Evaluating the impact of customer demographical characteristics on relationship outcomes

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Abstract

This study investigated the impact of customer demographic characteristics on relationship outcomes. Through exploratory factor analysis and multiple analysis of variance, the empirical findings demonstrated that customer age and gender were effective discriminators of relationship marketing outcomes. As proposed, the findings show that young and female customers are more likely to be loyal and to spread positive word-of-mouth than other market segments. In addition, the findings depict a high degree of consistency in relationship outcomes regardless of educational background. Since there is a notable absence of literature that assesses the impact of demographics on relationships in marketing, particularly in a service context, this research adds significant value. The study also offers empirical insights on segmentation and positioning of relationship marketing strategies by identifying relationship prone individuals based on their personal characteristics.

Keywords: Relationship; Age; Gender; Income; Loyalty; Word of Mouth
1. Introduction

Although relationship marketing is an old new concept (Berry, 1995), it became a popular research area for many academics (Palmatier, 2013). Common to most related literature is the underlying foundation, which points out beneficial outcomes of establishing relationships between customers and businesses. These advantages accrue only if customers and businesses are motivated to start and maintain long-term relationships. The literature has already established a strong link between relationship marketing and business economic and market performance outcomes (Berry, 1983, Hennig-Thurau et al, 2002; Sin et al, 2002; Izquierdo, 2005; Palmatier 2008). We also know from Sheth and Parvatiyar (1995) that relationships exist because of personal, social, and institutional influences. However, we are yet to know how internal and external influences affect relationship outcomes, namely which consumer segments are more or less predisposed to exhibit loyal behaviour. This study contributes to the discourse by investigating how consumer demographical characteristics (defined by age, gender, and education) influence relationship marketing outcomes (loyalty and positive word-of-mouth).

The study makes some unique theoretical and practical contributions. By demonstrating the effects of personal attributes on relationship marketing outcomes, the study extends the discourse of relationship marketing within the consumer environment. Morgan (2000) discussed the utilitarian motive of relationships by comparing economic cost with benefits signaling that customers decision to enter into relationships occur only after deliberate and rational evaluations. Our findings extend the utilitarian argument by demonstrating the impact of consumer biological characteristics on relationship outcomes. Also, there is still a notable absence and conflicting views in the literature as to whether demographics impact on relationships in marketing (Patterson, 2007), despite the contributions to consumer literature that signal differences on the way consumer behaves according to e.g. age, gender and education. Furthermore, these propositions have been even less examined in a service context. By contributing to the body of knowledge in this area, this research adds significant value. The study also offers empirical insights on segmentation and positioning of relationship marketing strategies. Marketers can use this information to target the right customers when designing and executing relationship marketing programs, allowing them to develop stronger interpersonal relationships.

2. Literature Review and Hypothesis Formulation

Forging relationships with key stakeholders is now considered an important business strategy given the competitiveness of today’s environment (Palmatier, 2008). The impetus behind this investment is based on the belief that relationship marketing leads to better financial performance through lower cost structure, higher market share and higher profitability (Berry, 1995; Palmatier, 2008). In addition to immediate financial benefits, the theoretical discourse of relationship marketing highlights two fundamental outcomes of relationship marketing campaigns: building customer loyalty and generating positive word of mouth from the consumer (Hennig-Thurau et al., 2002; Sheth, 1996; Ndubisi, 2007). In terms of customer loyalty, research show that a firm cost structure could be reduced if emphasis is placed on serving long standing customers rather than trying to attract new ones (Ndubisi, 2006). Customer loyalty manifests into behavioral and attitudinal outcomes (Oliver, 1999). In addition, loyalty also encompasses positive emotions of favorability and preferences formed after conscious evaluations. Customer positive word of mouth is related to informal communication the customer has with other customers regarding the product or service. It is both requested or unrequested testimonials and referrals (Verhoef et al. 2002).

Word of mouth communication is a strong motivator and powerful marketing force (Sundaram et al, 1988) given that its persuasive role in influencing purchase decisions (Bansal et al 2000). Palmatier (2008) highlighted that although positive word of mouth relate to customer loyalty they
should be treated as separate constructs given that loyalty represent relationship with existing customers while word of mouth generates business with new customers. Unlike loyalty, word of mouth communication reflects the attraction of new customers, one aspect of the relationship marketing process (Morgan and Hunt, 1994; Hennig-Thurau et al, 2002). Based on this on this argument we considered word of mouth as a separate construct from customer loyalty.

