

# **Guanxi as a Relationship Commitment and Loyalty Behavior: A Study of Chinese Banking Customers**

**Liane Wai Ying Lee**

Bachelor of Arts and Bachelor of Business (Marketing)  
Master of Business Administration (MBA)

Macquarie Graduate School of Management  
Macquarie University  
Sydney, NSW 2109, Australia

December 2016

*Submitted in partial requirement for the degree of  
Doctor of Philosophy in Marketing Management*

**Copyright by  
Liane Wai Ying Lee**

**ALL RIGHTS RESERVED**

## **DECLARATION OF ORIGINALITY OF RESEARCH**

I certify that the research described in this dissertation has not already been submitted for any other degree.

I certify that to the best of my knowledge all sources used and any help received in the preparation of this dissertation have been acknowledged.

A handwritten signature in black ink, consisting of stylized, cursive letters, positioned above the signature line.

Signature.....

## **DEDICATIONS AND ACKNOWLEDGEMENTS**

This thesis would not have been possible without the loving support of my family, my husband Ronald and my daughters, Andrea and Natalie.

I acknowledge the support of my supervisor, Associate Professor Yiming Tang, and of the wider academic community, in particular Professor Richard Petty, Professor Francis Buttle, Professor Kara Chan, Professor Leslie Yip, Professor Piyush Sharma, Professor May Wong and Dr. Andrew Chan who offered me critical advice when I most needed it. I also acknowledge the invaluable advice I received during the ANZMAC conference in 2014 and ICAMA conference in 2015.

I would also like to thank my research assistants and the insights my pilot research participants gave me.

I dedicate my work to the greater glory of God, who led me all the way.

Accepted by the Graduate School

---

Date

---

Dean of the Graduate School

The undersigned have examined the thesis entitled **Guanxi as a Relationship Commitment and Loyalty Behavior: A Study of Chinese Banking Customers** presented by **Liane Wai Ying Lee** a candidate for the degree of **Doctor of Philosophy in Marketing Management**, and hereby certify that it is worthy of acceptance.

---

Date

---

Advisor's name

---

Date

---

Committee member's name

---

Date

---

Committee member's name

## **PUBLICATIONS BASED ON THIS RESEARCH**

Lee, L and Tang, Y 2014, 'Guanxi and Chinese Brand Loyalty', in S Rundle-Thiele, K Kubacki & D Arli (eds) *Proceedings of the ANZMAC Annual Conference 2014*, pp.433-440, Griffith University, Brisbane.

Lee, L.W.Y. and Tang, Y 2015, 'Guanxi as a Relationship Commitment and Loyalty Behaviour: A Study of Chinese Banking Customers', in A. Ono, M. Kikumori and R. Takeuchi (eds) *Emerging Trends in Asian Markets: Proceedings of the 2015, International Conference of Asian Marketing Associations*, pp.8, Japan Society for Marketing and Distribution, Tokyo.

## ABSTRACT

A guanxi network, or relationship network, is considered an essential strategic asset for organizations doing business in the People's Republic of China. Yet outside Asia, the mechanics of this business tool are barely understood. Using Ajzen and Fishbein's theory of reasoned action, this study examines the relationship between the independent variables of guanxi, ingroup identification and affective investment; two outcome variables, being loyalty behavior and word-of-mouth intention; and two mediators, calculative trust and affective attitude towards the bank.

A mixed-method approach was used in this research. To establish the role guanxi plays in cultivating brand loyalty, a preliminary qualitative study employed grounded theory methodology. A quantitative questionnaire used the structural equation modeling method to test and validate the conceptual framework. Five hypotheses were tested against a sample of 429 bank customers who were asked to evaluate the relationship with their primary bank and banker.

The findings confirm that guanxi drives customer loyalty and word-of-mouth behavior through the two mediators and that ingroup identification has a direct influence on customer's loyalty. The effect of affective investment, such as gifting, was found to be insignificant, which may indicate that the largely superficial act of building interpersonal guanxi is less relevant in contemporary China.

This study adds to relationship marketing theory of guanxi when applied to the business-to-consumer market segment in mainland China. The research offers insights for managers on how they might best do business in China and illustrates that the deeper constructs underlying guanxi are rooted not in superficial acts, but in the development of ever-deeper relationships through social and business-based transactions. Managers should understand that the subtle difference between business relationships in the Western cultural context and in the Chinese setting lies in the strength of interpersonal ties involving the buyer and seller, and that successful managers in China build those interpersonal ties.

Guanxi requires building GRX – an abbreviation of ganqing (long-term affection between individuals), renqing (interpersonal give and take), and xinren (inter-personal trust). By assessments of a customer's calculative trust and brand's affective attitude, practitioners can assess guanxi's impact on loyalty intentions. This research also helps refine the measurement of guanxi and ingroup biases for future research.



# TABLE OF CONTENTS

Chapter	Page
PUBLICATIONS BASED ON THIS RESEARCH .....	vii
ABSTRACT.....	viii
TABLE OF CONTENTS.....	ix
LIST OF TABLES .....	xiv
LIST OF FIGURES .....	xvi
LIST OF ABBREVIATIONS.....	xvii
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background and Overview .....	1
1.2 Knowledge Gaps in the Existing Literature.....	4
1.3 Significance of the Research .....	6
1.3.1 Contribution to the Relationship Marketing Literature .....	6
1.3.2 Contribution to Guanxi Theories .....	6
1.3.3 Managerial Contributions .....	7
1.4 Research Questions.....	8
1.5 Overview of the Research Design and Methods .....	8
1.6 Organization and Outline of the Thesis .....	9
1.7 Chapter Summary .....	10
CHAPTER TWO: BACKGROUND AND LITERATURE REVIEW .....	11
2.1 Introduction .....	11
2.2 Guanxi .....	11
2.2.1 Concept of Guanxi.....	12
2.2.1.1 Guanxi in the context of relationship marketing .....	13
2.2.1.2 Concepts of Brand Loyalty in the Guanxi Context .....	16
2.2.1.3 Ego-pragmatic Perspective of Guanxi .....	21
2.2.1.4 Measurements of Guanxi.....	23
2.2.1.4.1 Ganqing.....	23
2.2.1.4.2 Renqing.....	24
2.2.1.4.3 Xinren .....	24
2.2.1.5 Mianzi and Guanxi .....	25
2.2.1.6 Ingroup Identification .....	27
2.2.1.7 Affect Investment and guanxi behavior.....	29

2.2.1.8 Calculative Trust and Guanxi Behavior .....	30
2.2.1.9 Affective Attitude .....	30
2.2.1.10 Ajzen and Fishbein Theory of Reasoned Action .....	31
2.2.1.11 The Guanxi-Behavioral Intentions Link .....	32
2.2.1.11.1 Word-of-mouth Intentions .....	32
2.2.1.11.2 Short-term behavioral intentions .....	32
2.2.1.11.3 Long-term behavioral intentions.....	33
2.3 Chapter Summary .....	33
CHAPTER THREE: CONCEPTUAL FRAMEWORK AND HYPOTHESES.....	34
3.1 Introduction .....	34
3.2 Theoretical and Methodological Issues .....	34
3.2.1 Qualitative Research Methodology .....	35
3.3 Grounded Theory.....	35
3.3.1 The Sample Used in the Qualitative Study.....	36
3.3.2 The Unit of Analysis.....	36
3.3.3 Instrumentation: the Design of the Interview Protocol.....	37
3.3.4 Analytical Procedure .....	38
3.3.5 Inter-coder Reliability, Validity and Empirical Grounding.....	39
3.4 Results of the Qualitative Analysis .....	39
3.4.1 Open Coding Results .....	39
3.4.2 Axial Coding Results .....	40
3.4.3 Selective Coding .....	43
3.4.4 The Storyline .....	43
3.4.4.1 Guanxi as a Key Cultural Construct for mainland Chinese.....	43
3.4.4.2 Inner Circle and Accumulating Credit as Guanxi Strategy .....	43
3.4.4.3 Intervening Condition – Screening and Brand Affect .....	44
3.4.4.4 Outcomes of Guanxi Strategies .....	44
3.5 Conclusion .....	44
3.6 Conceptual Framework.....	45
3.6.1 Effect of Guanxi on Behavioral Intentions .....	46
3.6.2 Guanxi Measurement.....	47
3.6.3 Determinants of guanxi outcomes .....	48
3.6.3.1 Loyalty Behavioral Intentions .....	48
3.6.3.2 Word-of-mouth Intentions .....	48

3.6.4 Ingroup Identification on Loyalty Behavioral Intentions and Word-of-mouth Intentions .....	49
3.6.5 Affect Investment on Behavioral Intentions and Word-of-mouth.....	50
3.6.6 The Mediating Role of Calculative Trust .....	50
3.6.7 The Mediating Role of Affective Attitude To a Bank .....	51
3.7 Chapter Summary .....	51
CHAPTER FOUR: RESEARCH METHODOLOGY .....	52
4.1 Introduction .....	52
4.2 Research Design Overview .....	52
4.3 Research Methodology .....	52
4.4 Mixed-method Approach.....	53
4.5 Quantitative Research Methodology .....	53
4.5.1 Research Variables and their Measurement .....	53
4.5.2 Independent Variable - Guanxi.....	54
4.5.3 Independent Variable –Ingroup Identification.....	56
4.5.4 Independent Variable –Affect Investment.....	56
4.5.5 Dependent Variable – Short-term Behavioral Intentions .....	57
4.5.6 Dependent Variable – Long-term Behavioral Intentions.....	57
4.5.7 Dependent Variable – Word-of-Mouth Intentions.....	58
4.5.8 Mediating Variable – Calculative Trust .....	58
4.5.9 Mediating Variable – Affective Attitude to the Bank.....	59
4.5.10 Variable for Common Method Bias – Social Desirability.....	59
4.5.11 Control Variables.....	60
4.5.12 Tests of Mediation Effects .....	61
4.6 Research Process .....	62
4.6.1 Unit of Analysis .....	62
4.6.2 Survey Population and Sample .....	63
4.6.3 Sample Size .....	63
4.6.4 Instrument Development .....	64
4.6.5 Data Collection Process in the Main Survey .....	64
4.7 Data Analysis.....	66
4.8 Chapter Summary .....	67
CHAPTER FIVE: RESULTS .....	68
5.1 Introduction .....	68
5.2 Quantitative Analysis .....	68

5.2.1 Results of Pre-test Studies – Expert Tests .....	68
5.2.2 Sample Description.....	69
5.2.2.1 Reserve Coding Considerations.....	69
5.2.2.2 Descriptive Analysis .....	69
5.2.3 Screening and Preparing Data for Hypotheses Testing .....	76
5.2.3.1 Measurement Scale .....	76
5.2.3.2 Missing Values and Outliers.....	77
5.2.3.3 Multicollinearity and Factor Adequacy .....	77
5.2.3.4 Normality .....	77
5.2.3.5 Common Method Bias .....	80
5.2.4 Reliability .....	82
5.3 Confirmatory Factor Analysis for Measurement Models.....	82
5.3.1 Confirmatory Factor Analysis For the Independent Measurement Model...	83
5.3.2 Confirmatory Factor Analysis for the Dependent Variables Measurement Model .....	85
5.3.3 Convergent and Discriminant Validity for the Independent Variables measurement model .....	86
5.3.4 Convergent and Discriminant Validity for the Dependent Variables measurement model .....	88
5.3.5 Confirmatory Factor Analysis for the Overall Measurement Model.....	88
5.3.6 Convergent and Discriminant Validity for the Overall Measurement Model	90
5.4 Structural Model .....	93
5.5 Interpretation of the Results of Hypothesis Testing .....	94
5.6 Ad hoc Analysis .....	98
5.6.1 Results of the Analysis of Control Variables .....	98
5.7 Chapter Summary .....	102
CHAPTER SIX: DISCUSSION OF FINDINGS .....	104
6.1 Introduction .....	104
6.2 Research Objective 1: Exploring the Role of Guanxi in Brand Loyalty .....	106
6.3 Research Objective 2:.....	107
6.4 Guanxi Positively Affects Loyalty Behavioral Intentions.....	108
6.5 Guanxi Positively Affects Word-of-Mouth Behavioral Intentions .....	109
6.6 Ingroup Identification Positively Affects Loyalty Behavioral Intentions .....	109
6.7 Ingroup Identification Positively Affects Word-of-Mouth Intentions .....	110

6.8 Affect Investment Positively Affects Loyalty Behavioral Intentions and Word-of-Mouth Intentions .....	110
6.9 Calculative Trust Mediates the Effect of Guanxi on Loyalty Behavioral Intentions and/or Word-of-Mouth Intentions.....	111
6.10 Affective Attitude to the Bank Mediates the Effect of Guanxi on Loyalty Behavioral Intentions and/or Word-of-Mouth Intentions .....	112
6.11 Discussion of the Results of the Control Variable Analysis .....	113
6.12 Chapter Summary .....	113
<b>CHAPTER SEVEN: IMPLICATIONS AND CONCLUSIONS .....</b>	<b>114</b>
7.1 Introduction.....	114
7.2 Research Questions and Answers .....	114
7.3 Implications for Theory .....	114
7.4 Implications for Managerial Know-how .....	116
7.5 Limitations.....	118
7.6 Future Research Directions .....	120
7.7 Chapter Summary .....	121
<b>REFERENCES .....</b>	<b>123</b>
<b>LIST OF APPENDICES .....</b>	<b>141</b>
Appendix A – Pilot Study Ethics Approval .....	142
Appendix B – Interview Guidelines for Convergent Theory .....	143
Appendix C – Open Coding, Axial Coding and Selective Coding Methodologies .....	146
Appendix D – Inter-coder Reliability, Validity and Empirical Grounding .....	149
Appendix E - Ethics Approval (Quantitative Study).....	158
Appendix F – Consent Letter and Survey Instrument .....	162
Appendix G - Fieldwork Guidelines for Research Assistant .....	173
Appendix H – Demographic and banking background information of the participants .....	183
Appendix I - Cook's distance .....	187
Appendix J- Correlations Table and Descriptive Statistics .....	188
Appendix K - Multicollinearity – Variance Inflation Factor and Tolerance Values .....	189
Appendix L - Standardized Residual Covariances .....	190

## LIST OF TABLES

<b>TABLE 2.1 SUMMARY OF GUANXI TYPOLOGIES</b>	15
<b>TABLE 2.2 MEDIATORS OF BRAND LOYALTY IN WESTERN STUDIES</b>	17
<b>TABLE 3.1 OPEN CODING RESULTS</b>	39
<b>TABLE 3.2 RESULTS OF AXIAL CODING</b>	40
<b>TABLE 4.1 SCALES FOR THE GUANXI CONSTRUCT ADAPTED FROM YEN, BARNES AND WANG</b>	55
<b>TABLE 4.2 ADAPTED SCALES FOR THE INGROUP IDENTIFICATION CONSTRUCT FROM LEVIN AND SIDANIUS</b>	56
<b>TABLE 4.3 ADAPTED SCALES FOR THE AFFECT INVESTMENT CONSTRUCT (SHOU ET AL. 2011)</b>	56
<b>TABLE 4.4 SCALES FOR THE SHORT-TERM BEHAVIORAL INTENTIONS CONSTRUCT ADAPTED FROM BAUMANN, BURTON AND ELLIOTT</b>	57
<b>TABLE 4.5 SCALES FOR THE LONG-TERM BEHAVIORAL INTENTIONS CONSTRUCT ADAPTED FROM BAUMANN, BURTON AND ELLIOTT</b>	57
<b>TABLE 4.6 SCALES FOR THE WORD-OF-MOUTH INTENTIONS CONSTRUCT ADAPTED FROM BAUMANN, BURTON AND ELLIOTT</b>	58
<b>TABLE 4.7 SCALES FOR THE CALCULATIVE TRUST MEDIATING VARIABLE ADAPTED FROM SHOU ET AL.</b>	59
<b>TABLE 4.8 SCALES FOR THE AFFECTIVE ATTITUDE TO THE BANK MEDIATING VARIABLE ADAPTED FROM BAUMANN, BURTON AND ELLIOTT</b>	59
<b>TABLE 4.9 SCALES FOR THE SOCIAL DESIRABILITY VARIABLE FOR COMMON METHOD BIAS ADAPTED FROM FISCHER AND FICK</b>	60
<b>TABLE 4.10 SEM PROCEDURE SUGGESTED BY SCHUMACKER AND LOMAX</b>	66
<b>TABLE 5.1 DESCRIPTIVE ANALYSIS</b>	69
<b>TABLE 5.2 DESCRIPTIVE STATISTICS RESULTS FROM THE SURVEY (N=429)</b>	71
<b>TABLE 5.3 UNIVARIATE NORMALITY TEST RESULTS IN THE MAIN SURVEY (N=429)</b>	78
<b>TABLE 5.4 COMMON METHOD BIAS ANALYSIS</b>	81
<b>TABLE 5.5 RELIABILITY VALUES</b>	82
<b>TABLE 5.6 FIT INDICES OF CONSTRUCT MEASUREMENT MODELS FOR DEPENDENT VARIABLES</b>	83
<b>TABLE 5.7 INITIAL AND RESPECIFIED MEASUREMENT MODEL FOR INDEPENDENT VARIABLES (N=429)</b>	85
<b>TABLE 5.8 FIT INDICES OF INITIAL AND RESPECIFIED CONSTRUCT MEASUREMENT MODELS FOR DEPENDENT VARIABLES</b>	86
<b>TABLE 5.9 INDEPENDENT VARIABLES MEASUREMENT MODEL OF CONVERGENT AND DISCRIMINANT VALIDITY WITH CONSTRUCT AFFECT INVESTMENT (N=429)</b>	87
<b>TABLE 5.10 FINAL INDEPENDENT VARIABLES MEASUREMENT MODEL OF CONVERGENT AND DISCRIMINANT VALIDITY (N=429)</b>	87

<b>TABLE 5.11: DEPENDENT VARIABLES MEASUREMENT MODEL OF CONVERGENT AND DISCRIMINANT VALIDITY (N=429) BEFORE MODIFICATION</b>	<b>88</b>
<b>TABLE 5.12 FIT INDICES OF ALTERNATIVE MODELS</b>	<b>89</b>
<b>TABLE 5.13 INITIAL OVERALL MEASUREMENT MODEL OF CONVERGENT AND DISCRIMINANT VALIDITY (N=429)</b>	<b>90</b>
<b>TABLE 5.14 RESPECIFIED OVERALL MEASUREMENT MODEL OF CONVERGENT AND DISCRIMINANT VALIDITY (N=429)</b>	<b>91</b>
<b>TABLE 5.15 FACTOR CORRELATION MATRIX WITH SQUARE ROOT OF AVE</b>	<b>91</b>
<b>TABLE 5.16 STRUCTURAL MODEL</b>	<b>94</b>
<b>TABLE 5.17 HYPOTHESES TESTING RESULTS FOR THE STRUCTURAL MODEL (N=429)</b>	<b>94</b>
<b>TABLE 5.18 RESULTS OF ANALYSIS OF CONTROL VARIABLES</b>	<b>99</b>
<b>TABLE 6.1 RESEARCH HYPOTHESES OF THE QUANTITATIVE STUDY</b>	<b>105</b>

## LIST OF FIGURES

Figure	Page
<b>FIGURE 3.1 THEORETICAL MODEL LINKING GUANXI AND BRAND LOYALTY</b>	45
<b>FIGURE 3.2 PROPOSED STRUCTURAL MODEL</b>	46
<b>FIGURES 5.1 MEASUREMENT MODEL</b>	92
<b>FIGURE 5.2 PROPOSED STRUCTURAL MODEL</b>	94
<b>FIGURE 5.3 FINAL RESULTS OF SEM</b>	96
<b>FIGURE 6.1 PROPOSED MODEL AND HYPOTHESES</b>	105



## LIST OF ABBREVIATIONS

<b>Abbreviation</b>	<b>Description</b>	<b>Abbreviation</b>	<b>Description</b>
AAB	Affective Attitude Toward the Bank	GRX	Ganqing, Renqing, Xinren Measurement scale
AGFI	Adjusted goodness-of-fit index	GQ	Ganqing
AI	Affect Investment	GX	Guanxi
ANZMAC	Australia and New Zealand Marketing Academy Conference	HNW	High net worth
ASV	Average Squared Variance	ICAMA	International Conference of Asian Marketing Associations
AVE	Average Variance Explained	IG	Ingroup Identification
B2B	Business to Business	IFI	Incremental fit index
B2C	Business to Consumer	LBI	Loyalty Behavioral Intentions
BC	Before Christ	LTBI	Long-term Behavioral Intentions
CFA	Confirmatory Factor Analysis	MAR	Missing at Random
CFI	Comparative Fit Index	MBA/EMBA	Master of Business Administration/Executive Master of Business Administration
CR	Critical Ratio	MCAR	Missing completely at random
CRM	Customer Relationship Management	MGSM	Macquarie Graduate School of Management
CT	Calculative Trust	MI	Modification Indices
DF	Degrees of Freedom	ML	Maximum Likelihood
EM	Expectation-maximization	MSV	Maximum shared squared variance
GFI	Goodness-of-fit index	P	Probability

<b>Abbreviation</b>	<b>Description</b>	<b>Abbreviation</b>	<b>Description</b>
PPP	Purchasing Power Parity	UK	United Kingdom
PRC	People's Republic of China	US	United States
RMESA	Root mean square error of approximation	VIF	Variance Inflation Factor
RQ	Renqing	WoM	Word-of-mouth
R <sup>2</sup>	Coefficient of Determination	XR	Xinren
SEM	Structural Equation Modeling	μ	Mean
STBI	Short-term Behavioral Intentions	$\chi^2$	Chi-squared
TLI	Tucker-Lewis Index	Δ	Changes / Delta

# **CHAPTER ONE:**

## **INTRODUCTION**

### **1.1 Background and Overview**

Relationship marketing is an important area in marketing theory development (Morgan, Hunt 1994). Building relationships between buyers and sellers is an established business phenomenon in the People's Republic of China (PRC). The guanxi network, or a relationship network, is considered an important strategic asset by most Chinese, and the modernization and marketization of the PRC economy has impelled multinational companies to look for ways to establish their own guanxi networks (Davies et al. 1995; Park, Luo 2001). Guanxi has been an important concept since the time of Confucius, whose ideas contribute towards modern mainland Chinese culture and tradition, but the concept of guanxi began to attract the interest of Western academic research in the late 1970s. There is a wealth of literature exploring the concepts of relationship marketing and guanxi, yet academics have not sought an answer to the question: What role does guanxi play in relationship marketing and, particularly, brand loyalty? Hence, this thesis.

The population of the PRC is the largest of any country and in 2015 its economy surpassed that of the United States to become the biggest in the world<sup>1</sup> (Central Intelligence Agency 2016). Culturally, China and the United States are different, yet research has focused mainly on brand loyalty in a Western cultural context. There is increasing demand for research from new perspectives into the attitudes and behaviors of Chinese consumers and consumers in other emerging markets (Sharma 2011) instead of the adoption of theoretical models and frameworks developed for consumers in North

---

<sup>1</sup> Measured on a purchasing power parity (PPP) basis that adjusts for price differences

America or other developed economies (Maheswaran, Shavitt 2014; Sharma 2010). There is also a practical value in studying Chinese banking clients, as China is expected to “overtake the UK in the global high net worth (HNW)<sup>2</sup> ranking and become the third-largest HNW market worldwide after the US and Japan” (McKinsey & Company 2013, p.11). Asia excluding Japan is expected to be the world’s second-biggest market for wealth management by 2016, when the amount of HNW personal financial assets is expected to reach USD16 trillion, having grown at a compound annual growth rate of roughly 15% since 2012, and China is expected to contribute more than half of the growth of Asia’s wealth (McKinsey & Company 2013, p.24).

The research on customer loyalty has also focused on developed countries, and on tangible products rather than services. There is a demand for more research into customer loyalty in the services sector, in view of their intangibility, variability in quality, complexity and involvement (Sharma, Sivakumaran and Marshall 2014).

To fill gaps in our understanding of the role guanxi plays in brand loyalty behavior in a services context, this study proposes and tests a conceptual framework based on insights from a number of well-established, but different, perspectives, including relationship marketing, brand loyalty, guanxi and social ties in the social network. This approach takes into consideration academic views from various fields to help develop a richer understanding of maintaining the loyalty of Chinese customers.

The research framework is grounded in the Ajzen theory of planned behavior (Ajzen 1991b), which describes how an attitude toward a behavior will lead to behavioral intentions and ultimately, the actual behavior. Connected to the framework of planned

---

<sup>2</sup> HNW defined as wealthy individuals with asset under management of US\$1million and above.

behavior is research into customer loyalty. The research is considered to be well developed, and classifies customer loyalty into two categories: behavioral loyalty demonstrated by repeat purchases (e.g. Kahn, Kalwani and Morrison 1986) and attitudinal loyalty driving personal trust, favorable beliefs and positive word-of-mouth (WoM) about a brand (Dick, Basu 1994; Jacoby, Kyner 1973; Odin, Odin and Valette-Florence 2001). The concept of the brand as a relationship (de Chernatony 1998; Fournier 1998) is also of particular relevance in investigating the impact of guanxi on brand loyalty intentions. Researchers have argued that by developing affective traits such as commitment, passion, intimacy and attachment, brand as relationship mediates the effect of loyalty intentions (Fournier 1998; Johnson, Herrmann and Huber 2006). There is empirical evidence demonstrating that the attitudes of customers influence their intentions to be loyal to a brand (Johnson, Herrmann and Huber 2006). This study is positioned within this logic and examines the attitudinal role of guanxi and the loyalty behavioral intentions of the customer.

Of further relevance in examining the impact of this attitudinal role of guanxi in brand loyalty intentions are studies that have established that other prominent drivers of retention are customer satisfaction, affective commitment and calculative commitment (Gustafsson, Johnson and Roos 2005). Coincidentally, the nature of guanxi both as an affective and calculative construct differs in terms of the requirement of the member dyad to belong to the relational network (ingroup identification). This research includes an examination of these important, prominent drivers of affective attitude toward a bank, calculative trust and ingroup identification to provide a more nuanced understanding of the proposed relationship between guanxi and brand loyalty intentions.

As this study is of the key phenomena of guanxi, it sets out to revalidate and expand guanxi measurement constructs (Yen, Barnes and Wang 2011) to give them further empirical support and give future researchers more refined measurement tools.

This research framework is examined in the context of the mainland Chinese banking customer and banker dyadic relationship. The results of this study will provide extended theoretical insights into relationship marketing, services marketing and guanxi studies.

## **1.2 Knowledge Gaps in the Existing Literature**

This research is intended to fill several gaps in the literature. The concept of relationship marketing and brand loyalty has been extensively researched for at least four decades (Chaudhuri, Holbrook 2001). Relatively few studies (Ambler, Styles and Xiucun 1999; Leung et al. 2005; Shaalan et al. 2013; Wong, Chan 1999) have attempted to explain and test the relationship between guanxi and relationship marketing concepts. In our review of the literature, this shortcoming is particularly evident in testing of the relationship of guanxi with retention (loyalty) behaviors. This study adds to the body of knowledge by examining guanxi and the mediating effects of calculative trust and affective attitude toward a bank on retention (loyalty) and word-of-mouth intentions.

The impact of guanxi on organizational performance, such as sales growth, has been extensively researched (Park, Luo 2001). However, the studies fail to look at guanxi from the perspective of the consumer. Most of the research is in the business-to-business setting, focusing on buyer-supplier relationships (e.g. Barnes et al. 2015; Barnes, Yen and Zhou 2011; Leung et al. 2011; Yang, Wang 2011). In the research into consumer behavior, studies that focus on how guanxi directly impacts consumer loyalty and WoM

intentions in the business-to-consumer context may have much wider implications than such studies done in the business-to-business setting.

The third gap in the research is the application of guanxi in the field of services marketing. Nolan (2010) emphasized that efforts to inculcate Western corporate cultures in the Chinese financial sector were ineffective because of a poor understanding of Chinese culture. A greater effort should be made to study guanxi's impact on services in light of their intangibility, variability in quality, complexity and involvement (Berry 1995, p. 237). Following Nolan and Berry's suggestions, this study focuses on the banker-client dyadic relationship in mainland China and contributes to the understanding of services marketing, in general, and to financial services marketing, in particular.

Measurement is often problematic in studies of guanxi (Chen, Chen and Huang 2013, p. 189). Integrating additional constructs into the guanxi framework is also problematic because of the complex nature of the construct (Yen, Barnes and Wang 2011). This study therefore uses the guanxi measurement scale put forward by Yen et al. (2011) with a view to providing further empirical support for the scale. The study also includes two other related guanxi constructs, ingroup identification and affect investment, to expand the guanxi framework and so better explain the construct in question.

In the literature on guanxi, a member of a guanxi network ingroup needs to make active efforts to belong to succeed and survive in business (Xiao, Tsui 2007). To date, there has not been an empirical test that validates the causal relationship between ingroup and customer loyalty behavioral intentions, or that can gauge whether a particular guanxi player belongs to a guanxi ingroup. It is important for a banker to be considered a member of an ingroup for guanxi to be effective, so this study attempts to operationalize

the ingroup construct by adopting an ingroup identification measure put forward by Levin and Sidanius (1999). The study includes the construct of ingroup identification as an additional independent variable in addition to guanxi to test the causal relationship with loyalty behavioral and word-of-mouth intentions. The findings of this research enrich the guanxi literature by providing a valid measure of guanxi ties.

### **1.3 Significance of the Research**

The significance of this research for three key areas of academic studies and its practical implications for marketing managers are described below.

#### **1.3.1 Contribution to the Relationship Marketing Literature**

Studies have shown that relationship marketing is strongly associated with enhanced loyalty and profitability (Jacoby, Chestnut 1978; Chaudhuri 2001). It is also recognized that strong guanxi is a key factor in operating successfully in China (Yeung, Tung 1996) and a third paradigm in relationship marketing (Ambler 1994). This study enriches the understanding of how guanxi could impact behavioral loyalty and word-of-mouth intentions and of the mediating factors that may minimize the impact. This research adds to the body of knowledge in the fields of relationship marketing, studies of consumer behavior studies and services marketing.

#### **1.3.2 Contribution to Guanxi Theories**

The key construct of guanxi has been shown to improve a firm's performance by enhancing its marketing capabilities (Shou et al. 2014) and by increasing its sales, market share, return on assets and return on investment (e.g. Gu, Hung and Tse 2008; Park, Luo 2001; Peng, Luo 2000). It also facilitates market entry, market expansion and competitive positioning (e.g. Ellis 2000; Park, Luo 2001). Few studies have examined whether guanxi,



as a strategic or tactical tool, improves consumer behavioral loyalty and word-of-mouth intentions. This study fills this gap in the research and contributes to guanxi theories of the functions of the use of guanxi in business; particularly its use by Chinese consumers. The study's second contribution to guanxi theories is to continue the line of guanxi research (Gao, Ballantyne and Knight 2010; Hwang 1987; Leung et al. 2011) by providing an operable measure of guanxi ties that adds to the specificity of guanxi types (outsider/insider) and quality (strong/weak) (Chen, Chen and Huang 2013). The study's third contribution is to offer a more robust measure of guanxi, by revalidating a newly developed guanxi measurement scale (Yen, Barnes and Wang 2011). The study's fourth contribution is to dissect the variables that measure guanxi and integrate possible additional constructs with the guanxi framework to better reflect the nature of this complex but important construct, and to pave the way for future research into incorporating the constructs in guanxi measurement (Yen, Barnes and Wang 2011).

### **1.3.3 Managerial Contributions**

By focusing on the combined impact of guanxi and ingroup identification on the customer loyalty and behavioral intentions of banking consumers, this study fills a longstanding gap in relationship marketing research. Specifically, the findings will help the managers of multinational services firms to modify and adapt marketing strategies developed for consumers in the Western and developed countries for use in other cultures and in relatively less developed markets. This study's focus on retail banking provides insights for foreign banks designing market-entry and marketing strategies to suit Chinese consumers. The development of the guanxi measurement and social ties measure will provide a gauge of whether there is strong guanxi, and whether a dyad is considered

to belong to the customer's social network, to measure the effects of marketing campaigns or sales management strategies.

## **1.4 Research Questions**

The scope of the research in the field of relationship marketing is broad, but the key Chinese cultural attitudinal role of guanxi in loyalty behavioral and word-of-mouth intentions has until now been under-explored. This study examines the relationship between independent variables guanxi, ingroup identification, affective investment, and two outcome variables, loyalty behavior and word-of-mouth. In an attempt to paint a better picture of the mechanism through which guanxi contributes to loyalty and word-of-mouth intent, the study proposes affective attitude toward a bank and calculative trust as mediators. To summarize, this study answers the research question posed below (see Chapter 3 for details):

The problem statements from this study are as follows:

**Q1: What role does guanxi play in relationship marketing, especially brand loyalty in mainland China?**

**Q2: Does guanxi drive brand loyalty behavior of mainland Chinese consumers in the banking sector? If yes, are there factors that mediate the impact of guanxi on brand loyalty behavior?**

## **1.5 Overview of the Research Design and Methods**

This research follows a mixed-method design consisting of three steps: (1) exploratory stage – to gather and analyze qualitative data, (2) conceptual framework development – to develop the conceptual model and measurements, and (3) data

collection and analysis. In this design, the main task is to use the qualitative method to explore the phenomenon of guanxi and brand loyalty, to gain understanding in depth of the relationships, and then use the quantitative method to try to complement, confirm, triangulate and corroborate the findings (Creswell 2013). Chapter 4 explains the design and application of this methodology.

## **1.6 Organization and Outline of the Thesis**

This thesis is in seven chapters. An outline of the structure follows.

Chapter 1 gives the background to and an overview of the study, the research gaps in the literature, the significance of the research, the research questions and the sequential flow of the thesis.

Chapter 2 reviews the literature. It explains the concept of guanxi and puts guanxi in the context of relationship marketing. It explains related constructs of guanxi, including mianzi or face, affect investment, ingroup identification and calculative trust. It also explores affective attitude toward a bank in relation to guanxi and brand loyalty intentions. The chapter explains the concept of brand loyalty. It proposes guanxi as a new mediator of brand loyalty, with a specific focus on the hypothesized impact of guanxi on intended loyalty behavior and word-of-mouth intentions. It explains the present body of knowledge of behavioral intentions as the hypothesized behavioral consequences of developing guanxi.

Chapter 3 outlines the findings of the qualitative research and literature review that leads to formulation of the conceptual model and recommends a set of hypotheses.

Chapter 4 explains the methodology of the research. It is divided into three parts, which (1) explain the rationale and conduct of the mixed-method design, (2) explain the design and conduct of the qualitative section, and (3) discuss the design and conduct of the quantitative section.

Chapter 5 deals with the analysis and results of the quantitative data.

Chapter 6 contains the final discussion and synthesis of findings.

Chapter 7 draws conclusions from the findings of the research, notes the implications of the study and underlines potential directions for future research.

## **1.7 Chapter Summary**

This chapter introduced the thesis, described the conceptual building blocks of the research and discussed the main gaps in the body of literature. It covered the significance of the research and the contributions the research makes. It posed the research questions and outlined the structure of the thesis.

## **CHAPTER TWO: BACKGROUND AND LITERATURE REVIEW**

### **2.1 Introduction**

This chapter paints a backdrop for the research, reviewing key areas in the relationship marketing literature. The review of the literature relating to guanxi, relationship marketing and brand loyalty covers the following:

1. The concept of guanxi, including its related constructs and behavioral links;
2. Relationship marketing and guanxi;
3. Brand loyalty in the context of guanxi studies;
4. The ego-pragmatic perspective of guanxi organizational competitiveness;
5. Measurements of guanxi;
6. Related guanxi constructs, including mianzi or face, ingroup identification, affect investment;
7. Calculative trust, and affective attitude to a bank as a key mediator of guanxi effects on intended behavior;
8. Ajzen and Fishbein theory of reasoned action; and
9. The link between guanxi and behavioral intentions, word-of-mouth intentions, short-term behavioral intentions and long-term behavioral intention.

The literature reviewed was applied in developing the theoretical model and the proposed hypotheses in Chapter 3.

### **2.2 Guanxi**

The construct of guanxi is a major concept in Chinese culture, known at least since the time of Confucius (551-479 BC), the philosopher whose ideas form the basis of modern Chinese culture and tradition (Dawson 2005). There is no literal translation or consistent understanding of the term guanxi (Tsui, Farh 1997; Haley, Haley and Tan 2004). Put simply, guanxi in a business context comprises the “durable social connections and networks a firm uses to exchange favors for organizational purposes”

(Gu, Hung and Tse 2008, p. 12). Modern research into the impact of this construct in the Chinese business-to-business and business-to-consumer context began in the Western academic community in the 1970s and 1980s (Chiao 1982; Hwang 1987; Jacobs 1979). A meta-analytic study by Chen, Chen and Huang (2013) reviewed publications in the subject area and found about 200 articles had been published in academic journals in English or Chinese, the annual number published having grown exponentially after 1990 and reaching a peak in 2008.

### **2.2.1 Concept of Guanxi**

Guanxi is a complex concept to understand. The literature has tried to elucidate the subject. Buderer and Huang (2007) attempt to describe guanxi.

In China, there's no such thing as a purely business relationship. Instead, to be successful in business, you must blend formal relationships with personal ones... [Guanxi] can carry negative connotation – of favoritism and cronyism. But the same word also conveys the deep and lasting relationships that can only be built over time – and it's that 'good guanxi' we refer to here. Its four basic principles can be roughly translated as trust... favor... dependence... and adaptation (Buderer, Huang 2007, pp. 6-7).

In a similar vein, Haley, Haley and Tan (2004) says guanxi is a way to find your way through complex relationships and networks.

[Guanxi] incorporates trust, as well as the ability to project uprightness and to build relationships... Guanxi also involves navigating complex relations between networks of power, prestige and influence. Even the most seasoned and successful wielders of guanxi can fall prey to its minefields, especially when discrete or overlapping networks clash. (Haley, Haley and Tan 2004, pp.180, 196)

In *Xiāngtǔ zhōngguó* or *From the Soil: The Foundations of Chinese Society*, Chinese sociologist Fei Xiao Tong uses similes to convey the differences between Chinese and Western society. The comparison has Western society represented by straws collected to form a haystack and Chinese society is represented by the ripples flowing out from the

splash of a rock thrown into water (Fei, Hamilton and Wang 1992, p. 20).

Fei uses *chà xù géjú*, a sociological construct, to describe the differences between *guanxi* and the Western concept of relationships. According to *chà xù géjú*, each Chinese is the center of his or her network, rather than having the individual status valued in the West. Each link in a Chinese individual's network is defined in terms of *guanxi*. The network has no explicit boundaries, being elastic, capable of expanding and contracting, even though no member can cut his or her ties to it at will. Chinese families reach out to forge links with others, even though they are not closely related, as long as they can be trusted as if they were relatives and so form efficient, flexible, commercial networks. The moral content of behavior in the network is situation-specific (Fei, Hamilton and Wang 1992).

#### **2.2.1.1 Guanxi in the context of relationship marketing**

In this section, relationships (e.g. Davies et al. 1995; Leung et al. 2005; Tsui, Farh 1997) are discussed – specifically, the common concept of relationship marketing as defined by Western academics (e.g. Berry 1995; Shaalan et al. 2013; Yau et al. 2000). Although the practice of relationship marketing in the service sector is not new, academic publications containing the term “relationship marketing” began to appear only in the 1980s (Berry 1983). Berry defines relationship marketing as “attracting, maintaining and – in multi-service organizations – enhancing customers relationships” (p. 25). Grönroos (1994) says a paradigm shift has taken place toward relationship marketing and away from conventional marketing, in particular in services marketing and industrial marketing. The five strategies in relationship marketing defined by Berry (Berry 1983; 1995) are:

developing a core service around which to build a customer relationship, customizing the relationship to the individual customer, augmenting the core service with extra benefits, pricing services to encourage customer loyalty, and marketing to employees so that they, in turn, will perform well for customers. (Berry 1995 p. 236).

