Relational capital quality and client loyalty: firm-level evidence from pharmaceuticals, Pakistan

Shujaat Mubarik  
Department of Economics, University of Malaya,  
Kuala Lumpur, Malaysia

VGR Chandran  
Department of Development Studies, University of Malaya,  
Kuala Lumpur, Malaysia, and

Evelyn S. Devadason  
Department of Economics, University of Malaya,  
Kuala Lumpur, Malaysia

Abstract

Purpose – This study aims to examine the influence of relational capital quality on client loyalty, comprising both behavioral and attitudinal, in the pharmaceutical industry of Pakistan.

Design/methodology/approach – The partial least squares technique is used to test the relationship using a sample of 111 pharmaceutical firms. We applied a non-parametric procedure, the bootstrapping method, to estimate the coefficient path of the relationships. Appropriate construct measures were used based on past studies to measure the dimensions of relational capital quality and client loyalty.

Findings – The findings suggest that relational capital quality significantly affects client loyalty. All three dimensions of relational capital quality, commitment, satisfaction and trust, have a significant and positive influence on both attitudinal and behavioral loyalty. However, client satisfaction is found to exert the strongest impact on behavioral and attitudinal loyalty.

Practical implications – It is important for the pharmaceutical firms in Pakistan to improve client satisfaction to establish behavioral loyalty and sustain their clientele base. Trust and commitment should be managed independently, depending on the focus of firms, either attitudinal loyalty or behavioral loyalty.

Originality/value – This study is among the few that was able to empirically examine the role of various dimensions of relational capital quality in influencing clients’ attitudinal and behavioral loyalty. In addition, the study uses a new firm-level data set, compiled from a survey of the pharmaceutical industry in Pakistan, which is currently facing challenges in terms of customer–supplier sensitivity.

Keywords Behavioral loyalty, Trust, Commitment, Attitudinal loyalty, Client loyalty, Relational capital quality

Paper type Research paper

Introduction

Intellectual capital has gained the attention of scholars and the business community, given its importance for firms’ competitiveness (Nahapiet and Ghoshal, 1998; Sarkar et al., 2001; Castro et al., 2004). Broadly speaking, intellectual capital is categorized into
three distinct dimensions, namely, human capital, organizational capital and relational capital. In contrast to human and organizational capital, relational capital emphasizes the value inherent in a company’s relationships with its customers, suppliers and other import constituencies for sustaining firm performance. As a larger aspect of relational capital is external to the firm (customer–supplier and supplier–supplier/partner), and that relational capital is difficult for competitors to replicate, firms are placing greater importance to understand the complexity of managing relational capital to build their competitive advantage (de Pablos, 2004; Kohtamaki et al., 2013), and to expand their market shares. Hence, improving the quality of relational capital has become the main focus of most firms.

Relational capital in alliances, or customer–supplier relationships more specifically, constitutes dynamic outcomes of several organizational processes that include the understanding of the initial conditions, making negotiations and transactions that occur in the early part of the relationship, and partner interactions as well as external events that characterize the later stages of the relationship. A number of studies in the organizational literature have therefore stressed the strength of customer–supplier relationships, especially when dealing with corporate customers (Gummesson, 1987; Storbacka et al., 1994; Crosby et al., 1990; Naude and Buttle, 2000) at both the early and later stages. At the later stage of the customer–supplier relationship, established firms strive to build the trust of their clients by providing their product requirements within the specified time, at competitive costs, while maintaining the quality of their products. Consequently, suppliers who meet or exceed customers’ expectations and satisfaction are able to establish loyalty among their clients, who in return continue to make purchases from the same suppliers over a longer term (Sharma, 2010). Following which, studies by Crosby et al. (1990); Dwyer and Schurr (1987); Shamdasani and Balakrishnan (2000) and Hennig-Thurau et al. (2001) considered satisfaction and trust as indicators of the higher-order construct of relational capital quality. Other scholars propagated commitment as a dimension of relational capital quality (Hennig-Thurau and Klee, 1997; Dorsch et al., 1998; Hennig-Thurau et al., 2002; Roberts et al., 2003; Hewett et al., 2002). In this regard, it is important to distinguish between the various dimensions of relational quality in understanding customer–supplier relationships.