**Impact of Consumer Characteristics**

Personal characteristics are common variables used in profiling customers (Mittal and Kumakura, 2001; Homburg and Giering, 2001; Ranaweera et al., 2005). Many studies use psychological, biological and socio economic characteristics to understand consumer behavior (Mittal and Kamakura, 2001, Im et al., 2003). Demographic characteristics also influence consumer choice and patronage and differences in attitudes between e.g. gender group, age and educational level were found to be significant (Laroche et al. 1986). The purpose of this paper is to empirically examine the impact of three personal characteristics (age, gender and education) on relationship marketing outcomes (namely customer loyalty and positive word of mouth).

**Age**

The impact of age on consumer behavior is widely accepted (Yoon and Cole, 2008). Age has a profound impact on the way consumers interpret experiences and form attitudes towards marketing communication (Patterson et al 1997). When compared to younger customers, older customers are less likely to change their purchasing patterns and product preferences and have less desire to switch providers (Yoon and Cole, 2008; Patterson, 2007). One such example of this reluctance is evident in technological adoption. Older customers are more resistant to technologically oriented products primarily because of the challenges in understanding and using these devices (Im and Masson, 2003). Yoon and Cole (2009) described this reluctance as persuasion knowledge, which refers to the tendency and tactics to resist persuasive efforts. Through experiences and knowledge accumulated throughout a lifetime, older customers are more likely to resist persuasive efforts.

Wood (2004) supported the loyalty differences in older and younger customers. The ‘older’ generation is more likely to exhibit loyal behaviour than the younger generation, and older customers are conservative and restrictive in trying new brands due to the physical differences brought about by reduce mobility and limited choices. Also, the interpersonal experience matters a great deal (Patterson, 2007). The need for risk reduction increases with age, and loyalty to a service provider is a strategy that fulfills that goal (Zeithaml and Gilly, 1987). Older customers are less likely to shop around compared with younger ones who are generally more risky in their purchase behaviour (Sharma et al. 2012).

Another explanation is drawn from the social exchange theory where older customers are expected to develop a deep sense of satisfaction comfort and prestige in having fewer but deeper social relationships (Moschis, 1994). Others have explained this difference using cognitive learning theories (Mata and Nunes, 2010). As customers age, they experience psychological and physical changes that affect the way they behave since information processing declines as consumers grow older (Im et al., 2008). Problems with vision and hearing become more pronounced later in life, and escalates as age progress (Smith and Baltes, 1997). These changes affect customer attention and cognition. Yoon and Cole (2008) also investigated the effect of these changes on memory. Citing changes in processing speed, processing resources, and diminishing inhibition, the authors concluded that ageing affect customers’ ability to engage in deep cognitive task of stimuli absorption, mental elaboration and data retrieval.

However, there is still a notable absence of literature that assess the impact of age on loyalty (Ndubisi, 2006) despite the contributions to consumer literature that signal differences on the way
consumer behaves. In this regard, we expect that relationship outcomes will vary by customer age characteristics. This expectation is reflected in the hypothesis below:

**H1: Relationship marketing outcomes vary by customer age, namely older customers are more likely to be loyal and to spread positive word-of-mouth than younger customers**

**Gender**

Gender is commonly referred to as one key factor that influence consumer behavior (Fisher and Arnold, 1994; Palan, 2001). The physical differences between men and women are the most obvious and least disputed factor in behavior studies (Fisher and Arnold, 1994). Drawing on the socialization theory, males and females normally react differently when confronted with the same social condition. The difference in behavior is attributed to the social identity of an individual established from early childhood socialization where individuals are inculcated into socially accepted roles. For instance males are thought to behave more aggressively, competitively and independently. Females on the other hand are socialized into adopting more nurturing, collective and tolerant roles (Roxas and Stoneback, 2004). Ameen et al, (1996) supported differentiation in behavior among men and women and concluded that males were more likely to engage in controversial and unethical behavior than females. Ndubisi (2006) extended this behavioral difference into the market domain by investigating the effects of gender on customer loyalty relationship and concluded that significant gender differences in trust-loyalty relationship. The study showed that women are more loyal in their product choices than men were. Females were also more conservative and relationship prone (Bahia et al., 2005), with higher attachment to brands (Patterson, 2007). Melnyk and van Osselaer (2012) demonstrated that men and women differ in their response to loyalty rewards. Also Melnyk et al. (2009) found that male and female customer loyalties towards employees are different in nature, and in terms of satisfaction judgments, women value more the relationship with the service staff than the core service provision (Iacobucci and Ostrom, 1993; Mattila et al., 2003; Snipes et al., 2006).

