have assumed that satisfaction with the service alone drives WOM. Gremler et al. (2001) suggest and offer empirical support that the interpersonal relationship between contact employees and customers can help foster WOM communication. The recent focus in the literature on relationship marketing
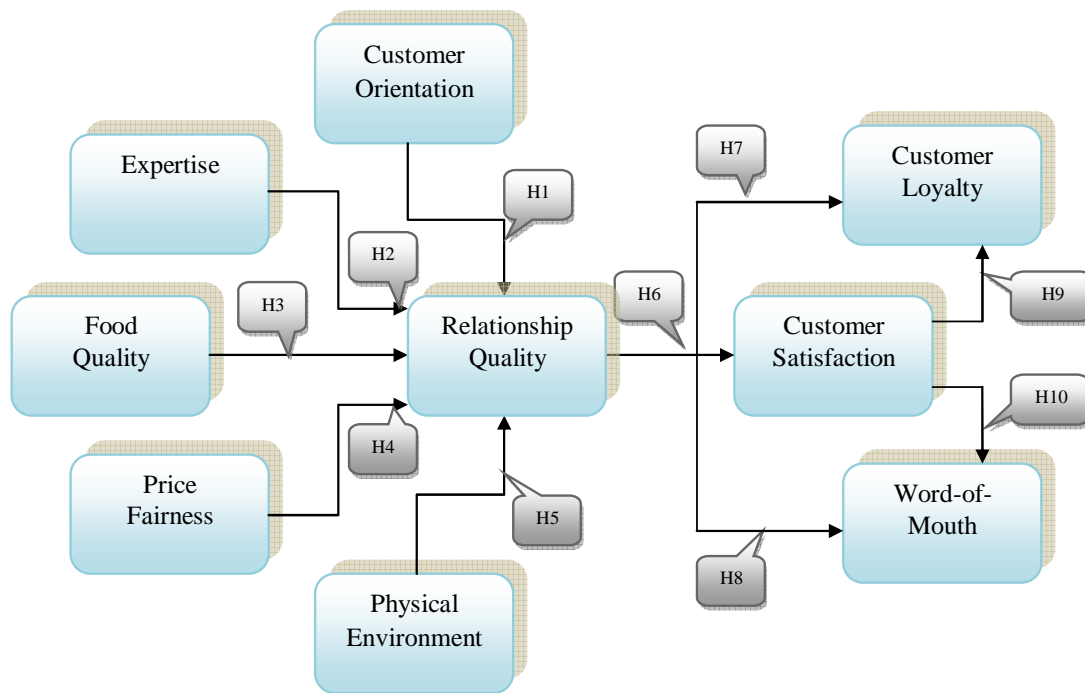
Figure 1. Hypothesized model.

highlights potential responses that can emerge from efforts directed at forming relationships with consumers (Verhoef et al., 2002). Of all these responses, some scholars suggest that WOM may be among the most important (White and Schneider, 2000). The basic idea behind WOM is that information about products, services, stores, companies, and so on can spread from one consumer to another. Reichheld (2006) argues that the ultimate test of strong customer relationships is their willingness to recommend the firm. Word-of-mouth represent the favorable personal recommendations from one individual to other individual regarding a firm and its products and services. Word-of-mouth is well understood as a credible source of communications and plays an instrumental role in new customer acquisitions (Reichheld and Sasser, 1990).

Many firms focus on building relationships with customers to enhance positive WOM. Research suggests that customer-employee relationships enhance positive WOM among customers (Gremler et al., 2001). Furthermore, customers who feel quality relationships with service providers are more likely to be advocates of the firm, which is often shown through positive WOM (Reynolds and Beatty, 1999). Hence, it is important to investigate how the quality of a relationship influences WOM. Many studies have shown that aspects of relationship quality (satisfaction, trust) influence WOM (Hennig-Thurau et al., 2002; Sui and Baloglu, 2003). Since relationship quality is a combination of satisfaction, trust, and commitment, we suggest that relationship quality

enhances customer's likelihood of engaging in WOM. Indeed, prior research on luxury restaurants has shown that relationship quality is positively related to WOM (Kim et al., 2001; Kim et al., 2006).