Practitioners of relationship marketing need to raise their marketing practices

from the tactical to the strategic level within an organization (Grönroos 1996). This has led to the study of customer relationship management (CRM), which is a form of technology-enabled relationship marketing (Payne, Frow 2005). In developing a relationship with a customer, relationship marketing follows programs that are: social – for example, treating a customer to a meal; structural – for example, dedicating certain staff to serve a customer; and financial – for example, giving a customer discounts (Berry 1995). The aim of relationship marketing is to create customer value and, in turn, value to organizations, meaning greater customer loyalty, fewer customer defections, higher profit and lower costs (De Chernatony, Drury and Segal-Horn 2004; Palmatier et al. 2006; Palmatier et al. 2009; Ravald, Grönroos 1996; Reichheld, Markey and Hopton 2000).

As explained in 2.2.1, *guanxi* has many facets. One group of academics defines *guanxi* as a relationship (Ambler, Styles and Xiucun 1999; Leung et al. 2005; Shaalan et al. 2013; Wong, Chan 1999). It differs from relationship marketing, where the focus is the buyer-seller relationship ex-post. *Guanxi* is the antecedent of any transaction, in the form of various “*guanxi* ties” (Björkman, Kock 1995). It is important to distinguish the various *guanxi* ties. Family *guanxi* is distinct from non-family *guanxi* (Chen, Chen and Huang 2013). It is a Confucian idea that family relations, taking the form of “familial collectivism”, are the basis of non-family relations (Chen, Chen and Huang 2013). *Guanxi* ties are reflected in blood ties (Fan 2002). Hwang (1987) classifies as “expressive” a tie that is a “permanent and stable social relationship”, adding that “one can utilize this tie as an instrument to procure some desired material resource, but its expressive component [such as affection] claims precedence over its instrumental component” (Hwang 1987, p. 949).

Family status can be preordained or attained by sharing a birthplace, school, workplace, club or clan in common (Chen, Chen and Huang 2013; Hwang 1987). On the other hand, non-family *guanxi* refers to the “instrumental” tie that “serves only as a means or an instrument to attain other goals... [and is] basically unstable and temporary” (Hwang 1987, p. 950). The instrumental relationship is related to the social exchange theory (Blau 1964), where the parties to the relationship maintain the tie through what might be referred to a “return on relationship investment”.



The third category is “mixed ties”, where the relationship is driven by the affective influences of renqing (exchange of favors) and mianzi (giving of face) (Davies et al. 1995; Hwang 1987). Mixed ties are characterized by being particularistic (such as neighbors and classmates) and personal (Jacobs 1979; Hwang 1987). Both parties expect the connections to continue, but it is not permanent, as in an expressive tie. Resources and the strength of the relationship are driven by the balancing act of renqing and mianzi (Hwang 1987). The fourth type of guanxi tie is contractual versus informal (Chen, Chen and Huang 2013). Academics often regard the distinction as a core difference between Chinese and Western relationship marketing practices. Guanxi leads to the business relationship (or contract), and the contract (or transaction) leads to the need for relationship marketing (Shaalan et al. 2013). This phenomenon results from the need to use guanxi as an efficient substitute for a lack of institutional support (Ambler, Styles and Xiucun 1999; Davies et al. 1995; Tomas Gomez-Arias 1998; Wong, Chan 1999; Xin, Pearce 1996; Yang, Wang 2011). Given the differences between the three guanxi typologies are important in differentiating between the strength of a guanxi relationship, Table 2.1 below sets out the key differentiation of these different guanxi types.

**Table 2.1 Summary of Guanxi Typologies**

(Hwang 1987)	Expressive	Instrumental	Mixed
(Jacobs 1982; Tsui, Farh 1997; Yang 1993)	Familial (jiaren)	Stranger (shengren)	Acquaintance (shouren)
(Zhang, Zhang 2006)	Obligatory	Utilitarian	Reciprocal
(Fan 2002)	Family ties	Business ties	Friendship ties
Characteristics	Affective, blood-based, permanent	Instrumental, particularistic, impersonal, contractual	Non-permanent, driven by renqing and mianzi

The theoretical model proposed by Shaalan et al. (2013) that links guanxi and

relationship marketing highlights the salient differences and similarities between each concept. Similarities include the relationship between two parties (Tomas Gomez-Arias 1998), the notion of keeping a long-term relationship rather than maintaining it on a transactional basis (Wang 2007). Yau et al. (2000) identify the constructs they share as “bonding, reciprocity, trust and empathy” (p. 20), whereas the differences are “conflict handling, commitment, communication, shared value and equity” in a relationship marketing construct, and “affection and face” in a guanxi construct (Shaalán et al. 2013, p. 2, 519).

Shaalán et al. summarize the key differences of guanxi and relationship marketing in Table 1 of their research (2013, p. 2, 517). Below is a summary of the key differences discussed by Shaalán et al. Shaalán explains that, based on the network theory concept, guanxi is individualistic, particularistic and formed within a closed social network system, whereas relationship marketing is company-based and operates in an open system that is universalistic and impersonal. The orientation for guanxi is tactical, whereas relationship marketing is strategic. Exchange, relational and commitment behaviors in guanxi involve favors, affection and affective care. The favors and promises are implicit, and timelines are undefined, whereas relationship marketing is commercial, economic, calculative, cooperative and explicit, with clear deadlines. The motive for reciprocity in guanxi is face-saving, but mutuality in relationship marketing. Trust plays a much bigger role in guanxi than in relationship marketing. Therefore, measuring customer satisfaction is more complex in guanxi than in relationship marketing. (Björkman, Kock 1995; Davies et al. 1995; Geddie, DeFranco and Geddie 2005; Gummesson 1996; Tomás Gómez-Arias 1998; Yau et al. 2000).

These distinctions provide a rationale to study the impact of guanxi on loyalty behavioral intentions, as there are clearly similarities – but salient differences – between the concepts of guanxi and relationship marketing. As studies have shown, enhanced loyalty and profitability are strongly associated to the results of relationship marketing, and studying guanxi’s impact on behavioral intentions would add to our knowledge of relationship marketing and buying behavior.

#### **2.2.1.2 Concepts of Brand Loyalty in the Guanxi Context**

The broad concepts of brand loyalty are discussed in this section, with the focus on the rationale for studying specific relevant antecedents and consequences of brand loyalty in the context of guanxi studies. The terms brand loyalty and customer loyalty are used interchangeably throughout.

Brand loyalty is called the holy grail of marketing (de Chernatony 2009). Research in this area has been well developed and can be largely organized into two general groups: research into behavioral loyalty, demonstrated by repeat purchases, and research into attitudinal loyalty, which apart from repeat purchase behavior, should involve a psychological process such as evaluation (Day 1969; Dick, Basu 1994; Jacoby, Kyrner 1973; Jacoby, Chestnut 1978; Odin, Odin and Valette-Florence 2001; Oliver 1999; Tucker 1964). Oliver (1999, p. 34) defines this view of brand loyalty as:

a deeply held commitment to rebuy or repatronize a preferred product/service consistency in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.

As guanxi is a key attitudinal construct in Chinese culture, the attitudinal school of thought of brand loyalty is of particular interest in this study. The first demarcation was made by a group of academics that believed the drivers of brand loyalty are a number of higher-order mental constructs or mental processes, summarized below. While it is not the intentions here to cover all the drivers and previous academic studies in the field of brand loyalty, Table 2.2 below shows key concepts identified in the literature as being the key mediators of brand loyalty.

**Table 2.2 Mediators of Brand Loyalty in Western Studies**

<b>Mediators of brand loyalty</b>	<b>Definitions</b>
Cognition-affect-conation loyalty phases	A three stage decision-making process where (1) brand beliefs are preferable to a set of competitive offerings, namely “cognition”; (2) the foregoing is matched by a

---

	positive attitude to (preference for) the brand, namely “affect”; (3) the consumer has an intention to prefer the brand when it is compared with competitive offerings, namely “conation” (Jacoby, Chestnut 1978)
Cognition-affect-conation-action loyalty	Oliver had a view similar to that of Jacoby and Chestnut (1978), but suggested that the cognition-affect-conation pattern can become “loyal” at each phase from least attached (loyal) at the cognitive stage to most loyal at the conative stage. The last stage is “action loyalty”, where the intention to buy becomes a readiness to buy, including a willingness to overcome obstacles (Oliver 1997).
Overall (or cumulative) customer satisfaction	“An overall evaluation based on the total purchase and consumption experience with a good or service over time” (Anderson, Fornell and Lehmann 1994, p. 54)
Trust	<p>“A willingness to rely on an exchange partner in whom one has confidence” (Moorman, Deshpande and Zaltman 1993, p. 82)</p> <p>“Trust... [is] viewed as a behavioral intention... and involves vulnerability and uncertainty on the part of the trustor” (Moorman, Deshpande and Zaltman 1993, p. 82)</p> <p>“When one party has confidence in an exchange partner’s reliability and integrity” (Morgan, Hunt 1994, p. 23)</p>
Relationship commitment	“An exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it, that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely” (Dwyer, Schurr and Oh

---

Gustafsson, Johnson and Roos (2005, pp. 210-211) divide relationship commitment into two dimensions: affective commitment “created through personal interaction, reciprocity... which results in a higher level of trust and commitment”, and

Calculative (continuance) commitment “created through switching costs... [the] more rational, economic-based dependence on product benefits due to a lack of choice or switching costs”

Other derivatives of commitment also arise, such as normative commitment, economic commitment, forced commitment and habitual commitment (Keiningham et al. 2015; Meyer et al. 2002).

Brand trust	“The willingness of the average consumer to rely on the ability of the brand to perform its stated function” (Chaudhuri, Holbrook 2001, p. 82)
Brand affect	“[A] brand’s potential to elicit a positive emotional response in the average consumer as a result of its use” (Chaudhuri, Holbrook 2001, p. 82)
Service quality	Two concepts are important in service quality. Services being intangible, heterogeneous and inseparable, their quality is measured by the “discrepancy between customers’ perceptions of services offered by a particular firm and their expectations about firms offering such services”. The five dimensions in the service quality

---

---

	model, known as SERVQUAL are: reliability, responsiveness, assurance, empathy and tangibles (Parasuraman, Zeithaml and Berry 1985; Parasuraman, Zeithaml and Berry 1988, pp. 14, 25)
Customer value	Sirdeshmukh, Singh and Sabol (2002, p. 21) argue that value mediates the effect of trust on loyalty, defined as “consumer’s perception of the benefits minus the costs of maintaining an ongoing relationship with the service provider”
Brand love	<p>“The degree of passionate emotional attachment a satisfied consumer has for a particular trade name” (Carroll, Ahuvia 2006, p. 81)</p> <p>“Brand love includes passion for the brand, attachment to the brand, positive evaluation of the brand, positive emotions in response to the brand, and declarations of love for the brand” (Carroll, Ahuvia 2006, p. 81)</p>

---

In the research that falls into the attitudinal group, the concept of “brand as relationship” (de Chernatony 1998, Fournier 1998) is of particular relevance to investigation of the impact of guanxi on brand loyalty intentions. Researchers argue that by developing affective traits such as commitment, passion, intimacy and attachment, it mediates the effect of loyalty intentions (Fournier 1998; Johnson, Herrmann and Huber 2006; Verhoef 2003). Other attributes, such as satisfaction (Anderson, Fornell and Lehmann 1994; Hallowell 1996; Gustafsson, Johnson and Roos 2005; Oliver 1997) and service quality (Zeithaml, Berry and Parasuraman 1996) are attitudes that influence loyalty behavioral intentions in banking and a bank’s financial performance (Duncan and Elliott 2002). There is strong evidence to demonstrate that the attitudes of customers influence their intentions in banking. In this study, key drivers of brand loyalty – including trust, satisfaction, service quality and perceived value – are excluded in the model. The contention is that these constructs have been widely researched and

empirically supported in the literature mentioned above, so there is minimal incremental value in studying these constructs again. Studies have shown that in the professional services market, customers put stronger emphasis on satisfaction and commitment than on trust in determining repeat purchase intentions (Rosenbaum, Massiah and Jackson 2006). These constructs stem primarily from research into participants in a Western individualist culture. The key attitudinal constructs relevant to Chinese consumers, as established in 2.2.1.1, are similar but slightly different in their nature and order of precedence. Therefore, it is logical to focus this research on examining carefully the constructs of guanxi, relationship commitment (affective and calculative trust) and brand affect, which are considered to be specific attitudinal constructs relevant to Chinese society, to determine whether these constructs positively affect loyalty intentions and word-of-mouth intentions.

### **2.2.1.3 Ego-pragmatic Perspective of Guanxi**

Chen, Chen and Huang (2013) summarized three perspectives of studies in this area: ego-pragmatic, community-ethical, and Confucian relational. When guanxi is considered a strategic or tactical tool for enhanced business and organizational competitiveness (e.g. Park, Luo 2001; Peng, Luo 2000), this is termed the ego-pragmatic perspective of guanxi.

The ego-pragmatic perspective dominates in the guanxi field and is most relevant to this study. The community-ethical perspective reveals the unethical aspects of guanxi and the Confucian relational perspective reveals how guanxi works as a social system in Chinese societies. Neither perspective is entirely relevant to this study.

From the ego-pragmatic perspective, guanxi ties and networks are ego-enhancing, so the perspective reveals how one benefits from exercising guanxi. As this study focuses on the association between guanxi and loyalty behavioral intentions, it also takes the ego-pragmatic perspective, so the literature on the ego-enhancing effects of guanxi at an organizational level is of interest here.

The ego-pragmatic perspective of guanxi at an organizational level shows guanxi to be a resource (Bian, Ang 1997; Hwang 1987; Yen, Tseng and Wang 2014) or a

strategy, defined as using personal connections for competitive advantage and to improve organizational performance (Barnes et al. 2015; Luo, Huang and Wang 2012). Yeung and Tung (1996) regard strong guanxi as a key factor in operating successfully in China, and a third paradigm in relationship marketing (Ambler 1994). At an organizational level, guanxi can improve a firm's performance by allowing it access to information about regulations and resource availability, allowing it to obtain official consents more swiftly and allowing it to enhance its brand's image (Davies et al. 1995, p. 211); by increasing its chances of making sales (e.g. Gu, Hung and Tse 2008; Park, Luo 2001); by opening up opportunities (Yi, Ellis 2000); and by enhancing its performance by building up its marketing capabilities (Shou et al. 2014), increasing its sales, market share, return on assets and return on investment (e.g. Gu, Hung and Tse 2008; Park, Luo 2001; Peng, Luo 2000), letting it enter new markets and expand in them, and improving its competitive positioning (e.g. Ellis 2000; Park, Luo 2001).

Few studies that take the ego-pragmatic perspective of guanxi have covered whether guanxi, as a strategic or tactical tool, improves consumer behavioral intentions. Of the perceived benefits of guanxi listed in Davies et al. (1995), one that is relevant to this study is "building up the company's reputation/image". Few studies have followed up by looking at the causal relationship between the two constructs. Park and Luo (2001) studied the impact of guanxi on sales growth and net profit growth, and found that guanxi leads to greater sales growth and market expansion and better competitive positioning, but not to greater profit or better internal operations.

A closely related construct in relationship marketing studies is trust. Leung et al. (2005) found that Western suppliers must display competence in areas such as product knowledge to gain the trust (xinyong) of buyers in China. Guanxi is an important factor affecting trust, but satisfaction is not. The same study found that guanxi has a greater effect than other factors, such as trust, in determining customer satisfaction. The findings of such studies spurred further research into guanxi's impact on organizational performance (e.g. Li, Poppo and Zhou 2008; Li, Liu and Liu 2011; Luo 1997; Luo, Shenkar and Nyaw 2002; Luo et al. 2004; Luo, Chen 1997; Peng, Luo 2000; Zhang, Li 2008), but the research was rarely into guanxi in marketing financial services to individual customers and in brand loyalty intentions.



Verma et al. (2008) highlight the complexity of applying these principles when selling financial services, as customers consider intangible features and market offerings such as perceived guanxi and trust as especially important. Nolan (2010) suggests efforts to install Western corporate cultures in the financial sector were ineffective not because of insufficient knowledge, but because of insufficient understanding of Chinese culture.

The research fails to look at guanxi from the consumer's perspective. Most of the studies of organizational performance look at the buyer-supplier relationship (e.g. Barnes et al. 2015; Barnes, Yen and Zhou 2011; Leung et al. 2011; Yang, Wang 2011). This study looks at how guanxi makes a direct impact on consumer loyalty behavioral and word-of-mouth intentions, rather than at how a firm performs, which may be due to other external factors.

#### **2.2.1.4 Measurements of Guanxi**

Studies of the concept of guanxi attempt to cover the phenomena in a qualitative and descriptive manner (e.g. Davies et al. 1995; Jacobs 1979; Leung, Heung & Wong 2008; Luo, Chen 1997; Hwang 1987; Tsui, Farh 1997). When knowledge of the subject began accumulating, academics (e.g. Leung et al. 2005; Leung et al. 2011) began to change the focus of measurement of the guanxi construct from a uni-dimensional descriptive construct related to guanxi, such as renqing, xinren and ganqing, to a multi-dimensional measurement construct combining renqing, xinren and ganqing, to measure the quality of guanxi (Chen, Chen 2004; Kipnis 1997; Wang 2007; Yen, Barnes and Wang 2011). Each defining component of the guanxi construct is described below.

##### **2.2.1.4.1 Ganqing**

Wang (2007) calls ganqing “feelings and emotional attachment among members of networks”. The author says ganqing “is often an indicator of closeness of guanxi” (p. 82). Leung, Heung and Wong (2008), say ganqing is a “psychological commitment... and emphasizes on mutual empathetic understanding, affection and emotional identification rather than duty, loyalty or obligation” (p. 27). The authors say “an individual accumulates and expands his [ganqing] in a circular pattern through his social network”. The strongest ganqing tie is a familial tie, but in most business settings, one can establish,

invest in and build up ganqing (ganqing touzi) to build good guanxi (Kipnis 1997; Wang 2007; Yen, Barnes and Wang 2011).

#### **2.2.1.4.2 Renqing**

Renqing refers to a set of social norms that members of a network use as a coping strategy to maintain harmony within the social circle (Hwang 1987; Leung, Heung and Wong 2008; Wang 2007). Renqing and ganqing complement each other. Ganqing is given expression by renqing practices such as gift-giving, offering help, and showing sympathy to members of the social network (Jacobs 1979; Wong, Leung 2001). Reciprocity is expected in renqing. The recipient owes renqing to whoever does him or her a favor. It is expected that the favor will be returned when circumstances permit. Failure to return a favor is considered immoral and damages the guanxi relationship (Hwang 1987; Luo 2000; Yen, Barnes and Wang 2011). Conversely, the more frequent the exchange of favors, or renqing, the better the guanxi relationship. Reciprocity of renqing has no time limit. It is considered an asset that can be banked and drawn upon when required (Ambler 1995).

#### **2.2.1.4.3 Xinren**

Xinren (or xinyong) is the trustworthiness component of guanxi (Chen, Chen 2004). The more precise meaning of xinren is credit. Xinren is measured by how good a dyad is at keeping promises to return a favor in due course (Chen, Chen 2004; Leung et al. 2011, Wang 2007). Xinyong increases when the possessor climbs the social hierarchy. It counts in an inter-organizational context, where members of a guanxi network belong to the organizations (Leung et al. 2011). The greater the xinren, the better the guanxi relationship is. Xinren is considered “one of the most highly respected elements in Chinese business relationships” and is “required at the initial stage of any business relationship” (Yen, Barnes and Wang 2011, p. 100). Without xinren, any formal contractual agreement is pointless (Ambler 1995). The weight given to xinren in measuring guanxi quality is also due to the shortcomings of the legal system in China. Xinren counteracts uncertainty, curbs opportunism and reduces risk (Leung et al. 2011; Wong, Leung 2001).

Problems with measurement make studying guanxi difficult. Chen et al. say:

Most macro studies conceive guanxi in terms of guanxi quality or strength, but operationalize guanxi as either guanxi strategies or the number of guanxi ties. Clearly, guanxi strategies should not be used to measure guanxi quality because guanxi strategies can be targeted at weak or strong guanxi ties. (Chen, Chen and Huang 2013, p. 189)

In view of this, a handful of academics (e.g. Barnes, Yen and Zhou 2011; Leung et al. 2005; Wang, Siu and Barnes 2008; Yen, Barnes and Wang 2011) have begun to develop scales for measuring the ganqing, renqing and xinren components of the guanxi construct. The measurement construct may require “further integrating additional constructs... into relatively larger frameworks for testing (Yen, Barnes and Wang 2011, p. 106). This study therefore uses the Yen et al. (2011) guanxi measurement scale with a view to giving it further empirical support, and includes two related guanxi constructs, ingroup identification and affect investment, to improve the constructs that govern the measurement of guanxi. The ingroup identification and affect investment constructs are discussed in 2.2.1.6 and 2.2.1.7.

#### **2.2.1.5 Mianzi and Guanxi**

Mianzi is invariably translated into English as “face”. Conversely, the word face has two literal translations in Chinese: *lian* and *mianzi*. *Lian* and *mianzi* have similar meanings, but different connotations. Hsien (1944) says *lian* refers to internal and external moral character alike, while *mianzi* is more expansive, much like *guanxi*.

[It is] built up through initial high position, wealth, power, ability [etcetera]. All persons growing up in any community have the same claim to *lian*, an honest, decent “face” but their [*mianzi*] will differ with the status of the family, personal ties, ego’s ability to impress people etcetera (Hsien 1944, p. 61).

Hsien explains *mianzi*’s link to social class. A laborer will be anxious to preserve his *lian* to uphold his character, assuring him of moral support in disputes and of recommendations to employers. *Mianzi* does not exist for him. For a middle-class individual, *lian* is still important, but *mianzi* becomes “a serious concern for the ego” and

“by manipulation of all possibilities to increase his prestige he is certain of social advancement” (Hsien 1944, p. 63). In the world of business, mianzi is a prime consideration (Hsien 1944). So mianzi will be the primary term of reference of this study. Wong and Leung (2001) defined mianzi as a person’s social stature or prestige earned by performing successfully in society, which can be banked and exchanged for favors.

In 1894, Smith highlighted face as an important characteristic of the Chinese.

Properly to execute acts like these in all the complex relations of life, is to have “Face.” To fail of them, to ignore them... this is to “lose face”... To offer a person a handsome present is to “give him face.”... To be accused of fault is to “lose face”, and the fact must be denied no matter what the evidence, in order to save face’ (Smith 1894, p. 16-18).

Li and Su (2007, p. 240) say the “traditional Chinese self is viewed in the context of its relations with others”. They say a Chinese “must maintain or enhance his or her face because of the social aspect of that face”. Mianzi is often discussed together with guanxi. Mianzi cannot be achieved without a strong guanxi network, and mianzi is considered valuable to the individual because he or she would not want to lose face and so degrade their guanxi (Hsien 1944). Hsien describes face as an “integral part of Chinese culture and guanxi dynamics”. He says face “can be interpreted as a measurement of the respect others are willing to give to a person” (Hsien 1944, p. 72). So and Walker link mianzi and guanxi by asserting that mianzi:

Works much like a brand name. Because the brand name is so valuable in its own right, the brand owner will not easily allow the brand to be damaged. The same situation holds for face in guanxi. If a person has a lot of face, this increases the opportunity cost of cheating and loss of face. This in turn increases the trading partners’ confidence in trading with this person (So, Walker 2006, p. 73).

Because of their interrelationship, mianzi and guanxi are explored together in this study, starting in the qualitative stage, to see if either or both has an impact on the brand loyalty of Chinese customers to financial products.

### **2.2.1.6 Ingroup Identification**

The focus of this section is ingroup identification, a key construct that emerged from the initial pilot qualitative study in this research.

One field of study examines *guanxi*'s impact on building up social capital and on the social network. One can draw a parallel with the Western concept of social capital, which is the "the goodwill available to individual and groups" (Adler, Kwon 2002, p. 23). "Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence and solidarity that it makes available to the actor," the authors say. On the other hand, the well-established social identity theory developed by Tajfel and Turner (1986) defines social identity as "a collection of individuals who see themselves as members of the same social category" (Luhtanen, Crocker 1992). Social identity theory suggests that people favor their identity within a group's membership (Struch, Schwartz 1989). The desire for favorable group distinctiveness leads individuals to count the ingroup as preferred, regardless of whether intergroup tension exists (Struch, Schwartz 1989). Granovetter (1983) in a study of the strength of weak ties, argues that strong ties such as those between best friends are more involved than weak ties, such as those between acquaintances.

*Guanxi* network studies have many similarities to social capital theory and social identity theory, but they differ in some salient ways. Hwang (1987), followed by Gao, Ballantyne and Knight (2010) defines a *guanxi* network in the following manner. The actors in a *guanxi* network operate in three circles and operate according to different rules (Gao, Ballantyne and Knight 2010; Hwang 1987). The innermost circle is distinguished by its expressive ties. The closest relationships, such as those in families and between close friends, are in this circle. Decisions made are based on the needs of members. The intermediate circle is distinguished by congeniality and mixed ties. The rules governing the intermediate circle are based on *renqing*. Decisions made are based on emotional responses to members. The outermost circle is distinguished by its instrumental ties. Decisions made are based on rationality and equitability. Relationships are transactional and lack the relational aspect of the intermediate and innermost circles (Gao, Ballantyne and Knight 2010; Hwang 1987).

Park and Luo (2001) highlight the characteristics of a guanxi network. The first characteristic is transferability between dyads through a common connection. This common connection determines the strength of the tie. The second characteristic is reciprocity. But reciprocal obligation is governed by rules of renqing (favors) and mianzi (face) (Tsui, Farh 1997; Yeung, Tung 1996). Therefore, exchanges tend to be of unequal weight, the weaker party seeking a special favor from the stronger (Park, Luo 2001). The third characteristic is intangibility. There are neither timeframes nor frequencies for exchanging favors, nor is there a commercial value attached to the exchange (Park, Luo 2001; Redding, Ng 1982). Again, exchanges are governed by rules of mianzi (face), where it matters to the dyad whether one's face is preserved and reputation upheld. The fourth characteristic is practical utility, as opposed to emotional utility. Friendship is not essential, as this utility is based on the exchanges of favors (Ambler, Styles and Xiucun 1999; Lovett, Simmons and Kali 1999; Luo 2000; Park, Luo 2001).

Unlike Western cultures, guanxi is considered an asset at the company level. Personal relationships are explicitly used in Chinese societies as an acceptable way to accumulate social capital and resources (Michailova, Worm 2003; Park, Luo 2001). The concept of the ingroup is important. Ingroups are permanent and are markers of a collectivist society, rather than temporary, as they are in Western cultures (Triandis 1995). Valuable resources in the form of favors are exchanged within ingroups, so inclusion as a member is important, as social capital is created and preserved within a closed network (Coleman 1988; Coleman 1990; Xiao, Tsui 2007). Leung et al. (2008) in their investigation of insider dynamics recommend that Western businesspeople adopt an insider or "old friend" approach through guanxi to achieve cronyism (p. 23) since a "foreign businessman cannot gain access to the [blood ties] as he does not have pedigree with any powerful Chinese family" (p. 25). This also validates the rationale set out in 2.2.1.1 for guanxi being a prerequisite for business transactions, whereas in relationship marketing theories a relationship develops after a successful transaction (Park, Luo 2001). As a member needs to actively seek to belong to a guanxi network ingroup for business success and survival (Xiao, Tsui 2007), this study explores the causal relationship between ingroups and loyalty behavioral intentions and word-of-mouth intentions, the relationship being an additional independent variable.

Although the guanxi network and ingroup construct in the literature mentioned above is important, no empirical tests validate the causal relationship between ingroups and customer loyalty behavioral intentions, or measure whether a particular guanxi player belongs to a guanxi ingroup. Leung, Heung and Wong's study of the "old friend" approach (Leung, Heung and Wong 2008; Leung et al. 2011) conceptualizes the use of guanxi cultivation through the ganqing emotional component and the renqing instrumental component. (The components of guanxi are discussed in 2.2.1.2.) However, Leung et al. did not use a measure to determine whether a consumer regards his or her counterpart (in the context of this study, a banker), as part of his or her ingroup. It is important for the banker to be considered an ingroup member before guanxi can take effect, so this study attempts to operationalize the ingroup construct by adopting an ingroup identification gauge from Levin, Sidanius (1999). The questions used in this gauge measure were: "To what extent do you identify with other members of your group?" and "To what extent do you feel you are close with other members of your group?" (Levin, Sidanius 1999). The reliability index range was alpha values of 0.8 to 0.92.

#### **2.2.1.7 Affect Investment and Guanxi Behavior**

As outlined in 2.2.1.2, one key mediator of brand loyalty is affective commitment (Gustafsson, Johnson and Roos 2005). Other literature and this research's qualitative study suggest a similar idea of affective commitment, called affect investment. Shou et al. (2011, p. 504) defines one guanxi behavior as:

relational efforts to develop and maintain guanxi relationships, which encompasses both face management and affect investment. Guanxi behavior is comparable to relational behavior in relationship marketing, in that they share some basic characteristics such as mutual understanding, cooperative behavior and long-term orientation.

As mentioned in 2.2.1.2, one area of interest is the broadening of constructs of guanxi measurement to allow for wider testing, so this study incorporates the guanxi behavior of affect investment (ganqing tou zi) as defined by Shou et al. (2011).

In the context of this study, affect investment involves an affective aspect of favor-giving (renqing) for a banker to use as a means to develop and build up guanxi with a customer (Shou et al. 2011). This guanxi behavior supposedly reduces switching intentions (Gu, Hung and Tse 2008) and enhances trust (Shou et al. 2011), and so it is in line with the aims of this study to find whether guanxi behavior leads to loyalty behavioral intentions and word-of-mouth intentions.

#### **2.2.1.8 Calculative Trust and Guanxi Behavior**

Well documented in the relationship marketing literature and described in 2.2.1.2, calculative commitment is the other dimension of the broad area of commitment as mediator of brand loyalty. Calculative trust originated in economics. It a process whereby a player weighs the chances of his or her counterpart behaving opportunistically toward him or her. If the player considers opportunistic behavior unlikely, calculative trust emerges and the player will stay in the relationship (Akerlof 1970; Lindsfold 1978; Noorderhaven 1996). In Shou et al. (2011), calculative trust negatively moderates the effects of trust on the guanxi behavior of affect investment.

#### **2.2.1.9 Affective Attitude**

The third construct in the guanxi literature is a concept similar to brand affect, as highlighted in 2.2.1.1. Baumann et al. (2005) mentioned affective attitude as the main factor in predicting word-of-mouth intentions in a banking setting. A customer is more likely to refer a friend to a bank if the customer is pleased with it (Mittal, Kumar and Tsiros 1999). Yeung and Tung (1996) suggest that guanxi is person-specific and cannot be transferred, and that trust is essential to long-term guanxi maintenance. As guanxi is particularistic, and if affect toward the bank moderates the impact of guanxi, it makes a firm basis for a bank's understanding of the chance of the guanxi linking a banker and a customer becoming so strong than when the banker moves to a rival bank, the customer will follow.

Banks may need to consider adopting both a sales-driven guanxi strategy and a strong bank branding strategy to build up affective attitude to the bank's brand and so



reduce the incidence of deserters poaching customers (Palmatier, Scheer and Steenkamp 2007).

#### **2.2.1.10 Ajzen and Fishbein Theory of Reasoned Action**

This study uses Ajzen and Fishbein's theory of reasoned action (Ajzen, Fishbein 1980) as a focal attitude-behavioral theory mechanism for guiding the conceptual model. This theory suggests that behavior is a function of beliefs connected to the behavior. These beliefs are categorized by Ajzen and Fishbein (Ajzen, Fishbein 1980) as (1) behavioral beliefs, where the belief in a particular attitude will influence the behavior under study and (2) normative beliefs, where a person's view of what their referent groups would think is constrained by belief in social norms. Therefore, attitudes toward a target behavior and social norms influence are together a strong predictor of the predicted intended behavior, which leads to the actual behavior under study. The theory can be presented in an equation (Chan, Lau 1998, p. 86) thus:

$$\text{Beh} \sim I = w_1 A + w_2 \text{SN}$$

Where

Beh = the target behavior is the behavior in question (i.e. target behavior)

I = the intention to act on the target behavior

A = the attitude toward acting on the target behavior

SN = subjective norm or one's view of the social pressure to act on the target behavior

w1 and w2 = the weightings of the impact of attitudes and subjective norms on behavioral intentions.

A modified version of the Ajzen theory of planned behavior (Ajzen 1991b) was later one of the models most widely used in consumer research into the ability to predict intentions (Ajzen 1991a). The theory of reasoned action is supported by research that it is equally applicable to Chinese cultural settings (Chan, Lau 1998). The three behavioral intentions are outlined in the Baumann, Burton and Elliott (2005) retail banking customer loyalty study as being word-of-mouth, short-term behavioral intentions and long-term behavioral intentions. The attitudinal measure is primarily guanxi, whereas the subjective norm used in this research is ingroup identification as highlighted in 2.2.1.6. The

adaptation of using ingroup identification as the subjective norm-related construct was from findings of the qualitative studies where it is closer to the meaning in context of guanxi than using standard subjective norm-related construct by Ajzen (1991a).

#### **2.2.1.11 The Guanxi-Behavioral Intentions Link**

One of the proposed outcomes of guanxi development is its effect on brand loyalty behavioral intentions. It was long ago proposed that the antecedent of behavioral intentions is attitude (Fishbein, Ajzen 1975). Studies indicate that drivers of brand loyalty such as satisfaction, trust and commitment lead to behavioral intentions (Mittal, Kumar and Tsiros 1999; Oliver 1980; Swan, Oliver 1989). In particular, in a financial services setting, the findings reported were that resultant behavioral intentions are switching intentions (Jain, Pinson and Malhotra 1987), referral (Verhoef 2003), repeat purchase intentions (Rosenbaum, Massiah and Jackson 2006), word-of-mouth intentions (Hennig-Thurau, Gwinner and Gremler 2002) and overall loyalty intentions (Baldinger, Robinson 1996; Bloemer, De Ruyter and Peeters 1998). As customer attitudes strongly affect intentions in banking, this study extends previous research and looks at how similar the Chinese attitudinal construct of guanxi is to satisfaction, trust and commitment as a key driver of loyalty and word-of-mouth intentions.

##### **2.2.1.11.1 Word-of-mouth Intentions**

In the study by Baumann et al. (2005), the biggest factor in predicting word-of-mouth behavior is affective attitude to a bank (p. 234). Other factors affect word of mouth, such as fees and interest rates, confidence in the ability to judge and role requirements such as the approval of friends and family. But whether the customer favors the bank is the main factor affecting word of mouth. In a meta-analysis by De Matos and Rossi (2008), key antecedents of word of mouth include satisfaction, loyalty, quality, commitment, trust and perceived value (p. 579), with customer commitment showing the strongest effect. Given the importance of antecedents and affective attitude in deriving word-of-mouth behavior, this study tests whether guanxi as a relationship marketing tool influences word-of-mouth behavior.

##### **2.2.1.11.2 Short-term Behavioral intentions**

Baumann et al. (2005) give examples of short-term loyalty behavioral intentions

such as whether a bank customer means to switch banks in the next six months, to close his or her account or to refuse a product offered by a rival bank. Such questions are deemed relevant in measuring short-term behavioral intentions for this study.

#### **2.2.1.11.3 Long-term Behavioral Intentions**

Baumann et al. (2005) give examples of long-term loyalty behavioral intentions, such as whether a bank customer means to stay with his or her bank even if rival banks offer better terms, or expecting to be a customer of his or her present bank five years into the future. Such questions are deemed relevant in measuring long-term behavioral intentions for this study.

### **2.3 Chapter Summary**

This chapter offers an overview of the concept of guanxi and places the concept into the context of relationship marketing. It further outlined the concepts of brand loyalty, and pointed out the salient differences and similarities between guanxi and brand loyalty. The ego-pragmatic perspective of guanxi was highlighted and the chapter summarized the benefits of this perspective in looking at the application of guanxi practices in enhancing organizational performance. This establishes the foundation of the purpose of this study, which is to explore the benefits guanxi may have in establishing brand loyalty. The literature further explains how guanxi is measured, and highlighted related guanxi constructs of guanxi, mianzi, ingroup identification, affect investment and mediating factors of calculative trust and affective attitude. The final section lays out the foundation of Ajzen and Fishbein theory of reasoned action, and consequences of the guanxi-behavioral intentions link. This chapter sets the scene for the development of research hypotheses in the following chapter.

## **CHAPTER THREE:**

### **CONCEPTUAL FRAMEWORK AND HYPOTHESES**

#### **3.1 Introduction**

How the Chinese cultural attitudinal role of guanxi affects loyalty behavioral and word-of-mouth intentions is a field of research that remains unexplored (see section 1.4). Sections 3.2-3.5 presented the findings of the qualitative study conducted in the research project (MGSM952) in fulfillment of the entry requirement of this PhD study. The pilot study assisted to formulate the conceptual framework and sets out the research hypotheses for testing with a quantitative study.

#### **3.2 Theoretical and Methodological Issues**

Among the studies of the ego-pragmatic perspective of guanxi highlighted in 2.2.1.3, few have researched whether guanxi, as a strategic or tactical tool, improved consumer brand loyalty behavior. Studies in the area of ego-pragmatic benefits of guanxi in the relationship marketing context are broadly conceptual (Davies et al. 1995; Fan 2002; Shaalan et al. 2013). The vast majority of the research into organizational performance has looked at aspects of the buyer-supplier relationship (e.g. Barnes et al. 2015; Barnes, Yen and Zhou 2011; Leung et al. 2011; Yang, Wang 2011). Insufficient attention has been paid to guanxi from the consumer's point of view. Since relationship marketing studies have left the field of guanxi relatively unexplored, it is important to see whether guanxi plays a role in brand loyalty by first using a qualitative research method to develop a theoretical basis to build a conceptual model on, and then using a quantitative research method to support the model empirically. A mixed-method approach gives deeper insights and clearer perspectives, which allow for triangulation of the findings (Creswell 2013). A mixed-method approach fills the gaps in our knowledge and answers questions previously unanswered, which are defined as nascent by Edmondson and McManus (2007). Qualitative and quantitative methods go together to span the gaps between unknown target relationships and established constructs (Edmondson, McManus 2007). Since the relationship between guanxi and loyalty behavioral and word-of-mouth intentions was unexplored, a mixed-method approach was deemed best for the purposes of this study. The following section explains the selection

of the qualitative research method, the qualitative research process and how the conceptual model was built.

### **3.2.1 Qualitative Research Methodology**

Various qualitative methods were considered: case study, grounded theory, ethnography, discourse analysis and critical discourse analysis, phenomenology, historical research and action research. It was decided that the grounded theory method was best for this research.

The ethnographic method requires the researcher to spend a long time in the field, immersed in the natural setting and cultural life of a group, and to understand the cultural world of the participants in the study and their symbolic roles (Daymon, Holloway 2011). This method is appropriate when the purpose is to understand situations such as how people interact in a work environment, so it was rejected.

Discourse analysis is a method that analyses not only the spoken and written word, but also non-verbal cues such as visual images in advertisements, and uses other ways of reading between the lines (Daymon, Holloway 2011). This method is appropriate where a participant may be reluctant to tell the truth, and thus would have been unhelpful in this research.

Phenomenology requires a researcher to try to understand a phenomenon in an interviewee's own terms and so see the meaning of the phenomenon from the interviewee's own perspective. The method would have been too indirect for the purposes of the pilot study. The case study method is for examining a specific phenomenon in depth in a real situation. Its advantages might have made it suitable for this research, but the research question is largely exploratory, so the grounded theory method was considered best.