Although most research concentrate on social behavior, another stream of research examined the cognitive differences between men and women. These theories don’t speak directly to loyalty, but can be used to inspire different predictions about customer loyalty. These studies have been fairly consistent in demonstrating differences in verbal, calculative and visual-spatial characteristics (Meyers-Levy, 1989; Pinker and Spelke, 2005). Men are more calculative and apply a more mathematical approach to problem solving, whereas women pay more attention to details and are less general in their insights. Females are better at verbal fluency, verbal articulation and perceptual speed (Kimura and Hampson, 1994). Barron-Cohen (2005) synthesized these differences by describing women as "empathizers" while men are "systemizers". Meyers-Levy and Sternthal (1991) looked at the differences in the processing strategies of males and females and concluded that females are more elaborated in retaining message content and attitudes. Females register message content strongly in memory (Meyers-Levy and Sternthal, 1991) while being more sensitive to the needs of self and others. Because of the sociological and trait based explanations, females are expected to seek out information and deliberate extensively over alternatives.

However, despite the importance of customer loyalty on the one hand, and gender differences on the other hand, little is known about the existence and nature of gender differences in customer loyalty (Melnyk et al., 2009). In this respect, we expect women will be more receptive to form relationships with their providers when compared to men. This expectation is reflected in the hypothesis below:
H2: Relationship marketing outcomes vary by customer gender, namely female customers are more likely to be loyal and to spread positive word-of-mouth than male customers

Education

The impact of customer education on consumers behavioral outcomes is another widely researched area in the consumer literature. Through empirical investigations, researchers have shown that customer loyalty is negatively related to education. In other words, as customers become more educated, their loyalty diminishes (Mittal and Kamakura, 2001). Generally, consumers with higher levels of education engage in more detailed cognitive processing, and extensive search activities. In this regard, higher educated customers are expected to be more aware of competing products and are generally more capable of evaluating options, thereby maximizing their desired utility.

Also, higher educated customers have complicated cognitive structures, which enable differentiation of product offerings and thus reducing the risk involved in switching (Alba and Hutchinson, 1987). Due to the enhanced cognitive capacities, higher educated customers are expected to be more comfortable with switching, and less conservative in their choices (Laroche et al., 1986). Additionally, people with higher levels of education are associated with higher levels of incomes (Bellman et al., 1999) which correlates with lower levels of loyalty (Cool et al., 2007). This highlights the possible impact of customer education on relationship marketing outcomes. Higher educated are less likely to be loyal and to spread positive word-of-mouth as compared to lesser educated customers. This expectation is reflected in the hypothesis below:

H3: Relationship marketing outcomes vary by customer education, namely higher educated customers are less likely to be loyal and to spread positive word-of-mouth than lower educated customers.

3. Research Methodology and Results

Data were collected through a self-administered standardized questionnaire from two hundred and twenty-two (222) service customers from a cross-section of service-related industries. Participants were selected based on personal contact and social referrals. Although the sample was convenient, participants satisfied two pre-specified sampling criteria: over the age of eighteen years and had an express relationship with a specific service provider. Subsequently, each participant was required to complete a web-based questionnaire administered at his or her personal convenience. In terms of process, when answering the questionnaire, each participant was asked to think about a service provider he/she experienced a satisfying and positive relationship with. The questionnaire comprised two sections. The first section was about consumer profile and the second section solicited customer responses on loyalty and word of mouth on a five-point Likert scale that ranged from 1 (completely disagree) to 5 (completely agree). Preexisting scales were modified to fit the context of the research environment via a pretest (Zeithaml et al. 1996; Oliver, 1999; Kumar et al., 2003, Blöemer and Odekerken-Schröder, 2007, Jones and Taylor, 2007, Eisingerich and Bell, 2007).

In terms of profile, the majority of participants were female (55%) over 35 years old (64%). In terms of education, 44% of the participants received undergraduate degrees while 25% were educated at the secondary level. A demographical profile of the participants is presented in the Table 1.
Through principal component exploratory factor analysis with varimax rotation, we verified the nature of each outcome. The loyalty scale comprised of six items, which explained 75% of total variance and generated a two (2) factor solution. Factor one (1) described respondent’s intention to engage in repeat purchase activities and was subsequently labeled “Behavioural Loyalty” (including repeat purchase, share of wallet and preference). While the second factor related to the attitude of the customer and labeled “Attitudinal Loyalty” (including search for alternatives, active tracking and monitoring). The motivation for assigning labels to each of the two factors was driven by the contributions made by Fernandes and Proença (2013) and Oliver (1999). Each factor had acceptable reliability coefficient ($C'_{bach} \alpha = 0.846; 0.782$). Three items adopted from Zeithaml et al. (1996) measured positive word of mouth which explained 81.7% of variance with reliability of 0.888.