Despite the strategic importance of relational capital quality in customer–supplier relationships, the managerial awareness of these networks remains significantly low. This is particularly true of developing countries where firms are characterized by less managerial expertise than their counterparts in developed countries. There is still lack of understanding on how satisfaction, trust and commitment influence loyalty in the context of developing countries. By focusing on the links between relational capital quality and corporate client loyalty in Pakistan, this study provides some noteworthy contributions. First, unlike many other studies, this study goes beyond relational capital per se to examine the quality of the relationship; satisfaction, trust and commitment that serve as higher-order constructs of relational capital quality. There is also lack of research on how the various dimensions of relational capital quality affect clients’ attitudinal and behavioral loyalty (Naoui and Zaiem, 2010; Chumpitaz and Nicholas, 2007). Second, the study focuses on an industry that is still developing its intellectual capital in
Pakistan, the pharmaceutical industry. There are limited studies on the pharmaceutical sector in Pakistan (Khalique et al., 2011), despite the issues that surround it. With approximately 400 national companies competing for 45 per cent of the market, while the remaining share is dominated by multinationals, it is important to examine how these firms view the relational capital quality between customers and suppliers. Furthermore, the pharmaceutical sector in Pakistan is facing challenges in terms of customer–supplier sensitivity (Rana et al., 2009).

**Theoretical exposition: relational capital quality and client loyalty**

A vast literature on relational capital underscores its importance and, in this regard, has provided multiple explanations for its use. Nahapiet and Ghoshal (1998) related relational capital to the creation of knowledge for deriving organizational advantages. Kale et al. (2000) asserted that relational capital is associated with the importance of learning and protecting proprietary assets in strategic alliances. Further, Sarkar et al. (2001) considered it as an important filament for the creation of value in alliance performance. It is also considered important to manage and leverage the tacit and explicit knowledge transferred in international joint ventures and alliances (Dhanaraj et al., 2004; Collins and Hitt, 2006). Likewise, for leveraging corporate reputation and enhancing company performance (Castro et al., 2004), particularly managerial performance from the social perspective (Moran, 2005), relational capital is deemed important. In the development of supplier alliances, comprising the formal and informal socialization processes during the supply chain development, it also plays a vital role (Cousins et al., 2006; Delerue-Vidot, 2006).

The multiple uses of relational capital from an organizational perspective have been clearly expounded in the literature due to the score of studies linking relational quality and firm performance. However, the interactions between relational capital quality and client loyalty, which is the focus of this study, remain less researched. For this, we need to understand the dimensions of relational capital quality and client loyalty, and the linkages between the two. This section seeks to provide the theoretical association.

**Dimensions of relational capital quality**

There is no clear consensus on the set of dimensions that constitute the quality of relational capital (Dorsch et al., 1998; Kumar et al., 1995; Hennig-Thurau et al., 2002). At best, the literature consistently suggests satisfaction and trust (Crosby et al., 1990; Dwyer and Schurr, 1987; Shamdasani and Balakrishnan, 2000; Hennig-Thurau et al., 2001), along with commitment, as the main dimensions of relational quality capital. The following discussion therefore explains how these three elements form relational capital quality.

**Satisfaction**

One of the important dimensions of relational capital quality is the satisfaction of clients, defined as a post-choice judgment about a particular purchase decision (Bearden and Teel, 1983). It is also conceptualized as the perceived difference between actual and expected performance of a supplier (Ping, 1993). In the business environment, confining satisfaction to an outcome of a single transaction is considered restrictive; rather, it should be considered as judgment based on cumulative experience (Wilton and Nicosia, 1986; Homburg and Giering, 2001). Client’s satisfaction with product performance, sale process and post-sales service are the three avenues through which satisfaction is measured (Ramsey and Sohi, 1997). Researchers argue that satisfaction represents the
quality of relationships. Higher satisfaction is considered an outcome of excellent customer–supplier relationships, whereas lower satisfaction is an indication of weak customer–supplier relationships (Wilson and Moller, 1991). Satisfaction results in customers’ long-term repurchases and loyalty. In a business-to-business (B2B) environment, customer satisfaction is crucial, as it forms the heart of relationships like alliances (Chopra and Meindl, 2010; Oliver, 2014).