### **3.3 Grounded Theory**

The grounded theory method is meant to develop theory grounded in data. The theory is built on data rather than any presupposed theoretical framework. It can be used

to build a new theoretical model or extend an existing theory. Researchers carry out theoretical sampling, where decisions about the data to be collected are determined by the concepts they discover. So as data are collected and analyzed, theory is developed in parallel and interactively, through a process of constant comparison (Daymon, Holloway 2011, p. 131). The process is iterative: data are collected and integrated into new concepts, the new concepts are contrasted with existing theories, and the theory is then modified. A key part of the grounded theory method is theoretical sampling. Other types of sampling require sampling to be planned at the outset. In the grounded theory method, sampling continues until saturation point is reached, and nothing new is left to be found (Daymon, Holloway 2011, p. 136).

### **3.3.1 The Sample Used in the Qualitative Study**

The chief marketing officers of two Hong Kong financial institutions were interviewed, as was the chief executive of a data mining company who was previously a senior executive of a financial institution in Hong Kong that has its head office in mainland China. They were chosen because they have expert knowledge of client behavior and brand loyalty in the finance industry. All are Hong Kong Chinese and so are familiar with cultural concepts such as *guanxi*. The one-on-one interviews were held at their workplaces in English. The interviewees were found through the researcher's personal network. Each had been working in the financial sector for between 15 and 30 years. The employer of the marketing officers was asked for permission to interview them, and the employer consented. The subject of the interview with the executive employed in data mining was irrelevant to his present employer and it was not necessary to obtain permission.

### **3.3.2 The Unit of Analysis**

The unit of analysis in this research is the perspective of the marketing managers on the effect of *guanxi* on the brand loyalty behavior of customers. For the purposes of qualitative research, a grounded theory approach was taken: the participants were interviewed. The research set out to answer the broad question: "What is the role of *guanxi* in brand loyalty?"

The face-to-face interviews were conducted in 2013 and followed up by

telephone calls and email. These actions were approved by the ethics sub-committee of the Macquarie Graduate School of Management at Macquarie University (Appendix A).

Nine pilot interviews were conducted with the three interviewees. The results of the first round of three interviews were used as the basis for forming theory. The interviews were transcribed and the written record was analyzed according to grounded theory methodology (Glaser, Strauss 1967; Strauss, Corbin 1990; Corbin, Strauss 2008) with the assistance of version 10.0 of the QSR NVivo software package (Silverman, Marvasti 2008).

### **3.3.3 Instrumentation: the Design of the Interview Protocol**

The interviews covered: (1) the understanding of the interviewees of guanxi and the related phenomenon, mianzi, in a consumer loyalty context; (2) examples of the interviewees applying guanxi and mianzi to their marketing work, and if the application of guanxi and mianzi improved loyalty; and (3) the thoughts of the interviewees on brand loyalty and if guanxi and/or mianzi may play a part (for theory-building purposes). The interviewees were also asked whether they had ever explicitly considered exploiting guanxi or mianzi in their marketing programs. The interviews were transcribed using NVivo software for inductive and comparative analysis. Open coding, axial coding and selective coding were applied in developing theory from the results (Daymon, Holloway 2011).

The study sample comprised three experts. Daymon and Holloway (2011) suggest that the appropriate number of participants tends to be smaller for homogeneous than for heterogeneous samples. Smaller samples are valuable for the deep and rich data they can provide. Fournier (1994) used three subjects and phenomenological in-depth interviewing in her qualitative exploration. The experts were interviewed repeatedly. Data collected in the first round were integrated into new concepts, compared with existing theories and the concepts were then modified before the second round. The process was repeated until saturation point was reached.

In qualitative interviewing, the researcher acts as the instrument. Independence is important to ensure the researcher does not influence the results. The analytical

procedure described below is based on the method suggested by Rao and Perry (2004) for use in a convergent theory context, as set out in Appendix B.

### **3.3.4 Analytical Procedure**

Strauss and Corbin's (1990) grounded theory method was selected because of its thoroughness, with specific, spelt-out procedures which help ensure that data is combed through thoroughly and systematically, giving the results rigor. Analysis began as soon as the first set of data had been collected, to give direction to the next round of interviews.

There are a few key steps in the analysis. The first is the introduction of concepts. Every concept discovered during the interviews was considered, and it became a theory if it was "repeatedly being present in interviews... or being significantly absent" (Strauss, Corbin 1990, p. 7). A second condition is that the concept needs to be demonstrably relevant to an evolving theory as a condition, action/interaction, or consequence, to avert the introduction of biases by the researcher. If the relevance was not evident, the concept was discarded. Concepts were the basic unit of analysis, working with "conceptualizations of data, not the actual data per se" (Strauss, Corbin 1990, p. 7).

Concepts in the form of phenomena were observed and labeled. For example, a concept called favor trading emerged. The process involved constant comparison (Goulding 2002, p.68). Each incident was compared with every other to see if they mirrored the same phenomenon and could be labeled as manifestations of the same concept. After the concepts had been defined, categories were developed by grouping them with the same phenomenon. Categories are considered to be groups of concepts that provide a basis for integrating theories. Each category must be developed in terms of the "properties and dimensions of the phenomenon it represents, conditions which give rise to it, the action/interaction by which it is expressed, and the consequences it produces" (Strauss, Corbin 1990, p. 8).

Good categories are clearly defined through these processes, and they should have clear explanatory capability after they and the concepts have been discussed repeatedly with the expert respondents. Good categories are then related to one another to



form a theory (Strauss, Corbin 1990, p. 8).

The next step was coding. There are three sequential methods of processing the qualitative data: the open, axial and selective coding methods (Corbin and Strauss, 1990). Appendix C outlines the three sequential coding methods used in the pilot study.

### **3.3.5 Inter-coder Reliability, Validity and Empirical Grounding**

A standard protocol to assess reliability, validity and empirical grounding, based on recommendations by Goulding (2002), Krippendorff (1980), and Strauss and Corbin (1990), was used. The details are outlined in Appendix D.

## **3.4 Results of the Qualitative Analysis**

The results of the qualitative analysis and formulation of the conceptual model are outlined in the grounded theory methodology sequence.

### **3.4.1 Open Coding Results**

The transcripts of the interviews were studied line by line so each phenomenon mentioned could be labeled and an NVivo node created. The ideas were thus captured systematically and time-stamped into the software, so saving time that would otherwise be spent sorting out a lot of documents. In some instances the coding was by sentence or paragraph. After several categories (or nodes) had been defined, it was necessary to avoid duplicating definitions. The categories presented in Table 3.1 were referred to five or more times. In the first stage, open coding, the themes related to guanxi that were repeated most frequently were calculation, inner circle and likeability.

**Table 3.1 Open Coding Results**

Ranking	Code	References
1	<i>Guanxi</i>	67
2	Calculation	59
3	Inner circle	57
4	Likeability	46
5	Cobweb	31
6	Laws will restrict extent of guanxi	25
7	High/low involvement decisions	19
8	Screening	18
9	Favor trading	17
10	Face	16
11	Mainlanders	15
12	Hongkongers	13
13	Freedom/choices	10
14	Functional aspects	10
15	Geared toward change	10
16	Reputational risk	8
17	Foreign brand	6
18	Slowly incubate	5

### 3.4.2 Axial Coding Results

The axial coding results emerged after several rounds of reiteration with the three marketing experts, going back and forth as required by the grounded theory method. Table 3.2 below outlines the results of axial coding.

**Table 3.2 Results of Axial Coding**

Causal conditions	After analyzing the categories, Hong Kong and mainland Chinese ethnicity were each coded 28 times. The causal condition was thus defined as Chinese culture.
Phenomenon	The term guanxi was the category most commonly referred to – 67 times. Face was coded 16 times. The phenomenon was therefore termed guanxi marketing.

---

Context	<p>The interviews focused on a financial services setting, so the comments of the participants were mainly about the financial services context. Functional aspects were coded 10 times, so the context was bounded by functionality of the product as a precondition. After comparing functional features, if the product was judged to be superior to that of competitors, the phenomenon takes effect. That it applies only to high-involvement, big-ticket products was coded 19 times. A robust brand loyalty construct acts as a precondition for applying these guanxi marketing strategies. The brand loyalty construct was coded 34 times. NVivo software assisted in choosing the nodes it was desirable to correlate with and, based on the frequencies of codes, the correlation coefficient was calculated. The coefficient is a statistical measure of the strength of the relationship between two random variables (Rodgers and Nicewander 1998) with ‘1’ indicating perfect correlation and ‘0’ no correlation.</p>
Strategies	<p>To manage the phenomenon, in a buyer-seller relationship, for example, the buyer would label the seller according to his or her background and screen the seller to determine which guanxi relationship may apply. Screening was coded 18 times. The seller would try to install himself in the same camp as the buyer, so that the buyer would endorse the guanxi relationship and allow the seller to join the inner circle. (“Guanxi as introducing relationships” was coded eight times in the core category of “guanxi”. “Inner circle” was coded 57 times, where “take a camp” was a subcategory of “inner circle”). The seller would try to build credit by doing good deeds, and to create a likeable and foreign image, hoping to call in debts when the opportunity arose. “Likeability” was coded 46 times and “foreign brand” six times.</p>
Consequences	<p>As a result of the strategies used by the buyer and the seller, the buyer</p>

---

---

	<p>would agree to deal with the seller by returning a favor. This is called “favor trading”, which was coded 17 times. Pearson’s correlation coefficient relating “inner circle” and “favor trading” had a value of 0.76. A coefficient of 0.76 signifies a strong correlation between the strategies of the seller trying to enter the inner circle and the buyer agreeing to “favor trading” with the seller. The categories “screening” and “inner circle” also had a correlation of 0.76. This again indicates a strong relationship between the screening methods buyers use and success in joining the inner circle.</p>
Intervening conditions	<p>“Calculation”, whereby the buyer needs to go through a process of calculating the worthiness of his or her buy-in with the seller, was coded 59 times. Interestingly, the category “calculation” and the core category “guanxi” had a strong negative correlation coefficient of 0.80, indicating how the buyer calculates and assesses the guanxi involved carefully before committing to the seller’s offers. A second intervening factor is the governance and legal framework. The more structured the framework, the less effective the strategies become. The category “laws will restrict extent of guanxi” was coded 25 times. The correlation coefficient between the governance and legal framework and the inner circle was 0.67, indicating a strong relationship between the two.</p>
Properties	<p>The inner circle or camp referred to is obscure and cobweb-like, with threads interconnecting the members. “Favor trading” is considered to generate a debt owed by the buyer to the seller. The seller would try to generate a lot of debts, which the buyer would feel obliged to repay. Reciprocity and “favor trading” have another property, where the personal freedom of choice of the buyer comes into play.</p>
Dimensions	<p>The inner circle or camp the buyer associates with would be obscure to those not considered a part of it, but it would be known once you</p>

---

---

are part of the inner circle. The inner circle is a cobweb-like network interconnecting its members. “Cobweb” was coded 31 times. The closer a guanxi link is to the center of power in this web, stronger the link is, and the further away the link is from the center of power, the weaker it is.

---

### **3.4.3 Selective Coding**

Based on the results of the axial coding process, the selective coding method was used to draw the findings together, with additional communications with the interviewees, as required, to validate that the combined product comprehensively covered all the scenarios to achieve saturation. The next step was to form the storyline.

### **3.4.4 The Storyline**

The storyline was formed after two major reiterations. Figure 3.2 below outlines the main story, about how guanxi and mianzi marketing plays a role in Chinese finance, impacting purchasing and brand loyalty decisions about financial products sold to clients in Hong Kong and mainland China. The story is summarized below.

#### **3.4.4.1 Guanxi as a Key Cultural Construct for mainland Chinese**

Guanxi appears to be more prevalent in mainland Chinese society. The interviewees claimed guanxi was “in their blood”, with a corresponding desire to belong to a particular guanxi group and to partake in exchanging favors or starting new relationships. There is a need to display wealth and status conspicuously, to be seen as possessing something that others do not or cannot, and to feel that one’s status is special. Companies may attempt to create marketing that uses international imagery or high-end appeal to attract customers.

#### **3.4.4.2 Inner Circle and Accumulating Credit as Guanxi Strategy**

Guanxi is developed through covert means, extending an existing guanxi network through introductions. One interviewee said financial institutions and their staff could improve their key performance indicators by getting into a client’s inner circle by letting the client feel he or she is a member of a network. Guanxi should be used as a means to gain introductions to the inner circle. The interviewees said their clients would screen the

quality of the guanxi involved, but that once their clients felt they belonged to the same network, acceptance followed. The interviewees explained how a financial institution's staff could build a good reputation and face through, for example, giving access to exclusive events or products, and building a network of likeable high-net-worth individuals. These tactics would make the client feel indebted. The firm should also try to expand the guanxi network and connect it with guanxi groups that its clients would like to be associated with. When all this was in place, the institution could then call in its debts or use favor trading to improve its indicators.

#### **3.4.4.3 Intervening Condition – Screening and Brand Affect**

The interview findings suggest that guanxi takes effect only after a customer has been able to evaluate the benefits, after satisfying himself or herself all the products in the market are more or less as good as each other. This requirement to weigh, calculate and compare is more prevalent with high-involvement and big-ticket financial products. The impact of face and guanxi is also reduced when strong brand affect has been established. However, if services are more personalized, guanxi factors will have more influence.

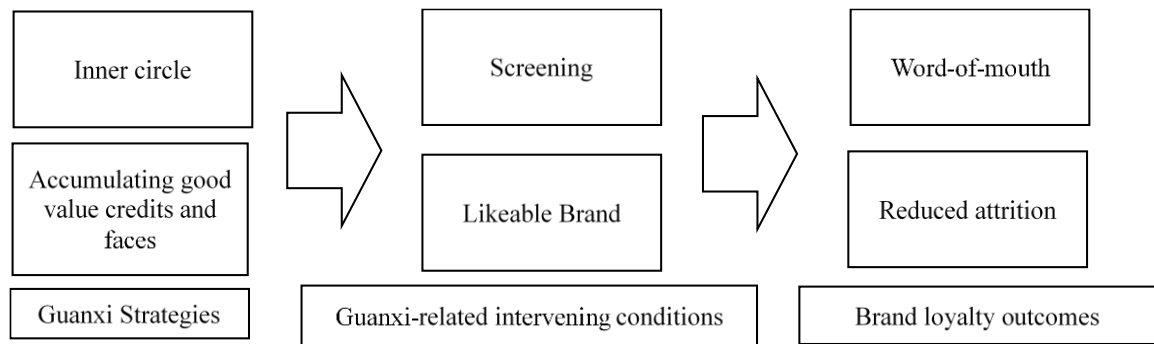
#### **3.4.4.4 Outcomes of Guanxi Strategies**

As a result of the guanxi strategies described, companies can hope for greater brand awareness, improved perceptions of quality, reduced lapse rates and thus greater brand loyalty, increased sales and better brand recall. The interviewees emphasized the impacts of face and guanxi marketing on key performance indicators such as increased profitability, reduced costs, greater retention and higher cross-selling rates.

### **3.5 Conclusion**

Using the grounded theory method, the information from the in-depth interviews was analyzed systematically, first by forming categories, then coding using the sequential processes of open coding, axial coding and selective coding, and finally by forming a storyline. The results are represented graphically in a conceptual model linking guanxi and brand loyalty, shown in Figure 3.1 below. The process was subject to the necessary standard reliability, validity and empirical grounding validation (Appendix D) to support

the finalization of the conceptual model.

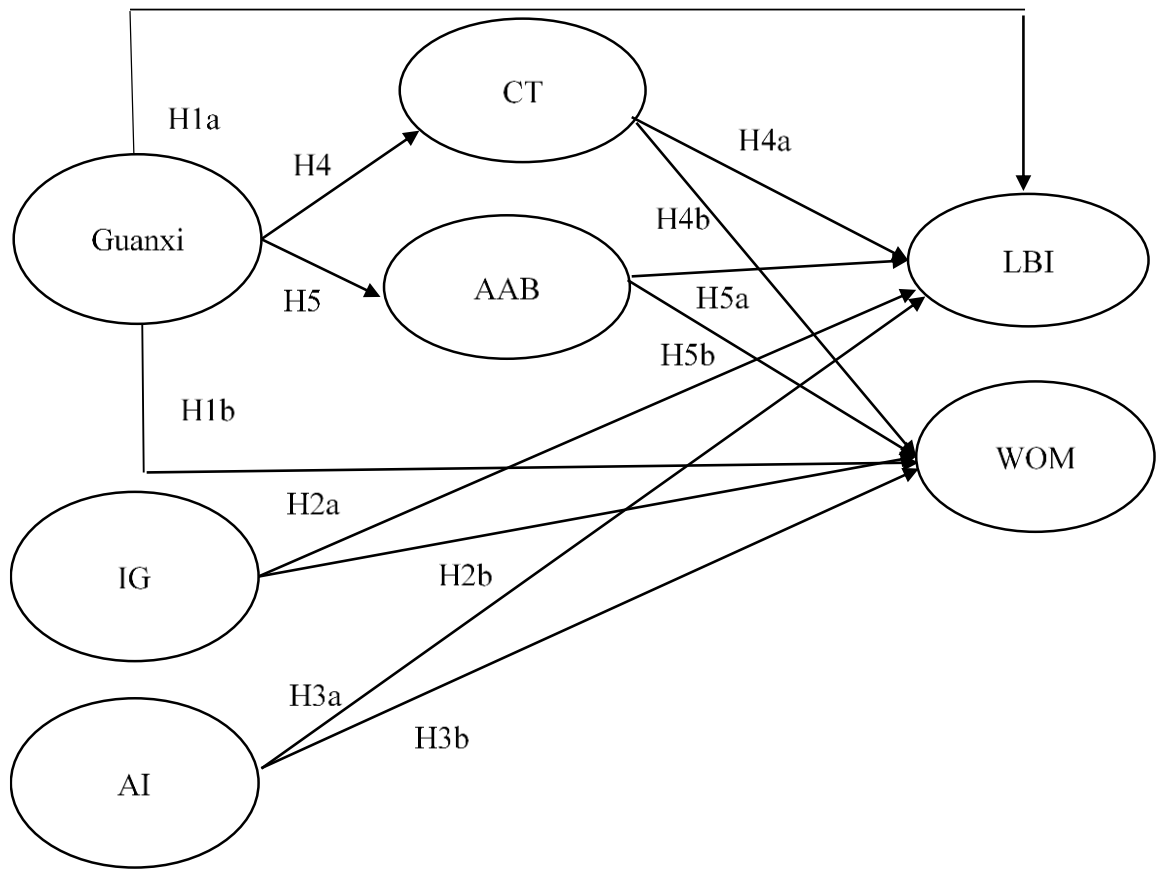


**Figure 3.1 Theoretical Model Linking Guanxi and Brand Loyalty**

### 3.6 Conceptual Framework

This section introduces the conceptual framework developed from the pilot study and the results of the literature review. The conceptual framework forms the foundation for the second-stage, quantitative study to find out whether the conceptual model can be empirically validated (Creswell 2013).

The conceptual framework is based on the review of literature in Chapter 2 and the outcomes of the pilot qualitative study. It was developed with five main hypotheses, to guide the examination of the relationships and associations between the constructs. This is shown diagrammatically in Figure 3.2 and explained in the subsequent five subsections.



**Figure 3.2 Proposed Structural Model**

GX = Guanxi, IG = Ingroup, AI = Affect investment, LBI = Loyalty behavioral intentions, WOM = word-of-mouth intentions, CT = Calculative trust, AAB = Affective attitude to the bank

### 3.6.1 Effect of Guanxi on Behavioral Intentions

As discussed in Chapter 2, the ego-pragmatic perspective on guanxi reveals how one benefits from exercising guanxi, and what this perspective reveals has received growing attention in relationship marketing studies (Tomas Gomez-Arias 1998; Gu, Hung and Tse 2008). In the relationship marketing literature, it is well established that the antecedent of behavior intentions is attitude (Fishbein, Ajzen 1975). Drivers of brand loyalty are attitudinal concepts such as satisfaction, trust and commitment that lead to behavioral intentions (Mittal, Kumar and Tsiros 1999; Oliver 1980; Swan, Oliver 1989). Guanxi contains three facets of attitudes that are closely related to the mediators of brand loyalty in the Western literature. The first dimension of guanxi is ganqing, an emotional attachment and psychological commitment attribute (Wang 2007). This dimension has a parallel in the affective trait commonly referred to in relationship marketing studies (e.g.



Dwyer, Schurr and Oh 1987; Gustafsson, Johnson and Roos 2005; Morgan, Hunt 1994). The second dimension of guanxi, renqing, is the materialization stage of ganqing, whereby a set of social norms is established by members practicing guanxi by exchanging favors (Hwang 1987; Leung, Heung and Wong 2008; Wang 2007). Renqing has a parallel in the expected outcome of satisfaction in relationship marketing studies, whereby a satisfied customer will repeat a purchase and become a loyal customer (e.g. Anderson, Fornell and Lehmann 1994; Hallowell 1996; Gustafsson, Johnson and Roos 2005; Oliver 1997). It has a parallel in commitment, whereby deeds of reciprocity are similar to the exchange of favors in the context of renqing in maintaining a long-term relationship (e.g. Hwang 1987 as opposed to Gustafsson, Johnson and Roos, 2005). The third dimension of guanxi, xinren, which literally means trust, has a parallel in the Western relationship marketing concept of trust (Leung et al. 2011), in which parties rely on each other so they can mutually benefit from their exchange relationship (e.g. Anderson, Fornell and Lehmann 1994, p. 54). The pilot study indicated that the attitudes of customers strongly affect their behavioral intentions, so this study extends previous research and explores the degree of similarity of the key Chinese attitudinal construct of guanxi to affect, satisfaction, trust and commitment as a key driver of loyalty and word-of-mouth intentions. The following describes the measurement of guanxi and the determinants of guanxi outcomes.

### **3.6.2 Guanxi Measurement**

As mentioned in Chapter 2, measurement is often a difficulty in guanxi studies (Chen, Chen and Huang 2013), so some academics have begun developing gauges for measuring the ganqing, renqing and xinren components of the guanxi construct (e.g. Barnes, Yen and Zhou 2011; Leung et al. 2005; Wang, Siu and Barnes 2008; Yen, Barnes and Wang 2011). This study uses Yen et al.'s (2011) guanxi measurement scale (GRX measurement scale) that is specifically designed to measure guanxi by measuring the Chinese attitudinal and relational constructs of ganqing, renqing and xinren. The GRX measurement scale comprises four measures of ganqing, four of renqing and three of xinren. The reliability and validity are so high that  $R^2$  values of 0.46-0.96 and Cronbach alpha values of 0.87-0.91 are reported. The model meets the model fit requirements of chi-square values of 2.35 and fit indices exceeding 0.9 (Yen et al. 2011,

p. 103).

### **3.6.3 Determinants of Guanxi Outcomes**

Given the congruence of the three guanxi components with their counterparts – ganqing with affect, renqing with satisfaction and commitment, and xinren with trust – one should look for similar expected outcomes in the relationship marketing literature. A multitude of outcomes are discussed in relationship marketing studies, but most of the literature focuses on the expected outcomes of loyalty and word-of-mouth communication (Hennig-Thurau, Gwinner and Gremler 2002). Studies have indicated that the outcomes of relationship marketing are multivariate rather than univariate, suggesting that a more comprehensive approach is required to study the effects of the outcomes of relationship marketing (Hennig-Thurau, Gwinner and Gremler 2002; Heskett, Schlesinger 1994). To obtain a more holistic view of the three dimensions of guanxi, this study looks at outcomes of loyalty behavioral intentions and word-of-mouth intentions alike.

#### **3.6.3.1 Loyalty Behavioral Intentions**

A key indicator of brand loyalty is intentions reported by the customer, termed conative loyalty (Oliver 1997). This indicates commitment to purchase a brand again due to a deeply held positive affect (Oliver 1999). Baumann et al. (2005) distinguish between short-term loyalty and long-term loyalty. Examples of short-term loyalty behavioural intentions are whether a customer intends to switch banks in the next six months, close his or her bank account, or refuse to buy a product from a rival bank. An example of long-term loyalty behavioral intentions is whether a customer will stay with his or her bank despite rival banks offering better deals. Focusing on such questions is relevant to this study's endeavor to measure loyalty behavioral intentions.

#### **3.6.3.2 Word-of-mouth Intentions**

In the study by Baumann et al. (2005), the biggest factor in predicting word-of-mouth behavior was affective attitude to the bank. Other factors affect word-of-mouth, such as fees and interest rates, confidence in one's ability to judge and role requirements such as the approval of friends and family. But whether the customer favors the bank is

the main factor affecting word-of-mouth. In a meta-analysis by De Matos and Rossi (2008), the key antecedents of word of mouth include satisfaction, loyalty, quality, commitment, trust and perceived value, with customer commitment showing the strongest effect. Given the similarities of the guanxi construct to the antecedents of word of mouth – ganqing to affect, renqing to commitment and xinren to trust – this study tests whether guanxi as a relationship marketing tool influences word-of-mouth behavior. The following hypotheses are based on the arguments above. They outline the expected outcomes of guanxi.

**H1: Guanxi has a positive impact on (a) loyalty behavioral intentions and (b) word-of-mouth intentions**

### **3.6.4 Ingroup Identification on Loyalty Behavioral Intentions and Word-of-mouth Intentions**

The second concept that emerged from the pilot study is the need for the banker to belong to the customer's inner circle (Section 3.4.4.2). This is validated by the findings of previous research that guanxi is considered an asset at company level and that it is acceptable in Chinese societies to use personal relationships explicitly to accumulate social capital and resources (Michailova, Worm 2003; Park, Luo 2001). The concept of the ingroup is important. Guanxi is considered a prerequisite of business transactions or, in this case, behavioral intentions, whereas in the relationship marketing literature, the relationship develops after a successful transaction (Park, Luo 2001). This indicates that one should expect ingroup identification to be present before the customer decides to commit to a proposed loyalty behavior (Shaan et al. 2013). No empirical test validates the causal relationship between the ingroup and a customer's loyalty behavioral intentions or measures whether a particular guanxi player belongs to a guanxi ingroup. This study attempts to operationalize the ingroup construct by using an ingroup identification measure from Levin and Sidanius (1999). The original ingroup measure consisted of two questions: "To what extent do you identify with other members of your group?" and "To what extent do you feel close to other members of your group?" (Levin, Sidanius 1999, p. 107). The scale has reported reliability alpha values of 0.8 to 0.92 across three different sample groups. In view of the above, the following is hypothesized.

**H2: Ingroup identification positively enhances (a) loyalty behavioral intentions and (b) word-of-mouth intentions.**

### **3.6.5 Affect Investment on Behavioral Intentions and Word-of-mouth**

A key antecedent of brand loyalty is affective commitment (Gustafsson, Johnson and Roos 2005). The literature and results of the qualitative study (section 3.4.4.2) both indicate something very similar to affective commitment, called “affect investment”. Affect investment is an affective aspect of favor-giving (renqing) for a banker, in the context of this study, to use to develop and build guanxi with his or her customer (Shou et al. 2011). This guanxi behavior purports to reduce switching intentions (Gu, Hung and Tse 2008) and enhances trust (Shou et al. 2011). The definition of guanxi behavior in the Shou et al. study differs from others in that guanxi behavior is defined as particularistic, where the emphasis is on affect (ganqing) exchange at the individual level. Guanxi behavior comprises “affect investment” (ganqing tou zi) and saving face (wei hu mianzi) (p. 504). As the affect investment construct is similar to a strategy revealed by the pilot study, this research adopts Shou’s construct of affect investment (ganqing tou zi).

**H3: Affect investment positively enhances (a) loyalty behavioral intentions and (b) word-of-mouth intentions**

### **3.6.6 The Mediating Role of Calculative Trust**

In the pilot study, the impact of guanxi on loyalty behavior intentions is mediated by the buyer’s level of calculative trust of the banker. A key intervening condition, “screening” emerged in the pilot study. This means customers must screen and endorse the quality of a guanxi relationship. A favorable assessment of a product’s benefits is necessary. This may give opportunities to advance the buyer’s relationship with the seller in future, justifying the purchase in the buyer’s mind. As long as the benefits of the product exceed those of competing products, the buyer will stay loyal. Shou et al. (2011) say of calculative trust: that “actors chose to trust their partners because of their calculation of the low risk of adverse consequences if they do so” (p. 506). The effect of calculative trust in reducing the motivation to build guanxi between the purchaser and the supplier’s sales manager was tested in the study. The results supported the idea that a buyer’s being very calculative toward the seller (low calculative trust) significantly

reduces the buyer's motivation to have a guanxi relationship with the seller. As each customer may have a different level of calculative trust toward a banker, a seller that has greater guanxi ties with the buyer will reduce customer skepticism (high calculative trust). Conversely, a seller that has lesser guanxi ties with the buyer will increase customer skepticism, (low calculative trust). Calculative trust lets guanxi have more influence on loyalty behavioral intentions and word-of-mouth intentions. So it is hypothesized:

**H4: Calculative trust mediates guanxi's positive impact on (a) loyalty behavioral intentions and (b) word-of-mouth intentions.**

### **3.6.7 The Mediating Role of Affective Attitude to a Bank**

The pilot study revealed that a likeable brand plays a mediating role in the loyalty behavioral intentions and word-of-mouth intentions of customers. Drawing a parallel with relationship marketing studies, Chaudhuri and Holbrook (2001) establish that brand affect, defined as "a brand's potential to elicit a positive emotional response in the average consumer as a result of its use" (p. 82) has a direct effect on purchase and attitudinal loyalty.

Similarly, a study by Baumann et al. (2005), found affective attitude to a bank is the main factor in predicting word-of-mouth intentions in a banking setting. If a customer is pleased with a bank, he or she is more likely to refer friends to it. Arguably, the impact of guanxi will be mediated by the strong affiliation the customer has to the bank. So we hypothesize:

**H5: Affective attitude to a bank mediates guanxi's positive effect on (a) loyalty behavioral intentions and (b) word-of-mouth intentions**

## **3.7 Chapter Summary**

This chapter outlined the development of the conceptual model through the pilot qualitative study, which led to the proposed structural model for quantitative analysis, together with its five main hypotheses. These hypotheses outline the relationships among these variables with a view to their being tested empirically.

## **CHAPTER FOUR:**

### **RESEARCH METHODOLOGY**

#### **4.1 Introduction**

This chapter specifies the procedures, describes the sample and measures, and discusses the statistical analyses used to test the hypotheses developed in Chapter 3. This chapter outlines the (1) units of analysis, (2) sampling design, (3) measurements, (4) data-collection plan and (5) data analysis techniques.

#### **4.2 Research Design Overview**

This is an empirical study investigating whether establishing guanxi influences relationship commitment and loyalty behavioral intentions among Chinese consumers in the financial services market. The research model for this study was developed through a pilot qualitative research study by Lee and Tang (2014) and was outlined in Chapter 3. Further development was based on the initial findings in Lee and Tang (2014) and a thorough review of the related literature. A theoretical conceptual model was based on Ajzen's (1991a) behavioral intentions model and focused on exploring whether certain attitudes, relational commitment and ingroup identification would impact loyalty behavioral intentions and word-of-mouth intentions.

Using network definitions (Brass, Butterfield and Skaggs 1998), the unit of analysis in our study is the banking client (ego) connecting to the banking institution (alter) through the banker (actor) in the network. We asked the participants to give their views of the banker they most often deal with and the bank he or she represents.

#### **4.3 Research Methodology**

A mixed-method approach was used, whereby qualitative and quantitative methods were both employed. The qualitative method was used to develop the initial

conceptual theoretical model and indicate gaps in the existing literature. In-depth interviews were conducted, taking a grounded theory approach (Glaser, Strauss 1967; Strauss, Corbin 1990; Corbin, Strauss 2008) meant to develop theory grounded on data. In the grounded theory approach, the theory emerges from the data rather than from any existing theoretical framework. The aim is to build a new theoretical model or extend an existing theory. After the qualitative study an initial conceptual model was developed. After a review of the relevant literature, a theoretical conceptual model was developed based on Ajzen's (1991a) work on behavioral intentions. The conceptual model focused on whether certain attitudes, relational commitment and ingroup identification would impact loyalty behavioral intentions and word-of-mouth intentions. For the final analysis, a quantitative method is used to validate empirically the proposed conceptual model to determine the causal relationships between the constructs. For the final stage a survey questionnaire was drawn up. A test was conducted to fine-tune the questions and the format of the survey. Confirmatory factor analysis (CFA) and a structural equation model (SEM) were the main statistical technique used to analyze the survey data.

#### **4.4 Mixed-method Approach**

A mixed-method approach has the benefit of filling gaps in our knowledge and answering research questions previously unasked, which are defined as nascent by Edmondson and McManus (2007). The employment of both qualitative and quantitative methods spans the gaps between unknown target relationships and established constructs (Edmondson, McManus 2007). The relationship between guanxi and loyalty behavioral and word-of-mouth intentions was unexplored, so the mixed-method approach seemed best suited to the purposes of this study.

#### **4.5 Quantitative Research Methodology**

This section outlines the research variables and their measurement, the sampling and data collection methods and the data analysis procedures.

##### **4.5.1 Research Variables and their Measurement**

All the measurement instruments were adopted on the basis of the conceptual

definitions and an extensive review of the literature (Baumann, Burton and Elliott 2005; Fischer, Fick 1993; Levin, Sidanius 1999; Shou et al. 2011; Yen, Barnes and Wang 2011). The instruments were adopted in their English versions, which were translated into Chinese and the results translated back into English.

The draft survey was tested on three marketing academics of professorial rank and seven experts on marketing who had marketed financial services in mainland China and are proficient in both English and Mandarin. Each of the measurement constructs had been used in previous studies and shown to be valid and reliable, so the main purpose of the test survey was to determine the validity of the questions. The questions were refined to make them clearer and more suitable for gauging the relationships between Chinese banking clients and their main bankers in mainland China. The operationalization of the constructs shown used the standard survey and psychometric scale development procedures in Churchill (1979).

All the instrument scales (with the exception of the control variable, the social desirability scale) were derived from seven-point Likert scales. This study adopted the seven-point Likert scale pattern and the wording was consistent in each case so that 1 = strongly disagree and 7 = strongly agree. The reliability and validity of the instruments were empirically re-examined after the quantitative survey. The results are presented in Chapter 5. Each instrument is described below.

#### **4.5.2 Independent Variable - Guanxi**

The construct of guanxi carries a long history since the time of Confucius (551-479BC) and continues to be an area of interest in studying how relationships interact in a Chinese sociological and business setting. Recent studies used the guanxi construct in areas of guanxi has been widely studied in association with business performance.

Recent studies have shown that guanxi correlates with firm performance indicators, including sales, market share and return on assets (Peng, Luo 2000; Gu, Hung and Tse 2008, Leung, Chan 2003). Much attention has been paid to guanxi and strategies for market entry and expansion (Barnes, Yen and Zhou 2011; Davies et al. 1995; Leung,



Chan 2003). Relationship marketing studies have shown growing interest in guanxi (e.g. Gu, Hung and Tse 2008; Lam, Burton and Lo 2009; Tomas Gomez-Arias 1998). Academics have been prompted to look into the measurement of guanxi (Yen, Barnes and Wang 2011). An instrument was developed to give Westerners a way of measuring empirically how strong their guanxi with their Chinese business partners is. The instrument covers the ganqing, renqing and xinren facets of guanxi (Yen, Barnes and Wang 2011). The Cronbach alpha reliability measures reported were 0.87 for ganqing, 0.88 for renqing and 0.91 for xinren (Yen, Barnes and Wang 2011). This instrument was designed for examination of business-to-business relationships between Taiwanese buyers and their English-speaking suppliers. For use in this study, the wording was revised to substitute “banker” for “supplier’s representative”, for example. Table 4.1 shows the survey items adapted from Yen et. al.’s (2011) study.

**Table 4.1 Scales for the Guanxi Construct Adapted from Yen, Barnes and Wang**

<b>Renqing</b>
1. I feel a sense of obligation to this banker for doing him/her a favor.
2. I think that “calling in” favors is part of doing business with this banker.
3. The practice of “give and take” of favors is a key part of the relationship between this banker and me.
4. I am happy to do a favor for this banker, when he/she requests one.
<b>Ganqing</b>
5. This banker and I are able to talk openly as friends.
6. If I were to change this banker, I would lose a good friend.
7. I would consider whether this banker’s feelings would be hurt before I made an important decision.
8. I would try my best to help out this banker when he/she is in need because he/she is a friend of mine.
<b>Xinren</b>
(R) denotes reverse scale.
9. This banker is only concerned about himself/herself (R).
10. The people in my social network do not trust this banker (R).
11. This banker is trustworthy.

### 4.5.3 Independent Variable –Ingroup Identification

The instrument used to measure the ingroup identification construct was adapted from Levin and Sindanius (1999). The original instrument had two questions. A third question was added: “To what extent do your ingroup consider this banker as part of the group?” The question was added to avert any Heywood cases, where an indicator may have to be deleted to avoid a negative error term (Hair et al. 2010). The original scale was empirically validated with a reliability coefficient of 0.7 and above (Levin, Sidanius 1999). For use in the context of this study, the wording was revised, so, for example, the question, “To what extend do you identify this banker with other members of your ingroup?” substitutes for the question, “To what extend do you identify with other members of your group?” The adapted measurement items are presented in Table 4.2.

**Table 4.2 Adapted Scales for the Ingroup Identification Construct  
from Levin and Sidanius**

<b>Ingroup Identification</b>
1. To what extent do you identify this banker with other members of your ingroup?
2. To what extent do you feel this banker is close to other members of your ingroup?
3. To what extent do your ingroup consider this banker as part of the group?

### 4.5.4 Independent Variable –Affect Investment

The instrument used to measure the affect investment construct was adapted from Shou et al. (2011). The original scale was empirically validated with a composite reliability coefficient of 0.94 (Shou et al. 2011). In the context of this study, the wording was revised to insert the word “banker” where appropriate. At the suggestion of participants in the test survey, the wording was altered to remove any connotation of malfeasance (Yan 2014). For example, the statement, “This banker often invites me to their company’s lunch or dinner” substitutes for the statement, “I often have a lunch or dinner with the sales manager.” The adapted measurement items are presented in Table 4.3.

**Table 4.3 Adapted scales for the affect investment construct (Shou et al. 2011)**

<b>Affect investment</b>
1. This banker presents (inexpensive) company souvenirs to me to express good wishes when there is a marriage, promotion, birthday, and so forth.
2. This banker sends me company greeting cards or electronic messages during festivals.
3. This banker often invites me to their company's lunch or dinner.
4. I regard this banker as my friend.

#### **4.5.5 Dependent Variable – Short-term Behavioral Intentions**

The instrument used to measure the short-term behavioral intentions construct was adapted from Baumann et al. (2005). The original scale was empirically validated with a reliability coefficient of 0.7 and above (Baumann, Burton and Elliott 2005). This instrument was adapted whole, as presented in Table 4.4.

**Table 4.4 Scales for the Short-term Behavioral Intentions Construct Adapted from Baumann, Burton and Elliott**

<b>Short-term Behavioral Intentions</b>
1. It is very unlikely that I will be looking for a new bank in the next six months
2. It is very unlikely that I will close an account with my bank within the next six months
3. It is very unlikely that I will close an account with my bank within the next six months

#### **4.5.6 Dependent Variable – Long-term Behavioral Intentions**

The instrument used to measure the long-term behavioral intentions construct was adapted from Baumann et al. (2005). The original scale was empirically validated with a reliability coefficient of 0.7 and above (Baumann, Burton and Elliott 2005). This instrument was adapted whole, as presented in Table 4.5.