H_8: There is a significant positive relationship between relationship quality and word-of-mouth.

The conceptual framework in Figure 1 suggests that relationship quality influence customer satisfaction and, subsequently, customer loyalty (Cronin and Taylor, 1994; Rust and Zahorik, 1993). Recent research in services supports this important linkage (Hennig-Thurau et al., 2002). In order to identify the link between satisfaction and loyalty in this study, satisfaction is defined as a customer's post-consumption evaluation of a service, which includes cognitive and affective components, while loyalty is treated as a customer's commitment to a service provider, which develops from satisfaction and includes the cognitive, affective and conative (intention) components that lead to repeat purchase. The literature has established a strong linkage between customer satisfaction and customer loyalty (Cronin and Taylor, 1994). Impact of WOM is particularly important in services (Gremler, 1994; Heskett et al., 1997), where consumers are more likely to be dependent on the communication of others. Past research supports a linkage between customer satisfaction and word-of- mouth (File et al., 1994; Hennig-Thurau et al., 2002).

The last two hypotheses examine potential direct effects

Table 1. LISREL results for the measurement model.

Model	Chi-square	DF	Ratio	Sig.	RMSEA	RMR	CFI	IFI	NNFI	Result
Measurement	1076	377	2.85	0.00	0.07	0.07	0.95	0.95	0.94	Accept

Note: RMSEA, root-mean-square error of approximation; RMR, root-mean-square residual; CFI, comparative fit index; IFI, incremental fit index; NNFI, non-normed fit; DF, degrees of freedom.

effects of customer satisfaction on customer loyalty and word-of-mouth. Specifically, it is suggested that customer satisfaction has a direct influence on customer loyalty and word-of-mouth.

H_9. There is a significant positive relationship between customer satisfaction and customer loyalty.
H_{10}. There is a significant positive relationship between customer satisfaction and word-of-mouth.

RESEARCH METHODOLOGY

Sampling and data collection

The effective sample analyzed consisted of 952 customers of 25 major luxury restaurants in Shiraz (Iran). Each respondent was asked to recall his/her most recent experience with a luxury restaurant. A total of 830 usable questionnaires were collected. Male respondents made up 62% of the sample, with 38% being female. The ages of respondents ranged from teenagers to senior citizens, with the most common age groups consisting of 20 to 38-year olds (69% of respondents) and 41 to 60-year olds (31% of respondents).

All measures were adopted or adapted from previous research. To ensure conceptual equivalence and word-clarity, we conducted translation and back-translation. The translated questionnaire was evaluated by two bilingual faculty members to examine its face and content validities. Before the main study, 32 MBA students having similar backgrounds with people in the sample were recruited to pretest the questionnaire in order to avoid vague concepts and keep the questions as simple, specific, and concise as possible (Podsakoff et al., 2003). All scale items for, customer orientation, expertise, food quality, price fairness, physical environment, relationship quality, customer satisfaction, customer loyalty and word-of-mouth were measured using a 5-point Likert-type scale, with 1 indicating "strongly disagree" and 5 indicating "strongly agree".

The questionnaire

Thirty-six items were used to capture the various latent constructs (see Appendix). Four items were used to measure customer orientation (Kim and Cha, 2002; Parsons 2002). Expertise was measured by five items adapted from the scales developed by Crosby et al. (1990) and Kim and Cha (2002). Three items were used to measure food quality (Fu and Parks, 2001). Four items were used to measure price fairness (Oh, 2000) and four items were used to measure physical environment (Garbarino and Johnson, 1999). Items for relationship quality were adapted from (Garbarino and Johnson, 1999). Four items measure relationship quality. Customer satisfaction three items were adapted from Feick et al. (2001). Customer loyalty was measured via five items adapted from a measure developed by Gremler and Gwinner (2000). Word-of-mouth was measured via four items adapted from a measure developed by Gremler and Gwinner (2000).