Trust
Trust represents the degree of reliability of a client on its supplier. It directly contributes to the improvement of relational quality, and has been defined as an asset for long-term partnerships (Cannon et al., 2010; Vieira et al., 2013). Companies are using modern supply chain management techniques, like the just-in-time inventory management system, where relationships based on high levels of trust are indispensable for both the supplier and client. An absence of high levels of trust in such cases makes relationships meaningless, compelling clients to choose alternatives (Stuart et al., 2012; Chopra and Meindl, 2010). Therefore, trust accompanied by mutual understanding of needs, integration and financial benefits form the core of relational quality (Naude and Buttle 2000). In this study, we have considered trust as “the extent to which one believes that others will not act to exploit ones vulnerabilities” (Vieira et al., 2013; Stuart et al., 2012; Morrow et al., 2004).

Commitment
Hennig-Thurau and Klee (1997); Dorsch et al. (1998); Hennig-Thurau et al. (2002); Roberts et al. (2003) and Hewett et al. (2002) argue that commitment is another important dimension of relational capital quality. Commitment refers to a situation in which a firm fulfills precisely the agreed terms and conditions of the agreements with its counterparts. Higher fulfillment leads to higher level of commitment (Fullerton, 2003; see also Hennig et al., 2002). According to Morgan and Hunt (1994), companies can effectively use relationship commitment as a tool for relationship marketing. Commitment can also be appraised from the degree to which a firm intends to maintain a relationship with the other firm (Kim and Frazier, 1997). Wetzel et al. (1998) assert that commitment plays a psychological role in B2B relationships, affecting the attitude of partners in business relationships. Previous literature has therefore categorized commitment into two parts, affective commitment and calculative commitment. Where the former reflects the degree to which a customer is satisfied to transact with his supplier over the long term, the latter represents the short-term commitment of suppliers. Explicating calculative commitment, Ruyter et al. (2001) argue that it represents a situation when a client maintains the relationship because of time constraint, energy and the costs involved in disassociating with the supplier. To Lacey and Morgan (2008), customers with stronger levels of commitment are indeed more willing to contribute as customer advocates. To them, commitment is a vital part of relationship quality.

As a whole, there is consensus that the three dimensions of relational capital quality are well-represented by satisfaction, trust and commitment. Likewise, de Wulf et al. (2001) highlighted that better relational quality is accompanied by greater satisfaction, trust and commitment – pointing out that, although these three attitudinal dimensions are distinct, consumers tend to “lump” them together (Crosby et al., 1990; de Wulf et al., 2001; Monczka et al., 2015). Despite the various interpretations on relational quality,
clearly, the core dimensions of relational capital quality constitute three major strands, satisfaction, trust and commitment (Walter et al., 2003).

**Dimensions of client loyalty**

Client loyalty which is also known as customer loyalty, in the literature, relates to a positive business environment and reflects a company’s performance. As for Bennett and Rundle-Thiele (2002), customer loyalty includes both behavioral and attitudinal loyalty. Behavioral loyalty reflects ordinary loyalty of the customers. Meaning, customers having behavioral loyalty remain loyal with their suppliers as long as there are no other option(s) available to them, or if there is a lack of available product substitutes. However, if there are product substitutes, which is the case for most products, then customers’ behavior becomes more volatile and temporary in nature. In this context, a company cannot rely solely on behavioral loyalty. Thus, companies need to develop their customer’s attitudinal loyalty. Attitudinal loyalty represents a situation in which customers remain committed to their supplier, regardless of the availability of alternative products or services (Bennett and Rundle-Thiele, 2002; Vida et al., 2010). It is also the result of customers’ trust that encourages them to be involved in long-term repurchases. Customers having attitudinal loyalty not only contribute to the companies’ profit by repurchasing frequently, but they also communicate positive word-of-mouth about the company to others. Likewise, attitudinal loyalty also influences customers’ buying behavior in many other ways. Evidently, customers sometime do not take into account expert advices or even pay premium prices to buy from suppliers to whom they are loyal to (Henning, 2002).