**Table 4.5 Scales for the Long-term Behavioral Intentions Construct Adapted from Baumann, Burton and Elliott**

<b>Long-term behavioral intentions</b>
--

- 
1. I would stay with this bank even if competitors offered lower charges and/or better interest rates.
  2. If I saw an attractive offer in another bank branch, I would leave this bank
  3. In five years' time, I expect that I will still be doing most banking with this current bank
- 

#### **4.5.7 Dependent Variable – Word-of-Mouth Intentions**

The instrument used to measure the word-of-mouth intentions construct was adapted from Baumann et al. (2005). The original scale was empirically validated with a reliability coefficient of 0.7 and above (Baumann, Burton and Elliott 2005). The original had two statements inviting agreement or disagreement. A third statement was added for this study: "This is the bank which I refer the most to my friend." The statement was added to avert any Heywood cases, where an indicator may have to be deleted to avoid a negative error term (Hair et al. 2010). The wording was altered so that the expression "this bank" substitutes for "my bank", as appropriate. The adapted scales are presented in Table 4.6.

**Table 4.6 Scales for the Word-of-mouth Intentions Construct Adapted from  
Baumann, Burton and Elliott**

<b>Word-of-Mouth intentions</b>
1. If other people inquired about this bank then I would recommend it.
2. I am happy to voluntarily recommend this bank to others.
3. This is the bank which I refer the most to my friends.

---

#### **4.5.8 Mediating Variable – Calculative Trust**

The instrument used to measure the calculative trust mediating variable was adapted from Shou et al. (2011). The original scale was empirically validated with a composite reliability coefficient of 0.92 (Shou et al. 2011). The instrument was designed to gauge business-to-business relationships in China between retailing buying managers and the sales managers of their major suppliers. So the wording was altered for this study, the expression "this banker" substituting for "the supplier", as appropriate. Table 4.7 shows the survey items adapted from Shou et al's (2011) study.

**Table 4.7 Scales for the Calculative Trust Mediating Variable Adapted  
from Shou et al.**

<b>Calculative Trust</b>
1. This banker realizes that not being opportunistic accords with their interest.
2. This banker realizes that violating our trust will certainly be sanctioned.
3. Since the cost of defection is high, we believe that this banker would not be opportunistic.

#### **4.5.9 Mediating Variable – Affective Attitude to the Bank**

The instrument used to measure the affective attitude to the bank moderating variable was adapted from Baumann et al. (2005). The original scale was empirically validated with a reliability coefficient of 0.7 and above (Baumann, Burton and Elliott 2005). The wording was altered so that the expression “this bank” substitutes for “my bank”, as appropriate. The adapted scales are presented in Table 4.8.

**Table 4.8 Scales for the Affective Attitude to the Bank Mediating Variable Adapted  
from Baumann, Burton and Elliott**

<b>Affective attitude to the bank</b>
1. I like this bank
2. I enjoy visiting this bank
3. I feel good about this bank
4. I have a sense of belonging to this bank

#### **4.5.10 Control Variable for Social Desirability**

As mentioned in Chapter 2, the community-ethical perspective on guanxi reveals the unethical aspects of guanxi, where guanxi is held to damage a firm’s performance as personal favors are traded (Luo 2008). This may be viewed as corruption, especially in the context of the Chinese government’s campaign against corruption (Yan 2014). As respondents may slant their answers to questions about guanxi to avoid giving any impression of unethical conduct, the short-form Strahan and Gebasi (1972) social desirability scale, refined by Fischer and Fick (1993), was used to find out if they did

slant their answers. The original scale was empirically validated with a reliability coefficient of 0.7 and above (Fischer, Fick 1993). This scale was adapted whole, as presented in Table 4.9.

**Table 4.9 Scales for the Social Desirability Variable for Common Method Bias  
Adapted from Fischer and Fick**

Social Desirability
1. I have never intensely disliked anyone.
2. I sometimes feel resentful when I don't get my way.
3. There have been times when I felt like rebelling against people in authority even though I knew they were right.
4. I am always courteous, even to people who are disagreeable.
5. There have been times when I was quite jealous of the good fortune of others.
6. I am sometimes irritated by people who ask favours of me.

#### **4.5.11 Control Variables**

This research incorporated control variables to minimize the confounding impact, allow a more accurate estimate of the relationships among the variables and permit more robust tests of the hypotheses and rule out alternative explanations (Becker et al. 2015).

As most guanxi studies focuses in the industrial marketing setting, majority of the controls used in previous guanxi studies (Gu et al., 2008; Peng & Luo 2000) are not adopted in this study, such as size of firm, age of firm, ownership, industry type, technological, management skills, customer orientation and product quality. As the unit of study in this context is banking client rather than the firms, the focus is testing for variances amongst individual banking clients rather than firms per se. In order to seek for suitable controls, a literature review was conducted to identify studies where demographic variables were used to test the effects on guanxi. Some studies of guanxi have shown that demographic considerations such as similarity of age are associated with the quality of guanxi ties, notably in the setting of an MBA/EMBA class (Chow, Ng 2004). Organizational studies have shown guanxi ties for career success network dyads are formed by a younger individual with an older individual (Chua, Morris and Ingram

2009). The differences that age make to the strength of guanxi ties is incorporated as a control variable.

Studies of non-farm employment have shown that women perform better than men in the labor market (Zhang, Li 2003). Being married hampers the performance of women in the labor market but not men. A management study (Bu, Roy 2008) found men's career networks are dominated by men, as are women's, suggesting that gender has an impact on career network ties. The differences that sex and marital status make to choices of career network ties and employment opportunities are incorporated as control variables.

The control variables are treated as endogenous variables in AMOS (Arbuckle 2011). The control variables are covaried with independent variables of both ingroup identification and guanxi, as previous studies have shown an effect on guanxi network (ingroup) and guanxi, as outlined in Chapter 4. For the controls, both gender and social desirability bias are binary scales – male, female, yes and no. For the variable of age, two dummy variables are set, 0 = below 40 years old and 1 = 40 years old and above. The mean score of the age variable is 2.34, within the age 30-39 age category. Based on the mean cut-off, the groups are split from age 40 or below and age 40 and above. The two groups comprised of 238 participants aged 40 or below and 191 participants aged 40 and above. For the marital status variable, there are 121 participants who are single and 296 participants who are married. For individuals with the status of divorced, widowed or co-habiting, n=12, they are considered married. The dummy variables are 0 = single and 1 = married and others. The unstandardized regression weights of these associations were assessed to gauge the degree of their impact (Arbuckle 2011).

#### **4.5.12 Tests of Mediation Effects**

This study hypothesizes that calculative trust (CT) and affective attitude to the bank (AAB) are mediating factors. The test of mediation in the case of AAB requires a two-stage analysis. First, Baron and Kenny's basic condition of mediation is tested with SEM (Baron, Kenny 1986; Zhao, Lynch and Chen 2010) to test the direct effects of guanxi (GX) on AAB ( $GX \rightarrow AAB$ ), and of AAB on loyalty behavioral and word-of-mouth intentions ( $AAB \rightarrow LBI$  and  $AAB \rightarrow WOM$ ). The second stage recommended by

Baron and Kenny is a Sobel z-test (Sobel 1982) or a more advanced bootstrapping algorithm (Hayes 2009; Mathieu, Taylor 2006; Preacher, Hayes 2004; Preacher, Hayes 2008) for the specific indirect (mediated) path, in this case the path from  $GX \rightarrow AAB \rightarrow LBI$  and  $GX \rightarrow AAB \rightarrow WOM$ . Baron and Kenny's method uses a casual steps approach to estimate each path in the model, so it has been challenged on the grounds of its inability to explain the intervening variable effects (Hayes 2009, p. 410). So this study uses SEM to test the direct effects, followed by bootstrapping to study the specific mediated effects of multiple mediators.

As for the conditions and types of mediation, there are three possible outcomes, and Baron and Kenny's logic still holds. There is full mediation if an "independent variable has no effect when the mediator is controlled" (Baron, Kenny 1986, p. 1,177). Partial mediation is when an independent variable has reduced significance when the mediator is controlled, and no mediation is when neither condition is fulfilled.

## **4.6 Research Process**

### **4.6.1 Unit of Analysis**

This study focuses on the effects of guanxi and ingroup identification on loyalty behavioral intentions of bank customers in China, using a field survey approach. The target participants were bank customers currently in a banking relationship with a banker that serves their banking needs. In the survey, the participants gave their views of their banker and their bank. Using network definitions (Brass, Butterfield and Skaggs 1998), the unit of analysis in our study is the banking client (ego) connecting to the banking institution (alter) through the banker (actor) in the network.

The reason for the choice of this unit of analysis is that the measurement of loyalty to a firm is typically a reflection of the firm's conduct, as in the measurement of loyalty to service providers in Verhoef (2003), and Zeithaml, Berry and Parasuraman (1996). The study of guanxi is the study of personal relationships (Yang 1993). Studies have highlighted the importance of who or what commands loyalty: the salesperson or the firm (Palmatier, Scheer and Steenkamp 2007). Most guanxi research is on the individual/dyadic level and studies on the network level are "clearly lacking" (Chen,



Chen and Huang 2013). The outcomes of connecting the client to the bank through the banker are of interest.

#### **4.6.2 Survey Population and Sample**

The focus of this study is how customers of a bank view their bankers, and the loyalty of the customers to the bank that is attributable to the conduct of their bankers. So bank customers currently served by a bank manager (or relationship manager) in mainland China were selected as the population. The actual number of such people is unknown, but an estimate can be made, based on information from several sources. According to a white paper by Haiyin Wealth and Hurun on asset allocation by high-net-worth individuals, China has 1.2 million individuals with assets of RMB10 million or more (Hurun 2015, p. 7), and 98% of them keep 38% of their wealth in cash and deposits (Hurun 2015, pp. 8-9). The China Private Wealth Report for 2015 by Bain and Company and China Merchants Bank corroborates the estimate of more than 1 million wealthy individuals (Bain.com 2015), as does the Wealth Insight Report for 2012 (cited in McBain 2013). The assets of between 7% and 17% of these wealthy people are managed professionally (cited in McBain 2013; Pigliucci 2013).

#### **4.6.3 Sample Size**

The construct has nine variables with 37 questions. Tebachnick and Fidell (1989) suggest the minimum is a 5:1 ratio per variable (cited in Green 1991, p. 500), which means 185 valid samples (37 questions x 5 = 185 valid samples). Nunnally (1978) recommended sample sizes of “300 to 400 subjects for independent variables as large as nine or 10” (cited in Green 1991, p. 501). Hair et al. (2010) say that, for multivariate techniques, if the sample is too small it results in insufficient statistical power, and if the sample is too large it can easily cause artificial significance. A sample of 300 to 400 is considered valid because (a) it is the balance of the various outcomes of recommended rules-of-thumb and (b) similar research in key guanxi studies using multivariate approaches used valid samples of 200-300 (Gu, Hung and Tse 2008; Shou et al. 2011; Yen, Barnes and Wang 2011).

#### **4.6.4 Instrument Development**

The multi-item scale survey developed was based on the conceptual definitions generated from the qualitative study described in section 4.3, and adapted the scales found in the literature review to suit the purposes of this study. Approval for the survey was sought and obtained from Macquarie University (MGSM) ethics subcommittee (Appendix E). The survey was drawn up in English and then translated into Chinese. The Chinese translation was then translated back into English to check that the translation was faithful (Leung et al. 2005). The questionnaire for the main survey (Appendix F), taking into account feedback from the test survey, had six sections. The first section gave the background to the research, contained a consent form, and required the participants to identify their main banks and the bankers that served them. If a participant could not identify a specific banker, he or she was asked to refer us to a friend that could participate instead. The second section focused on how the respondents viewed their bankers, so the constructs of *guanxi*, calculative trust and affective investment could be measured. The third section focused on whether respondents viewed their bankers as belonging to their friendship networks or ingroups. The fourth section focused on how the respondents viewed their main bank, so the constructs of affective attitude to the bank and the dependent variables of short-term behavioral intentions, long-term behavioral intentions and word-of-mouth intentions could be measured. The fifth section focused on the control variable of social desirability to assess common method bias, as covered in section 4.3.1.9. The sixth last section collected demographic information about the respondents.

#### **4.6.5 Data Collection Process in the Main Survey**

To verify empirically the proposed model, the survey was conducted in mainland China. The target participants are wealthy bank customers who are currently served by a banker who attends to their core banking needs. To ensure the survey is conducted to the required standard, the research assistants had a 2-hour training session based a research guide (Appendix G) to ensure uniformity of standards and research protocols. Furthermore, in order identify the suitable participants, the research assistants were asked to identify from their own friends and family network people who have a banker that

serves their banking accounts. The first screening question to the participants is to ask is “Do you have a banker that serves your banking accounts?” If the participants could not recall the name of a banker, the research assistant sought another participant. Research assistants were trained to identify participants based on their “VIP bank accounts”, as they are known in mainland China, such as HSBC Premier, Bank of China VIP account, ICBC VIP account. These accounts require a minimum balance requirement, the mean of which is 500,000 yuan (about US\$72,600), and are typically assigned a designated banker. The survey asked participants to give their views of the bankers that served them and give their views of the banks involved.

Research assistants were selected from graduates of a Master’s program course in financial communication and promotion in Hong Kong, were familiar with research protocols and have an understanding of financial marketing. While survey respondents were identified individually, they were also vetted to ensure they were spread as equally as possible across mainland China. The aim was to avoid the concentration bias in choosing a high number of participants from Tier 1 cities such as Shenzhen, Shanghai and Beijing. The research assistants were not given a quota and each surveyed as many suitable participants as they could find.

A convenient sampling technique was used. The researchers were from mainland Chinese families who are affluent enough to send them to Hong Kong to study, and so were likely to know people net worth sufficient to be personally served by a banker. The dual screening process – choosing research assistants and screen the participants – described above serves as a good proxy to identify a valid sample for the survey. A third screening process is conducted through the survey’s demographic information and banking information (Appendix F, Questions 47-60). Questions on occupation, housing type, age, education level, car ownership, children who study overseas and whether they had travelled overseas are served as indirect proxies to gauge the participant’s ability to be a wealthy individual. Participation was voluntary and results reported are entirely anonymous. The data were collected between February and June 2015.

## 4.7 Data Analysis

This section describes the analysis methodology used to test the model and the proposed hypotheses. This study took a structural equation modelling (SEM) approach, using the IBM SPSS Statistics version 20 and the extension package for SEM, AMOS 20.0 (Byrne 2010; Kline 2011). The IBM SPSS Statistics version 20 was used to provide estimates of the descriptive analysis (e.g. means, standard deviations), demographic analysis (e.g. age, education level, gender). SEM allows hypothesis testing of a causal relationship by regression (structural) analyses undertaken simultaneously (Byrne 2010). SEM also permits incorporation, or rectifying of measurement error, whereas conventional regression analysis cannot incorporate (Byrne 2010). Most important, SEM enables latent variables to be incorporated in the model where the constructs under study are mainly unobserved, e.g. latent (Byrne 2010). The five basic steps for SEM analyses suggested by Schumacker and Lomax (2010), as outlined in Table 4.10, were followed.

**Table 4.10 SEM Procedure Suggested by Schumacker and Lomax**

SEM procedures
1. Model specification
2. Model identification
3. Model estimation
4. Model testing
5. Model modification

The first step is to specify the model, or to form a model based on theory, as in Chapter 3. Model specification means “determining every relationship and parameter in the model that is of interest to the researcher” (Schumacker, Lomax 2010, p. 55). The object is to “specify” the best possible model to determine the extent that the “true model that generated the data deviates from the implied theoretical model” (Schumacker, Lomax 2010, p. 56). Model identification means determining whether an identified set of parameter estimates was found between the data sample set and the theoretical model inferred in the population set (Schumacker, Lomax 2010, p.56). The object is to determine if the model is “identified” where all the parameters can be uniquely identified. If the model is “under-identified” it means the parameters cannot be determined and

therefore that the results cannot be trusted (Schumacker, Lomax 2010, p. 58). Model estimation uses estimation methods such as maximum likelihood (ML) to employ a particular fitting function to bridge the difference between the estimates of the sample parameters and the purported population parameters in SEM (Schumacker, Lomax 2010, p. 59). Model testing determines how well the sample data support or fit the theoretical model (Schumacker, Lomax 2010, p. 63). The final step is taken when the initial model requires modification. The initial model is modified through a “specification search” procedure (Leamer 1978) so that it fits better and indicates parameters that have “practical significance” and “substantive meaning” (Schumacker, Lomax 2010, p. 64).

Testing of mediation, based on Baron and Kenny’s mediation approach (Baron, Kenny 1986) was conducted through SEM. The data analysis and the results are presented in Chapter 5.

## **4.8 Chapter Summary**

This chapter gave the reasons for using the mixed-method approach in this study. It gave details of the quantitative research process using SEM. The chapter outlined each construct used for the independent, dependent and control variables, and tests of mediation effects. The units of analysis, survey population, sample size, instrument development and data collection process were outlined.

## **CHAPTER FIVE:**

### **RESULTS**

#### **5.1 Introduction**

This chapter presents the results of the analysis of the data from the quantitative survey. The chapter contains seven sections. The first section provides descriptive statistics of the participants and shows the steps taken to prepare the data for hypothesis. The next procedure followed assessed the reliability and validity of the measurement. Then a confirmatory factor analysis of the measurement model determined the model fit. Then the measurement model's construct validity was determined by looking at discriminant and convergent validity. This meant using SEM to analyze and verify the main hypotheses. Next came mediation analysis and control effects. The final section of this chapter presents the findings.

#### **5.2 Quantitative Analysis**

##### **5.2.1 Results of Pre-test Studies – Expert Tests**

As Chapter 4 says, it was essential to pilot-test the survey questionnaire and interview protocol to find any ambiguous or misleading questions. The survey questionnaire was given to six financial services marketing professionals and four academics that were familiar with the literature, to provide feedback on its structure and content, and to check the accuracy of the translation. The feedback was positive, overall. Suggestions were made to revise the arrangement and presentation of the questionnaire, and to rephrase some sentences and change some words in the Chinese version. The modified questionnaire was then sent to 20 bank customers for a preliminary check of its clarity and validity. The results of the check confirmed the suitability of the modified questionnaire. The check found that neither the length nor the format gave the participants major difficulties in answering the questions within the approximate time allotted in the consent form. Those bank customers that participated in the preliminary check were excluded from the main survey.

### 5.2.2 Sample Description

The research assistants handed 800 survey questionnaires to participants in person. Of the 437 questionnaires returned, eight were missing many values, giving 429 useable questionnaires – a 54% response rate. To ensure the proper selection of participants, all the research assistants were trained to a common standard (Appendix G). The high response rate was due to the fact that the research assistants conducted the questionnaires in person. The author examined the questionnaires as soon as they were returned. The principal researcher pointed out any missing values or ambiguous answers to the research assistants, who telephoned the respondents in question to ask for the missing information or clearer answers.

The response rate is in line with the study by Yu and Cooper (1983) of rates of response to questionnaires in quantitative research. Their study found a response rate of 84% to surveys conducted in person. But their study found a response rate of 41.6% to surveys that used a convenient sampling technique, and a response rate of 82% to surveys where each respondent was offered US\$10 – the amount each respondent to this survey was offered.

#### 5.2.2.1 Reserve Coding Considerations

Seven of the 60 items measured were reverse-coded before analysis. This was done with the data transformation feature of SPSS 20.0. The transformed values were used in the analysis.

#### 5.2.2.2 Descriptive Analysis

**Table 5.1 Descriptive Analysis**

<b>Description</b>	<b>Statistics</b>
Gender (N=429)	Male 46% Female 55%

Occupation (24 occupations in all) (N=429)	Accounting and finance (17.7%) Civil service (14.0%) Administration (8.9%) Entrepreneurship (8.2%) Advertising and media (5.1%) Others <5%
Age (N=429)	20-29 (33%) 30-39 (23%) 40-49 (26%) 50-59 (13%) 60+ (5%)
City of residence (45 cities in all) (N=429)	Guangzhou (17.5%) Shanghai (13.1%) Shenzhen (12.6%) Hangzhou (4.9%) Fuzhou (4.7%) Ningbo (4.7%) Tangshan (4.7%) 38 others <4%
Education level (N=429)	Elementary school (0.2%) Junior high school (5.4%) High school (11%) Diploma (21.4%) Bachelor's degree (46.9%) Master's or higher degree (15.2%)
Marital Status (N =429)	Single (28%) Married (69%) Cohabiting (1%) Divorced (1%) Widowed (0.7%)

Simple descriptive and frequency analyses of the demographics and characteristics of the bank customers were conducted to gain an overall understanding of



the data. The results are shown in Table 5.1. For categorical variables, frequency distribution was reported, whereas for continuous variables, means and standard deviations were reported. A breakdown of details about the participants, including their occupations, cities of residence, types of housing, car ownership, vacations abroad and children studying abroad is contained in Appendix H.

Respondents were asked to rate on a seven-point Likert scale their relationships with their main banks and bankers, by expressing agreement or disagreement with statements or by answering questions. Table 5.2 contains the mean values and standard deviation for each variable.

**Table 5.2 Descriptive Statistics Results from the Survey (N=429)**

<b>Construct and variables</b>	<b>Mean (<math>\mu</math> / <math>\mu/R</math>)</b>	<b>Std dev.</b>
<b>Affect investment (AI)</b>		
A1) This banker presents (inexpensive) company souvenirs to me to express good wishes when there is a marriage, promotion, birthday and so forth.	3.85	1.795
A2) This banker sends me company greetings cards or electronic messages during festivals.	4.26	1.873
A3) This banker often invites me to their company's lunch or dinner.	2.79	1.482
A4) I regard this banker as my friend.	3.83	1.607
<b>Renqing (RQ)</b>		
B1) I feel a sense of obligation to this banker for doing him/her a favor.	3.87	1.540
B2) I think that calling in favors is part of doing business with this banker.	3.61	1.572
B3) The practice of give and take of favors is a key part of the relationship between this banker and me.	3.57	1.555

B4) I am happy to do a favor for this banker, when he/she requests one.	4.27	1.498
<b>Ganqing (GQ)</b>		
C1) This banker and I are able to talk openly as friends.	4.15	1.574
C2) If I were to change this banker, I would lose a good friend.	3.43	1.506
C3) I would consider whether this banker's feelings would be hurt before I made an important decision.	3.77	1.446
C4) I would try my best to help out this banker when he/she is in need because he/she is a friend of mine.	4.41	1.474
<b>Xinren (XR)</b>		
D1) This banker is only concerned about himself/herself. (R)	4.59	1.348
D2) The people in my social network do not trust this banker. (R)	4.71	1.278
D3) This banker is trustworthy.	4.65	1.219
<b>Calculative Trust (CT)</b>		
E1)This banker realizes that not being opportunistic accords with their interest.	4.41	1.304
E2)This banker realizes that violating our trust will certainly be sanctioned.	4.55	1.391
E3)Since the cost of defection is high, I believe that this banker would not be opportunistic.	5.03	1.384
<b>Ingroup Identification (IG)</b>		
F1)To what extend do you identify this banker with other members of your ingroup?	3.25	1.482
F2)To what extent do you feel this banker is close to other members of your ingroup?	2.92	1.420
F3)To what extent do your ingroup consider this	3.19	1.499

banker as part of the group?		
<b>Affective attitude to the bank (AAB)</b>		
G1) I like this bank.	5.19	1.099
G2) I enjoy visiting this bank.	5.12	1.182
G3) I feel good about this bank.	5.20	1.110
G4) I have a sense of belonging to this bank.	4.58	1.204
<b>Word-of-mouth intentions (WOM)</b>		
H1) If other people inquired about this bank then I would recommend it	4.95	1.160
H2) I am happy to voluntarily recommend this bank to others.	4.72	1.227
H3) This is the bank which I refer the most to my friends.	4.46	1.354
<b>Short-term behavioral intentions (STBI)</b>		
I1) It is very unlikely that I will be looking for a new bank in the next six months.	5.04	1.368
I2) It is very unlikely that I will choose a product from another bank in the next six months.	4.42	1.444
I3) It is very unlikely that I will close an account with this bank within the next six months.	5.27	1.308
<b>Long-term behavioral intentions (LTBI)</b>		
J1) I would stay with this bank even if competitors offered lower charges and/or better interest rates.	4.23	1.454
J2) If I saw an attractive offer in another bank branch, I would leave this bank. (R)	4.37	1.247
J3) In five years' time, I expect that I will still be doing most banking with this current bank.	4.96	1.193

Note: "R" denotes a reversed statement. The mean value of the reversed statement on a seven-point Likert scale is calculated by the formula:  $\mu (R) = 8 - \mu$ .

In the first construct, affect investment, the statement "This banker sends me company greetings cards or electronic messages during festivals" (A2,  $\mu = 4.26$ ) elicited

the highest rate of agreement, on average. This reflects affect investment practices. The statements, “This banker presents (inexpensive) company souvenirs to me to express good wishes when there is a marriage, promotion, birthday, and so forth” (A1,  $\mu = 3.85$ ), “I regard this banker as my friend” (A4,  $\mu = 3.83$ ) and “This banker often invites me to their company’s lunch or dinner” (A3,  $\mu = 2.79$ ) elicited more disagreement, reflecting the low incidence of use of such forms of affect investment by bankers. This may be due to the official campaign against corruption in mainland China, which deters forms of affect investment such as gift-giving and entertainment.

In the second construct, *renqing*, the statements elicited neutral responses or slightly more agreement than disagreement. The statement, “I am happy to do a favor for this banker, when he/she requests one” (B4,  $\mu = 4.27$ ) elicited the highest rate of agreement. The others (B1,  $\mu = 3.87$ , B2,  $\mu = 3.61$ , B3,  $\mu = 3.57$ ) elicited neutral responses or slight disagreement.

In the third construct, *ganqing*, the statements elicited varying responses. The statements, “I would try my best to help out this banker when he/she is in need because he/she is a friend of mine” (C4,  $\mu = 4.41$ ) and “This banker and I are able to talk openly as friends” (C1,  $\mu = 4.15$ ) elicited neutral responses or slightly more agreement than disagreement. The statements, “I would consider whether this banker’s feelings would be hurt before I made an important decision” (C3,  $\mu = 3.77$ ) and “If I were to change this banker, I would lose a good friend” (C2,  $\mu = 3.43$ ) elicited neutral responses or slightly more disagreement than agreement. The pattern of responses suggests that the bank customers tend to dissociate their friendships with their bankers from their banking relationships.

In the fourth construct, *xinren*, the statements elicited slightly more agreement than disagreement. The negative statement, “The people in my social network do not trust this banker” (D1,  $\mu (R) = 4.71$ ) elicited most disagreement. The other statements (D1,  $\mu (R) = 4.59$ ; D3,  $\mu = 4.65$ ) elicited expressions of sentiment of similar strength. Together, the responses indicate that the bank customers trust their bankers moderately.

In the fifth construct, calculative trust, the statements elicited neutral responses or slightly more agreement than disagreement. The statement, “Since the cost of defection is high, I believe that this banker would not be opportunistic” (E3,  $\mu = 5.03$ ), elicited most agreement. Taken together with the responses to the other statements, “This banker realizes that not being opportunistic accords with their interest” (E1,  $\mu = 4.41$ ) and “This banker realizes that violating our trust will certainly be sanctioned” (E2,  $\mu = 4.55$ ), this indicates moderate belief among the bank customers that trust is based on the calculation that there is something to be gained from it.

In the sixth construct, ingroup, the bank customers in general disagreed that their bankers were part of their inner circles, or ingroups. The question “To what extent do you feel this banker is close to other members of your ingroup?” (F2,  $\mu = 2.92$ ), elicited answers expressing most disagreement. The other questions, “To what extent do your ingroup consider this banker as part of the group?” (F3,  $\mu = 3.19$ ) and “To what extent do you identify this banker with other members of your ingroup?” (F1,  $\mu = 3.25$ ) elicited answers expressing lesser degrees of disagreement.

In the seventh construct, affective attitude to the bank, the bank customers almost all expressed agreement with the statements. The statements, “I enjoy visiting this bank” (G2), “I like this bank” (G1) and “I feel good about this bank” (G3) elicited pronounced degrees of agreement (in the range of  $\mu = 5.12$  to  $5.20$ ). The statement, “I have a sense of belonging to this bank” (G4,  $\mu = 4.58$ ) elicited more neutral responses. This indicates that most of the bank customers like their bank.

In the eighth construct, word-of-mouth intentions, the statements elicited neutral responses or more agreement than disagreement. The statement, “If other people inquired about this bank then I would recommend it” (H1,  $\mu = 4.95$ ) elicited most agreement. The statements “I am happy to voluntarily recommend this bank to others” (H2,  $\mu = 4.72$ ) and “This is the bank which I refer the most to my friend” (H3,  $\mu = 4.46$ ) elicited lesser degrees of agreement. Taken together, the responses indicate the intention among the bank customers to endorse their main banks to other people.

In the ninth construct, short-term behavioral intention, two of the three statements

elicited a degree of agreement. The responses to the statements, “It is very unlikely that I will close an account with this bank within the next six months” (I3,  $\mu = 5.27$ ) and “It is very unlikely that I will be looking for a new bank in the next six months” (I1,  $\mu = 5.04$ ) indicate a general reluctance to switch banks in the short run. The responses to the statement, “It is very unlikely that I will choose a product from another bank in the next six months” (I2,  $\mu = 4.42$ ) were more neutral, perhaps indicating that the commitment among the bank customers to their main banks is not exclusive.

In the 10th construct, long-term behavioral intention, the statements elicited neutral responses, in general. The responses to the statements, “If I saw an attractive offer in another bank branch, I would leave this bank (R) (J2,  $\mu = 4.37$ ) and “I would stay with this bank even if competitors offered lower charges and/or better interest rates” (J1,  $\mu = 4.23$ ) were in the neutral range. The statement, “In five years’ time, I expect that I will still be doing most banking with this current bank” (J3,  $\mu = 4.96$ ) elicited greater agreement. Taken together, the responses indicate that the bank customers are less committed to their main banks in the long run than in the short run.

### **5.2.3 Screening and Preparing Data for Hypotheses Testing**

SEM analysis requires the dataset to be screened for issues before analysis can occur (Kline 2011). The broad set of data issues comprises (1) measurement scale of variables, (2) missing data values, (3) outliers, (4) linearity and (5) non-normality (Schumacker, Lomax 2010, p. 13). The data were prepared as follows.

#### **5.2.3.1 Measurement Scale**

To determine the types of statistical analyses to perform, the measurement scales are sorted into continuous variables, ordinal variables and categorical variables (Schumacker, Lomax 2010, p. 19). For examples, the gender variable is classified as a nominal variable because men and women form two mutually exclusive groups, the affective attitude to the bank variable is classified as a continuous variable as it has the property of an attitudinal seven-point Likert scale from strongly agree to strongly disagree, and the age variable is classified as an ordinal variable as it has mutually exclusive categories which are ranked (Schumacker, Lomax 2010, p. 19).

### **5.2.3.2 Missing Values and Outliers**

The practice of having the research assistants telephone the respondents to supply values missing from the questionnaires returned to the principal researcher meant that as few values as possible were missing. This helped prevent the issue of statistical inference and generalizability from influencing the results (McKnight et al. 2007). Even so, 20 values were missing. An expectation-maximization (EM) method in SPSS was used to examine whether the missing data were missing at random (MAR) or missing completely at random (MCAR) (Kline 2011, p.55). The results showed the missing values were MAR and that the bias was not significant. A mean substitution approach was taken, this being the best approach when a small number of values are missing (Schumacker, Lomax 2010, p. 20).

Outliers were dealt with by using the Cook's distance method of measuring whether an individual case would bias parameters tested in the model (Field 2013, p. 306). The Cook's distance was calculated using SPSS version 20.0, and a scatterplot was drawn (Appendix I). Any outliers with a Cook value greater than 1 would have been of concern (Field 2013, p. 306). The scatterplot had one outlier with a Cook value of 0.08. As this was well below the threshold for concern, outliers were not considered a threat.

### **5.2.3.3 Multicollinearity and Factor Adequacy**

A collinearity test ensures individual variables do not measure the same thing (Kline 2011, p. 51). The use of a correlation matrix can easily detect multicollinearity. An inter-construct correlation of more than 0.85 shows multicollinearity (Hair, Hair 1998). As illustrated in the inter-constructs matrix in Appendix J, no multicollinearity issues were found. Another practice is to run linear regressions with pairs of independent variables to test for variance inflation factor (VIF) and the value of tolerance. VIF values over 10 would have suggested unacceptable rates of collinearity (Hair, Hair 1998, p. 221). As illustrated in Appendix K, the results of the VIF and value of tolerance tests suggest no multicollinearity.

### **5.2.3.4 Normality**

Uniform distribution (homoscedasticity) among residuals is one assumption of SEM analysis. Heteroscedasticity, the opposite of homoscedasticity, can have many

causes such as outliers, random error and multivariate non-normality (Kline 2011, p. 65). Tests of univariate skewness, univariate kurtosis and multivariate normality were conducted to test normality. Kline (2011) suggests cut-offs of <3.00 for skewness and <8.00 for kurtosis. The results shown in Table 5.3 suggest multivariate normality is achieved when each item achieves univariate normality (Hair et al. 2010).

**Table 5.3 Univariate Normality Test Results in the Main Survey (N=429)**

Measures	Mean	Skewness	Kurtosis
Affect investment (AI)			
A1) This banker presents (inexpensive) company souvenirs to me to express good wishes when there is a marriage, promotion, birthday and so forth.	3.85	-.114	-1.153
A2) This banker sends me company greetings cards or electronic messages during festivals.	4.26	-.342	-1.091
A3) This banker often invites me to their company's lunch or dinner.	2.79	.520	-.681
A4) I regard this banker as my friend.	3.83	-.189	-.725
Renqing (RQ)			
B1) I feel a sense of obligation to this banker for doing him/her a favor.	3.87	-.211	-.623
B2) I think that calling in favors is part of doing business with this banker.	3.61	-.060	-.962
B3) The practice of give and take of favors is a key part of the relationship between this banker and me.	3.57	-.001	-.866
B4) I am happy to do a favor for this banker, when he/she requests one.	4.27	-.448	-.458
Ganqing (GQ)			
C1) This banker and I are able to talk openly as friends.	4.15	-.363	-.674
C2) If I were to change this banker, I would lose a	3.43	.233	-.758



good friend.			
C3) I would consider whether this banker's feelings would be hurt before I made an important decision.	3.77	-.170	-.652
C4) I would try my best to help out this banker when he/she is in need because he/she is a friend of mine.	4.41	-.591	-.247
Xinren (XR)			
D1) This banker is only concerned about himself/herself. (R)	4.59	-.282	-.301
D2) The people in my social network do not trust this banker. (R)	4.71	-.076	-.366
D3) This banker is trustworthy.	4.65	-.211	-.040
Calculative trust (CT)			
E1)This banker realizes that not being opportunistic accords with their interest	4.41	-.369	-.242
E2)This banker realizes that violating our trust will certainly be sanctioned.	4.55	-.337	-.515
E3)Since the cost of defection is high, I believe that this banker would not be opportunistic.	5.03	-.686	.021
Ingroup identification (IG)			
F1)To what extend do you identify this banker with other members of your ingroup?	3.25	.045	-.624
F2)To what extent do you feel this banker is close to other members of your ingroup?	2.92	.322	-.681
F3)To what extent do your ingroup consider this banker as part of the group?	3.19	.226	-.568
Affective attitude to the bank (AAB)			
G1) I like this bank.	5.19	-.697	.431
G2) I enjoy visiting this bank.	5.12	-.817	.582
G3) I feel good about this bank.	5.20	-.743	.636
G4) I have a sense of belonging to this bank.	4.58	-.201	-.158

Word-of-mouth intentions (WOM)			
H1) If other people inquired about this bank then I would recommend it.	4.95	-.509	.172
H2) I am happy to voluntarily recommend this bank to others.	4.72	-.378	.144
H3) This is the bank which I refer the most to my friends.	4.46	-.382	-.048
Short-term behavioral intentions (STBI)			
I1) It is very unlikely that I will be looking for a new bank in the next six months.	5.04	-.620	-.323
I2) It is very unlikely that I will choose a product from another bank in the next six months.	4.42	-.222	-.756
I3) It is very unlikely that I will close an account with this bank within the next six months.	5.27	-.852	.230
Long-term behavioral intentions (LTBI)			
J1) I would stay with this bank even if competitors offered lower charges and/or better interest rates.	4.23	-.237	-.509
J2) If I saw an attractive offer in another bank branch, I would leave this bank.	4.37	.347	.054
J3) In five years' time, I expect that I will still be doing most banking with this current bank.	4.96	-.516	.131

#### 5.2.3.5 Common Method Bias

Common method biases are common in studies of attitude-behavior relationships with self-report bias (Lindell, Whitney 2001; Podsakoff et al. 2003). There are two main ways to control for common method bias, one being survey design and the other statistical procedures (Lindell, Whitney 2001). Ideally, the survey design should avoid common method bias. For example, the design should entail the banker and the bank customer being interviewed as a dyad. But in most cases this is unfeasible because it would require identification by name of each banker and each bank customer. The lack of anonymity would severely reduce the rate of response to the survey, and each participant's knowledge that his or her counterpart in their dyad was taking part would

distort the results of the survey (Podsakoff et al. 2003). So a statistical remedy technique was employed. Three established statistical remedy techniques can deal with *post hoc* common method bias: Harman's single factor test; partial correlation procedures; and a confirmatory factor analysis (CFA) marker technique (Lindell, Whitney 2001; Podsakoff et al. 2003; Williams, Hartman and Cavazotte 2010). Lindell and Whitney's marker variable assessment technique was chosen. Harman's single factor test is considered insensitive and the analysis is unlikely to produce more than one factor. William's CFA marker technique is relatively new and not widely used. Lindell and Whitney's marker variable assessment technique is easy to apply, by setting a marker variable as a measure. The social desirability scale was used for this study.

The social desirability marker variable was selected as recommended by Lindell and Witney (2001) as is it unrelated to the other variables under study. This marker variable is compared with the predictor and criterion variables using a partial correlation method (Lindell, Whitney 2001; Podsakoff et al. 2003). If this marker variable is highly correlated with the other variables, then it can show that common method bias exists. A disadvantage is that it is hard to discern whether the bias is at the item level or construct level (Podsakoff et al. 2003).

The results showed 37 correlations between the seven constructs in the model. Social desirability had a significance level of  $< 0.01$ , as shown in Table 5.4, suggesting that, overall, common method bias is not a major concern in the dataset.

**Table 5.4 Common Method Bias Analysis**

Correlations									
		SDB	RQ	GQ	XR	IG	STBI	LTBI	WOM
SDB	Pearson Correlation	1	-.036	-.053	-.078	-.089	-.072	-.096*	-.079
	Sig. (2-tailed)		.463	.277	.106	.065	.134	.046	.102

\*Correlation is significant at the 0.05 level (2-tailed).

\*\*Correlation is significant at the 0.01 level (2-tailed)

SDB = Social desirability, RQ = Renqing, GQ = ganqing, XR = xinren, IG = ingroup, STBI = short-term

### 5.2.4 Reliability

Internal consistency reliability, or Cronbach's alpha, ranged from 0.630 to 0.906 for the factors of guanxi (xinren, renqing and ganqing), affect investment and ingroup identification. The xinren component had an alpha value of 0.619, within the normal standard of 0.70 (Kline 2011, p. 59). Bagozzi (1980) suggests that in an exploratory analysis cut-off levels of 0.5 should be used. As the xinren construct is an important measure in the guanxi and relationship marketing literature, the xinren construct was retained. Among the mediators and dependent variables, the reliability values ranged from 0.454 to 0.897. The reliability value of long-term behavioral intentions was 0.454. As this value falls only slightly below the cut-off level of 0.5, long-term behavioral intentions is retained because of its importance as a construct. Table 5.5 shows the Cronbach's alpha values for each factor.