Measurement

The measurement model developed and tested with Korean consumers (Kim et al., 2006) was applied to Iranian consumers and tested simultaneously utilizing LISREL 8.72. The measurement model was estimated using summed indicators for the constructs. Three types of information were considered in assessing model fit: chi-square, measurement error, and fit indices. Since chi-square values are sensitive to sample size and likely to be significant if a large dataset is utilized, the chi-square test was not an absolute criterion in evaluating model fit. A second piece of information that was examined was measurement error. The root-mean-square error of approximation (RMSEA) and root- mean-square residual (RMR) were both used. The final piece of evidence that was examined were fit indices. The goodness of fit index (GFI), comparative fit index (CFI), incremental fit index (IFI), non-normed fit index (NNFI), and normed fit index (NFI) are important indices to evaluate and report. Further analysis was also conducted to assess the relative predicting power of the 36 individual items comprising the nine independent variables. Step-wise regression was used for this analysis.

RESULTS

The results for assessing model fit are shown in Table 1. The chi-square statistic of 1076.0 was significant at 377 degrees of freedom; however, chi-square is almost always statistically significant with a sample of more than 200 (Kenney, 2003). Other fit indices all demonstrate a good model fit. The fit indices of CFI, IFI, and NNFI were all high at 0.95, 0.95, and 0.94, respectively. In addition, the RMSEA and the RMRs were both relatively low at 0.07 each. Therefore, the measurement model is accepted and assumed valid for Iranian consumers.

Since the measurement model tested was deemed valid for Iranian consumers, further analysis was conducted to assess the relative importance of the variables. All measurement scales demonstrated high internal reliability, with Croncach alpha scores ranging from 0.81 to 0.97. Multicollinearity was also assessed for each construct and found to be in the acceptable range, with all tolerance statistics greater than 0.65 and all variance inflation factors lower than 1.55. Although not an absolute test for the importance for each predictor, standardized beta coefficients are often useful in determining the relative importance of independent variables in predicting dependent variables.

Although not an absolute test for the importance for each variable, standardized beta coefficients are often useful in determining the relative importance of independent variables in predicting dependent variables. As shown in Figure 2, "customer orientation" positively affects
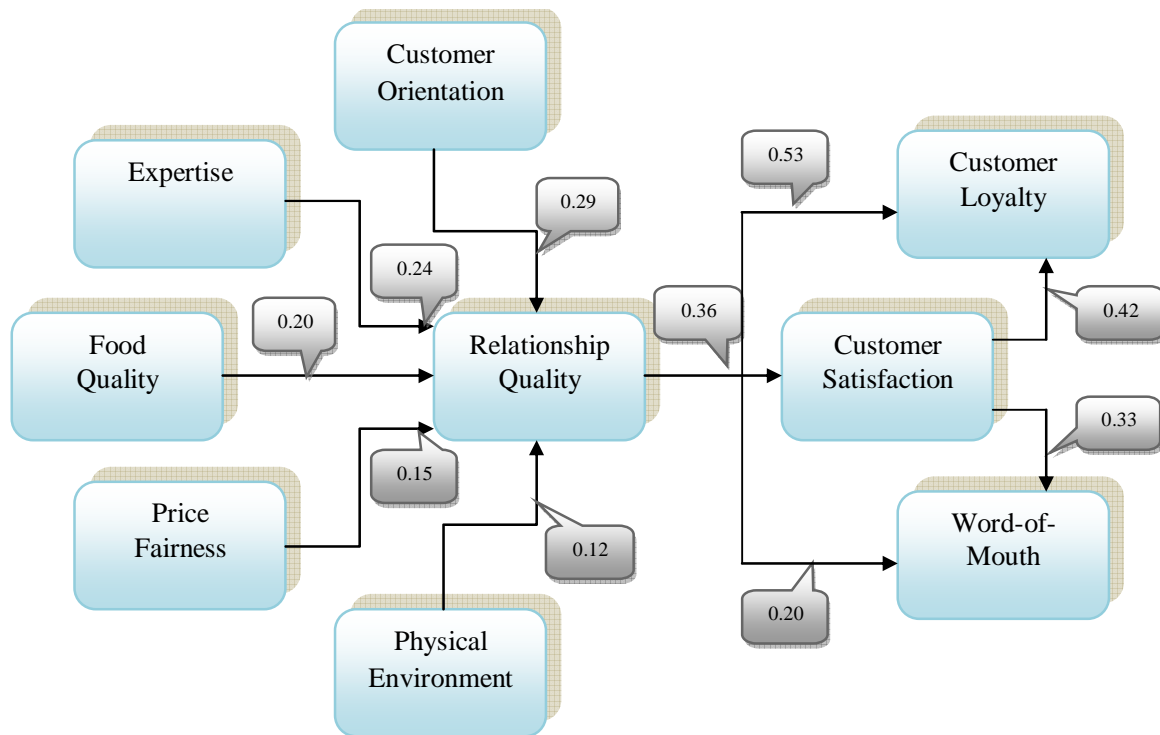
Figure 2. Structural model.