Therefore, to account for client loyalty, both the aspects of loyalty, attitudinal and behavioral, are considered equally important (Uncles and Laurent, 1997). Client loyalty is, in turn, established through the strengthening of customer–supplier relationships.

**Interactions between relational capital quality and client loyalty**

Customers are a source of revenue for suppliers, while suppliers pose competitive advantage to the benefit of customers. As such, for Ryssel et al. (2004), the strength of the customer–supplier relationship depends on the degree of trust, satisfaction and commitment. These factors directly influence client loyalty. Numerous studies (Crosby et al., 1990; Kumar et al., 1995; and Walter et al., 2003) have found significant associations between the various dimensions of relational capital, in general, and client loyalty. The next section describes how each of the dimensions of relational capital quality and loyalty is linked.

**Satisfaction and loyalty**

A majority of studies suggest that client satisfaction has direct impacts on client loyalty (Bitner and Hubbert, 1994; Dick and Basu, 1994). Empirical studies that have established links between satisfaction and loyalty include Bloemer and Kasper (1995); Fornell (1992); Szymanski and Henard (2001) and Harris and Goode (2006). Likewise, Gronholdt et al. (2000) epitomize the indispensable influence of satisfaction on client loyalty in the case of Danish firms. However, some of the studies refute a linear relationship between satisfaction and loyalty, and instead claim the existence of a non-linear relationship (Mittal and Kamakura, 2001; Balabanis et al., 2006). The argument is that the degree of complete non-linear relationships, or with inflection points, depends on the levels of satisfaction. Further, some dismiss any close links
between client satisfaction and loyalty, on grounds that there is no guarantee that satisfied clients will be loyal (Reichheld, 1993; O’Malley, 1998).

Satisfaction results in customers’ long-term repurchases and elevates customers’ loyalty. A loyal customer also becomes a source of positive word-of-mouth. Researchers argue that as satisfaction drops, loyalty drops even more significantly (Oliver, 2014; Orel and Kara, 2014). Put together, customer satisfaction plays a vital role in improving customer loyalty. Therefore, we hypothesize as follows:

\[ H1. \] Client satisfaction with supplier significantly influences behavioral loyalty.

\[ H2. \] Client satisfaction with supplier significantly influences attitudinal loyalty.

Trust and loyalty
Trustworthiness of the supplier remains as one of the significant elements or pre-requisites to establish client loyalty (Reichheld and Schefter, 2000; Chaudhuri and Holbrook, 2001; Wong and Sohal, 2002). Berry (1995, p. 242) states the following: “relationship marketing is built on the foundation of trust”. Trust is, therefore, a vital element in developing and maintaining the architect of quality relationships through a process of keeping up promises (Hewett and Bearden, 2001). Apprehending the nature of trust and its contribution to loyalty have major influences in the development and management of B2B relationships.

In relation to customer loyalty, Reichheld and Schefter (2000, p. 107) highlight the importance of trust, in that, “to gain loyalty of customers, you must first gain trust”. A number of scholars considered trust the key factor for attaining client loyalty. Parasuraman et al. (1985) introduced trust as a key factor in B2B relationships. It is vital for businesses because, in the B2B context, clients purchase products or services that directly contribute to their core competencies. News leak about procurements can create trouble for suppliers. In turn, it is important that clients be assured of confidentiality when dealing with suppliers. Scholastic work portrays a strong and direct association between client loyalty and trust. For example Chaudhuri and Holbrook (2001) considered trust vital for the business-to-consumer (B2C) brand domain in that they link (brand) trust to brand performance through brand loyalty. Similarly, Delgado-Ballester and Munuera-Aleman (2001) empirically found a direct effect of trust on client loyalty. Hence, the degree of trust between the customer and supplier retains an apex role in determining the strength of relationship between both parties (Ndubisi, 2004). Fawcett and Magnan (2001) explain that a lack of trust minimizes information sharing and complicates the sharing of confidential data.

The above studies suggest that for attaining client loyalty, a firm should focus on increasing the level of trust. As a result, we hypothesize the following:

\[ H3. \] Supplier trust significantly influences behavioral loyalty of clients.

\[ H4. \] Supplier trust significantly influences attitudinal loyalty of clients.