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### Table 1: Profile of Respondents

<table>
<thead>
<tr>
<th>Classification</th>
<th>Group</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Demographic – Age</td>
<td>18-24 years</td>
<td>17%</td>
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<tr>
<td></td>
<td>25-34 years</td>
<td>19%</td>
</tr>
<tr>
<td></td>
<td>35-44 years</td>
<td>51%</td>
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<tr>
<td></td>
<td>45 Years and older</td>
<td>13%</td>
</tr>
<tr>
<td>Demographic – Gender</td>
<td>Male</td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>55%</td>
</tr>
<tr>
<td>Demographic – Education</td>
<td>Post Graduation</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>Degree</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>25%</td>
</tr>
</tbody>
</table>

### Table 2: Multivariate Analysis of Variance

<table>
<thead>
<tr>
<th></th>
<th>Age</th>
<th>Gender</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roys Largest root</td>
<td>0.01</td>
<td>0.001</td>
<td>0.156</td>
</tr>
</tbody>
</table>

Multivariate analysis of variance (MANOVA) ascertained the statistical impact of demographic variables on customer relationship outcomes (Table 2). The justification for using MANOVA rests on the technique’s ability to assess group differences across multiple metric dependent variables simultaneously (Hair et al., 1998). In this analysis the dependent variables related to the relationship outcomes generated from the EFA (attitudinal loyalty, behavioural loyalty and positive word of mouth) and the independent variables were customer age, gender, income classifications. Firstly the multivariate interaction effect was examined and two demographic variables (age and gender) proved to be significant discriminators of relationship marketing outcomes (Roys Largest root <0.1) while education had no significant effect. In order to determine the nature and magnitude of the effect age and gender have on relationship outcomes, a series of univariate analysis were conducted on both age and gender. The result showed that age had no effect on positive word of mouth and attitudinal loyalty ($p>0.1$), but had a significant effect on behaviour ($p = 0.064$). An analysis of behavioural loyalty showed that the difference was most pronounced among older customers (45 and older) having lower repurchase intentions (MOlder=-
0.428), whilst younger customers (less than 25) reported higher repurchase intention (MYounger=0.113). The analysis also showed gender as an effective discriminator. Gender accounted for the differences of two relationship outcomes investigated (positive word of mouth and behavioural loyalty). Females were more likely to be brand advocates than men (MFemale=0.158 MMale=-0.196) and demonstrated higher repurchase intentions (MFemale=0.206; MMale=-0.256). Gender had no affect on consumers attitudinal loyalty (p=0.459). Additionally, the analysis shows that customer education did not influence relationship outcomes.

4. Conclusion

The results of our study show that consumer age and gender affect relationship outcomes, but not entirely in the way that it was expected. Namely, our findings showed that older customers were less likely to show behavioural loyalty than younger ones. The latter effect is counterintuitive in light of theories arguing that older people are more likely to exhibit loyal behaviour than the younger generation. Maybe moderators such as service type could help to explain this result, since some services lend themselves to more intimate, close and prolonged when compared with low contact ones (Patterson, 2007). Moreover, our findings supported the hypothesis on gender by showing that females are more inclined to demonstrate higher behavioral loyalty and positive word of mouth when compared to males. Perhaps this difference is attributable to the variations in behavior by both groups. Men are more calculative and value conscious. Females on the other hand are more socially oriented and place a great deal of importance on the type of interaction with the service provider. Females have an innate desire to be socially connected. Although our findings supported that age and gender affect relationship outcomes, we found no evidence to suggest that these vary by customer education.

In terms of management implications, the findings show that managers should not implement relationship marketing strategies without understanding the impact of consumer biological composition on the expected outcomes. The study provides empirical evidence to support the effect of customer characteristics on relationship outcomes, with direct implications for relationship marketing strategies. For instance, if the intention is to build behavioral loyalty and spread positive word of mouth, then the marketer should concentrate on targeting the female consumer segment. Therefore, managers can lower the cost of building relationships and increase returns by implemented more targeted and structured relationship building campaigns. Resources can be allocated more productively and reduce both the cost and time wasted in unproductive relationship building activities. The marketer can identify specific segments that are more inclined to relationship building and develop a more proactive method to soliciting long-term customer relationships from these segments.

However, despite the useful findings, the study has also some limitations. Firstly, the research parameters were limited to three personal characteristics and three specific outcomes. Future researchers should consider expanding the context to include other trait influences such as psychological and social on perceptual and behavioral outcomes. Secondly, it would be advisable to replicate the present study using a representative instead of a convenience sample, as a step towards generalization of our results. Furthermore, and as earlier suggested, it would be interesting to study if the patterns found differ somewhat across service types. Additionally, our relationship model was limited to the consumer service sector. It would be useful to verify the findings by investigating other markets (consumer goods and industrial sectors) or even across cultures given that some cultures are more oriented towards establishing and maintaining long-term relationships than others. Normally individuals are trained on socially desirable behaviors at an early age based on the social values of the society they live in. These analyses will help explain variation in customer loyalty responses as well as extend the body of literature in relationship marketing to a less unexplored domain.
References