**Table 5.5 Reliability Values**

	RQ	GQ	XR	AI	IG
Cronbach's	.872	.803	.630	.823	.906
alpha	CT	AAB	STBI	LTBI	WOM
	.750	.897	.782	.454	.881

RQ = Renqing, GQ = ganqing, XR = xinren, AI = affect investment, IG = ingroup, CT = calculative trust,

AAB = affective attitude to the bank, STBI = short-term behavioral intentions, LTBI = long-term behavioral intentions, WOM = word-of-mouth intentions

### 5.3 Confirmatory Factor Analysis for Measurement Models

The SEM procedures recommended by Schumacker and Lomax (2010), as outlined in Chapter 4, were performed. The first step was to do a series of confirmatory factor analyses to assess the fitness of the measurement models. The fitness of each construct measurement model was examined using fit indices including the GFI (goodness-of-fit index), AGFI (adjusted goodness-of-fit index), IFI (incremental fit index), CFI (comparative fit index), TLI (Tucker-Lewis index), and RMSEA (root mean square error of approximation) (Kline 2011; Schumacker, Lomax 2010). Values of 0.9 or higher for the GFI, AGFI, IFI, CFI and TLI and a value of 0.08 or lower for the RMSEA

are considered indicators of adequate fit (Hu, Bentler 1999; Hair et al. 2010). As shown in tables 5.6 and 5.7, all construct measurement models exhibited adequate fit. The second step was the testing in AMOS of a full confirmatory measurement model relating all constructs.

**Table 5.6 Fit Indices of Construct Measurement Models for Dependent Variables**

Latent Variable	$\chi^2$	DF	$\chi^2/\text{df}$	GFI	AGFI	IFI	TLI	CFI	RMSEA
STBI, LTBI and WOM	89.163***	21	4.246	.957	.908	.961	.933	.961	.087

\*\*\*significant at  $p < 0.001$

STBI = short-term behavioral intentions, LTBI = long-term behavioral intentions, WOM = word-of-mouth intentions

### 5.3.1 Confirmatory Factor Analysis for the Independent Measurement Model

In the conceptual model for independent variables, the renqing, ganqing and xinren constructs, representing guanxi (GX), were placed as a second-order factor in the model, as suggested by the literature (Yen, Barnes and Wang 2011). The affect investment (Shou et al. 2011) and ingroup identification (Levin, Sidanius 1999) constructs were defined as a first-order factor, as suggested by the literature. The mediating effects of calculative trust (Shou et al. 2011) and affective attitude to the bank (Baumann, Burton and Elliott 2005) were also defined as a first-order factor, as suggested by the literature. The entire dataset (N=429) was used to test the overall measurement model.

As recommended by Anderson and Gerbing (1988) a two-step SEM was performed. The first step was to do a series of confirmatory factor analyses to assess the fitness of the overall measurement model. The fitness of each construct measurement model was examined using fit indices including the GFI, AGFI, IFI, CFI, TLI and RMSEA (Kline 2011; Schumacker, Lomax 2010). A normed chi-square ( $\chi^2/\text{df}$ ) value of  $1 < X < 3$ , values of 0.9 or higher for GFI, AGFI, IFI, CFI and TLI and a value of 0.08 or

lower for RMSEA are considered indicators of adequate fit (Hair et al. 2010; Hu, Bentler 1999; MacCallum, Browne and Sugawara 1996; McDonald, Marsh 1990; Steiger 1990).

As shown in Table 5.7, the model fit indices are ( $\chi^2 = 1,060.567$ ,  $df = 262$ ,  $p < 0.001$ ,  $\chi^2/df = 4.048$ ,  $GFI = 0.827$ ,  $AGFI = 0.786$ ,  $IFI = 0.877$ ,  $CFI = 0.876$ ,  $TLI = 0.858$ ,  $RMSEA = 0.084$ ).

The initial model for independent variables was constructed by loading all items into each of the respective latent variables. In the initial model, these loadings suggested an acceptable but slightly poor model fit. The initial model could be improved by covarying the error terms by reviewing the modification indices (MIs) in AMOS and by reviewing the standardized residual covariances so factors with low loadings and/or covarying factors in the same measure with high covariance are removed (Byrne 2010). For example, the correlation between errors 9 and 10, which are related to the statement (xinren 1), “The banker is only concerned about himself/herself” and the statement (xinren 2), “The people in my social network do not trust this banker” was 63.630. As both statements are part of the xinren construct, it is reasonable to draw covariances between these errors to improve the model fit. By the same logic, the modification indices for errors 6 and 5 from the statement (renqing 2), “I think that calling in favors is part of doing business with this banker” and the statement (renqing 3), “The practice of give and take of favors is a key part of the relationship between this banker and me” had a reading of 86.560. The modification indices for errors 3 and 4 from the statement (affect investment 1) “This banker presents (inexpensive) company souvenirs to me to express good wishes when there is marriage, promotion, birthday and so forth” and the statement (affect investment 2), “This banker sends me company greeting cards or electronic messages during festivals” had a reading of 86.626.

The final modified model for independent variables omitted the statement, “I am happy to do a favor for this banker, when he/she requests me” from the renqing construct. It also omitted the affect investment construct because convergent and discriminant validity had not been achieved, as shown in Table 5.9. After the affect investment construct was removed, convergent and discriminant validity was achieved. See Table

5.10 for the results. See section 5.3.3 for elaboration.

The goodness-of-fit indices improved through the reduction of the chi-square from 1,060.567 to 343.456. The final model is shown in table 5.7.

**Table 5.7 Initial and Respecified Measurement Model for Independent Variables  
(N=429)**

Latent variable	$\chi^2$	DF	$\chi^2/df$	GFI	AGFI	IFI	TLI	CFI	RMSEA
Initial	1,060.567 ***	262	4.048	.827	.786	.877	.858	.876	.084
Respecified	343.456 ***	154	2.230	.926	.900	.961	.951	.961	.054

\*\*\*significant at  $p < 0.001$

### 5.3.2 Confirmatory Factor Analysis for the Dependent Variables Measurement Model

The initial model for the dependent variables was constructed by loading all dependent items into each of the respective latent variables. In the initial model these loadings suggested an acceptable but slightly poor model fit. The initial model could be improved by covarying the error terms by reviewing the modification indices (MIs) in AMOS and by reviewing the standardized residual covariances so factors with low loadings and/or covarying factors in the same measure with high covariance are removed (Byrne 2010). For example, the correlation between errors 7 and 8, which are related to the statement (short-term behavioral intent 3), “It is very unlikely that I will close an account with this bank within the next six months” and the statement (short-term behavioral intent 2), “It is very unlikely that I will choose a product from another bank in the next six months” was 13.029. As both statements are part of the short-term behavioral intent construct, it is reasonable to draw covariances between these errors to improve the model fit. By the same logic, the modification indices for errors 1 and 3 from the statement (word-of-mouth intentions 3), “This is the bank which I refer the most to my friend” and the statement (word-of-mouth intentions 1), “If other people inquired about

this bank then I would recommend it” had a reading of 6.083. The goodness-of-fit indices improved through the reduction of the chi-square from 152.619 to 89.163. The fit indices are shown in table 5.8 below. Although the measurement model achieved fitness, this should not be the sole indicator of a good theory. Issues such as multicollinearity should be dealt with (Grewal, Cote and Baumgartner 2004). As highlighted in section 5.3.3, the measurement model for dependent variables in the first order had discriminant and convergent validity issues in its first-order form. However, after reconfiguring the dependent variable latent constructs of short-term behavioral intentions and long-term behavioral intentions into a second-order construct of behavioral loyalty intentions (BHI), convergent reliability and convergent validity ceased to be issues (Table 5.14). The fit indices for the first-order and second-order construct model are the same, as shown in table 5.8.

**Table 5.8 Fit Indices of Initial and Respecified Construct Measurement Models for Dependent Variables**

Latent Variable	$\chi^2$	DF	$\chi^2/df$	GFI	AGFI	IFI	TLI	CFI	RMSEA
Initial model	152.619 ***	24	6.359	.934	.877	.926	.889	.926	.112
Respecified (first-order)	89.163 ***	21	4.246	.957	.908	.961	.933	.961	.087
Respecified (second-order)	89.163 ***	21	4.246	.957	.908	.961	.933	.961	.087

\*\*\*significant at  $p < 0.000$

### 5.3.3 Convergent and Discriminant Validity for the Independent Variables Measurement Model

The affect investment construct’s convergent validity failed to cross the average variance explained (AVE) > 0.5 threshold, and its discriminant validity failed to meet the criteria required, where the AVE is less than maximum shared squared variance (MSV) and less than average shared squared variance (ASV) (Hair, Hair 1998). AVE is, in a



sense, a more stringent measure of convergent validity than composite reliability (CR), Malhotra and Dash (2011) say: “On the basis of CR alone, the researcher may conclude that the convergent validity of the construct is adequate, even though more than 50% of the variance is due to error” (Malhotra Naresh, Dash 2011, p. 702). The results shown in Table 5.9 indicate that the convergent and discriminant validity of the affect investment construct were not achieved, so the construct was omitted from the SEM analysis. After the affect investment construct was removed, convergent and discriminant validity were achieved, as shown in Table 5.10.

**Table 5.9 Independent Variables Measurement Model of Convergent and Discriminant Validity with Construct Affect Investment (N=429)**

	CR	AVE	MSV	ASV
AAB	0.905	0.708	0.286	0.223
AI	0.783	0.481	0.897	0.438
IG	0.907	0.765	0.491	0.300
CT	0.749	0.501	0.340	0.246
GX	0.854	0.677	0.897	0.504

AAB = Affective attitude to the bank, AI = Affect investment, IG = Ingroup, CT = Calculative trust, GX = Guanxi

**Table 5.10 Final Independent Variables Measurement Model of Convergent and Discriminant Validity (N=429)**

	CR	AVE	MSV	ASV
AAB	0.905	0.708	0.300	0.229
IG	0.907	0.765	0.494	0.265
CT	0.750	0.501	0.353	0.257
GX	0.859	0.683	0.494	0.382

AAB = Affective attitude to the bank, AI = Affect investment, IG = Ingroup, CT = Calculative trust, GX = Guanxi

### 5.3.4 Convergent and Discriminant Validity for the Dependent Variables Measurement Model

The composite reliability, convergent validity and discriminant validity of the long-term behavioral intentions construct failed to cross the required thresholds. The composite reliability (CR) for long-term behavioral intentions was slightly short of the required  $> 0.5$  threshold. The AVE failed to cross the  $> 0.5$  threshold, and the discriminant validity failed to meet the required criteria where the AVE is less than MSV and less than ASV (Hair, Hair 1998).

The results shown in Table 5.11 indicate that convergent and discriminant validity of the long-term behavioral intentions construct was not achieved.

**Table 5.11: Dependent Variables Measurement Model of Convergent and Discriminant Validity (N=429) Before Modification**

	CR	AVE	MSV
LBTI	0.473	0.270	0.602
SBTI	0.813	0.603	0.602
WOM	0.891	0.732	0.442

STBI = short-term behavioral intentions, LTBI = long-term behavioral intentions, WOM = word-of-mouth intentions

Consideration was given to omitting the statements in the long-term behavioral intentions construct with low factor loading. In view of the concerns with Heywood cases latent constructs with only two items (Dillon, Kumar, and Mulani, 1987), a second-order factor was created for long-term behavioral intentions and short-term behavioral intentions to avert discriminant validity issues. As discriminant validity cannot be tested with only two latent constructs, direct testing of multicollinearity using inter-construct correlation of more than 0.85 and VIF testing yielded results satisfactory enough to support the validity of the measurement construct.

### 5.3.5 Confirmatory Factor Analysis for the Overall Measurement Model

As the measurement models for the independent variables and the dependent

variables showed adequate fit, the next step in the confirmatory factor analysis was to conduct a full confirmatory measurement analysis relating to all constructs. According to the literature, guanxi is represented by a second-order construct. To replicate the methods in the literature for validating the fitness of the second-order construct, first-order and second-order models were created. The fit indices indicated only insignificant differences between the first-order model and the second-order model (Table 5.12). However, on examination of the convergent and discriminant validity of the overall measurement model (see section 5.3.6), it was found that the first-order model failed the validity tests, while the second-order model passed.

**Table 5.12 Fit Indices of Alternative Models**

Latent Variable	$\chi^2$	DF	$\chi^2/\text{df}$	GFI	AGFI	IFI	TLI	CFI	RMSEA
Full CFA with RQ, GQ, XR, STBI and LTBI as a first-order construct	669.156 ***	331	2.022	.901	.869	.952	.941	.952	.049
Full CFA with the RQ, GQ and XR constructs representing Guanxi, and with STBI and LTBI reconfigured as Loyalty Behavioral Intention as a	743.661 ***	347	2.117	.891	.863	.945	.936	.945	.051

second-order construct									
---------------------------	--	--	--	--	--	--	--	--	--

\*\*\*significant at  $p < 0.001$

RQ = renqing, GQ = ganqing, XR = xinren, STBI = short-term behavioral intentions, LTBI = long-term behavioral intentions

### 5.3.6 Convergent and Discriminant Validity for the Overall Measurement Model

The correlations matrix and standardized regression weights used in the confirmatory factor model employing the ML method were used to test the validity of the construct. The CR, AVE, MSV and ASV measures were used.

The thresholds for convergent validity are  $CR > AVE$  while CR needs to be above 0.70 and AVE needs to be above 0.5. The criteria for discriminant validity are  $MSV < AVE$  and  $ASV < AVE$  (Hair, Hair 1998). Table 5.13 suggests validity was achieved except in the long-term behavioral intentions construct, where AVE was less than MSV, AVE was 0.267 and MSV was 0.630. As explained in section 5.3.4, the long-term behavioral intentions construct is not categorized as a second-order construct. After the removal of the construct, convergent validity was achieved, where  $CR > AVE$ , CR is all above 0.7 in a range of 0.749 to 0.905 and AVE is  $> 0.5$  in a range of 0.501 to 0.765. Discriminant validity was also achieved where  $MSV < AVE$  and  $ASV < AVE$  (See Table 5.14).

The results of the final tests of convergent and discriminant validity are summarized in Table 5.15. The square root of AVE is larger than the pairs of correlations, and therefore convergent and discriminant validity was achieved (Lord, Novick and Birnbaum 1968).

**Table 5.13 Initial Overall Measurement Model of Convergent and Discriminant Validity (N=429)**

	CR	AVE	MSV	ASV
GX	.860	.684	.493	.305
IG	.907	.765	.493	.211

CT	.747	.499	.366	.243
AAB	.906	.710	.570	.313
LTBI	.452	.267	.630	.412
STBI	.840	.642	.630	.212
WOM	.907	.765	.570	.313

GX = Guanxi, IG = Ingroup, CT = Calculative trust, AAB = Affective attitude to the bank, STBI = short-term behavioral intentions, LTBI = long-term behavioral intentions, WOM = word-of-mouth intentions

**Table 5.14 Respecified Overall Measurement Model of Convergent and Discriminant Validity (N=429)**

	CR	AVE	MSV	ASV
GX	0.860	0.684	0.493	0.332
IG	0.907	0.764	0.493	0.228
CT	0.747	0.500	0.352	0.248
AAB	0.906	0.710	0.570	0.323
LBI	0.930	0.874	0.379	0.282
WOM	0.907	0.765	0.570	0.316

GX = Guanxi, IG = Ingroup, CT = Calculative trust, AAB = Affective attitude to the bank, LBI = loyalty behavioral intentions, WOM = word-of-mouth intentions

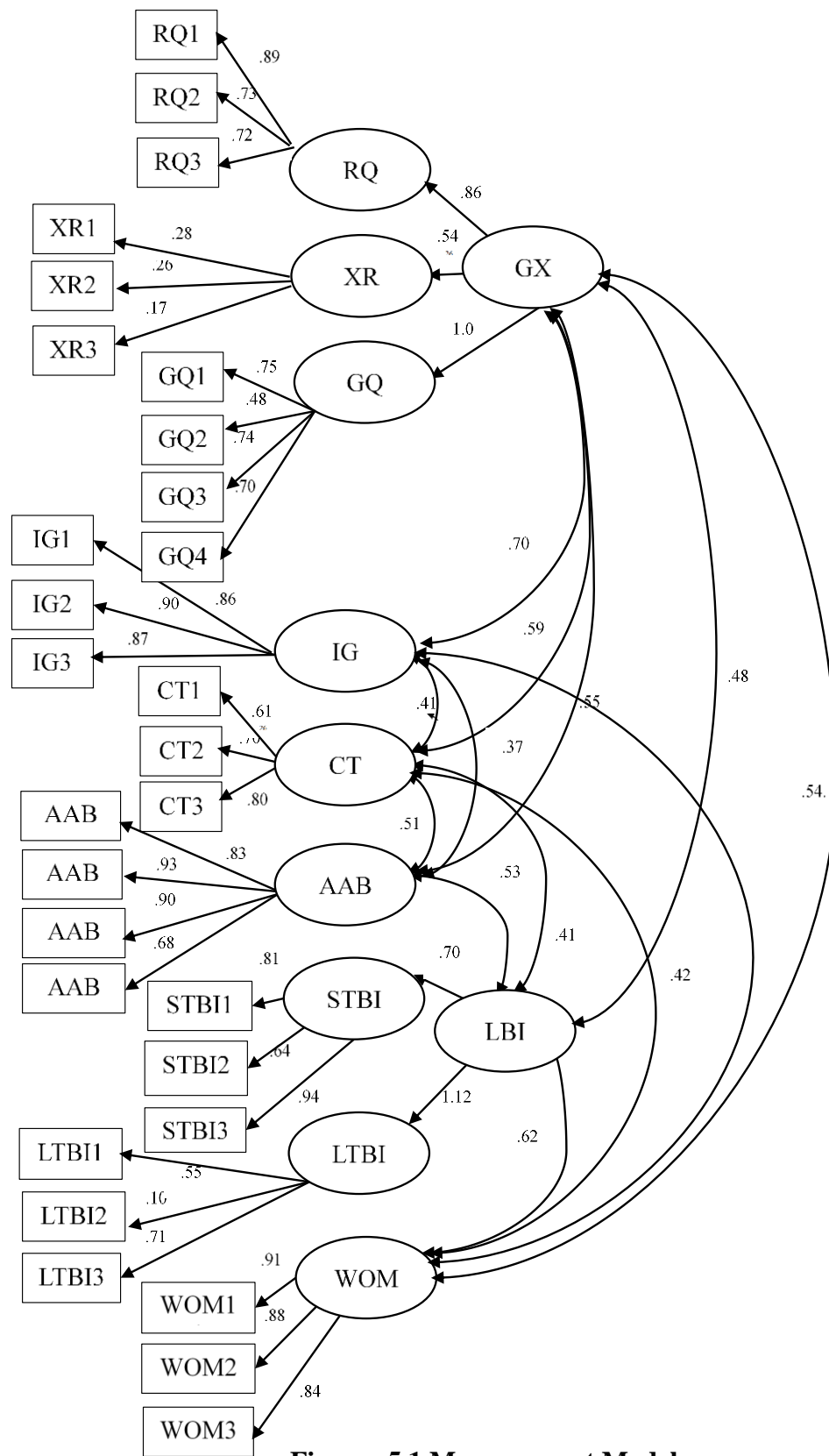
**Table 5.15 Factor Correlation Matrix with Square Root of AVE**

	WOM	IG	CT	AAB	GX	LBI
WOM	<b>0.874</b>					
IG	0.412	<b>0.874</b>				
CT	0.415	0.414	<b>0.707</b>			
AAB	0.755	0.368	0.508	<b>0.842</b>		
GX	0.537	0.702	0.593	0.550	<b>0.827</b>	
LBI	0.616	0.411	0.535	0.590	0.475	<b>0.935</b>

GX = Guanxi, IG = Ingroup, CT = Calculative trust, AAB = Affective attitude to the bank, LBI = loyalty behavioral intentions, WOM = word-of-mouth intentions

Square roots of AVE are in bold

The final measurement model is depicted in figure 5.1:

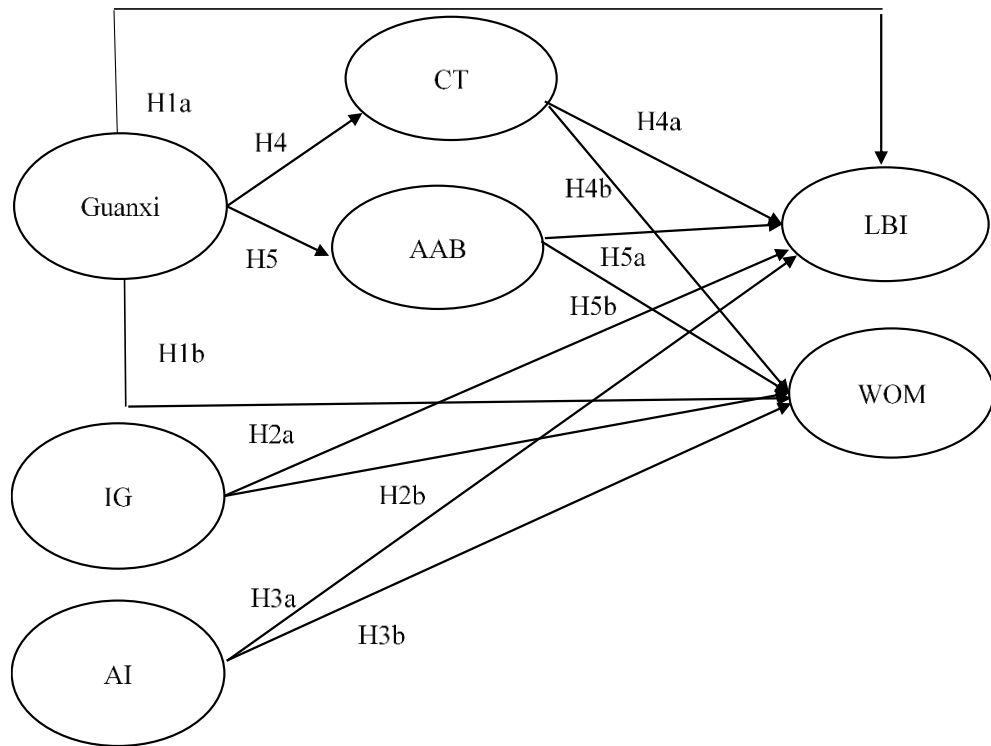


**Figures 5.1 Measurement Model**

## 5.4 Structural Model

The measurement model being satisfactory overall, the next step was to assess the proposed structural model. The purpose of the structural model is to determine whether the data empirically accept or reject the proposed hypotheses. As shown in Figure 5.2, in the conceptual model for exogenous variables, the renqing (RQ), ganqing (GQ) and xinren (XR) constructs, representing guanxi (GX), were placed as a second-order factor in the model. Ingroup (IG) was proposed as a first-order factor. The endogenous variables of short-term behavioral intentions (STBI), long-term behavioral intentions (LTBI) and word-of-mouth (WOM) intentions were proposed as endogenous variables, so STBI and LTBI were proposed as a second-order factor in the model. The study aimed to assess the hypothesized theoretical relationships (H1-3) among guanxi, affect investment and the ingroup relationship with loyalty behavioral intentions and word-of-mouth intentions. The mediating effects (H4-5) of calculative trust (CT) and affective attitude to the bank (AAB) on the relationships between guanxi and loyalty behavioral intentions and word-of-mouth intentions were examined. Composite scores for each construct in the structural model were compiled using AMOS software and the entire dataset (N=429). Note that the construct of affect investment (AI) was removed from the measurement model as it failed to meet the convergent and discriminant threshold requirements.

Composite scores for each construct were used in applying the SEM technique. Appendix L shows the standardized residual covariances of the variables. The SEM model fit was considered before examining the structural relationships among the constructs. The fitness indices, shown in table 5.16, indicate that the structural model crossed the acceptance threshold and model fit was achieved.



**Figure 5.2 Proposed Structural Model**

GX = Guanxi, IG = Ingroup, AI = Affect investment, LBI = Loyalty behavioral intentions, WOM = word-of-mouth intentions, CT = Calculative trust, AAB = Affective attitude to the bank

Note: The affect investment construct (H3a, b) is excluded from the proposed structural model because of convergent and discriminant validity issues

**Table 5.16 Structural Model**

SEM	$\chi^2$	DF	$\chi^2/df$	GFI	AGFI	IFI	TLI	CFI	RMSEA
	62.075	35	1.774	.976	.947	.984	.969	.983	.043
	**								

\*\*significant at  $p < 0.01$

## 5.5 Interpretation of the Results of Hypothesis Testing

The hypothesized structural path estimates were made. Table 5.17 summarizes the results.

**Table 5.17 Hypotheses Testing Results for the Structural Model (N=429)**

	Path	Est.	SE	CR	Std est.	Results
Model Fit: $X^2/df = 1.774$ , RMSEA = .043, CFI = .983, TLI = .969, AGFI = .947						

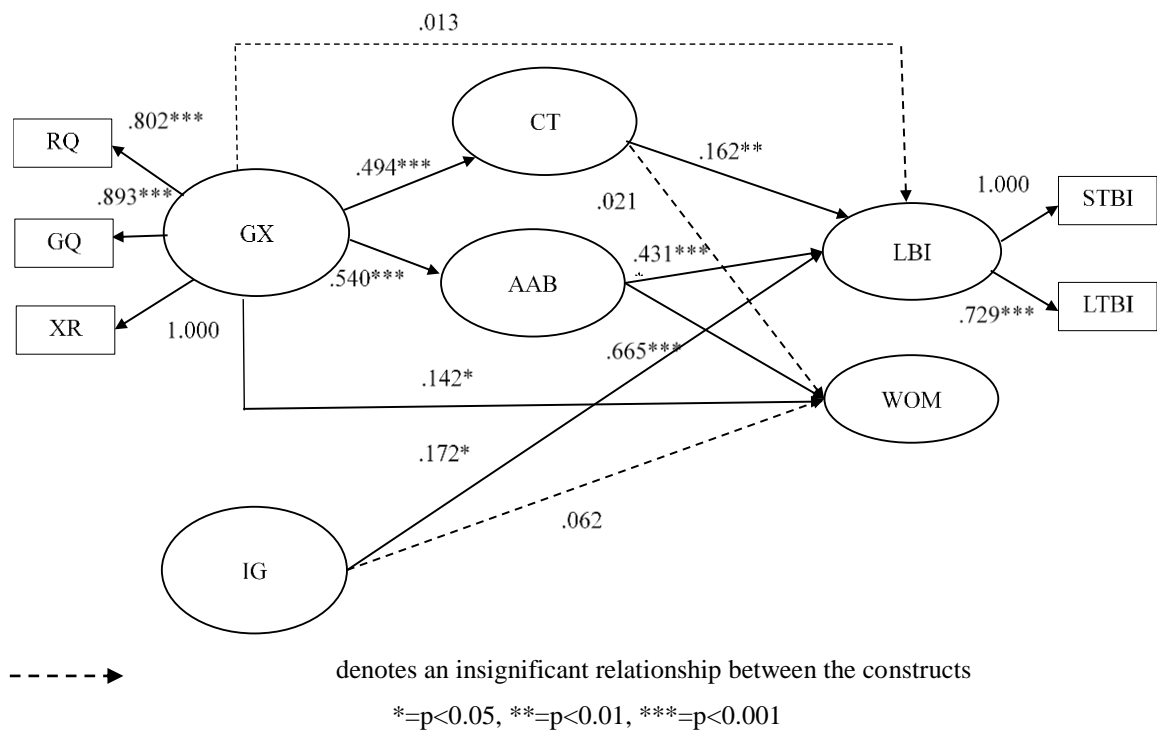


	Path	Est.	SE	CR	Std est.	Results
H1a	GX→LBI	.024	.163	.147	.013	Not supported (fully mediated)
H1b	GX→WOM	.367	.154	2.391	.142*	Supported
H2a	IG → LBI	.102	.042	2.455	.172*	Supported
H2b	IG → WOM	.052	.037	1.384	.062	Not supported
H3a	AI→LBI	Not supported – lacks discriminant and convergent validity				
H3b	AI→WOM					
	Specific indirect effects	Std error	CI <sub>low</sub>	CI <sub>high</sub>	Std est.	Results
H4a	Mediating effects of CT on GX and LBI	.064	.061	.275	.148**	Supported, full mediation
H4b	Mediating effects of CT on GX and WOM	.056	-.113	.069	-.015 (ns)	No mediation
H5a	Mediating effects of AAB on GX and LBI	.101	.292	.632	.426***	Full mediation
H5b	Mediating effects of AAB on GX and WOM	.158	.673	1.200	.873***	Partial mediation

\*\*\* p-value <0.001, \*\*p-value<0.01, \*p-value <0.05

GX = Guanxi, LBI = Loyalty behavioral intentions, WOM = Word-of-mouth intentions, IG = Ingroup identification, AI = Affect investment, CT = Calculative trust, AAB = Affective attitude to the bank

As shown in Table 5.17, the model provided support for five out of ten sub-hypotheses. Results are shown in the visual diagram in Figure 5.3.



**Figure 5.3 Final Results of SEM**

#### **H1a: Guanxi has a Positive Impact on Loyalty Behavioral Intentions**

Hypothesis 1a was not supported. The path coefficient between the independent variable guanxi and the dependent variable loyalty behavioral intentions was examined. As shown in Table 5.17, the effect of guanxi on positive loyalty behavioral intentions was not significantly different from zero, with a 95% confidence level, the standardized path coefficient being 0.013 and the critical ratio 0.147 (falling short of 1.96). This effect is fully mediated, as explained by the H4 and H5 results below.

#### **H1b: Guanxi has a Positive Impact on Word-of-mouth Behavioral Intentions**

Hypothesis 1b was supported. The path coefficient between the independent variable guanxi and the dependent variable word-of-mouth behavioral intentions was examined. As shown in Table 5.17, the effect of guanxi on word-of-mouth behavioral intentions was positive, with a standardized path coefficient of 0.142 and a critical ratio of 2.391 (exceeding 1.96), indicating statistical significance at  $p < 0.05$ .

#### **H2a: Ingroup Identification Positively Enhances Loyalty Behavioral Intentions**

Hypothesis 2a was supported. The path coefficient between the independent

variable ingroup identification and the dependent variable loyalty behavioral intentions was examined. As shown in Table 5.17, the effect of ingroup identification on loyalty behavioral intentions was positive, with a standardized path coefficient of 0.172 and a critical ratio of 2.455 (exceeding 1.96) indicating statistical significance at  $p < 0.05$ .

### **H2b: Ingroup Identification Positively Enhances Word-of-mouth Intentions**

Hypothesis 2b was not supported. The path coefficient between the independent variable ingroup identification and the dependent variable word-of-mouth behavioral intentions was examined. As shown in Table 5.17, the effect of ingroup identification on word-of-mouth behavioral intentions was not significantly different from zero, with a 95% confidence level, the standardized path coefficient being 0.062 and the critical ratio 1.384 (falling short of  $> 1.96$ ).

### **H3: Affect Investment Positively Enhances (a) Loyalty Behavioral Intentions and (b) Word-of-mouth Behavioral Intentions**

Hypothesis 3a was not supported. The latent construct was removed from the measurement model because of convergent and discriminant validity issues. See section 5.3.3 for the reasons for removing it from the structural model.

### **H4a: Calculative Trust Mediates Guanxi's Positive Impact on Loyalty Behavioral Intentions**

Hypothesis 4a was supported. As shown in Table 5.17, at 99% bias corrected bootstrap confidence intervals based on 2,000 bootstrap samples for specific indirect effect, effects through GX on LBI through CT are positive (0.061 to 0.275, with a point estimate of 0.148) at the significance level of  $p < 0.01$ . All the paths from  $GX \rightarrow CT$  and  $CT \rightarrow LBI$  are statistically significant (0.494,  $p < 0.001$  and 0.162,  $p < 0.01$ , respectively) while the standardized direct effects of  $GX \rightarrow LBI$  are insignificant at the  $p > 0.05$  level, with standardized estimates of 0.013. Therefore calculative trust fully mediates the effect of guanxi on loyalty behavior ( $GX \rightarrow CT \rightarrow LBI$ ).

### **H4b: Calculative Trust Mediates Guanxi's Positive Effect on Word-of-mouth Intentions**

Hypothesis 4b was not supported. The mediation effect of calculative trust on

guanxi and word-of-mouth intentions ( $GX \rightarrow CT \rightarrow WOM$ ) shows an insignificant specific indirect effect ( $-0.021, p = ns$ ). Therefore there is no mediation effect.

#### **H5a: Affective Attitude to the Bank Mediates Guanxi's Positive Effect on Loyalty Behavioral Intentions**

Hypothesis 5a was supported. The mediation effect of affective attitude to the bank on guanxi and loyalty behavioral intentions ( $GX \rightarrow AAB \rightarrow LBI$ ) was supported, with a full mediation effect. As shown in Table 5.17, at 90% bias corrected bootstrap confidence intervals based on 2,000 bootstrap samples for specific indirect effect, effects through GX on LBI through AAB are positive (0.292 to 0.632, with a point estimate of 0.426) at the significance level of  $p < 0.001$ . All the paths from  $GX \rightarrow AAB$  and  $AAB \rightarrow LBI$  are statistically significant (0.540,  $p < 0.001$  and 0.431,  $p < 0.001$ , respectively) while the standardized direct effects of  $GX \rightarrow LBI$  are insignificant at the  $p > 0.05$  level, with standardized estimates of 0.013. Therefore calculative trust fully mediates the effect of guanxi on loyalty behavior ( $GX \rightarrow AAB \rightarrow LBI$ ).

#### **H5b: Affective Attitude to the Bank Mediates Guanxi's Positive Effect on Word-of-mouth Behavioral Intentions**

Hypothesis 5b was supported. The mediation effect of affective attitude to the bank on guanxi and word-of-mouth intentions ( $GX \rightarrow AAB \rightarrow WOM$ ) was supported, with a partial mediation effect. As shown in Table 5.17, at 90% bias corrected bootstrap confidence intervals based on 2,000 bootstrap samples for specific indirect effect, effects through GX on WOM through AAB are positive (0.673 to 1.200, with a point estimate of 0.873) at the significance level of  $p < 0.001$ . All the paths from  $GX \rightarrow AAB$  and  $AAB \rightarrow WOM$  are statistically significant (0.540,  $p < 0.001$  and 0.665,  $p < 0.001$ , respectively) while the standardized direct effects of  $GX \rightarrow WOM$  are significant (0.142,  $p < 0.05$ ). Therefore affective attitude to the bank partially mediates the effect of guanxi on word-of-mouth intentions ( $GX \rightarrow AAB \rightarrow WOM$ ).

## **5.6 Ad hoc Analysis**

### **5.6.1 Results of the Analysis of Control Variables**

As Chapter 4 says, the purpose of applying controls to the model is to control for

potential issues of heterogeneity in the sample. Previous studies have found gender, age and marital status may affect the impact of guanxi and ingroup on other measurement outcomes, so these controls were chosen for the analysis in this study. The results are shown in Table 5.18.

**Table 5.18 Results of Analysis of Control Variables**

Path			Un-std Est.	SE	CR	P	Std Est.	Std Est. (without controls)
GX	→	LBI	-.009	.161	-.058	n.s.	-.005	.017
	-							
GX	→	WOM	.325	.151	2.161	*	.126	.143
IG	→	LBI	.105	.041	2.549	**	.177	.181
IG	→	WOM	.052	.037	1.422	n.s.	.063	.066
GX	→	CT	1.252	.182	6.884	***	.490	.493
CT	→	LBI	.114	.043	2.631	**	.158	.158
CT	→	WOM	-.006	.039	-.146	n.s.	-.006	-.013
GX	→	AAB	1.253	.174	7.213	***	.541	.539
AAB	→	LBI	.357	.053	6.798	***	.450	.427
AAB	→	WOM	.711	.044	16.036	***	.639	.628
Gender	→	LBI	.166	.081	2.045	*	.104	
Marital Status	→	LBI	-.072	.054	-1.325	n.s.	-.081	
Age	→	LBI	-.014	.049	-.289	n.s.	-.018	

---

Social Desirability (SD 1)	→	LBI	-.165	.089	-1.855	n.s.	-.096
SD 2	→	LBI	.092	.088	1.045	n.s.	.056
SD 3	→	LBI	-.172	.088	-1.959	n.s.	-.103
SD4	→	LBI	.008	.118	.068	n.s.	.003
SD 5	→	LBI	-.199	.100	-1.999	n.s.	-.108
SD 6	→	LBI	.077	.084	.916	n.s.	.048
Gender	→	WOM	.107	.073	1.470	n.s.	.048
Marital Status	→	WOM	-.050	.049	-1.026	n.s.	-.040
Age	→	WOM	-.043	.044	-.978	n.s.	-.038
Social Desirability (SD 1)	→	WOM	-.211	.080	-2.633	**	-.087
SD 2	→	WOM	-.090	.079	-1.139	n.s.	-.040
SD 3	→	WOM	.012	.079	.148	n.s.	.005
SD 4	→	WOM	.040	.107	.377	n.s.	.013
SD 5	→	WOM	-.146	.090	-1.628	n.s.	.056
SD 6	→	WOM	.034	.076	.442	n.s.	.015
Gender	→	CT	-.117	.096	-1.215	n.s.	-.053

---

---

Marital Status	→	CT	-.024	.057	-.428	n.s.	-.068
Age	→	CT	.062	.058	1.066	n.s.	-.017
Social Desirability (SD 1)	→	CT	.152	.106	1.437	n.s.	.063
SD 2	→	CT	-.011	.104	-.103	n.s.	-.005
SD 3	→	CT	-.143	.104	-1.379	n.s.	-.062
SD 4	→	CT	-.026	.141	-.187	n.s.	-.008
SD 5	→	CT	.003	.118	.022	n.s.	.001
SD 6	→	CT	-.048	.100	-.474	n.s.	-.021
Gender	→	AAB	.008	.085	.096	n.s.	.004
Marital Status	→	AAB	.024	.057	.428	n.s.	-.022
Age	→	AAB	-.017	.051	-.332	n.s.	-.017
Social Desirability (SD 1)	→	AAB	.042	.093	.453	n.s.	.019
SD 2	→	AAB	.051	.092	.558	n.s.	.025
SD 3	→	AAB	.093	.092	1.008	n.s.	.044
SD 4	→	AAB	-.033	.124	-.262	n.s.	-.011

---

SD 5	→	AAB	.176	.104	1.692	.091	.076
SD 6	→	AAB	-.130	.089	-1.473	n.s.	-.064

\*P<0.05, \*\*P<0.01, \*\*\*P<0.001, n.s. = not significant

The results given in Table 5.18 suggest the associations of the three demographic controls, gender, marital status and age, were mostly insignificant, the exceptions being gender's small significant effect on the path from Gender → LBI (CR = 2.045, p=0.041, slightly short of the p>0.05 threshold). For the control on social desirability bias, the binary statement "I have never intensely disliked anyone" had shown a significant effect on WOM (CR = -2.633, p = 0.008). However, the standardized estimate is at -.087 and the influence is only from one out of six statements in the social desirability scale. Arguably, the impact is minimal. A comparison of the standardized estimates with and without controls was made, as recommended by Becker et al. (2015). As shown in table 5.18, the recommended threshold is less than 0.1 of the standardized estimates with and without controls, and so results are the same with or without controls.

To sum up, the effects of the control variables had no significant impact on the structural model.

## 5.7 Chapter Summary

This chapter presented the findings of the main survey data. It described the preparation of the raw dataset for data normality and the removal of problematic data. The dataset fit for analysis contained 429 samples. The chapter described how a series of CFAs ascertained the measurement model and then the structural model through model specification, identification, estimation, testing and modification techniques. The model fit the data well. Five main hypotheses were tested. Hypotheses 1b and 2a were supported. Hypothesis 3 was not supported. The chapter describes the determination of the mediating effects on the structural model for the guanxi independent variable. Hypotheses H4a and 5a were supported with full mediation; hypothesis H4b was not



supported, there being no mediation; and hypothesis H5b was supported with partial mediation.