Commitment and loyalty
A number of studies (Evanschitzky et al., 2006; Rauyuren et al., 2007; Cater and Cater, 2010) confirm a significant positive impact of commitment on loyalty. Cater and Zabkar (2009) argue that commitment (affective) generates the desire to uphold and fortify the long-term customer–supplier relationship. On that account, affective commitment is linked to customer loyalty. The image the customer perceives about a firm often
translates to others, while communicating (Walker, 2001). Hence, emotional attachment, which affective commitment encapsulates, converts into strong attitudinal loyalty (Evanschitzky et al., 2006).

Commitment, from both suppliers and customers, contributes to relationship quality. Customer and supplier commitment based on shared values has a direct influence on loyalty, especially when expectations are fulfilled by both (Lai, 2015; Mikael et al., 2012). From the discussion above, we draw the following hypotheses:

\[ H5. \] Supplier commitment significantly influences behavioral loyalty of clients.

\[ H6. \] Supplier commitment significantly influences attitudinal loyalty of clients.

**Research methodology**

**Conceptual framework**

The design of the conceptual framework was based on the above theoretical arguments. **Figure 1** depicts the complex relationships between relational capital quality and client loyalty.

**Questionnaire design**

The study uses close-ended questionnaire as a tool for data collection. The questionnaire comprises three sections. Section 1 details the background information of the respondents and the firms surveyed. This section comprises seven questions, including one question as a filter for those participants that do not belong to a firm having B2B supplier interactions. Section 2 of the questionnaire includes 15 questions that capture relational capital quality. Three constructs of relational quality, namely, trust, commitment and satisfaction, were measured using a Likert scale, with response options ranging from 1 (strongly disagree) to 5 (strongly agree). Trust was measured using five questions, based on Morgan and Hunt (1994). Likewise, for commitment, six questions were formulated to explain both affective and calculative commitment (see Henning, 2002; Luo, 2007). Following Fornell (1992) and Henning (2002), four questions were used to measure overall satisfaction. Section 3 measures client loyalty along the dimensions of behavioral and attitudinal loyalty. We adopted the constructs from Chaudhuri and Holbrook (2001); Shahin (2011); Wong and Sohal (2002) and Henning (2002). All items were also based on Likert scale responses. **Table I** presents the constructs used and the items are detailed in **Appendix 1**.
Before conducting the pilot test, we checked the content validity by engaging experts’ opinions, involving four procurement managers and two customer relationship managers. Based on their feedback, the questionnaire was refined. To further check the validity of the questionnaire, 20 respondents were selected for the pilot study.

**Sampling method**

The population of the study refers to pharmaceutical firms in Pakistan. According to the Pakistan Pharmaceutical Association (PPA), there are approximately 400 pharmaceutical firms in Pakistan, including 25 multinational corporations (MNCs). We focused on the 242 firms registered with the PPA and obtained 111 completed questionnaires. The respondents include the following personnel of pharmaceutical firms: general managers, managers and deputy/assistant managers from various departments. Table II shows the profiles of the respondents.

**Analytical technique**

We applied the partial least squares (PLS) method for estimation purposes. The advantage of this technique is that the technique is capable of handling small sample size, unlike that of structural equation modeling. The PLS also does not restrict on distribution constraints (Hulland, 1999). This method is preferred over other methods, as it simultaneously allows for the examination of the model and appraisal of the properties underlying the model. The PLS is popular due to its capacity to model latent construct in conditions of non-normality and to examine partial links without requiring

<table>
<thead>
<tr>
<th>Construct</th>
<th>No. of instruments</th>
<th>Source</th>
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<tbody>
<tr>
<td>Trust</td>
<td>5</td>
<td>Morgan and Hunt (1994)</td>
</tr>
<tr>
<td>Affective commitment</td>
<td>3</td>
<td>Luo (2007)</td>
</tr>
<tr>
<td>Behavioral commitment</td>
<td>3</td>
<td>Henning (2002)</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>4</td>
<td>Fornell (1992)</td>
</tr>
<tr>
<td>Attitudinal loyalty</td>
<td>4</td>
<td>Shahin et al. (2011), Fornell (1992)</td>
</tr>
<tr>
<td>Behavioral loyalty</td>
<td>5</td>
<td>Chaudhuri and Holbrook (2001), Fornell (1992)</td>
</tr>
</tbody>
</table>