affects "relationship quality" (beta = 0.29, p < 0.01) providing support for H_1. Moreover, "expertise" significantly and positively affects" relationship quality" (beta = 0.24, p < 0.05) supporting H_2. Furthermore, "food quality" positively affects "relationship quality" (beta = 0.20, p < 0.01) so H_3 is supported. From H_4," price fairness" shows a strong positive relationship with "relationship quality" (beta = 0.15, p < 0.05) Thus, H_4 is supported. "Physical environment" has a strong positive effect on "relationship quality" (beta = 0.12, p < 0.05) therefore, H_5 was supported. From H6, "relationship quality" shows a positive relationship with "customer satisfaction" (beta = 0.53, p < 0. 01) Thus, H6 is supported .The results also showed that" relationship quality" positively affects "customer loyalty" (beta = 0.36, p < 0.01) providing support for H_7. "Relationship quality" was found to significantly affect "word-of-mouth" (beta = 0.20, p < 0.01), so H_8 is supported. Moreover, "customer satisfaction" significantly and positively affects "customer loyalty" (beta = 0.42, p < 0.05) supporting H_9. Further-more, "customer satisfaction" positively affects WOM (beta = 0.33, p < 0.01) so H_{10} is supported.

Exploratory analysis (maximum likelihood analysis with oblique rotation) was conducted on the items to investi-gate if the theorized value dimensions could be extracted from the data. The Kaiser-Mayer-Olkin measure of sampling adequacy was good (0.869) and Bartlett's Test of Sphericity was significant, indicating that the items were correlated and suitable for factor analysis (Hair et

al., 1998). The correlations between the composite variables are shown in the lower triangle in Table 3. All of the correlations were significant, thus supporting the nomological validity of the constructs.

DISCUSSION AND CONCLUSION

The result indicates that customer orientation, expertise, food quality, price fairness and physical environment exert significant positive impacts on relationship quality. Customer orientation results in the strongest positive relationship with relationship quality, followed by expertise, and food quality. Structural equation analyses confirmed that the proposed predictors of relationship quality identified in this study are valid for Iranian consumers. Moreover, further analysis showed that customer orientation had the strongest influence on relationship quality. Individual item analysis shows that the "friendliness of dining staff" is very important to customers of luxury restaurants. Therefore, restaurants that are able to provide prompt and courteous service are likely to enhance customer satisfaction. Restaurants need to emphasize to their staff, through continual training and positive reinforcement, that providing excellent customer service is critical in the development of customer loyalty and satisfaction.

The perceived risk has prompted customers to attach particular importance to the professional capabilities and

Table 2. Measurement model results.