## **CHAPTER SIX:**

### **DISCUSSION OF FINDINGS**

#### **6.1 Introduction**

This chapter discusses the results of the qualitative and quantitative analyses, elaborates on the findings of the study in Chapter 5 and deals with the hypotheses put forward in Chapter 3. The thesis aims to answer several important questions.

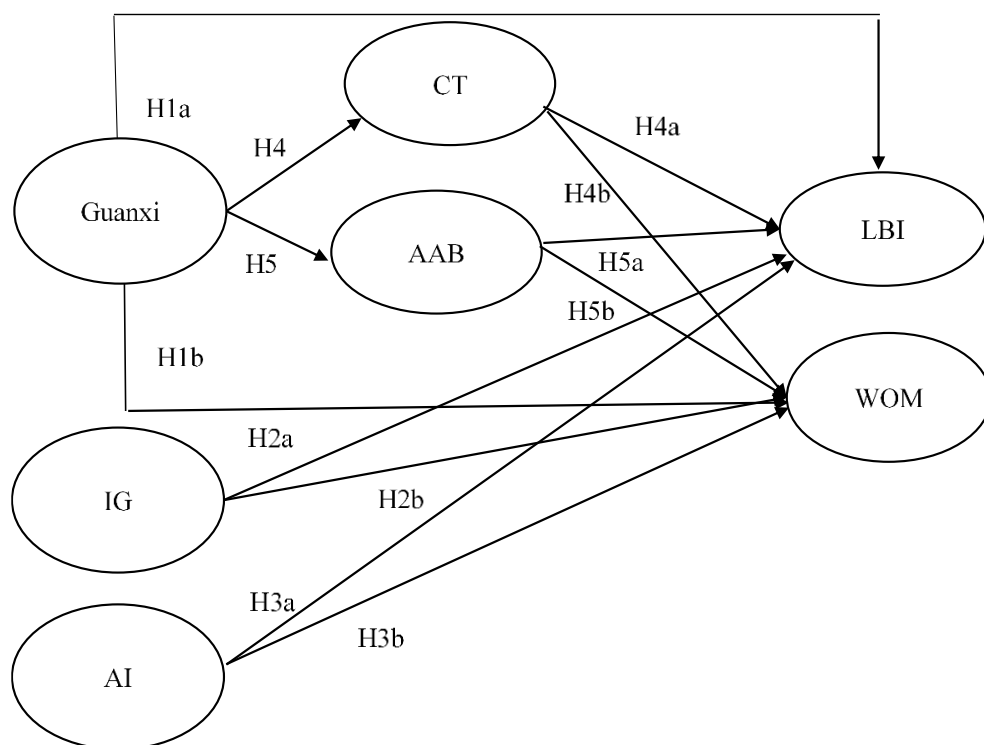
#### **Q1: What role does guanxi play in relationship marketing, especially brand loyalty, in mainland China?**

This is a question academics have sparsely looked into thoroughly. This, therefore, gave rise to this research. An exploratory study in depth and a thorough review of the literature led to a conceptual model that was empirically tested through quantitative methodology (Figure 6.1). The purpose of the quantitative study is to answer the question specifically by examining the effect of guanxi and the moderating variables of calculative trust and affective attitude to the bank on retention (loyalty) and word-of-mouth intentions. Through its predictions, this study contributes to several related bodies of knowledge in the relationship marketing and guanxi literature.

The banking industry was selected for empirical examination of the theory proposed. A survey instrument was developed, taking a grounded theory approach, in the light of the findings of qualitative in-depth interviews with bank marketing experts and an extensive review of the literature. The survey garnered responses from 429 bank customers in mainland China, who were contacted by taking a convenient sampling approach, and who were dealt with individually, in person. The SEM method was used to test empirically the conceptual model to see if it supported the theoretical predictions. This chapter presents details of these findings with regard to each research objective set out in Chapter 1. In line with the key research objectives, five hypotheses were developed (see Table 6.1) to answer a second question.

#### **Q2: Does guanxi drive the brand loyalty behavior of mainland Chinese consumers in the banking sector? If yes, are there factors that mediate the impact of guanxi on**

## brand loyalty behavior?



**Figure 6.1 Proposed Model and Hypotheses**

GX = Guanxi, IG = Ingroup, AI = Affect investment, LBI = Loyalty behavioral intentions, WOM = word-of-mouth intentions, CT = Calculative trust, AAB = Affective attitude to the bank

Note: The affect investment construct (H3a, b) is excluded from the proposed structural model because of convergent and discriminant validity issues

**Table 6.1 Research Hypotheses of the Quantitative Study**

Research Hypothesis of the Quantitative Study
H1: Guanxi has a positive impact on (a) loyalty behavioral intentions and (b) word-of-mouth intentions
H2: Ingroup identification positively enhances (a) loyalty behavioral intentions and (b) word-of-mouth intentions
H3: Affect investment positively enhances (a) loyalty behavioral intentions and (b) word-of-mouth intentions
H4: Calculative trust mediates guanxi's positive impact on (a) loyalty behavioral intentions and (b) word-of-mouth intentions

## **6.2 Research Objective 1: Exploring the Role of Guanxi in Brand Loyalty**

Few studies have explored guanxi as an antecedent of brand loyalty. This study seeks answers to many unanswered questions, answers that have significance for theory and practice. The first task was to find the role guanxi plays in relationship marketing, especially brand loyalty. The findings in Chapter 3 suggest the affective trait of guanxi will strengthen the loyalty intentions of buyers. The literature allows the possibility of guanxi being a trait found only in Chinese that is similar to affective commitment (Gustafsson, Johnson and Roos 2005), passion, intimacy and attachment (Fournier 1998; Johnson et al. 2006) and trust and commitment (Morgan, Hunt 1994).

The specific guanxi behaviors of sellers are: using guanxi to get introductions to the inner circles of potential customers; accumulating mianzi by doing good deeds and showing respect; developing likeable brands through affect investment; and giving favors to buyers and later calling in the resulting debts (Lee, Tang 2014). The inner circle concept confirms the guanxi network conceptual model developed by Hwang (1987) and Gao, Ballantyne and Knight (2010). Neither study operationalized this construct, so there was a need for preliminary data confirming the validity of the construct so it could be further tested. Guanxi behavior supports the existing literature on the concepts of likeable brands and favor trading where the behaviors comprise affect investment (Shou et al. 2011, p. 504) and renqing, which entails reciprocity (e.g. Wong, Leung 2001).

Such treatment has revealed key preconditions and intervening factors that influence the success of guanxi behaviors. The first precondition is the display of competence to gain the trust of buyers. This tallies with the results of research by Yeung and Tung (1996) and Leung et al. (2005). One intervening condition is the screening and endorsement by customers of the quality of a guanxi relationship. Another is favorable assessment of a product's benefits. This may lead to opportunities to advance the buyer's relationship with the seller, so justifying a purchase in the buyer's mind. As long as the

benefits exceed the benefits offered by competing sellers, the buyer will stay loyal. This concept echoes the conceptualization of calculative trust by Shou et al (2011, p. 504), which would impede the buyer's guanxi behavior. This mental calculation is done only when the product is of significant value to the customer and entails high involvement.

The conclusions of the qualitative study were the basis of the conceptual model shown in Figure 6.1. The exploratory study looked at how guanxi values can influence attitudes to brand loyalty in the financial services industry. The complexity of this uncharted territory means the use of grounded theory in collecting data from in-depth interviews can be considered a methodological contribution to the guanxi and brand loyalty literature (Lee, Tang 2014).

These findings have practical implications for marketers, especially those less familiar with Chinese culture that sell high-involvement financial products and services to customers from Chinese cultural backgrounds. Marketers could incorporate guanxi tactics, guided by the principles elucidated here. This is particularly important for foreigners seeking entry into China's financial services market, where the behavior of consumers differs significantly from that of their Western counterparts (Lee, Tang 2014).

The pilot study produced some interesting results, but has limitations due to its small sample size, the place in which it was conducted and the industry it examined. In view of these limitations, the model developed on the basis of the study, shown in Figure 6.1, was tested using a quantitative research methodology and a larger and more representative sample. Specific measures had to be developed for the various constructs, so the literature was searched extensively for constructs to test the theory empirically. The quantitative study therefore overcame the limitations of the pilot study.

### **6.3 Research Objective 2:**

**Does guanxi drive the brand loyalty behavior of mainland Chinese consumers in the banking sector? If yes, are there factors that mediate the impact of guanxi on brand loyalty behavior?**

Each of the following sections deals with one of the hypotheses in Table 6.1.

#### **6.4 Guanxi Positively Affects Loyalty Behavioral Intentions**

The findings show that guanxi does not directly affect loyalty behavioral intentions, therefore hypothesis H1a was not supported (see Table 6.1). The findings confirmed that loyalty behavioral intentions are better explained through the two mediators of loyalty behavior: calculative trust and affective attitude to the bank.

That guanxi is broadly good for business competitiveness (e.g. Gu, Hung and Tse 2008; Luo, Huang and Wang 2012) was supported. This is called the ego-pragmatic perspective on guanxi (Chen, Chen and Huang 2013). Coincidentally, the results of this study ascribe to guanxi another benefit for business competitiveness, taking the ego-pragmatic perspective on guanxi: brand loyalty intentions. This finding follows up unexplored implications (Davies et al. 1995) about how guanxi improves a company's reputation or image. The finding explains such improvement by attributing it to guanxi's effect on brand loyalty intentions mediated through calculative trust and affective attitude to the bank. It also supplies the missing link in the study by Park and Luo (2001) of the impact of guanxi on the growth of company sales and net profit. Guanxi has an effect on brand loyalty behavioral intentions, thus increasing sales and net profit. This area of study has been largely neglected since Davies et al.'s study (1995). This research acts on Nolan's (2010) recommendation to gain more knowledge of Chinese corporate culture in the finance sector, as opposed to Western corporate culture, and it supports Ambler's 1994 description of guanxi as the third paradigm in relationship marketing. One key outcome of this study is the support it gives to the idea that, when dealing with customers from a Chinese cultural background, the guanxi construct as an affective commitment attitudinal construct may be more applicable in relationship marketing than the conventional approaches that make use of satisfaction, affective commitment and trust. This supports Shaalan's (2013) detailed analysis of the differences between guanxi and relationship marketing, which holds that the Chinese and Western concepts of commitment are different. Commitment in Chinese culture is better explained by guanxi, with its dimensions of ganqing, renqing and xinren. By considering the antecedents to brand loyalty among Chinese consumers, this study adds to the relationship marketing

literature based on four decades of extensive research by esteemed academics, which is covered in 2.2.1.2. The findings of this study about the benefits of guanxi in consumer marketing fill a gap in the literature. For further discussion of the mediating paths necessary for guanxi to have a positive effect on loyalty behavioral intentions and word-of-mouth intentions, see sections 6.8 and 6.9 below.

## **6.5 Guanxi Positively Affects Word-of-Mouth Behavioral Intentions**

Guanxi also has an impact on word-of-mouth intentions, supporting hypothesis H1b (Table 6.1). In line with Baumann et al.'s (2005) research, the biggest factor in predicting word-of-mouth intentions was found to be affective attitude to the bank. As discussed in 6.1.2.1, this thesis has established that guanxi is the key affective attitude driver for brand loyalty and is therefore also an antecedent to word-of-mouth intentions, and supports the empirical model that guanxi's impact on word-of-mouth intentions is partially mediated by affective attitude to the bank. This contributes further to the wealth of research on word of mouth that found that guanxi is an antecedent of word-of-mouth intentions – together with the constructs of satisfaction, loyalty, quality, commitment, trust and perceived value, according to the meta-analysis of the literature on word of mouth conducted by De Matos and Rossi (2008, p. 579). It is important to note the similarity of guanxi as an affective commitment construct to affective commitment as conventionally defined in the relationship marketing literature, in that the biggest factor in predicting word-of-mouth intentions in both cases is affective attitude to the bank (p. 234). This study has also shown that guanxi has a stronger causal relationship to word-of-mouth intentions than to behavioral intentions, confirming previous research, described in the Western literature on relationship marketing, which found affective attitude has a strong impact on word-of-mouth intentions.

## **6.6 Ingroup Identification Positively Affects Loyalty Behavioral Intentions**

For guanxi to be a driver of loyalty behavioral and word-of-mouth intentions requires bank customers to accept their bankers into their ingroups, supporting hypotheses H2a (Table 6.1). This finding confirms the qualitative research's indication that guanxi strategies will not work without bank customers accepting their bankers into

their social networks (Lee, Tang 2014) as if the bankers were old friends (Leung et al. 2011). This finding has a number of implications. It was described long ago how guanxi works through expressive ties (blood ties); intermediate circle (congenial ties) and mixed ties (emotional and renqing-driven ties); and instrumental ties (ties of rationality and equitability) (Hwang 1987; Gao, Ballantyne and Knight 2010). This study gathered empirical data to show that such ties exist and are a necessary part of the brand loyalty construct and that they are strongly correlated with loyalty behavioral intentions. The use of a gauge commonly employed in social network studies allowed ingroup identification to be properly measured. This adds to the bodies of knowledge of guanxi network theory and social network theory as noted in Granovetter (1983) and Levin and Sidanius (1999), for example. The finding can be explained by longstanding research that found the behavior of consumers in Chinese culture is driven by a closed network system (Shaan et al. 2013), reflecting the attributes of a collectivist society where consumers prefer to operate as groups (Adler, Kwon 2002; Triandis 1995; Xiao, Tsui 2007). The finding also supports the notion that Chinese rely on social networks rather than the support of formal institutions in dealing with environmental uncertainty due to the instability of the legal and institutional framework in their country (Ellis 2000; Gu, Hung and Tse 2008; Li, Yao and Xi 2011; Xin, Pearce 1996).

### **6.7 Ingroup Identification Positively Affects Word-of-Mouth Intentions**

The hypothesis that ingroup identification would have an impact on word-of-mouth intentions (H2b in Table 6.1) was not supported. The finding of this study is consistent with previous studies of word-of-mouth phenomena that found being identified as an ingroup member does not have a positive effect on word-of-mouth intentions. One plausible explanation is that word-of-mouth intentions are a consequence of loyalty – in this case, loyalty behavioral intentions (De Matos, Rossi 2008) – rather than a consequence of ingroup identification. De Matos and Rossi argue that word-of-mouth intentions follow only once loyalty is confirmed. The finding of this study supports the contention in the theory of word of mouth that word-of-mouth intentions should be treated as a consequence of loyalty rather a form of loyalty.

### **6.8 Affect Investment Positively Affects Loyalty Behavioral Intentions**



## **and Word-of-Mouth Intentions**

The hypotheses that affect investment positively affects loyalty behavioral intentions and word-of-mouth intentions (H3a and H3b in Table 6.1) were not supported. One plausible reason is that affect investment overlaps the component constructs of guanxi, in particular the renqing construct – as highlighted by the SEM analysis in this study (see section 5.6.6) and by Shou's study, where affect investment is a construct closely related to the construct of renqing (Shou et al. 2011). The gauge of the guanxi construct, which measures renqing as one of guanxi's components, is a sufficient gauge of the overall phenomenon of guanxi.

Another plausible explanation is that the official campaign against corruption in mainland China deters affect investment practices such as gift-giving and entertainment. During the period when this study was undertaken, bankers and customers alike were cautious about giving or accepting gifts, which has reined in affect investment practices (Yan 2014).

## **6.9 Calculative Trust Mediates the Effect of Guanxi on Loyalty Behavioral Intentions and/or Word-of-Mouth Intentions**

The hypothesis that calculative trust positively mediates the effect of guanxi on loyalty behavioral intentions (H4a in Table 6.1) was supported. This partly confirms the results of the pilot study and the study by Shou et al. (2011). One interpretation is that in the guanxi construct, calculative trust is used as a "safeguard against opportunism" (Shou et al. 2011). Another is that calculative trust is the rational, non-affective side of guanxi, and that the rational aspect mediates the affective aspect. This finding echoes what is known about calculative commitment in relationship marketing studies (e.g. Kumar, Hibbard and Stern 1994; Wetzels, De Ruyter and Van Birgelen 1998). There is a fully mediated relationship between calculative trust in guanxi and loyalty behavioral intentions. The less confidence a customer has in his or her banker, the less likely it is that the customer will stay loyal to the bank. More prudent thinking then takes over, and the customer will base his or her choices on calculations of costs and benefits.

The hypothesis that calculative trust positively mediates the effect of guanxi on

word-of-mouth intentions (H4b in Table 6.1) was not supported. There is no mediation relationship between calculative trust in guanxi and word-of-mouth intentions. One explanation is that since the outcome entails no personal gains or losses, a bank customer has no need to employ the rationality of calculative trust in referring a friend to the bank. The condition of guanxi development allows the customer to bypass calculative commitment (Gustafsson, Johnson and Roos 2005) to reach guanxi-affective commitment, where emotion overcomes rationality. Another explanation is that guanxi development allows instrumental ties, which make for unstable and temporary relationships, to become mixed ties, which make for relationships governed by the rules of renqing and mianzi rather than calculative commitment (Blau 1964; Davies et al. 1995; Hwang 1987). Guanxi has a more pronounced influence on low-involvement decisions, such as acting on word-of-mouth intentions, and calculative trust has a more pronounced influence on high-involvement decisions, such as staying loyal to a bank.

#### **6.10 Affective Attitude to the Bank Mediates the Effect of Guanxi on Loyalty Behavioral Intentions and/or Word-of-Mouth Intentions**

The hypothesis that affective attitude to the bank positively mediates loyalty behavioral intentions (H5a in Table 6.1) was supported. Affective attitude to the bank was found to have a partial mediation effect for word-of-mouth intentions (H5b in Table 6.1). These findings support the findings of relationship marketing studies that, in a banking setting, affective attitude to the bank is the main factor in predicting word-of-mouth intentions and, arguably, loyalty behavioral intentions (Baumann, Burton and Elliott 2005). One line of argument is that guanxi is particularistic and cannot be transferred (Yeung, Tung 1996). The findings of this study support the notion that loyalty can be retained at the entity level without salesperson-owned loyalty interfering (Palmatier, Scheer and Steenkamp 2007). The basis of this notion is that when affect to sales (in this case, guanxi) is separate from affect to the bank (in this case, affective attitude to the bank), affect to the bank mediates guanxi's positive effect on customer loyalty behaviors.

The partial mediation effect for word-of-mouth intentions supports the notion that relationship marketing in China transcends boundaries between personal relationships

and business relationships (Barnes et al. 2015; Luo, Huang and Wang 2012). Developing personal relationships through guanxi has a positive but reduced impact on word-of-mouth intentions.

### **6.11 Discussion of the Results of the Control Variable Analysis**

The possibility of some variables causing inferential errors was considered, and three control variables – gender, age and marital status – were selected after a study of the literature. As predicted, they acted as valid controls in the SEM analysis, with no significant impact (standardized coefficients less than 0.1) on the factor selected (Becker et al. 2015).

### **6.12 Chapter Summary**

This chapter discussed the findings derived from the empirical results given in Chapter 5. This chapter answered the questions raised in Chapter 1 and dealt with the hypotheses developed in Chapter 3. The discussion highlighted the significance of the concept of guanxi and guanxi ties and their potential implications for relationship marketing studies. This study takes a new perspective in seeking understanding of the role of guanxi and ingroup identification in loyalty behavioral intentions and word-of-mouth intentions. The findings show evidence of the mediating effects of calculative trust and affective attitude to the bank on guanxi and loyalty behavior, not least on word-of-mouth intentions. A discussion of the effects of control variables on the model ended the chapter.

## **CHAPTER SEVEN: IMPLICATIONS AND CONCLUSIONS**

### **7.1 Introduction**

This chapter gives a summary of the findings of this study and explains how they answer the research questions asked in Chapter 1. It covers the contributions of this study to theory and managerial know-how, the study's key limitations and areas of future research.

### **7.2 Research Questions and Answers**

Chapter 1 asked two research questions and Chapter 5 gave the results that form the basis of the answers. The answers fill gaps in our knowledge pointed out in Chapter 1.

#### **Q1: What role does guanxi play in relationship marketing, especially brand loyalty in mainland China?**

As the pilot phase of this study suggested, guanxi emerged as the key theme. Guanxi and ingroup identification may lead to loyalty behavioral intentions and word-of-mouth intentions. The mediators of this relationship are conceptualized to be affective attitude to the bank and calculative trust. Based on these initial findings, a conceptual model was built, with the five hypotheses as earlier depicted in Figure 6.1.

#### **Q2: Does guanxi drive brand loyalty behavior of mainland Chinese consumers in the banking sector? If so, are there factors that mediate the impact of guanxi on brand loyalty behavior?**

The answer to this question has implications for theory and managerial know-how.

### **7.3 Implications for Theory**

This study makes important contributions to our understanding of how guanxi drives the brand loyalty behavior of Chinese consumers. The results of the quantitative analysis, given in Chapter 5, and the findings derived from them, given in Chapter 6, suggest that guanxi positively affects loyalty behavioral intentions and word-of-mouth

intentions, and that calculative trust and affective attitude to the bank fully mediate the relationship between guanxi and loyalty behavioral intentions, although their mediation effects for word-of-mouth intentions are lesser.

The guanxi construct appears to be a sufficient basis for measuring the effects of guanxi. The affect investment variable which represents the action of guanxi is not required, because it overlaps the variables within the guanxi construct. The predictions and findings are consistent with attitude theory, where affective attitudes in a relationship drive intentions. These findings revalidate and extend our understanding of the guanxi construct and relationship marketing theory. Affective commitment drives customer loyalty intentions (Berry 1983; Gustafsson, Johnson and Roos 2005). This is consistent with relationship marketing theory. An important new implication for theory is that guanxi – an old idea in China, but a new idea in brand loyalty relationship marketing theory – is a powerful affective attitudinal construct that should be widely adopted instead of the commonly defined affective commitment construct in the relationship marketing literature. This is particularly so when measuring the affective attitudinal commitment relationships of Chinese consumers, or consumers in some other Asian or collectivist societies. This study revalidates the guanxi measurement constructs of renqing, xinren and ganqing (Yen, Barnes and Wang 2011), allowing measurement of guanxi to be an effective tool in operationalizing the affect-based antecedents to intentions. One important finding is that the ingroup identification construct should become an additional construct in guanxi measurement, to better reflect the whole.

The importance of guanxi ties, called ingroup identification in this study, is well documented in the guanxi literature, but few empirical tests have validated the relationship between ingroup and loyalty behaviors. And there is no empirical gauge to determine whether a particular guanxi player belongs to a particular guanxi ingroup. The results of the quantitative analysis in Chapter 5 and the findings derived from them in Chapter 6 give empirical support to the operationalization of the ingroup identification construct (Levin, Sidanius 1999) as a good proxy for gauging ingroup membership. The results and findings also support the prediction that ingroup identification positively affects loyalty behavioral intentions and word-of-mouth intentions alike. Another finding empirically supports the inclusion of ingroup identification as another key construct in

the guanxi framework, and tallies with the copious literature that highlights the importance of guanxi ties in a guanxi relationship (Hwang 1987; Leung et al. 2011).

A major difference between relationship marketing studies and guanxi studies is that relationship marketing studies focus mainly on relationships within dyads (Björkman, Kock 1995) while guanxi studies focus on relationships within personal networks and on social exchanges which constitute *a priori* relationships before the relationships are formed (Björkman, Kock 1995; Tomas Gomez-Arias 1998).

Calculative trust and affective attitude toward the bank both have full mediation effects for loyalty behavioral intentions, but not for word-of-mouth intentions. Note that affective attitude has more impact on low-involvement decisions, such as a decision to refer a friend to the bank. The idea that affect supplants rationality is, in essence, what is advocated by affective-commitment theories (e.g. Berry 1995; Gustafsson, Johnson and Roos 2005). When it comes to loyalty behavioral intentions, a more rational approach, calculative trust and a bank's brand (brand affect) come into play. This confirms the dual dimension of emotional/rational attitudes constructs in the relationship marketing literature (e.g. Kumar, Hibbard and Stern 1994; Wetzels, De Ruyter and Van Birgelen 1998).

Loyalty to salespersons driven by guanxi can be mediated by building a strong affective attitude to the bank, but it is important to continue to develop guanxi, as this would help generate leads for the bank. The results of this study support the notion that affective attitude to the bank can only partially mediate the relationship between guanxi and word-of-mouth intentions.

## **7.4 Implications for Managerial Know-how**

The results of this study have important implications for marketing managers responsible for devising relationship marketing strategies in China to inculcate brand loyalty behavior in customers. The results empirically support the contention that a one-size-fits-all relationship marketing strategy that works in the West will not work in China, particularly in the Chinese market for financial services, where human interactions are

greatly relied on and guanxi is required to overcome the deterrence to sales caused by the complexity and involvement of bank products and services.

A guanxi social network is a prerequisite for successful relationship marketing in China. Before relationship marketing can take effect, marketers in China must recognize the importance of the personal links their representatives forge, so guanxi can play its part. Such bonds should be encouraged because guanxi is more effective when there is ingroup identification. This study stresses the need for a more comprehensive determination of guanxi factors, including the anticipatory establishment of guanxi bonds.

Senior managers of sales forces should consider the impact of salesperson-owned loyalty. Guanxi has a strong tendency to diffuse a customer's affective attitude to the bank. So a key relationship marketing strategy is to teach sales staff proper guanxi practices. The findings of this study support the notion that a customer's affective attitude to the bank and calculative trust mediate the effect of guanxi. Marketing managers should develop strong trust and brand affect strategies to counteract salesperson-owned loyalty. Sales managers should adopt measures to retain the sales staff that curate valuable relationships with customers.

Senior managers of brand strategy should consider a multi-pronged approach.

1. Incorporate guanxi in integrated marketing strategy in general and in brand loyalty and sales management practices in particular.
2. Develop simultaneously a strong brand affect strategy to reduce the chances of those key guanxi actors, salespersons, and taking customers with them when they resign.
3. Overcome customer skepticism, or calculative trust, by taking strong measures to ensure good governance and quality of service that will counteract the mediating effect calculative trust has on guanxi and loyalty behavior.
4. Develop a good lead generation policy, in view of the strong impact guanxi has on word-of-mouth intentions.

The results of this study have important implications for marketing managers

responsible for devising relationship marketing strategies in China to inculcate brand loyalty behavior in their customers. Marketing managers should devise strategies for developing guanxi between their salespersons and customers. For guanxi strategies to work, marketing managers should determine whether their salespersons are considered members of the ingroups of their customers. The ingroup identification measure can allow marketing and sales managers to tell accurately whether a salesperson has been accepted into a customer's inner circle and so let them determine whether a guanxi strategy is effective.

The results of this study show that a more artificial construct, affect investment (such as gift-giving and entertainment) was unimportant to the participants. This may be due to the official campaign against corruption in mainland China heightening sensitivity about the propriety of gift-giving and entertainment (Yan 2014), or to consumers becoming more sophisticated, no longer regarding customary guanxi practices as sufficient to establish renqing. In either case, guanxi practices appear to be evolving. Whatever the cause, the impact of guanxi is undiminished. The development of guanxi just requires a more sophisticated approach.

Marketing managers, in designing strategies for developing renqing, should look beyond old guanxi practices and consider more deeply the push-and-pull factors of renqing and the social norms of reciprocity governing players in a guanxi network.

## **7.5 Limitations**

This section outlines the limitations of this study. The results given in Chapter 5 and the findings given in Chapter 6 are sound and empirically supported. Care was taken to ensure biases – including non-response bias, respondent's bias, common-method bias, methodological errors and measurement errors – were circumvented. The methods outlined in Chapter 4 and the results given in Chapter 5 show no serious biases. However, the research design has limitations which may mean the research environment was not ideal.

The first limitation is that convenient sampling is less statistically robust than random sampling, permitting greater potential selection biases. However, data on bank customers – and especially high-net-worth customers – are a valuable asset jealously guarded by banks. It



is unrealistic to hope to obtain such data from a large number of retail banks. The use of a convenient sampling method was the best way to fill the gap in the knowledge.

The second limitation is that the research approached tripartite relationships from one side only: the bank customer's. Ideally, a tripartite survey should be conducted so that what the customers self-report and loyalty information from their bank can be triangulated. The interviews conducted in the pilot study gave preliminary triangulation results. But banks in mainland China jealously guard such sensitive information and it was unrealistic to hope to obtain such information when the research for this study was being done. Assuming that the banks are adamant about keeping this information to themselves, self-reporting by bank customers of their views on their main banks and bankers is less biased than self-reporting by bankers of the loyalty to the banker and the bank shown by their customers.

The third limitation is that efforts by researchers to examine the relationships among guanxi, ingroup identification and behavioral loyalty intentions are still in their infancy. This study is one of the first to explore the association in the fields of guanxi and relationship marketing studies. The utility of the ingroup identification construct and the dependent variables of loyalty behavioral intentions and word-of-mouth intentions, as found in the Western literature, may be limited by doubt about their cultural suitability and the absence of cross-validation of their use by other studies with Chinese participants.

The fourth limitation is that this study focuses on financial services in mainland China. The findings may not be generally applicable to the services sector there.

The fifth limitation is that the guanxi construct is solely a Chinese cultural phenomenon. The default presumption is that the findings of this study are not applicable to the banking market in the West. Yet the West may have constructs equivalent to guanxi, such as blat in Russia (Michailova, Worm 2003).

The sixth limitation is that this study measures behavioral intentions rather than actual behavior. Actions tend not to speak quite as loudly as the words used to express behavioral intentions (Verhoef 2003). Verhoef recommended the use of longitudinal data rather than self-reported, cross-sectional data to determine loyalty over time and causation of the antecedents to loyalty behaviors.

## 7.6 Future Research Directions

Future research should push back the limitations of this study. The sampling method should be improved to broaden its scope, and make it more random and precise. The focus of this study is how banks can keep valuable customers loyal, so banks may be persuaded to collaborate in a broader study of the financial services market which would collect data on (1) customers with more than RMB10 million in assets under management, or high-net-worth individuals (Pigliucci 2013); (2) triangulate what such customers report with what their main bankers report; (3) triangulate the results with the longitudinal key performance indicators of the banks and information about the concurrent marketing activities of the banks, to distinguish the impacts of guanxi with and without the extraneous factors affecting guanxi activities.

The second direction for further research should be the development of the constructs newly adopted from the Western literature by this study. The concept of ingroup identification, borrowed from social network theory studies, and loyalty metrics can be further tested to enhance the validity of the measures in a Chinese context. The guanxi network discussed theoretically (Björkman, Kock 1995; Hwang 1987; Leung et al. 2011) can be further operationalized by looking at it in the light of social capital studies (Adler, Kwon 2002) to measure the strength and power of ingroup relationships in determining the effectiveness of guanxi strategies on brand loyalty behavior. This would be a more accurate proxy of guanxi efforts and tell managers whether to focus on the prelude to guanxi strategies, which is forming the social bonds and networks, or to focus on developing guanxi strategies *per se*. Other key measures of the antecedents of loyalty behavior, such as satisfaction (Oliver 1997), service quality or SERVQUAL (Parasuraman, Zeithaml and Berry 1988) and trust (Chaudhuri, Holbrook 2001) can be examined to determine their relationships with guanxi.

The third direction for further research should be to widen the range of markets studied, first to the markets for services other than financial services, then to the markets for goods, to see if the findings of this study apply generally. Most previous guanxi studies focused on manufacturing. If the findings of this study can be tested in the market

for manufactured goods, their applicability in business-to-consumer (B2C) and business-to-business (B2B) markets can be compared and contrasted.

The fourth direction for further research should be to seek constructs similar to guanxi that apply in cultures that have their roots in Confucian philosophy, and in cultures considered collectivist and that adhere to strong group norms. Such cultures are to be found in Hong Kong, Taiwan, Singapore, Korea and Japan. Such research would validate whether or not deeply embedded cultural constructs explain what happens in these markets better than the Western loyalty literature.

The fifth direction for further research should be expansion of the scope of guanxi measurements to include more unexplored constructs related to the phenomenon. In this study, ingroup identification was inferred from the results of the qualitative research. Expansion of the scope of guanxi measurements would help better explain the guanxi phenomenon. Another look at the constructs this study rejected (mianzi, affect investment, calculative trust and affective attitude to the bank) and refinement of the way they are measured may shed more light on the relationships between guanxi and the benefits of guanxi.

Guanxi marketing is likely be used more widely as mainland China lets market forces play a greater part in its economy and as socialism cedes ground to capitalism. Guanxi practices, an embedded cultural trait, will not diminish, but take on new forms better suited to a rapidly evolving economy. The study of how guanxi practices adapt should form part of the study of guanxi marketing. Guanxi practices are expected to become much less uniform, differing from generation to generation, and so require different marketing strategies for each generation instead of a one-size-fits-all strategy.

## **7.7 Chapter Summary**

This chapter is a summary of the findings of this thesis, answering the key research questions. The chapter covers the limitations of this study, and directions for further research. The study found that guanxi and ingroup identification are important constructs essential for generating brand loyalty intentions and word-of-mouth intentions.

How to win and keep the loyalty of key customers among China's newly affluent, especially high-net-worth customers of the financial services industry, is a question that researchers and practitioners of marketing alike would like answers to. This study gives valuable insights into the benefits and operationalization of guanxi practices in relationship marketing.

## REFERENCES

- Adler, PS & Kwon, S 2002, 'Social capital: prospects for a new concept', *Academy of Management Review*, vol. 27, no. 1, pp. 17-40.
- Ajzen, I 1991a, 'Prediction of leisure participation from behavioral, normative, and control beliefs: an application of the theory of planned behavior', *Leisure Sciences*, vol. 13, no. 3, pp. 185-204.
- Ajzen, I 1991b, 'The theory of planned behavior', *Organizational Behavior and Human Decision Processes*, vol. 50, no. 2, pp. 179-211.
- Ajzen, I & Fishbein, M 1980, *Understanding attitudes and predicting social behavior*, Prentice-Hall, Englewood Cliffs.
- Akerlof, G 1970, 'The market for "lemons": Quality uncertainty and the market mechanism', *The Quarterly Journal of Economics*, vol. 84, no. 3, pp. 488-500.
- Ambler, T 1995, 'Reflections in China: re-orienting images of marketing', *Marketing Management*, vol. 4, no. 1, pp. 22-30.
- Ambler, T 1994, 'Marketing's third paradigm: guanxi', *Business Strategy Review*, vol. 5, no. 4, pp. 69-80.
- Ambler, T, Styles, C & Xiucun, W 1999, 'The effect of channel relationships and guanxi on the performance of inter-province export ventures in the People's Republic of China', *International Journal of Research in Marketing*, vol. 16, no. 1, pp. 75-87.
- Anderson, E, Fornell, C & Lehmann, D 1994, 'Customer satisfaction, market share, and profitability: findings from Sweden', *Journal of Marketing*, vol. 58, no. 3, pp. 53-66.
- Anderson, J & Gerbing, D 1988, 'Structural equation modeling in practice: a review and recommended two-step approach', *Psychological Bulletin*, vol. 103, no. 3, pp. 411-423.
- Arbuckle, J 2011, *IBM SPSS Amos 20 Users Guide*, AMOS Development Corporation, Chicago.
- Bain & Company 2015, *China's population of high net worth individuals swelled to more than one million in 2014, doubling from just four years ago*, Bain & Co, viewed 14 March 2016, <<http://www.bain.com/about/press/press-releases/2015->

china-private-wealth-report-press-release.aspx>.

- Bagozzi, R.P., 1980. *Causal models in marketing*. Wiley, New York.
- Baldinger, AL & Robinson, J 1996, 'Brand loyalty: the link between attitude and behavior', *Journal of Advertising Research*, vol. 36, no. 6, pp. 22-35.
- Barnes, BR, Leonidou, LC, Siu, NY & Leonidou, CN 2015, 'Interpersonal factors as drivers of quality and performance in western-Hong Kong interorganizational business relationships', *Journal of International Marketing*, vol. 23, no. 1, pp. 23-49.
- Barnes, BR, Yen, D & Zhou, L 2011, 'Investigating guanxi dimensions and relationship outcomes: insights from Sino-Anglo business relationships', *Industrial Marketing Management*, vol. 40, no. 4, pp. 510-521.
- Baron, RM & Kenny, DA 1986, 'The moderator–mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations', *Journal of Personality and Social Psychology*, vol. 51, no. 6, pp. 1173-1182.
- Baumann, C, Burton, S & Elliott, G 2005, 'Determinants of customer loyalty and share of wallet in retail banking', *Journal of Financial Services Marketing*, vol. 9, no. 3, pp. 231-248.
- Becker, T, Atinc, G, Breaugh, J, Carlson, K, Edwards, J & Spector, P 2015, 'Statistical control in correlational studies: 10 essential recommendations for organizational researchers', *Journal of Organizational Behavior*, vol. 37, no. 2, pp.157-167.
- Berry, LL 1983, 'Relationship marketing'. In LL Berry, GL Shostack & G Upah (eds), *Emerging perspectives on services marketing*, American Marketing Association, Chicago.
- Berry, LL 1995, 'Relationship marketing of services – growing interest, emerging perspectives', *Journal of the Academy of Marketing Science*, vol. 23, no. 4, pp. 236-245.
- Bian, Y & Ang, S 1997, 'Guanxi networks and job mobility in China and Singapore', *Social Forces*, vol. 75, no. 3, pp. 981-1005.
- Björkman, I & Kock, S 1995, 'Social relationships and business networks: the case of Western companies in China', *International Business Review*, vol. 4, no. 4, pp. 519-535.
- Blau, PM 1964, *Exchange and power in social life*, Wiley, New York.
- Bloemer, J, De Ruyter, K & Peeters, P 1998, 'Investigating drivers of bank loyalty: the

- complex relationship between image, service quality and satisfaction', *International Journal of Bank Marketing*, vol. 16, no. 7, pp. 276-286.
- Brass, DJ, Butterfield, KD & Skaggs, BC 1998, 'Relationships and unethical behavior: A social network perspective', *Academy of Management Review*, vol. 23, no. 1, pp. 14-31.
- Bu, N & Roy, J 2008, 'Chinese managers' career success networks: the impact of key tie characteristics on structure and interaction practices', *The International Journal of Human Resource Management*, vol. 19, no. 6, pp. 1088-1107.
- Buderi, R & Huang, GT 2007, *Guanxi (the art of relationships): Microsoft, China, and Bill Gates's plan to win the road ahead*, Simon and Schuster, New York.
- Byrne, BM 2010, *Structural equation modeling with AMOS: basic concepts, applications, and programming*, 2nd edn, Routledge, New York.
- Carroll, BA & Ahuvia, AC 2006, 'Some antecedents and outcomes of brand love', *Marketing Letters*, vol. 17, no. 2, pp. 79-89.
- Central Intelligence Agency 2016, *The World Factbook*, CIA, viewed 26 February 2016, <<https://www.cia.gov/library/publications/resources/the-world-factbook/geos/ch.html>>.
- Chan, RY & Lau, L 1998, 'A test of the Fishbein-Ajzen behavioral intentions model under Chinese cultural settings: are there any differences between PRC and Hong Kong consumers?', *Journal of Marketing Practice: Applied Marketing Science*, vol. 4, no. 3, pp. 85-101.
- Chaudhuri, A & Holbrook, M 2001, 'The chain of effects from brand trust and brand affect to brand performance: the role of brand loyalty', *Journal of Marketing*, vol. 65, no. 2, pp. 81-93.
- Chen, CC, Chen, X & Huang, S 2013, 'Chinese guanxi: an integrative review and new directions for future research. 中国人的关系: 综合文献回顾及未来研究方向', *Management and Organization Review*, vol. 9, no. 1, pp. 167-207.
- Chen, X & Chen, CC 2004, 'On the intricacies of the Chinese guanxi: a process model of guanxi development', *Asia Pacific Journal of Management*, vol. 21, no. 3, pp. 305-324.
- Chiao, C 1982, 'Guanxi: A preliminary conceptualization', *The sinicization of social and behavioral science research in China*, pp. 345-360.