Table I. Measurement of constructs

**Note:** See Appendix 1

<table>
<thead>
<tr>
<th>Respondent profile</th>
<th>No.</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Designation</td>
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<tr>
<td>General manager</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Manager</td>
<td>42</td>
<td>38</td>
</tr>
<tr>
<td>Deputy manager</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Assistant manager</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td>(2) Function</td>
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</tr>
<tr>
<td>Procurement</td>
<td>72</td>
<td>65</td>
</tr>
<tr>
<td>Transportation</td>
<td>19</td>
<td>17</td>
</tr>
<tr>
<td>Planning</td>
<td>9</td>
<td>8</td>
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<tr>
<td>Warehouse</td>
<td>11</td>
<td>10</td>
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</table>

Table II. Profile of respondents
a complete structured model (Chin, 1998). It is therefore appropriate for assessing initial phases of theory building.

**Findings**

Of the 111 firms surveyed, 92 per cent comprise domestic-owned firms, while the remaining 8 per cent are MNCs, as indicated in Table III. Approximately 40 per cent of the firms are considerably large in size, with more than 500 employees. A majority of the firms are well-established in their business, having been in operation for more than six years. Also, a majority of the firms have medium-term relationship and are engaged in long-term contracts with their suppliers. The characteristics of the firms surveyed mirror that of the entire population of firms in the pharmaceutical industry in Pakistan.

The study applies the PLS analysis in two steps. In the first stage, we test the reliability and validity of the construct by assessing factor loading, Cronbach alpha, composite reliability (CR) and average variance extracted (AVE). For item reliability, item loadings should exceed 0.5, while for construct reliability, the values for the Cronbach alpha should be more than 0.6 (Nunally and Bernstein, 1994). Likewise, the values for CR and AVE should be greater than 0.6 and 0.5, respectively (Bagozzi et al., 1991; Chin, 1998; Hulland, 1999). Table IV reports the results of reliability and validity measures. Items that have loading less than 0.5 were removed. As per the requirement for construct reliability, the values of the Cronbach alpha for all constructs are found to exceed 0.6. The values of AVE and CR are also greater than the recommended values, thus confirming convergent validity. Further, the correlation coefficients, as reported in Table V, are less than 0.65, suggesting the absence of multicollinearity (Bryman and Cramer, 1994).

In the second step, we use a bootstrapping procedure in PLS to test the hypotheses, estimating the $t$-values of the path coefficients (Chin, 1998). Table VI reports the results of the hypotheses testing. The values of $R^2$ are found to be moderate; the independent variables explain 40.8 and 55.9 per cent variation in attitudinal loyalty and behavioral loyalty, respectively. More importantly, the results indicate that satisfaction,

<table>
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<th>Firm characteristics</th>
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<th>Percentage</th>
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<td>(1) Number of employees</td>
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<tr>
<td>$\leq$100 employees</td>
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<td>15</td>
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<tr>
<td>101–300 employees</td>
<td>23</td>
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<tr>
<td>301–500 employees</td>
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<td>14</td>
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<tr>
<td>$&gt;500$ employees</td>
<td>44</td>
<td>40</td>
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<tr>
<td>(2) Years in operation</td>
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<td>$&lt;1$ year</td>
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<td>1–3 years</td>
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<td>15</td>
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<tr>
<td>4–6 years</td>
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<td>19</td>
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<tr>
<td>$&gt;6$ years</td>
<td>70</td>
<td>63</td>
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<tr>
<td>(3) Type of relationship</td>
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<td>13</td>
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<tr>
<td>Medium-term relationship</td>
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<td>38</td>
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<tr>
<td>Partnerships</td>
<td>16</td>
<td>14</td>
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<tr>
<td>Alliances (long-term collaboration)</td>
<td>37</td>
<td>33</td>
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<tr>
<td>Backward integration</td>
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<td>2</td>
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Table III. Profile of firms surveyed