Construct and items	Standardized loading	t-value	AVE	α
Customer orientation			0.85	0.98
CO1	0.88	19.57		
CO2	0.77	17.38		
CO3	0.83	18.54		
CO4	0.77	17.29		
Expertise			0.81	0.94
EX1	0.73	15.72		
EX2	0.86	19.22		
EX3	0.81	18.39		
EX4	0.74	16.15		
EX5	0.85	19.74		
Food quality			0.74	0.86
F1	0.79	17.98		
F2	0.88	19.32		
F3	0.75	17.54		
Price fairness			0.86	0.91
PF1	0.67	13.59		
PF2	0.86	19.17		
PF3	0.77	17.63		
PF4	0.61	12.76		
Physical environment			0.72	0.88
P1	0.68	13.64		
P2	0.62	12.58		
P3	0.73	17.24		
P4	0.65	13.55		
Relationship quality			0.84	
R1	0.8	19.24		
R1	0.89	19.79		
R3	0.73	17.06		
R4	0.87	19.58		
Customer satisfaction			0.87	0.95
CS1	0.89	19.86		
CS2	0.82	19.05		
CS3	0.78	17.48		
Customer loyalty			0.75	0.87
CL1	0.81	19.48		
CL2	0.76	17.52		
CL3	0.68	13.64		
CL4	0.89	19.92		
CL5	0.62	12.38		
Word-of-mouth			0.77	0.89
W1	0.71	16.04		
W2	0.84	19.62		
W3	0.65	12.53		
W4	0.67	12.53		

Table 3. Correlations of the study variables matrix.

Construct	1	2	3	4	5	6	7	8	9
Customer orientation	1								
Expertise	87%	1							
Food quality	85%	82%	1						
Price fairness	79%	84%	87%	1					
Physical environment	86%	63%	73%	89%	1				
Relationship quality	78%	81%	62%	75%	82%	1			
Customer satisfaction	75%	72%	66%	79%	75%	84%	1		
Customer loyalty	64%	75%	87%	63%	67%	77%	85%	1	
Word-of-mouth	79%	71%	63%	86%	86%	61%	82%	69%	1

knowledge possessed by restaurant salespersons. However, having knowledgeable and competent salespersons is only a precondition for the development and maintenance of successful relationships (Hennig-Thurau, 2004). Kotler et al. (1996) also suggested that it is more difficult for service firms to train their employees to be friendly and caring than to provide them with the needed skills. The dynamic interactions between customers and employees may play an important role in affecting customers' perceived service. More specifically, the attitudes and behaviors of service employees contribute significantly to customers' perceived service quality (Sharpley and Forster, 2003). Once recruited, luxury restaurants need to provide their salespersons with ongoing training and development sessions in order to enhance work-related knowledge and skills in response to customers' demands. The "quality of food" also has a strong influence on relationship quality between customer and restaurant. This finding reinforces the importance of food quality in developing customer satisfaction and customer loyalty within the restaurant industry. It is important for luxury restaurants to stress consistent food quality, so that customers have a positive experience each and every time they patronize the restaurant. Food preparation and presentation are critical factors that must be addressed in order to develop long-term relationships with loyal customers.

The physical environment of the restaurant is another important element affecting relationship building for luxury restaurants. Restaurant decor, dining area comfort, and cleanliness of the dining area and restrooms are all important elements of the physical environment that impact customer dining satisfaction. "Clean and elegant dining equipment" appears to be a top priority to patrons of luxury restaurants. Customers of luxurious restaurants typically have high expectations of comfort, decor, and cleanliness, so it is imperative that these restaurants meet the expectations of their customers.

Perceived price fairness also plays an important role in influencing customer loyalty and satisfaction. Customers appear to use perceived price fairness (that is, price charged is appropriate) as a means to evaluate customer

value. Therefore, luxury restaurants that overprice their products or offer different prices to different customers may negatively impact customer loyalty and customer satisfaction. Even though most customers are willing, and even expect to pay higher prices at luxurious restaurants, perceived value is still important to them. Luxury restaurants must provide customer value through consistent fair prices for top quality food and service. Restaurants that are able to do this are much more likely to develop a loyal and satisfied customer base.