- Chow, IH & Ng, I 2004, 'The characteristics of Chinese personal ties (guanxi): evidence from Hong Kong', *Organization Studies*, vol. 25, no. 7, pp. 1075-1093.
- Chua, RY, Morris, MW & Ingram, P 2009, 'Guanxi vs networking: distinctive configurations of affect-and cognition-based trust in the networks of Chinese vs American managers', *Journal of International Business Studies*, vol. 40, pp. 490-509.
- Churchill, GA 1979, 'A paradigm for developing better measures of marketing constructs', *Journal of Marketing Research*, vol. 16, Feb., pp. 64-73.
- Coleman, JS 1988, 'Social capital in the creation of human capital', *American Journal of Sociology*, vol. 94, pp. S95-S120.
- Coleman, J 1990, *Foundations of social theory*, Belknap Press of Harvard University Press, Cambridge.
- Corbin, JM & Strauss, AL 2008, *Basics of qualitative research: techniques and procedures for developing grounded theory*, 3rd edn, Sage Publications, Thousand Oaks.
- Creswell, JW 2013, *Research design: qualitative, quantitative, and mixed methods approaches*, Sage Publications, Thousand Oaks.
- Davies, H, Leung, TK, Luk, ST & Wong, Y 1995, 'The benefits of "guanxi": the value of relationships in developing the Chinese market', *Industrial Marketing Management*, vol. 24, no. 3, pp. 207-214.
- Dawson, MM 2005, *The ethics of Confucius*, Cosimo, Inc., New York.
- Day, GS 1969, 'A Two-dimensional Concept of Brand Loyalty', *Journal of Advertising Research*, vol. 9, no. 3, pp. 29-25.
- Daymon, C & Holloway, I 2011, *Qualitative research methods in public relations and marketing communications*, 2nd edn, Routledge, New York.
- de Chernatony, L 1998, 'Defining a "brand": beyond the literature with experts' interpretations', *Journal of Marketing Management*, vol. 14, no. 5, pp. 417-443.
- de Chernatony, L 2009, 'Towards the holy grail of defining "brand" ', *Marketing Theory*, vol. 9, no. 1, pp. 101-105.



- de Chernatony, L, Drury, S & Segal-Horn, S 2004, 'Identifying and sustaining services brands' values', *Journal of Marketing Communications*, vol. 10, no. 2, pp. 73-93.
- De Matos, CA & Rossi, CAV 2008, 'Word-of-mouth communications in marketing: a meta-analytic review of the antecedents and moderators', *Journal of the Academy of Marketing Science*, vol. 36, no. 4, pp. 578-596.
- Dick, AS & Basu, K 1994, 'Customer loyalty: toward an integrated conceptual framework', *Journal of the Academy of Marketing Science*, vol. 22, no. 2, pp. 99-113.
- Dillon, W.R., Kumar, A. & Mulani, N., 1987. Offending estimates in covariance structure analysis: Comments on the causes of and solutions to Heywood cases. *Psychological Bulletin*, 101(1), p.126.
- Duncan, E. & Elliott, G., 2002. Customer service quality and financial performance among Australian retail financial institutions. *Journal of Financial Services Marketing*, 7(1), pp.25-41.
- Dwyer, FR, Schurr, PH & Oh, S 1987, 'Developing buyer-seller relationships', *The Journal of Marketing*, vol. 51, April, pp. 11-27.
- Edmondson, AC & McManus, SE 2007, 'Methodological fit in management field research', *Academy of Management Review*, vol. 32, no. 4, pp. 1246-1264.
- Ellis, P 2000, 'Social ties and foreign market entry', *Journal of International Business Studies*, Jan-Feb, pp. 443-469.
- Fan, Y 2002, 'Questioning guanxi: definition, classification and implications', *International Business Review*, vol. 11, no. 5, pp. 543-561.
- Fei, X, Hamilton, GG & Wang, Z 1992, *From the soil, the foundations of Chinese society: a translation of Fei Xiaotong's Xiangtu Zhongguo, with an introduction and epilogue*, University of California Press, Berkeley.
- Field, A 2013, *Discovering Statistics using IBM SPSS Statistics*, 3rd edn, Sage Publications, London.
- Fischer, DG & Fick, C 1993, 'Measuring social desirability: short forms of the Marlowe-Crowne social desirability scale', *Educational and Psychological Measurement*, vol. 53, no. 2, pp. 417-424.
- Fishbein, M & Ajzen, I 1975, *Belief, attitude, intention, and behavior: an introduction to theory and research*, Addison-Wesley Publishing, Reading.

- Fournier, S 1994, "A consumer-brand relationship framework for strategic brand management", *Dissertation Abstracts International*, vol. 56, no. 11, pp. 4473.
- Fournier, S 1998, 'Consumers and their brands: developing relationship theory in consumer research', *Journal of Consumer Research*, vol. 24, no. 4, pp. 343-373.
- Gao, H, Ballantyne, D & Knight, JG 2010, 'Paradoxes and guanxi dilemmas in emerging Chinese-Western intercultural relationships', *Industrial Marketing Management*, vol. 39, no. 2, pp. 264-272.
- Geddie, MW, DeFranco, AL & Geddie, MF 2005, 'A comparison of relationship marketing and guanxi: its implications for the hospitality industry', *International Journal of Contemporary Hospitality Management*, vol. 17, no. 7, pp. 614-632.
- Glaser, BG & Strauss, AL 1967, *The discovery of grounded theory*, 1st edn, Aldine Publishing, Chicago.
- Goulding, C 2002, *Grounded theory: a practical guide for management, business and market researchers*, Sage Publications, London.
- Granovetter, M 1983, 'The strength of weak ties: a network theory revisited', *Sociological Theory*, vol. 1, no. 1, pp. 201-233.
- Green, SB 1991, 'How many subjects does it take to do a regression analysis', *Multivariate Behavioral Research*, vol. 26, no. 3, pp. 499-510.
- Grewal, R, Cote, JA & Baumgartner, H 2004, 'Multicollinearity and measurement error in structural equation models: implications for theory testing', *Marketing Science*, vol. 23, no. 4, pp. 519-529.
- Grönroos, C 1996, 'Relationship marketing: strategic and tactical implications', *Management Decision*, vol. 34, no. 3, pp. 5-14.
- Grönroos, C 1994, 'From marketing mix to relationship marketing: towards a paradigm shift in marketing', *Management Decision*, vol. 32, no. 2, pp. 4-20.
- Gu, FF, Hung, K & Tse, DK 2008, 'When does guanxi matter? Issues of capitalization and its dark sides', *Journal of Marketing*, vol. 72, no. 4, pp. 12-28.
- Gummesson, E 1996, 'Relationship marketing and imaginary organizations: a synthesis',

*European Journal of Marketing*, vol. 30, no. 2, pp. 31-44.

Gustafsson, A, Johnson, MD & Roos, I 2005, 'The effects of customer satisfaction, relationship commitment dimensions, and triggers on customer retention', *Journal of Marketing*, vol. 69, no. 4, pp. 210-218.

Hair, J, Black, W, Babin, B & Anderson, R 2010, *Multivariate data analysis*, Pearson Prentice Hall, New Jersey.

Hair, JF & Hair, JF 1998, *Multivariate data analysis*, 5th edn, Prentice Hall, Upper Saddle River.

Haley, GT, Haley, UCV and Tan, CT 2004, *The Chinese Tao of business: the logic of successful business strategy*, 1st edn, John Wiley and Sons, Singapore.

Hallowell, R 1996, 'The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study', *International Journal of Service Industry Management*, vol. 7, no. 4, pp. 27-42.

Hayes, AF 2009, 'Beyond Baron and Kenny: statistical mediation analysis in the new millennium', *Communication Monographs*, vol. 76, no. 4, pp. 408-420.

Hennig-Thurau, T, Gwinner, KP & Gremler, DD 2002, 'Understanding relationship marketing outcomes an integration of relational benefits and relationship quality', *Journal of Service Research*, vol. 4, no. 3, pp. 230-247.

Heskett, JL & Schlesinger, L 1994, 'Putting the service-profit chain to work', *Harvard Business Review*, vol. 72, no. 2, pp. 164-174.

Holtzhausen, DR & Voto, R 2002, 'Resistance from the margins: the postmodern public relations practitioner as organizational activist', *Journal of Public Relations Research*, vol. 14, no. 1, pp. 57-84.

Hsien, CH 1944, 'The Chinese concepts of "face" ', *American Anthropologist*, vol. 46, no. 1, pp. 45-64.

Hu, L & Bentler, PM 1999, 'Cutoff criteria for fit indexes in covariance structure analysis: conventional criteria versus new alternatives', *Structural Equation Modeling: A Multidisciplinary Journal*, vol. 6, no. 1, pp. 1-55.

Hurun 2015, *China High Networth Asset Allocation White Paper - 2015*, Haiyin Wealth and Hurun Report, China.

- Hwang, K 1987, 'Face and favor: the Chinese power game', *American Journal of Sociology*, vol. 92, no. 4, pp. 944-74.
- Jacobs, B 1979, 'A preliminary model of particularistic tie in Chinese political alliance: ganqin and guanxi (kan-ching and kuan-his) in a rural Taiwanese township', *China Quarterly*, vol. 78, pp. 237-273.
- Jacobs, JB 1982, "The Concept of Guanxi and Local Politics in a Rural Chinese Cultural Setting." In *Social Interaction in Chinese Society*, ed. Sidney L. Greenblatt, Richard W. Wilson, and Amy Auerbacher, pp. 209–36. New York: Praeger.
- Jacoby, J & Chestnut, RW 1978, *Brand loyalty: measurement and management*, Wiley, New York.
- Jacoby, J & Kyner, DB 1973, 'Brand loyalty vs. repeat purchasing behavior', *Journal of Marketing Research*, vol. 10, no. 1, pp. 1-9.
- Jain, AK, Pinson, C & Malhotra, NK 1987, 'Customer loyalty as a construct in the marketing of banking services', *International Journal of Bank Marketing*, vol. 5, no. 3, pp. 49-72.
- Johnson, MD, Herrmann, A & Huber, F 2006, 'The evolution of loyalty intentions', *Journal of Marketing*, vol. 70, no. 2, pp. 122-132.
- Kahn, B.E., Kalwani, M.U. & Morrison, D.G., 1986. Measuring variety-seeking and reinforcement behaviors using panel data. *Journal of Marketing Research*, pp.89-100.
- Keiningham, TL, Frennea, CM, Aksoy, L, Buoye, A & Mittal, V 2015, 'A five-component customer commitment model implications for repurchase intentions in goods and services industries', *Journal of Service Research*, vol. 18, no. 4, pp. 433-450.
- Kipnis, AB 1997, *Producing guanxi: sentiment, self, and subculture in a north China village*, Duke University Press, Durham.
- Kline, RB 2011, *Principles and practice of structural equation modeling*, 3rd edn, Guilford Press, New York.
- Krippendorff, K 1980, *Content analysis: an introduction to its methodology*, 1st edn, Sage Publications, Beverly Hills.
- Kumar, N, Hibbard, JD & Stern, LW 1994, *The nature and consequences of marketing*

*channel intermediary commitment*, Marketing Science Institute, Cambridge.

- Lam, R, Burton, S & Lo, H 2009, 'Customer tradeoffs between key determinants of SME banking loyalty', *International Journal of Bank Marketing*, vol. 27, no. 6, pp. 428-445.
- Leamer, E.E., 1978. Specification searches: Ad hoc inference with nonexperimental data (Vol. 53). John Wiley & Sons Incorporated.
- Lee, L & Tang, Y 2014, 'Guanxi and Chinese brand loyalty', in S Rundle-Thiele, K Kubacki & D Arli (eds) *Proceedings of the ANZMAC Annual Conference 2014*, Griffith University, pp.433-440, Brisbane.
- Lee, L.W.Y. and Tang, Y, 2015, 'Guanxi as a Relationship Commitment and Loyalty Behaviour: A Study of Chinese Banking Customers', in A. Ono, M. Kikumori and R. Takeuchi (eds) *Emerging Trends in Asian Markets: Proceedings of the 2015, International Conference of Asian Marketing Associations*, pp.8, Japan Society for Marketing and Distribution, Tokyo.
- Leung, T, Chan, RY, Lai, K & Ngai, EW 2011, 'An examination of the influence of guanxi and xinyong (utilization of personal trust) on negotiation outcome in China: an old friend approach', *Industrial Marketing Management*, vol. 40, no. 7, pp. 1193-1205.
- Leung, T, Heung, VC & Wong, Y 2008, 'Cronyism: one possible consequence of guanxi for an insider: how to obtain and maintain it?', *European Journal of Marketing*, vol. 42, no. 1/2, pp. 23-34.
- Leung, T.K. & Chan, R.Y. 2003, 'Face, favour and positioning-a Chinese power game', *European Journal of Marketing*, vol. 37, no. 11/12, pp. 1575-1598.
- Leung, T, Lai, K, Chan, RY & Wong, Y 2005, 'The roles of xinyong and guanxi in Chinese relationship marketing', *European Journal of Marketing*, vol. 39, no. 5/6, pp. 528-559.
- Levin, S & Sidanius, J 1999, 'Social dominance and social identity in the United States and Israel: ingroup favoritism or outgroup derogation?', *Political Psychology*, vol. 20, no. 1, pp. 99-126.
- Li, JJ, Poppo, L & Zhou, KZ 2008, 'Do managerial ties in China always produce value? Competition, uncertainty, and domestic vs. foreign firms', *Strategic Management Journal*, vol. 29, no. 4, pp. 383-400.
- Li, SX, Yao, X, Sue-Chan, C & Xi, Y 2011, 'Where do social ties come from:

- institutional framework and governmental tie distribution among Chinese managers', *Management and Organization Review*, vol. 7, no. 1, pp. 97-124.
- Li, Y, Liu, Y & Liu, H 2011, 'Co-opetition, distributor's entrepreneurial orientation and manufacturer's knowledge acquisition: evidence from China', *Journal of Operations Management*, vol. 29, no. 1, pp. 128-142.
- Li, JJ & Su, C 2007, 'How face influences consumption: a comparative study of American and Chinese consumers', *International Journal of Market Research*, vol. 49, no. 2, pp. 237-256.
- Lindell, MK & Whitney, DJ 2001, 'Accounting for common method variance in cross-sectional research designs', *Journal of Applied Psychology*, vol. 86, no. 1, pp. 114.
- Lindskold, S 1978, 'Trust development, the GRIT proposal, and the effects of conciliatory acts on conflict and cooperation', *Psychological Bulletin*, vol. 85, no. 4, pp. 772.
- Lord, FM, Novick, MR & Birnbaum, A 1968, *Statistical theories of mental test scores*. Addison-Wesley, Oxford.
- Lovett, S, Simmons, LC & Kali, R 1999, 'Guanxi versus the market: ethics and efficiency', *Journal of International Business Studies*, vol. 30, no. 2, pp. 231-247.
- Luhtanen, R & Crocker, J 1992, 'A collective self-esteem scale: self-evaluation of one's social identity', *Personality and Social Psychology Bulletin*, vol. 18, no. 3, pp. 302-318.
- Luo, X, Griffith, DA, Liu, SS & Shi, Y 2004, 'The effects of customer relationships and social capital on firm performance: a Chinese business illustration', *Journal of International Marketing*, vol. 12, no. 4, pp. 25-45.
- Luo, Y 2000, *Guanxi and business*, World Scientific Publishing, Singapore.
- Luo, Y 1997, 'Guanxi and performance of foreign-invested enterprises in China: an empirical inquiry', *Management International Review*, vol. 37, no. 1, pp. 51-70.
- Luo, Y., 2008. The changing Chinese culture and business behavior: The perspective of intertwinement between guanxi and corruption. *International Business Review*, 17(2), pp.188-193.
- Luo, Y & Chen, M 1997, 'Does guanxi influence firm performance?', *Asia Pacific Journal of Management*, vol. 14, no. 1, pp. 1-16.

- Luo, Y, Huang, Y & Wang, SL 2012, 'Guanxi and organizational performance: a meta-analysis', *Management and Organization Review*, vol. 8, no. 1, pp. 139-172.
- Luo, Y, Shenkar, O & Nyaw, M 2002, 'Mitigating liabilities of foreignness: defensive versus offensive approaches', *Journal of International Management*, vol. 8, no. 3, pp. 283-300.
- MacCallum, RC, Browne, MW & Sugawara, HM 1996, 'Power analysis and determination of sample size for covariance structure modeling', *Psychological Methods*, vol. 1, no. 2, pp. 130.
- Maheswaran, D & Shavitt, S 2014, 'Issues and new directions in global consumer psychology', *Journal of Consumer Psychology*, vol. 9, no. 2, pp. 59-66.
- Malhotra NK & Dash, S 2011, *Marketing research, an applied orientation*, 6th edn, Pearson Education, Upper Saddle River.
- Mathieu, JE & Taylor, SR 2006, 'Clarifying conditions and decision points for mediational type inferences in organizational behavior', *Journal of Organizational Behavior*, vol. 27, no. 8, pp. 1031-1056.
- McBain, S. 2013, *Why can't private banks break China?*, NewStatesman, viewed 10 March 2016, <[www.newstatesman.com/business/2013/04/why-cant-private-banks-break-china..](http://www.newstatesman.com/business/2013/04/why-cant-private-banks-break-china..)>.
- McDonald, RP & Marsh, HW 1990, 'Choosing a multivariate model: noncentrality and goodness of fit', *Psychological Bulletin*, vol. 107, no. 2, pp. 247.
- McKinsey & Company, 2013, *McKinsey Global Private Banking Survey 2013 capturing the new generation of clients*, McKinsey & Co.
- McKnight, PE, McKnight, KM, Sidani, S & Figueredo, AJ 2007, *Missing data: a gentle introduction*, Guilford Press, New York.
- Meyer, JP, Stanley, DJ, Herscovitch, L & Topolnytsky, L 2002, 'Affective, continuance, and normative commitment to the organization: a meta-analysis of antecedents, correlates, and consequences', *Journal of Vocational Behavior*, vol. 61, no. 1, pp. 20-52.
- Michailova, S & Worm, V 2003, 'Personal networking in Russia and China: blat and guanxi', *European Management Journal*, vol. 21, no. 4, pp. 509-519.

- Mittal, V, Kumar, P & Tsiros, M 1999, 'Attribute-level performance, satisfaction, and behavioral intentions over time: a consumption-system approach', *The Journal of Marketing*, vol. 63, April, pp. 88-101.
- Moorman, C, Deshpande, R & Zaltman, G 1993, 'Factors affecting trust in market research relationships', *The Journal of Marketing*, vol. 57, no. 1, pp. 81-101.
- Morgan, RM & Hunt, SD 1994, 'The commitment-trust theory of relationship marketing', *Journal of Marketing*, vol. 58, no. 3, pp. 20-38.
- Nolan, J 2010, 'The influence of Western banks on corporate governance in China', *Asia Pacific Business Review*, vol. 16, no. 3, pp. 417-436.
- Noorderhaven, NG 1996, 'Opportunism and trust in transaction cost economics', in Groenewegen, J (ed), *Transaction cost economics and beyond*, Springer Netherlands, Heidelberg.
- Nunnally, J 1978, *Psychometric theory*. McGraw Hill, New York.
- Odin, Y, Odin, N & Valette-Florence, P 2001, 'Conceptual and operational aspects of brand loyalty: an empirical investigation', *Journal of Business Research*, vol. 53, no. 2, pp. 75-84.
- Oliver, RL 1999, 'Whence consumer loyalty?', *Journal of Marketing*, vol. 63, special issue, pp. 33-44.
- Oliver, RL 1997, *Satisfaction: A behavioral perspective on the customer*, Irwin-McGraw-Hill, New York.
- Oliver, RL 1980, 'A cognitive model of the antecedents and consequences of satisfaction decisions', *Journal of Marketing Research*, vol. 17, no. 4, pp. 460-469.
- Palmatier, RW, Dant, RP, Grewal, D & Evans, KR 2006, 'Factors influencing the effectiveness of relationship marketing: a meta-analysis', *Journal of Marketing*, vol. 70, no. 4, pp. 136-153.
- Palmatier, RW, Jarvis, CB, Bechkoff, JR & Kardes, FR 2009, 'The role of customer gratitude in relationship marketing', *Journal of Marketing*, vol. 73, no. 5, pp. 1-18.
- Palmatier, RW, Scheer, LK & Steenkamp, JE 2007, 'Customer loyalty to whom? Managing the benefits and risks of salesperson-owned loyalty', *Journal of Marketing Research*, vol. 44, no. 2, pp. 185-199.



- Parasuraman, A, Zeithaml, VA & Berry, LL 1985, 'A conceptual model of service quality and its implications for future research', *The Journal of Marketing*, vol. 49, Autumn, pp. 41-50.
- Parasuraman, A, Zeithaml, VA & Berry, LL 1988, 'Servqual', *Journal of Retailing*, vol. 64, no. 1, pp. 12-40.
- Park, SH & Luo, Y 2001, 'Guanxi and organizational dynamics: organizational networking in Chinese firms', *Strategic Management Journal*, vol. 22, no. 5, pp. 455-477.
- Payne, A & Frow, P 2005, 'A strategic framework for customer relationship management', *Journal of Marketing*, vol. 69, no. 4, pp. 167-176.
- Peng, MW & Luo, Y 2000, 'Managerial ties and firm performance in a transition economy: the nature of a micro-macro link', *Academy of Management Journal*, vol. 43, no. 3, pp. 486-501.
- Pigliucci, A 2013, 'Wealth management for China's richest: an industry with a great future', viewed 14 March 2016, <<http://www.forbes.com/sites/forbesleadershipforum/2013/01/28/wealth-management-for-chinas-richest-an-industry-with-a-great-future/#25db5f2b20ca>>
- Podsakoff, PM, MacKenzie, SB, Lee, J & Podsakoff, NP 2003, 'Common method biases in behavioral research: a critical review of the literature and recommended remedies', *Journal of Applied Psychology*, vol. 88, no. 5, pp. 879.
- Preacher, KJ & Hayes, AF 2008, 'Asymptotic and resampling strategies for assessing and comparing indirect effects in multiple mediator models', *Behavior Research Methods*, vol. 40, no. 3, pp. 879-891.
- Preacher, KJ & Hayes, AF 2004, 'SPSS and SAS procedures for estimating indirect effects in simple mediation models', *Behavior Research Methods, Instruments, and Computers*, vol. 36, no. 4, pp. 717-731.
- Rao, S. and Perry, C., 2004. The Impact of Internet Use on Interfirm Relationships in Australian Service Industries. In: Buber, R., Gadner, J. and Richards, L., eds. 2004. *Applying Qualitative Methods to Marketing Management Research*. New York: Palgrave Macmillan, pp.87-104.
- Ravald, A & Grönroos, C 1996, 'The value concept and relationship marketing', *European Journal of Marketing*, vol. 30, no. 2, pp. 19-30.
- Redding, SG & Ng, M 1982, 'The role of face in the organizational perceptions of

- Chinese managers', *Organization Studies*, vol. 3, no. 3, pp. 201-219.
- Rodgers, J.L., & Nicewander, W.A. (1988). Thirteen ways to look at the correlation coefficient. *The American Statistician*, vol. 42, 59 - 66.
- Reichheld, FF, Markey, RG & Hopton, C 2000, 'The loyalty effect – the relationship between loyalty and profits', *European Business Journal*, vol. 12, no. 3, pp. 134-139.
- Rosenbaum, MS, Massiah, C & Jackson DW 2006, 'An investigation of trust, satisfaction, and commitment on repurchase intentions in professional services', *Services Marketing Quarterly*, vol. 27, no. 3, pp. 115-135.
- Schumacker, RE & Lomax, RG 2010, *A beginner's guide to structural equation modeling*, 3rd edn, Routledge, New York.
- Shaan, AS, Reast, J, Johnson, D & Tourky, ME 2013, 'East meets West: toward a theoretical model linking guanxi and relationship marketing', *Journal of Business Research*, vol. 66, no. 12, pp. 2515-2521.
- Sharma, P 2011, 'Country of origin effects in developed and emerging markets: exploring the contrasting roles of materialism and value consciousness', *Journal of International Business Studies*, vol.42, no.2, pp. 285-306.
- Sharma, P 2010, 'Measuring personal cultural orientations: scale development and validation', *Journal of the Academy of Marketing Science*, vol. 38, no. 6, pp. 787-806.
- Sharma, P, Sivakumaran, B & Marshall, R 2014, 'Exploring impulse buying in services: toward an integrative framework', *Journal of the Academy of Marketing Science*, vol. 42, no. 2, pp. 154-170.
- Shou, Z, Chen, J, Zhu, W & Yang, L 2014, 'Firm capability and performance in China: the moderating role of guanxi and institutional forces in domestic and foreign contexts', *Journal of Business Research*, vol. 67, no. 2, pp. 77-82.
- Shou, Z, Guo, R, Zhang, Q & Su, C 2011, 'The many faces of trust and guanxi behavior: evidence from marketing channels in China', *Industrial Marketing Management*, vol. 40, no. 4, pp. 503-509.
- Silverman, D & Marvasti, AB 2008, *Doing qualitative research*, 1st edn, Sage Publications, Los Angeles.
- Sirdeshmukh, D, Singh, J & Sabol, B 2002, 'Consumer trust, value, and loyalty in relational exchanges', *Journal of Marketing*, vol. 66, no. 1, pp. 15-37.

- Smith, AH 1894, *Chinese characteristics*, 1st edn, Fleming H Revell, New York.
- So, YL & Walker, A 2006, *Explaining guanxi*, 1st edn, Routledge, New York.
- Sobel, ME 1982, 'Asymptotic confidence intervals for indirect effects in structural equation models', *Sociological Methodology*, vol. 13, no. 1982, pp. 290-312.
- Steiger, JH 1990, 'Structural model evaluation and modification: an interval estimation approach', *Multivariate Behavioral Research*, vol. 25, no. 2, pp. 173-180.
- Strahan, KC & Gerbasi 1972, 'Short, homogeneous versions of the Marlow-Crowne social desirability scale', *Journal of Clinical Psychology*, vol. 28, no. 2, pp. 191-193.
- Strauss, AL & Corbin, JM 1990, *Basics of qualitative research: grounded theory procedures and techniques*, 1st edn, Sage Publications, Newbury Park.
- Struch, N & Schwartz, SH 1989, 'Intergroup aggression: its predictors and distinctness from in-group bias', *Journal of Personality and Social Psychology*, vol. 56, no. 3, pp. 364.
- Swan, JE & Oliver, RL 1989, 'Postpurchase communications by consumers', *Journal of Retailing*, vol. 65, no. 4, pp. 516-534.
- Tajfel, H & Turner, JC 1986, 'The social identity theory of intergroup behavior', in S Worchel and WG Austin (eds), *Psychology of intergroup relations*, Nelson, Chicago.
- Tabachnick, B.G. & Fidell, L.S., 1989. *Using multivariate statistics*, Harper & Row, New York.
- Tomas Gomez-Arias, J 1998, 'A relationship marketing approach to guanxi', *European Journal of Marketing*, vol. 32, no. 1/2, pp. 145-156.
- Triandis, HC 1995, *Individualism and collectivism*, Westview Press, Boulder.
- Tsui, AS & Farh, JL 1997, 'Where guanxi matters: relational demography and guanxi in the Chinese context', *Work and Occupations*, vol. 24, no. 1, pp. 56-79.
- Tucker, WT 1964, 'The development of brand loyalty', *Journal of Marketing Research*, vol. 1, no. 3, pp. 32-35.
- Verhoef, PC 2003, 'Understanding the effect of customer relationship management

- efforts on customer retention and customer share development', *Journal of Marketing*, vol. 67, no. 4, pp. 30-45.
- Verma, R., Plaschka, G.R., Hanlon, B., Livingston, A. and Kalcher, K., 2008. Predicting customer choice in services using discrete choice analysis. *IBM Systems Journal*, 47(1), pp.179-191.
- Wang, CL 2007, 'Guanxi vs. relationship marketing: exploring underlying differences', *Industrial Marketing Management*, vol. 36, no. 1, pp. 81-86.
- Wang, CL, Siu, NY & Barnes, BR 2008, 'The significance of trust and renqing in the long-term orientation of Chinese business-to-business relationships', *Industrial Marketing Management*, vol. 37, no. 7, pp. 819-824.
- Wetzels, M, De Ruyter, K & Van Birgelen, M 1998, 'Marketing service relationships: the role of commitment', *Journal of Business and Industrial Marketing*, vol. 13, no. 4/5, pp. 406-423.
- Williams, LJ, Hartman, N & Cavazotte, F 2010, 'Method variance and marker variables: a review and comprehensive CFA marker technique', *Organizational Research Methods*, vol. 13, no. 3, pp. 477-514.
- Wimmer, RD, Dominick, JR, Adams, R, Signorielli, N, Morgan, M, Ferguson, M, Pilotta, J, Mickunas, A, O'Keefe, DJ & Harris, RJ 1991, 'Communication process and effects', *Communication Booknotes*, vol. 22, no. 1, pp. 19-20.
- Wong, Y & Chan, RY 1999, 'Relationship marketing in China: guanxi, favouritism and adaptation', *Journal of Business Ethics*, vol. 22, no. 2, pp. 107-118.
- Wong, YH & Leung, TK 2001, *Guanxi :relationship marketing in a Chinese context*, International Business Press, New York.
- Xiao, Z & Tsui, AS 2007, 'When brokers may not work: the cultural contingency of social capital in Chinese high-tech firms', *Administrative Science Quarterly*, vol. 52, no. 1, pp. 1-31.
- Xin, KR & Pearce, JL 1996, 'Guanxi: connections as substitutes for formal institutional support', *Academy of Management Journal*, vol. 39, no. 6, pp. 1641-1658.
- Yan, S 2014, 'China's anti-corruption drive eats into growth', viewed 30 January 2014, <<http://money.cnn.com/2014/01/28/news/economy/china-anti-corruption/index.html>>

- Yang, KS 1993, 'Chinese social orientation: a social dynamic perspective', in KS Yang & AP Yu (eds) *Chinese psychology and behavior – theory and methodology*, Kui-Kuan Books, Taipei.
- Yang, Z & Wang, CL 2011, 'Guanxi as a governance mechanism in business markets: its characteristics, relevant theories, and future research directions', *Industrial Marketing Management*, vol. 40, no. 4, pp. 492-495.
- Yau, OH, Lee, JS, Chow, RP, Sin, LY & Tse, AC 2000, 'Relationship marketing the Chinese way', *Business Horizons*, vol. 43, no. 1, pp. 16-24.
- Yen, DA, Barnes, BR & Wang, CL 2011, 'The measurement of guanxi: Introducing the GRX scale', *Industrial Marketing Management*, vol. 40, no. 1, pp. 97-108.
- Yen, Y, Tseng, J & Wang, H 2014, 'Exploring the mediating role of trust on the relationship between guanxi and knowledge sharing: a social network perspective', *Asia Pacific Journal of Human Resources*, vol. 52, no. 2, pp. 173.
- Yeung, IYM & Tung, RL 1996, 'Achieving business success in Confucian societies: the importance of guanxi (connections)', *Organizational Dynamics*, vol. 25, no. 2, pp. 54-65.
- Yi, LM & Ellis, P 2000, 'Insider-outsider perspectives of guanxi', *Business Horizons*, vol. 43, no. 1, pp. 25-30.
- Yu, J & Cooper, H 1983, 'A quantitative review of research design effects on response rates to questionnaires', *Journal of Marketing Research*, vol. 20, no. 1, pp. 36-44.
- Zeithaml, VA, Berry, LL and Parasuraman, A 1996, 'The behavioral consequences of service quality', *Journal of Marketing*, vol. 60, no. 2, pp. 31-46.
- Zhang, S & Li, X 2008, 'Managerial ties, firm resources, and performance of cluster firms', *Asia Pacific Journal of Management*, vol. 25, no. 4, pp. 615-633.
- Zhang, X & Li, G 2003, 'Does guanxi matter to nonfarm employment?', *Journal of Comparative Economics*, vol. 31, no. 2, pp. 315-331.
- Zhang, Y & Zhang, Z 2006, 'Guanxi and organizational dynamics in China: a link between individual and organizational levels', *Journal of Business Ethics*, vol. 67, no. 4, pp. 375-392.
- Zhao, X, Lynch, JG & Chen, Q 2010, 'Reconsidering Baron and Kenny: myths and truths about mediation analysis', *Journal of Consumer Research*, vol. 37, no. 2, pp. 197-

206.

Professional editor; Michael Hoare, provided copyediting and proofreading services, according to the guidelines laid out in the university-endorsed national ‘Guidelines for editing research theses’.

## **LIST OF APPENDICES**

## Appendix A – Pilot Study Ethics Approval

-----Original Message-----

From: Stefanie Jreige [mailto:[stefanie.jreige@mgsm.edu.au](mailto:stefanie.jreige@mgsm.edu.au)]

Sent: Monday, 8 April 2013 12:20 PM

To: [Yiming.Tang@mgsm.edu.au](mailto:Yiming.Tang@mgsm.edu.au)

Cc: [wei.lee@students.mq.edu.au](mailto:wei.lee@students.mq.edu.au)

Subject: Amendment Approved

RE: Ethics Amendment - Approved

Dear Associate Professor Tang,

RE: 'Does Building relationships such as 'face' and 'guanxi' promote brand equity and loyalty of Chinese Customers for financial products in Hong Kong and Mainland China ' (Ref: 5201300030)

Thank you for your recent correspondence regarding the amendment request.

The amendments have been reviewed and we are pleased to advise you that the amendments have been approved.

Please accept this email as formal notification that the amendments have been approved.

Please do not hesitate to contact us in case of any further queries.

All the best with your research.

Kind regards,

MGSM Ethics Sub-Committee

-----  
Email: [ethics@mgsm.edu.au](mailto:ethics@mgsm.edu.au)

Web: <http://www.research.mq.edu.au/>



## **Appendix B – Interview Guidelines for Convergent Theory**

Step one: contacting the respondents. Initial contact was through phone or email. Each potential interviewee was given an overview of the research and its purpose and asked to join the interview panel. If they consented, a time was arranged.

Step two: time and setting. The interviews were conducted at the interviewee's offices. The interview times were fixed a few days in advance.

Step three: developing rapport and neutrality. Rapport was developed first to ensure openness in the following interview. The researcher introduced herself and gave a brief background to the research. Clearance from their supervisors was verified to ensure sensitivities had been cleared and they were authorized to disclose information on a confidential basis. The researcher also obtained permission from each interviewee to tape the interview.

Step four: the opening question. The researcher intended to start with "Can you tell me a story of your experience buying a product or service because of guanxi or "face" factors which led you to choose one brand over another?" The objective was to provide a broad starting point for more probing questions without constraining or pressuring the interviewee to think about a specific issue in the response. Insurance [or banking] was not mentioned here so as to open up the minds of the interviewees to later lead on to the specific insurance context and their experience with clients.

Step five: semi-structured interviewing. Specific questions were posed intended to keep the interviewees talking about the topic and to keep them focused. Holtzhausen and Voto's (2002) interview guide structure was applied. The questions were printed in

an interview guide. The set was developed prior to the interviews, but decisions about which issues to pursue evolved during the interviews themselves. The intent was to ensure that similar types of data were collected to save time and reduce the 'dross rate' (Daymon, Holloway 2011). The objective as a free flow of information, but the subjects were directed back if they went off-track from the topic. The researcher tried to give minimal guidance to avoid interfering with the respondents' thoughts. The participants were encouraged to use English, but they were informed that if they felt if a particular point was better expressed in Cantonese they should do so. Hence, the transcripts were recorded in English, but when the interviewees spoke in Cantonese their words were translated into English by the interviewer in the transcription.

Step six: inviting a summary. When the interview reached a point where no further input was being provided, the researcher closed the interview by asking the interviewee to summarize the key points and perhaps indicate their priority.

Step seven: concluding the interview. The researcher summarized all the points raised to confirm whether the responses had been accurately understood. The interviewees were thanked and assured that the final output of the analysis would be provided to them. Confidentiality was again assured.

Step eight: revision. Based on the data collected in the initial interview, ideas which emerged were used as cues for developing a revised set of semi-structured questions for the next round.

### **Guiding Interview Questions used in Pilot Study**

- Discuss guanxi and face concepts from the interviewee's perspective. Any differences between Westerners, Hong Kong Chinese and mainlanders?
- Discuss the interviewee's experience in dealing with guanxi and face concepts in developing products, salespeople, pricing, processes and marketing programs (could be their own company or competitors).
- If the experience is not directly related to financial sector, could they draw parallels with the financial sector? Discuss what they like or don't like and the effectiveness of these schemes.
- Discuss any experiences they have encountered using guanxi or face with their company's marketing mix offerings.
- Discuss brand loyalty in general.
- Ask about their company's brand loyalty model (if any). Elaborate. If not, any strategies they undertake to keep customers loyal? Any differences for mainland and Hong Kong client.

## **Appendix C – Open Coding, Axial Coding and Selective Coding Methodologies**

### **1.1 Open Coding**

“Open coding is the interpretive process by which data are broken down analytically” (Strauss, Corbin 1990). The purpose is to give the researcher well-defined new ways to interpret phenomena different from traditional thinking. It is based on “qualifying...concepts in terms of their properties and dimensions” (Strauss, Corbin 1990, p.2).

Opening coding also involves breaking down using specific dimensions and properties. Dimension and property of a concept is required to create rich meaning of the concept. This coding process allows the researcher to heighten her theoretical sensitivity to ‘spell out specific properties and dimensions of each. Ambiguities can be resolved through additional interviews’ (Strauss, Corbin 1990, p.13).

Creating nodes in NVivo corresponds to what Strauss and Corbin (1990) call naming a category. They mentioned a few ways to name a category (an NVivo node). One is creation by the researcher where the researcher creates a name to describe a phenomenon. The other way to name a category is to borrow a name from the technical literature (Strauss, Corbin 1990).

A third coding approach is to use the words and phrases used by the informants themselves—called ‘in vivo’ codes (Strauss, Corbin 1990). When a code was developed, code memos were written to explain the code and how it was generated (Strauss and Corbin, 1990). This was a ‘written record of analysis related to the formulation of theory’ (Strauss, Corbin 1990, p.197). Distinctions were made between memo types such as a procedural memo and theoretical memo so that operational notes were not mixed up with the theoretical notes (Strauss, Corbin 1990).

### **1.1 Memos and Diagrams**

Both memoing and diagramming began at the inception of the study and continued until the final writing of this report. Memos were written to document

relationships among categories. Various diagrams were drawn to relate these concepts. Categories were integrated using the sorting codes and memos and depicted in a diagram using axial coding and selective coding. A preliminary model was formulated and sent to the three participants for verification. The models were refined after sufficient rounds of discussion. Saturation of the core and related categories was achieved when new incidents kept indicating the same categories (Strauss, Corbin 1990).

## **1.2 Axial Coding**

After the open coding, axial coding was used to “[put the] data back together in new ways by making connections between a category and its subcategories” (Strauss, Corbin 1990, p.97). Subcategories are those that can be sub-grouped under the major category. It is a related concept to each other (Strauss, Corbin 1990, p.2). Strauss and Corbin describe an axial coding system at a high level as:

Causal conditions-->Phenomenon--> Context--> Intervening Conditions-->Action/Interaction Strategies--> Consequences (Strauss, Corbin 1990, p.99).