51
### Table IV. Reliability results

<table>
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<tr>
<th>Construct</th>
<th>Factor loading</th>
<th>AVE</th>
<th>CR</th>
<th>Cronbach alpha</th>
<th>Communality</th>
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<tr>
<td><strong>Trust</strong></td>
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<tr>
<td>T1</td>
<td>0.714</td>
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<td>T2</td>
<td>0.931</td>
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<td>T4</td>
<td>0.891</td>
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<td><strong>Satisfaction</strong></td>
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<td>S14</td>
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<td>S15</td>
<td>0.991</td>
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<td>0.791</td>
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<td><strong>Commitment</strong></td>
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<td>C10</td>
<td>0.615</td>
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<td>C11</td>
<td>0.798</td>
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<td>C6</td>
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<td>C7</td>
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<td>C8</td>
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<td>C9</td>
<td>0.995</td>
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<td><strong>Attitudinal loyalty</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>BL6</td>
<td>0.884</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BL7</td>
<td>0.520</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BL9</td>
<td>0.645</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BL2</td>
<td>0.962</td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table V. Correlation matrix

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Attitudinal loyalty</th>
<th>Behavioral loyalty</th>
<th>Commitment</th>
<th>Satisfaction</th>
<th>Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitudinal loyalty</td>
<td>0.5875</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Behavioral loyalty</td>
<td>0.4551</td>
<td>0.6142</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>0.5617</td>
<td>0.6465</td>
<td>0.4683</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.4569</td>
<td>0.4434</td>
<td>0.3603</td>
<td>0.3965</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table VI. Results of PLS analysis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path coefficients ($\beta$)</th>
<th>$t$-value</th>
<th>$R$-square</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H1$: Trust $\rightarrow$ Attitudinal Loyalty</td>
<td>0.238</td>
<td>3.636</td>
<td>0.408</td>
<td>Supported</td>
</tr>
<tr>
<td>$H2$: Commitment $\rightarrow$ Attitudinal Loyalty</td>
<td>0.193</td>
<td>1.843</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>$H3$: Satisfaction $\rightarrow$ Attitudinal Loyalty</td>
<td>0.377</td>
<td>4.403</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>$H1$: Trust $\rightarrow$ Behavioral Loyalty</td>
<td>0.146</td>
<td>1.813</td>
<td>0.559</td>
<td>Supported</td>
</tr>
<tr>
<td>$H2$: Commitment $\rightarrow$ Behavioral Loyalty</td>
<td>0.366</td>
<td>3.705</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>$H3$: Satisfaction $\rightarrow$ Behavioral Loyalty</td>
<td>0.417</td>
<td>4.295</td>
<td></td>
<td>Supported</td>
</tr>
</tbody>
</table>
commitment and trust significantly affect both attitudinal and behavioral loyalty, consistent with the previous studies. However, for attitudinal loyalty, the results suggest that these dimensions extract different degrees of influence. The influence of trust on attitudinal and behavioral loyalty is at best mixed. Trust exerts higher influence on the former relative to commitment. In contrast, satisfaction exerts higher influence on behavioral loyalty than trust. Nevertheless, satisfaction is found to produce the greatest impact on both dimensions of loyalty. Previous studies also found satisfaction as a powerful predictor of loyalty, while some studies consider the former as a mediating factor (Rauyruen et al., 2007).

The lowest path coefficient value is that for trust on behavioral loyalty. The pivotal reason for this is the greater effect of trust on attitudinal loyalty and not behavioral loyalty. In contrast, commitment has a lower impact on attitudinal loyalty relative to behavioral loyalty. It is clear that though all three predictors of relational capital quality influence both dimensions of client loyalty, the magnitudes of those impacts on the latter differ. The dimensions of relational capital quality need to be accounted for by firms, depending on their priority, either to promote attitudinal loyalty or behavioral loyalty. Having said that, the ultimate objective of a firm should be to enhance attitudinal loyalty; therefore, building satisfaction and trust have to be perceived more important than commitment for sustaining the long-term performance of the firm.