Also this survey shows that relationship quality has important direct effects on customer satisfaction, customer loyalty and word-of-mouth. Restaurants manager should note that customer satisfaction and customer loyalty are two constructs that develop over time and therefore require continuous monitoring and evaluation. This research reiterates the importance of considering interpersonal level variables and firm level variables in assessing marketing relationships. While it may be argued that service organizations are interested in promoting strong relationships between customers and the firm, firms cannot ignore the fact that a potentially stronger relationship can be established at the interpersonal level with the contact service employee. Similarly, in most cases one would expect that quality of the interpersonal relationship would be consistent with the customer's assessment of the firm. However, relationship quality at the individual level can have important direct effects on customer loyalty and positive word-of-mouth. Since this research supports the importance of customer orientation, more research should be conducted on improving the selection, training, and motivation of customer-oriented employees.

Future research might also focus on individual differences in the importance of interpersonal relationships to customers, such as differences in relational preferences (Reynolds and Beatty, 1999) or perceived risk (Macintosh, 2002). Finally, additional research is needed to better understand the factors that influence word-of-mouth, particularly factors that might aid managers in attempts to successfully manage word-of-mouth (Meng and Elliott, 2008).

LIMITATION

Although all of our hypotheses are supported, this study has a few limitations that present opportunities for further research. First, our survey respondents were chosen from a convenience sample and the representativeness of our sample may be questioned. Second, this model was tested for validity and reliability only in the context of luxury restaurants in Iran. Ideally, national relationship quality indexing should be conducted in different sectors simultaneously, and the model should be tested periodically. Only then can the results be compared with other countries' relationship quality indices.

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APPENDIX

Physical environment (1 to 5 Likert-type scale)

P1 = The restaurant has visually attractive building exteriors and parking area.
P2 = The restaurant has a visually attractive dining area that is comfortable and easy to move around within.
P3 = The restaurant has appropriate music and illumination in keeping with its atmosphere.
P4= The restaurant has clean and elegant dining equipment.

Food quality (1 to 5 Likert-type scale)

F1= Quality of food and beverage is consistently high during each visit.
F2 = The restaurant offers excellent taste of food.
F3 = The restaurant offers excellent appearance of food.

Customer orientation (1 to 5 Likert-type scale)

CO1 = The dining staff is friendly.
CO2 = The dining staff is always willing to help you.
CO3 = The dining staff is knowledgeable and confident.
CO4 = The dining staff understands your specific needs.

Price fairness (1 to 5 Likert-type scale)

PF1 = The food prices at this restaurant are fair.
PF2 = The beverage prices at this restaurant are fair.
PF3 = The price charged by this restaurant is appropriate.
PF4 = The price charged by this restaurant is rational.

Relationship quality (1 to 5 Likert-type scale)

R1 = The quality of service at this restaurant is consistently high.
R2 = The service performances at this restaurant always meet my expectations.
R3 = I am concerned that the service performance will not be worth the money (reversed scored).
R4 = The ingredients and quality of food at this restaurant are reliable.

Word-of-mouth (1 to 5 Likert-type scale)

W1 = I am willing to recommend the services of this restaurant to my friends.
W2 = I am willing to encourage individuals to dine in this restaurant.
W3 = I have only good things to say about the services of this restaurant.
W4 = I will encourage friends and relatives to dine in this restaurant.

Customer satisfaction (1 to 5 semantic differential scale)

CS1 = How would you rate your level of satisfaction with the quality of service?
Very low……. Very high
CS2 = How would you rate your overall satisfaction with this restaurant?
Very low…….Very high
CS3 = How would you rate this restaurant compared with other restaurants on overall satisfaction?
Very low…….Very high

Expertise (1 to 5 Likert-type scale)

EX1 = The dining staffs exhibit adequate knowledge about services.
EX2 = The dining staffs are adept at their work.
EX3 = The dining staffs are highly qualified.
EX4 = The dining staffs are competent in providing service.
EX5 = The dining staffs have received substantial training.

Customer loyalty (1 to 5 Likert-type scale)

CL1 = In the future, I would like to dine in this restaurant.
CL2 = This restaurant I have chosen has personal meaning to me.
CL3 = I will recommend this restaurant to persons I know.
CL4= I intend to remain a customer of this restaurant.
CL5 = I will keep on dining in this restaurant as long as it offers the best interest rates for me.