Conclusion and implications

This paper examines the impact of relational capital quality on client loyalty, based on a firm-level survey of the pharmaceutical sector in Pakistan. Relational capital quality is examined along the dimensions of satisfaction, trust and commitment, while client loyalty is assessed from the attitudinal and behavioral contexts. The main results support the fact that relational capital quality is important for client loyalty in the pharmaceutical sector of Pakistan, though intellectual capital, as a whole, is not well-known to most managers of this industry. More importantly, client satisfaction is found to exert the largest impact on their attitudinal and behavioral loyalty. However, the magnitude of the impact of satisfaction is larger on behavioral relative to attitudinal loyalty. Similarly, trust has a momentous influence on behavioral loyalty, whereas its impact on attitudinal loyalty is lower than that for satisfaction. The results of this study are therefore generally consistent with previous related work (Crosby et al., 1990; Hennig-Thurau and Klee, 1997; Rauyruen and Miller, 2007) that buttress the importance of relationship quality, in general, and for client loyalty.

Specifically, the study has some implications for suppliers, namely, the pharmaceutical firms in Pakistan. Facing stiff domestic market share competition (Khalique et al., 2011), firms in this industry are under great pressure to maintain their clientele base and to be cost-competitive (Rana et al., 2009). In terms of relational capital, there will be costs arising from information exchange between suppliers and customers, among others, as the pharmaceutical industry is knowledge-intensive and customer-sensitive. Hence, improving relational capital quality through better management of customer–supplier relationships in the pharmaceutical industry can also play a role in reducing the associated transaction costs. For this purpose, identifying the important elements of relational capital quality in the pharmaceutical industry of Pakistan is required not just to manage them effectively, but also help address the cost issue indirectly.
As the study suggests, the pharmaceutical firms need to attain the trust and satisfaction of their clients to secure client loyalty. Trust, in turn, facilitates better information exchange, that would otherwise increase the costs of monitoring in the pharmaceutical firms in Pakistan. In this regard, positing a good and trustable image of the firm becomes crucial for maintaining both client loyalty and for reducing information costs. Apart from trust, pharmaceutical firms driving client relationships have to also focus on customer satisfaction, to ensure that these clients do not switch to other suppliers or competitors. This is important especially for the local pharmaceutical firms that are already operating at low volumes of production. Positive behavioral outcomes from satisfied customers, through repeated purchases and positive word-of-mouth, are also especially important for the local firms that have to compete with the multinationals in this buyer-cost-sensitive industry (Rana et al., 2009). Satisfied customers are less likely to be price-sensitive.

Pharmaceutical managers in Pakistan should therefore make relational capital quality as one of the core strategic assets of their firms. They should engage with key customers to strengthen their relationship bonds and uncover customers’ needs. It is important that managers ensure that product requirements and pricing meet the expectations of customers. Segmenting and targeting the key clients is also important for building long-term relationships in this competitive industry.

References


Further reading


Appendix. Questionnaire items

Trust

- We have full faith on this supplier.
- Our company is willing to rely on this supplier.
- The materials purchased from this supplier are safe.
- Whenever our company is faced with a challenge, this supplier has been helpful.
- Both parties are confident about their interests, when making important decision.

Commitment

- It is inconvenient for our company to switch away from this supplier.
- As compared with other suppliers, this supplier has location advantage.
- We consider it expensive to switch the existing customer–supplier relationship.
- Our company has a psychological attachment to this supplier.
- This supplier is given preference when we have to meet important orders.
- Our company is willing to sacrifice some short-term benefits to achieve long-term relational opportunities with this supplier.
Satisfaction

- The specification of the products meets the requirements of our company.
- The quality of the supplier’s products meets our company’s expectations.
- Overall, our company is satisfied with the decision to use this supplier’s products.
- This supplier exceeds our company’s expectations, in case of disconfirmation.

Loyalty

- Our company intends to keep purchasing from this supplier.
- If price increases up to 10 per cent, our company will continue to purchase from this supplier.
- This supplier commands a share of more than 50 per cent of purchases made by our company.
- If our company has to do things all over again, it would still buy from this supplier.
- The products purchased from this supplier, is the best choice available for our company.
- We deal with this supplier because we want to, not because we have to.
- We only have positive things to say about this supplier.
- We often recommend this supplier to someone who seeks our recommendation.
- Maintaining the relationship with this supplier is more important to our company relative to other individual outcomes.

Corresponding author

Evelyn S. Devadason can be contacted at: evelyns@um.edu.my