Causal conditions are events that influence the phenomenon. The phenomenon is a central idea, event or incident that is handled using a set of actions or interactions. The context is the ‘structural conditions that shape the nature of situations, circumstances, or problems to which individuals respond by means of action/interaction/emotions where the events are happening’ (Strauss, Corbin 1990, p.3). Intervening conditions are those that shape, facilitate or constrain the strategies applicable in a specific context. The consequences are the outcomes of the actions or interactions deployed (Strauss, Corbin 1990). When the transcripts were reviewed again using axial coding methodology, it was clear that many sub-codes were not being factored in. This required the transcripts to be re-coded in detail applying the procedure just described but with enhanced theoretical sensitivity.

## **1.3 Selective Coding**

The selective coding steps were

- Step 1: Conceptualization of the story line.

- Step 2: Relating subsidiary categories around the core category.
- Step 3: Relating categories at the dimensional level.
- Step 4: Validating those relationships using the data.
- Step 5: Filling in categories.

### **1.3.1 Storyline**

After selective coding has been completed, a storyline is formulated whereby categories were grouped into similar themes and dimensions were identified before a core category is being formed. Only those categories that had been repeatedly mentioned will be taken into account. This process will be reiterated and refined until saturation has been achieved.

### **1.3.2 Conditional Matrix**

Strauss and Corbin stress the importance of considering a wide range of conditions and consequences related to the phenomenon under study (Strauss, Corbin 1990, p.158). This involves ‘tracking an event or incident from the level of action/interaction through the various conditional levels, or vice versa, to determine how they relate...to directly link conditions and consequences with action/interaction’ (Strauss, Corbin 1990, p.166). “[A] researcher needs to fill in the specific conditional features for each level that pertain to the chosen area of investigation” (Strauss, Corbin 1990, p.162). The aim is consider systematically whether or not a proposed model would apply in different international, national and community contexts, on different organizational and institutional levels, and at sub-organization, group, individual and collective levels. A good model will explain actions and interactions in as many situations as possible (Strauss, Corbin 1990, p.163). These relationships are considered when the story line is presented the second time.

## **Appendix D – Inter-coder Reliability, Validity and Empirical Grounding**

### **1.1 Inter-coder reliability**

A research assistant was asked to consider the data and offer the interpretation to check for consistency and minimize any problems of researcher subjectivity (Goulding 2002). As the interviews were transcribed, each participant's personal information was removed before passing the transcript over to the research assistant to re-analyze the coding. Confidentiality thus remained intact throughout this process. After the assistant had been introduced to open coding methods and the scope of the research, ten percent of the transcripts were sampled and recoded by the research assistant using open coding methodology without having seeing the original coding, as suggested by Wimmer et al. (1991). The aim was to achieve a minimum of 80% simple agreement, as recommended by Krippendorff (1980).

### **1.2 Validity of Qualitative Study**

Strauss and Corbin suggest seven criteria for evaluating the adequacy of the research process when developing grounded theory (Strauss, Corbin 1990). Those criteria, taken verbatim from (Strauss, Corbin 1990, p.253), are as follows:

- Criterion #1: How was the original sample selected? What grounds?
- Criterion #2: What major categories emerged?
- Criterion #3: What were some of the events, incidents, actions and so on (as indicators) that pointed to some of these major categories?
- Criterion #4: What were some of the events, incidents, actions and so on (as indicators) that pointed to some of these major categories?
- Criterion #5: What were some of the hypotheses pertaining to relations among categories? On what grounds were they formulated and tested?

- Criterion #6: Were there instances when hypotheses did not hold up against what was actually seen? How were the discrepancies accounted for? How did they affect the hypotheses?
- Criterion #7: How and why was the core category selected? Was this selection sudden or gradual, difficult or easy? On what grounds were the final analytic decisions made? How did extensive 'explanatory power' in relation to the phenomena under study and 'relevant'.

### **1.3 Empirical Grounding**

The last step of the process involves evaluating a study's empirical grounding. Corbin and Strauss proposed seven criteria (Strauss, Corbin 1990, p.254-5):

- Criterion #1: Are concepts generated?
- Criterion #2: Are the concepts systematically related?
- Criterion #3: Are there many conceptual linkages and are the categories well developed? Do they have conceptual density?
- Criterion #4: Is much variation built into the theory?
- Criterion #5: Are the broader conditions that affect the phenomenon under study built into its explanation?
- Criterion #6: Has process been taken into account?
- Criterion #7: Do the theoretical findings seem significant and to what extent?

The results are outlined in the next section.

### **1.4 Results of validity and empirical grounding analysis**

Strauss and Corbin suggest seven criteria for evaluating the adequacy of the research process when developing grounded theory (Strauss, Corbin 1990). Those criteria,



taken verbatim from (Strauss, Corbin 1990, p.253), were applied to test the validity of these results.

#### **1.4.1 Criterion #1: How was the original sample selected? What grounds?**

Two insurance companies were selected to represent the finance sector. Both had a long history in Hong Kong and were interested in expanding their base of mainland clients. The Chief Marketing Officers of those insurance companies were interviewed. They had in-depth knowledge of their clients' behavior and preferences and a great deal of real-life experience selling insurance. The third interviewee was the Managing Director of a data mining company, but he too had in-depth personal experience from his former work at financial institutions with both Hong Kong and mainland Chinese backgrounds. Using three expert interviewees allowed comparison to formulate generalizations from which a theoretical model could emerge.

#### **1.4.2 Criterion #2: What major categories emerged?**

- Phenomenon: Guanxi marketing
- Context: Functional aspects and a brand loyalty construct is required as a pre-condition.
- Strategies: Buyers screen the sellers. Buyers attitude change to accept seller into inner circle. Seller create likeability image. Buyer conduct favor trading with the seller.
- Intervening Conditions: Calculation by the buyer.

#### **1.4.3 Criterion #3: What were some of the events, incidents, actions and so on (as indicators) that pointed to some of these major categories?**

##### **1.4.3.1 Brand Loyalty**

When discussing the concept of brand loyalty with the participants and they were asked how they felt they applied to Chinese customers, they explained first that being

Chinese did not necessarily mean that customers would purchase based on guanxi and mianzi factors alone. They would need to find that the service or product itself met all their functional or basic product requirements and expectations first, then the guanxi and mianzi factors may come in. Their second point was that the more robust is the brand loyalty construct, the less influence guanxi and mianzi will have in brand selection and loyalty.

The participants' observations about involvement were also considered important. They explained how Chinese clients weigh, measure and calculate if the product or service offering has high involvement, even though guanxi and mianzi have been built in. There will be less such analysis if the product is low involvement or not very costly, and then guanxi and mianzi may play a bigger role in decision making.

For example, Participant B expressed the view that

*...[If the price of the product] exceeds 10% of my salary, or if it is a financial investment, I will have more comparison. ...I will have even more considerations to evaluate. But this model, my view is there is a benefit, because if you build it well, the odds for success will be better, but if you don't build it well, your client will be very wishy-washy. Those factors like guanxi and face will affect it.*

Screening was another important consideration that emerged. The participants explained how Chinese clients use probing and screening methods in brand selection decisions. They use probing questions to conceptually map out which camp a salesman belongs to. Participant A explained it this way.

*[The] first screening question they ask us, who are the power players within this company. Does the key person belong to anyone? You introduce their names, and then the second thing always they will try find out is do you are belong to a particular group. And they have a very, they ask a lot of...probing questions. Once all those probing questions are answered they possibly can identify who you are.*

#### **1.4.3.2 Guanxi**

When the participants explained how guanxi works in their personal experience working in a financial institution, they explained that it is mainly used as an introduction tool. This was considered another important indicator. Participant A described guanxi as a ‘pillar of connection’ which is important in terms of how clients first get introduced to a brand when they are unfamiliar with which brand to choose. Participant C described it as needed because of trust. This is a preferred method rather than using alternative sources.

Here is Participant A’s explanation.

*Because there are certain major players of every sort of corporation connected with others, they have personality that is very outgoing and strong, then this is the core, or the core or the pillar of the connection. And the strings can be attached to many, many persons. Once you know this one, then you can trace, you know, your cobweb...If you find so-and-so, and then you quote him that someone which is this person knows so-and-so, belongs to the same university, and sharing the dorm, something like this, he is willing to help.*

The participants also highlighted the interesting phenomenon that there is an unspoken network, and you have to join this inner circle through associations based on common traits like your workplace or educational background to be ‘inside’ the circle—to be accepted as a member. There is a need to join the circle through guanxi networking.

*Participant A: This becomes the cobweb, the network. The brand loyalty is your network. What is the brand? The brand becomes your circle, the social circle, the networking circle, it’s a brand. So your brand loyalty is when someone asks you a favor, with you now, within a group, would you in return give them a favor? That’s the brand loyalty..*

#### **1.4.3.3 Criterion #4: What were some of the events, incidents, actions and so on (as indicators) that pointed to some of these major categories?**

The results of the axial coding in section 3.4.2 and the systematic conditional matrix analysis would suggest that the model is sufficiently robust to explain the phenomena tracing the paths. The concepts do have strong support with the quoted

examples systematically related where extreme cases and examples are explored. And it has general applicability not only to the specific context of this study, but to a much broader context which is worth exploring in future research to solidify and possibly to convert these results from a substantive to a formal theory.

**1.4.3.4 Criterion #5: What were some of the hypotheses pertaining to relations among categories? On what grounds were they formulated and tested?**

As outlined in section 3.4.1, key hypotheses and relations with categories were tested using their frequency of occurrence in the open coding (Table 3.1) and using correlation coefficients to measure the relationship between one category and another.

**1.4.3.5 Criterion #6: Were there instances when hypotheses did not hold up against what was actually seen? How were the discrepancies accounted for? How did they affect the hypotheses?**

During the interviews, when discussing whether or not guanxi and face impact brand loyalty the researcher would go back and ask ‘are there exceptions?’ Examples which did not hold up against what was actually seen were highlighted. For example, when Participant B asked about buying an insurance product, why would he consider guanxi? That came as a surprise to him. He didn’t think of it in a conventional way, where if you have guanxi you will buy from your existing insurer. Instead, he would use guanxi in hope of building a new relationship. That revealed a deeper dimension of how guanxi marketing operates.

These examples were highlighted again during the axial coding. ‘Calculating’ and the requirement to build a likeable brand and likeable product features at par or better than competitors were classified as intervening conditions. Later, those factors were included in the final model in the selective coding. The focus of the model was reviewed repeatedly with the participants until no further comments or variations were forthcoming. This was defined as the point of saturation.

**1.4.3.6 Criterion #7: How and why was the core category selected? Was this selection sudden or gradual, difficult or easy? On what grounds were the final**

**analytic decisions made? How did extensive ‘explanatory power’ in relation to the phenomena under study and ‘relevant’....**

Table 3.1 presents the most commonly coded nodes or categories in the open coding in sequential order. The model was built up based on this list through constant comparison. Models were derived from each participant’s responses using axial coding, and then these were merged into one consolidated model, again using axial coding. It was that consolidated model which was used to re-interview the participants to derive the final model.

## **1.5 Empirical Grounding**

The 7 criteria for evaluating a study's empirical grounding (Strauss, Corbin 1990, p.254-5) are analyzed below:

### **1.5.1 Criterion #1: Are concepts generated?**

Using axial coding all the concepts were categorized under the following taxonomy:

Causal conditions--> Phenomena-->Context-->Intervening Conditions--->Strategies--> Consequences.

That taxonomy facilitated classifying the concepts extracted from the interview transcripts.

### **1.5.2 Criterion #2: Are the concepts systematically related?**

After open coding, everything was re-coded using the axial coding categories. That provided confidence that the data had been gone through with a fine comb and nothing had been left un-analyzed in the data. Through axial coding none of the content in the transcripts was missed out, as the method compels assigning each of the participants’ statements to some category.

In the axial coding, the process confirmed which statements described phenomena and what are the causal conditions. Drawing out the models in diagrams which helped a lot in crystalizing the concepts. The axial coding then yielded 3 models from the 3

interviews. Selective coding was used to put it all together, and the result was taken back to the participants to validate that all scenarios had been covered.

The phenomenon was originally defined as ‘guanxi and face marketing’. Later, after validating the correlations relating guanxi and face with the opening coding frequencies, guanxi (coded 67 times) outweighed face (coded 16 times), hence the phenomenon was changed to guanxi marketing.

### **1.5.3 Criterion #3: Are there many conceptual linkages and are the categories well developed? Do they have conceptual density?**

Following the axial coding, all the categories were laid out on a single sheet of paper and linked up to form the storyline. The storyline helped crystalize the linkages and categories. It was very helpful for identifying the focal point and shifting through 'noise' to filter out unrelated categories.

### **1.5.4 Criterion #4: Is much variation built into the theory?**

Strauss and Corbin maintain that a theory ‘...should be judged in terms the range of variations and the specificity with which they are analyzed in relation to the phenomena that are their source’ (Corbin and Strauss, 1990, p.18). Its dimensions suggest that this one is dense, rich and categorical. The categories chosen are tightly linked. The range of variations seems to suggest that it describes useful phenomena in Chinese financial marketing for high value items. The extent to which it can be generalized to other high-value items or other types of services for Chinese clients has not been tested, but it could be relevant to other services that are complex, intangible and expensive such as legal and accountancy services.

### **1.5.5 Criterion #5: Are the broader conditions that affect the phenomenon under study built into its explanation?**

Strauss and Corbin emphasize that the analysis should be ‘macroscopic’ (Strauss and Corbin, 1990, p.255). Macroscopic means the phenomena should be linked to a more ‘macro’ environment such as political and economic environment, social movements, cultural values, etc. (Corbin and Strauss, 1990). Key aspects of this model relate to Chinese culture, China’s political and economic policies, and the laxity of the legal and

governance structure. All have a strong impact on the model's applicability. Furthermore, based on the data and the scope of the study, it is only applicable to financial products, and particularly high involvement, high value services and products.

#### **1.5.6 Criterion #6: Has process been taken into account?**

Two key processes emerged in the first model: screening and calculating. The data suggest that Chinese financial product customers screen the offering and also the sales representative. They need to feel they are 'associated' before deciding to let the salesman into their 'inner circle' and trust them. In addition they will calculate the pros and cons before deciding which financial institution they will patronize and stay loyal to. Without such calculating and weighing they won't feel at ease in buying. However, this phenomenon is only relevant with high involvement products.

#### **1.5.7 Criterion #7: Do the theoretical findings seem significant and to what extent?**

The most fascinating aspect of the data is that the way Chinese consumers decide which company to patronize is very different from the Western brand loyalty construct. Typical brand loyalty constructs commonly used in the West are only basic requirements for Chinese customers, though the end goals for the suppliers are the same: maximum profitability at the lowest cost; higher retention and cross-selling. In China, however, financial institutions and their staff must take a tailored approach to achieving these goals.

## **Appendix E - Ethics Approval (Quantitative Study)**

On 18 Feb, 2015, at 11:26 am, Stefanie Jreige <[stefanie.jreige@mgsm.edu.au](mailto:stefanie.jreige@mgsm.edu.au)> wrote:

RE: Ethics Application - Final Approval

Send to: Chief investigator/Supervisor

CC: Co-Investigator or Co-Investigators

- Final Approval -

Dear Associate Professor Tang,

RE: 'Guanxi as relationship commitment and loyalty behaviour - A study of Chinese banking customers ' (Ref: 5201500035)

The above application was reviewed by the MGSM Ethics Sub-Committee. The MGSM Ethics Sub-Committee wishes to thank you for your well-written application. Approval of this application has been granted, effective "18/02/ 2015". This approval constitutes ethical approval only.

This research meets the requirements of the National Statement on Ethical Conduct in Human Research (2007). The National Statement is available at the following web site:

[http://www.nhmrc.gov.au/\\_files\\_nhmrc/publications/attachments/e72.pdf](http://www.nhmrc.gov.au/_files_nhmrc/publications/attachments/e72.pdf).

The following personnel are authorised to conduct this research:

Chief Investigator: Professor Yiming Tang

Other Personnel: Ms Liane Lee



NB. STUDENTS: IT IS YOUR RESPONSIBILITY TO KEEP A COPY OF THIS APPROVAL EMAIL TO SUBMIT WITH YOUR THESIS.

Please note the following standard requirements of approval:

1. The approval of this project is conditional upon your continuing compliance with the National Statement on Ethical Conduct in Human Research (2007).
2. Approval will be for a period of five (5) years subject to the provision of annual reports.

Progress Report 1 Due: 18/02/ 2016

Progress Report 2 Due: 18/02/ 2017

Progress Report 3 Due: 18/02/ 2018

Progress Report 4 Due: 18/02/ 2019

Final Report Due: 18/02/ 2020

NB. If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. If the project has been discontinued or not commenced for any reason, you are also required to submit a Final Report for the project.

Progress reports and Final Reports are available at the following website:

[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/forms](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms)

3. If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report and submit a new application for the project. (The five year limit

on renewal of approvals allows the Committee to fully re-review research in an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).

4. All amendments to the project must be reviewed and approved by the Committee before implementation. Please complete and submit a Request for Amendment Form available at the following website:

[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/forms](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/forms)

5. Please notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that affect the continued ethical acceptability of the project.

6. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University. This information is available at the following websites:

<http://www.mq.edu.au/policy/>

[http://www.research.mq.edu.au/for/researchers/how\\_to\\_obtain\\_ethics\\_approval/human\\_research\\_ethics/policy](http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics/policy)

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide the Macquarie University's Research Grants Management Assistant with a copy of this email as soon as possible. Internal and External funding agencies will not be informed that you have final approval for your project and funds will not be released until the Research Grants Management Assistant has received a copy of this email.

If you need to provide a hard copy letter of Final Approval to an external organisation as evidence that you have Final Approval, please do not

hesitate to contact the FHS Ethics at the address below.

Please retain a copy of this email as this is your official notification of  
final ethics approval.

## Appendix F – Consent Letter and Survey Instrument

首席调查员电话: + 61 (02) 9850 9042

麦格理工商管理学院

首席调查员电子邮件: [yiming.tang@mgsm.edu.au](mailto:yiming.tang@mgsm.edu.au) 麦格理大学 2109

首席调查员姓名: (1) 唐以明; (2) 李暉英 澳大利亚新南威尔士州

首席调查员职位: (1) 副教授; (2) 博士生

### 信息及同意书

项目名称: 中国内地银行客户关系和忠诚度行为研究

首先,衷心感谢您能参与此项有关中国内地银行客户关系和忠诚度行为的研究(比如您介绍您的银行给您的朋友)。这项目旨在研究调查银行透过银行员工发展客户关系和您对此家银行的忠诚行为。

这项研究由麦格理大学工商管理学院的唐以明副教授(电话: 612-98509042 邮箱:

[yiming.tang@mgsm.edu.au](mailto:yiming.tang@mgsm.edu.au)) 和博士生李暉英女士(电话 852-21761535 邮箱:

[wai.lee@students.mq.edu.au](mailto:wai.lee@students.mq.edu.au)) 承担。此项研究是在唐以明副教授的指导下,李暉英

女士完成其的哲学博士学位要求的组成部分。

我们诚恳地邀请您在百忙中抽空填写以下的问卷。一般在 30 分钟内能够完成。您的答案对此次研究能否成功至关重要。为答谢您协助完成此项调查,您将收到等值人民币 100 元的礼券。

任何资料包括个人及科学研究的资料都会被严格保密。答卷资料仅用于综合统计分析,研究结果只展现综合数据,不进行单独个案例处理。只有唐以明副教授和李暉英女士才可以处理有关数据。阁下如希望获取一份研究结果摘要,我们可会以电子邮件派发。(如需要,请提供电子邮箱地址)。

参与这项研究是完全自愿的: 您是没有义务参与。如果您决定参与,您可以中途退出,而无需给理由的。

### 调查员 或 参与者 副本)【请删除不适用】

我, (参与者的名称) 读过(或在适当情况下,有读给我听)和了解上述信息并调查员已经回答了我刚才询问的所有问题。我同意参与这项研究,我了解我可以在任何时候退出并不会有任何后果。我已保存了一份副本。

电子邮件(如索要接收最终的研究报告) \_\_\_\_\_

我确认已收到了等值人民币 100 元的礼券。

是 • 否 •

参与者的签名:

日期:

调查员的名称: 李暉英女士

调查员的签名:

日期:

这项研究的道德规范已获麦格理大学人类道德研究委员会批核。如果您有任何意见,投诉或您参与这项研究对任何道德方面有所保留,请联系道德规范委员会主任,电话 (612) 9850 7854 ; 电子邮件 [ethics@mq.edu.au](mailto:ethics@mq.edu.au)。您的投诉会得到保密。道德规范委员会会对此做出调查,并把调查结果通知您。如果您需要研究有关细节的详细信息,请随时联系首席调查员唐以明副教授-(612) 9850 9042。

## 调查问卷-中国内地银行客户关系和忠诚度行为研究

### 给参与者的说明：

请想象您主要往来的银行和该行通常（或指定）给您提供服务的那位银行职员。

注：

- 主要银行是指您投放大部分金融资产的那一家（如存款、投资）。
- 银行职员可能有各种不同的名称、如：客户经理、银行经理、银行行长…等 - 我们统称为“银行职员”)

当您回答以下问题时，请以您**主要往来银行及同一家银行服务您的特定银行职员为对象**来作答。如果您没有该行特定的银行职员那便不能完成这项调查。希望您能推介另一位朋友来协助我们完成这项调查。

请您回答所有问题并给您认为最恰当的答案。答案没对错之分。结果将用于学术研究目的，我们将严格保密。

您主要银行名称(请填写) \_\_\_\_\_

对于以下陈述, 请选择您的同意程度(请在相应的选项序号上划 O), 其中, “1” 代表非常不同意。“7” 代表非常同意。从 “1” 至 “7”，同意的程度越来越高。

第 1-20 条的问题涉及到您对您的特定银行职员的想法	非常不同意	不同意	有点不同意	中立	有点同意	同意	非常同意
1) 这位银行职员为了表达心意，每逢婚姻、推广、生日等节日时会代表银行送纪念品给我。	1	2	3	4	5	6	7
2) 这位银行职员每逢节日时都会寄上银行贺卡或发送电子贺卡给我。	1	2	3	4	5	6	7
3) 这位银行职员时常对我作出宴请。	1	2	3	4	5	6	7
4) 我认为这位银行职员是我的好朋友。	1	2	3	4	5	6	7
5) 我认为我有义务帮他/她一把。	1	2	3	4	5	6	7
6) 有时我给这银行职员生意作为我“礼尚往来”的一部分。	1	2	3	4	5	6	7
7) “礼尚往来”这种做法是我和这位银行职员之间的关系中之重要的一环。	1	2	3	4	5	6	7
8) 当这位银行职员需要一个人情，我都会很乐意帮他/她的。	1	2	3	4	5	6	7
9) 我和这位银行职员时常像朋友般的聊天。	1	2	3	4	5	6	7
10) 如果银行更换了另一位职员给我提供服务，我便会失去了这位好朋友。	1	2	3	4	5	6	7
11) 当我做有关银行重要决定之前，我必考虑我的决定是否伤害这位银行职员的感受。	1	2	3	4	5	6	7
12) 当有需要时，作为朋友,我会尽力帮助这位银行职员。	1	2	3	4	5	6	7

13) 这位银行职员只关心他/她自己而并没有顾及我的利益。	1	2	3	4	5	6	7
	非常不同意	不同意	有点不同意	中立	有点同意	同意	非常同意
14) 我的社交圈子内的人不信任这位银行职员。	1	2	3	4	5	6	7
15) 这位银行职员是非常可靠的。	1	2	3	4	5	6	7
16) 整体而言,我很满意这位银行职员。	1	2	3	4	5	6	7
17) 如果这位银行职员下岗,我在未来六个月将会转用另一家银行。	1	2	3	4	5	6	7
18) 这位银行职员意识到,给我提供投机取巧的服务是会不符合他/她的利益。	1	2	3	4	5	6	7
19) 这位银行职员意识到破坏了我对他/她的信任将肯定会收到惩罚。	1	2	3	4	5	6	7
20) 我相信这位银行职员不会投机取巧,因为背信的代价是很高的。	1	2	3	4	5	6	7

第 21-23 问题 “1” 代表極少程度上 “7” 代表極大程度上。从 “1” 至 “7”，程度越来越高。	極少程度上	很少程度上	少程度上	某程度上	大程度上	很大程度上	極大程度上
21) 您认为这位银行职员是属于您圈内的朋友吗？	1	2	3	4	5	6	7
22) 您认为这位银行职员与您圈内的朋友之间熟悉的程度如何？	1	2	3	4	5	6	7
23) 您认为这位银行职员被您圈内的朋	1	2	3	4	5	6	7

友接受成为他们的一份子吗？							
第 24-40 条的问题涉及到您的对您的“主要银行”的看法	非常不同意	不同意	有点不同意	中立	有点同意	同意	非常同意
24) 我喜欢这家银行。	1	2	3	4	5	6	7
25) 我喜欢用这家银行的服务。	1	2	3	4	5	6	7
26) 我对这家银行感觉良好。	1	2	3	4	5	6	7
27) 我对这家银行有种归属感。	1	2	3	4	5	6	7
28) 总体来看,我很满意这家银行。	1	2	3	4	5	6	7
29) 如果其他人询问这家银行的服务,我会推荐它。	1	2	3	4	5	6	7
30) 我会乐意自愿向其他人推荐这家银行。	1	2	3	4	5	6	7
31) 这家银行是我推荐了最多给我的朋的。	1	2	3	4	5	6	7
32) 在未来六个月内我不会从这家银行转到另一家银行。	1	2	3	4	5	6	7
33) 在未来六个月内我不会从另一家银行选择一个产品的。	1	2	3	4	5	6	7
34) 在未来六个月内我不会结束这家银行的帐户。	1	2	3	4	5	6	7
35) 即使其他银行提供更低的费用和/或更高的利率,我仍会留在这家银行。	1	2	3	4	5	6	7
36) 如果我在另外一家银行分行看到一个吸引的提议,我会考虑离开这家银行。	1	2	3	4	5	6	7
37) 在未来五年内,我希望这家银行仍然是我往来的主要银行。	1	2	3	4	5	6	7

	非常不同意	不同意	有点不同意	中立	有点同意	同意	非常同意
38) 现有的法律制度能有效地保障我们在银行的利益。(例如: 如银行介绍理财产品时候作了误导的陈述)	1	2	3	4	5	6	7
39) 现有的法律制度能有效地防止我们被欺骗。	1	2	3	4	5	6	7
40) 现有的法律制度能确保我们可以拿回我们的存款。	1	2	3	4	5	6	7
<b>第 41-46 条请在最适合一个选项“是”或“否”打勾“✓”。答案没有对错之分, 请选择您认为最恰当的答案。</b>							
41) 我从来没有强烈不喜欢任何人的感觉。	是 <input type="checkbox"/>			否 <input type="checkbox"/>			
42) 有时候我会忿恨我的目的达不到。	是 <input type="checkbox"/>			否 <input type="checkbox"/>			
43) 有时我会对有权利的人反叛, 即使他们是正确的。	是 <input type="checkbox"/>			否 <input type="checkbox"/>			
44) 即使有些人的意见和我不同, 我总是会保持礼貌对待人的。	是 <input type="checkbox"/>			否 <input type="checkbox"/>			
45) 有时候我会非常嫉妒别人的好运气。	是 <input type="checkbox"/>			否 <input type="checkbox"/>			
46) 有时候我会觉得别人的请求是很烦人的。	是 <input type="checkbox"/>			否 <input type="checkbox"/>			

第 47-60 条 - 基本银行和一般信息	
47) 比例上, 您大约有多少财产 (如存款、股票和债券, 但不包括房子、抵押贷款和退休金) 总额在 <b>这家</b> 银行? (请选一打勾“✓”)	0-24% <input type="checkbox"/> 25-49% <input type="checkbox"/> 50-74% <input type="checkbox"/> 75-100% <input type="checkbox"/>
48) 您总共有多少个 <b>银行</b> 帐户 (不包括信用卡)?	_____ 帐户
49) 您有多少个 <b>银行</b> 帐户在 <b>这家</b> 银行?	_____ 帐户
50) 您的性别? (请选一打勾“✓”)	男性 <input type="checkbox"/> 女性 <input type="checkbox"/>
51) 您的婚姻状况? (请选一打勾“✓”)	未婚 <input type="checkbox"/> 已婚 <input type="checkbox"/> 同居 <input type="checkbox"/> 离婚 <input type="checkbox"/> 丧偶 <input type="checkbox"/>
52) 您的年龄? (请选一打勾“✓”)	20-29 <input type="checkbox"/> 30-39 <input type="checkbox"/> 40-49 <input type="checkbox"/> 50-59 <input type="checkbox"/> 60 岁或以上 <input type="checkbox"/>
53) 您的职业?	(请填写) _____
54) 您在贵公司的职位? (如适用)	(请填写) _____
55) 您居住的城市和区份? (请填写)	区份 _____ 城市名 _____

56) 您主居住房屋类别? (请选一打勾“✓”)	公寓大楼 <input type="checkbox"/> 平房 <input type="checkbox"/> 四合院 <input type="checkbox"/> 别墅 <input type="checkbox"/> 公寓别墅 <input type="checkbox"/> 宅院 <input type="checkbox"/> 其他 [请注明] _____
57) 您的教育程度是: (请打勾达到最高水平)	小学 <input type="checkbox"/> 初中 <input type="checkbox"/> 高中 <input type="checkbox"/> 大专 <input type="checkbox"/> 学士学位 <input type="checkbox"/> 硕士或以上 <input type="checkbox"/> 其他 [请注明] _____
58) 您或您的家庭拥有汽车吗? (请选一打勾“✓”)	有 <input type="checkbox"/> 没有 <input type="checkbox"/> 汽车品牌名称: _____ _____ (可以是多于一辆)
59) 您有孩子在海外留学吗? (包括: 香港和澳门?) (请选一打勾“✓”)	有 <input type="checkbox"/> 没有 <input type="checkbox"/> 没有孩子 <input type="checkbox"/> 海外国家: _____ _____ (可以是多个)
60) 过去两年内有没有到中国以外的地方去度假? (请选一打勾“✓”)	有 <input type="checkbox"/> 没有 <input type="checkbox"/> 海外国家: _____ (可以是多个)

~ 非常感谢您的宝贵时间。您已完成调查表。调查结束，谢谢！~





Macquarie Graduate School of Management  
MACQUARIE UNIVERSITY NSW 2109  
Chief Investigator Phone: +61 (02) 9850 9042  
**Chief Investigator Email:** yiming.tang@mgs.edu.au

Chief Investigator's and Supervisor's Name: Yiming Tang

Chief Investigator's and Supervisor's Title: Associate Professor

### **Information and Consent Form**

#### **Name of Project: Relationship commitment and loyalty behaviour - A study of Chinese banking customers**

You are invited to participate in a study of "Relationship commitment and loyalty behaviour". We would like to know whether committing to a banking relationship will lead to loyalty behaviour (such as referring your bank to your friend in the area of banking services). The purpose of the study is to explore if efforts by the banks to develop a relationship through their bankers would impact your intent to engage in particular loyalty behaviours.

The study is being conducted by Associate Professor Yiming Tang, Department of Marketing, Macquarie Graduate School of Management, Macquarie University, (612-98509042, [yiming.tang@mgs.edu.au](mailto:yiming.tang@mgs.edu.au) and PhD Candidate, Ms. Liane Lee, Department of Marketing, Macquarie Graduate School of Management, Macquarie University ([852-21761535](tel:852-21761535)/[wai.lee@students.mq.edu.au](mailto:wai.lee@students.mq.edu.au)) as being conducted to meet the requirements of Doctor of Philosophy under the supervision of Associate Professor Yiming Tang.

If you decide to participate, you will be asked to complete a questionnaire which should take no longer than 30 minutes to complete. As a token of our appreciation, you will receive RMB100 for completing the survey. You may also consider to donate the proceeds to Red Cross China and we will do so on your behalf.

Any information or personal details gathered in the course of the study are confidential. No individual will be identified in any publication of the results. Associate Professor Yiming Tang and Ms. Liane Lee will have access to the data. A summary of the results of the data can be made available to you on request by email notification (please provide email address if required).

Participation in this study is entirely voluntary: you are not obliged to participate and if you decide to participate, you are free to withdraw at any time without having to give a reason and without consequence.

I, *(participant's name)* have read *(or, where appropriate, have had read to me)* and understand the information above and any questions I have asked have been answered to my satisfaction. I agree to participate in this research, knowing that I can withdraw from further participation in the research at any time without consequence. I have been given a copy of this form to keep. I have confirmed to have received the RMB100 gift coupon.

Participant's Name:  
(Block letters)

Email *(Optional, only for receiving final research report)* \_\_\_\_\_

I have confirmed to have received the RMB100 gift coupon.

Yes ☐ NO ☐

Participant's Signature: \_\_\_\_\_ Date:

Investigator's Name:  
(Block letters)

Investigator's Signature: \_\_\_\_\_ Date:

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics (telephone (612) 9850 7854; email [ethics@mq.edu.au](mailto:ethics@mq.edu.au)). Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

If you require more information about the specifics of the study, please do not hesitate to contact the Chief Investigator Associate Professor Yiming Tang on +612-9850 9042.

**(INVESTIGATOR'S [OR PARTICIPANT'S] COPY)**

**Survey Instrument – Translated English Version**

**Survey Questionnaire - Relationship commitment to loyalty behavior - A**  
**study of Chinese banking customers**

**Instructions to Participants:**

Please think of your main bank and the banker who serves your account.

*Note:*

- Main bank refers to the where you held most of your financial assets (e.g. deposits, investments).
- Banker could hold various titles, such as account manager, the bank manager, the bank officer etc. collectively we termed this “Banker”.)

When you answer, please think of the specific bank that the banker works in. If you could not identify a specific banker, you may refer a friend who you think may be able to assist in completing this survey. Please provide your views on the below questions by answering the following questions. Please note there are no right or wrong answer.

The results will be used strictly for academic research purposes only, and we will keep it strictly confidential.

**Name of the Bank identified (*please fill in*)**

**Please rate your views of the below statement by circling the answer that represents your view. The responses ranges from 1 = Strong Disagree to 7= Strongly Agree unless otherwise stated.**

<b>Questions 1 -20 relates to your view towards your banker</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewhat Disagree</b>	<b>Neutral</b>	<b>Somewhat Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
1 ) This banker present (inexpensive) company souvenirs to me to express good wishes when there is a marriage, promotion, birthday, and so forth.	1	2	3	4	5	6	7
2 ) This banker sends me company greeting cards or electronic messages during festivals.	1	2	3	4	5	6	7
3 ) This banker often invites me to their company’s lunch or dinner.	1	2	3	4	5	6	7
4 ) I regard this banker as my friend.	1	2	3	4	5	6	7
5) I feel a sense of obligation to this banker for doing him/her a favor.	1	2	3	4	5	6	7
6) I think that “calling in” favours is part of doing business with this banker.	1	2	3	4	5	6	7
7 ) The practice of “give and take” of favours is a key part of the relationship between this banker and me.	1	2	3	4	5	6	7
8 ) I am happy to do a favor for this banker, when he/she requests one.	1	2	3	4	5	6	7
9 ) This banker and I are able to talk openly as friends.	1	2	3	4	5	6	7
10 ) If I were to change this banker, I would lose a good friend.	1	2	3	4	5	6	7
11 ) I would consider whether this banker’s feelings would be hurt before I made an important decision.	1	2	3	4	5	6	7

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
12) I would try my best to help out this banker when he/she is in need because he/she is a friend of mine.	1	2	3	4	5	6	7
13) This banker is only concerned about himself/herself.	1	2	3	4	5	6	7
14) The people at my social network do not trust this banker.	1	2	3	4	5	6	7
15) This banker is trustworthy.	1	2	3	4	5	6	7
16) Overall, I am satisfied with this banker.	1	2	3	4	5	6	7
17) If this banker leaves, I will be looking for a new bank in the next six months.	1	2	3	4	5	6	7
18) This banker realizes that not being opportunistic accords with their interest.	1	2	3	4	5	6	7
19) This banker realizes that violating our trust will certainly be sanctioned.	1	2	3	4	5	6	7
20) Since the cost of defection is high, I believe that this banker would not be opportunistic.	1	2	3	4	5	6	7

**Q 21-23 These responses ranges  
from 1 = A very small extent to  
7= A very large extent**

	A very small extent	A small extent	Somewhat small extent	An extent	Somewhat large extent	A large extent	A very large extent
21) To what extent do you identify this banker with other members of your ingroup?"	1	2	3	4	5	6	7
22) To what extent do you feel this banker is close to other members of your ingroup?"	1	2	3	4	5	6	7
23) To what extent do your ingroup consider this banker as part of the group?"	1	2	3	4	5	6	7
<b>Questions 24 -40 relates to your view towards your "main bank"</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewhat Disagree</b>	<b>Neutral</b>	<b>Somewhat Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
24) I like this bank	1	2	3	4	5	6	7
25) I enjoy visiting this bank	1	2	3	4	5	6	7
26) I feel good about this bank	1	2	3	4	5	6	7
27) I have a sense of belonging to this bank	1	2	3	4	5	6	7
28) Overall, I am satisfied with this bank	1	2	3	4	5	6	7
29) If other people inquired about this bank then I would recommend it	1	2	3	4	5	6	7
30) I am happy to <i>voluntarily</i> recommend this bank to others	1	2	3	4	5	6	7
31) This is the bank which I refer the most to my friend.	1	2	3	4	5	6	7

	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
32) It is very unlikely that I will be looking for a new bank in the next six months	1	2	3	4	5	6	7
33) It is very unlikely that I will choose a product from another bank in the next six months	1	2	3	4	5	6	7
34) It is very unlikely that I will close an account with this bank within the next six months	1	2	3	4	5	6	7
35) I would stay with this bank even if competitors offered lower charges and/or better interest rates	1	2	3	4	5	6	7
36) If I saw an attractive offer in another bank branch, I would leave this bank	1	2	3	4	5	6	7
37) In five years' time, I expect that I will still be doing most banking with this current bank	1	2	3	4	5	6	7
38) The legal system efficiently protects our interests (such as misrepresentation)	1	2	3	4	5	6	7
39) The legal system prevents us from being cheated.	1	2	3	4	5	6	7
40) The legal system ensures that we can get our money back.	1	2	3	4	5	6	7

**Questions 41-46 Please tick whether you believe the statements are "True" or "False". There are no right or wrong answers.**

41) I have never intensely disliked anyone.	True <input type="checkbox"/>	False <input type="checkbox"/>
42) I sometimes feel resentful when I don't get my way.	True <input type="checkbox"/>	False <input type="checkbox"/>
43) There have been times when I felt like rebelling against people in authority even though I knew they were right.	True <input type="checkbox"/>	False <input type="checkbox"/>
44) I am always courteous, even to people who are disagreeable.	True <input type="checkbox"/>	False <input type="checkbox"/>
45) There have been times when I was quite jealous of the good fortune of others.	True <input type="checkbox"/>	False <input type="checkbox"/>
46) I am sometimes irritated by people who ask favors of me.	True <input type="checkbox"/>	False <input type="checkbox"/>

**Questions 47 – 55 Basic banking and general information**

47) Approximately what proportion of your total financial Deposits (eg accounts, shares and bonds, but excluding house, mortgage and superannuation) are held with <b>this</b> bank? (Please tick one "✓")	0–24% <input type="checkbox"/> 25–49% <input type="checkbox"/> 50–74% <input type="checkbox"/> 75–100% <input type="checkbox"/>
48) How many <i>bank accounts</i> (excl. credit cards) do you have in total?	_____ Accounts
49) How many of these are held at this bank?	_____ Accounts
50) What is your gender? (Please tick one "✓")	Male <input type="checkbox"/> Female <input type="checkbox"/>

51) What is your marital status? <i>(Please tick one "✓")</i>	Never Married <input type="checkbox"/> Married <input type="checkbox"/> Cohabitation <input type="checkbox"/> Divorced <input type="checkbox"/> Widowed <input type="checkbox"/>
52) What is your age range? <i>(Please tick one "✓")</i>	20-29 <input type="checkbox"/> 30-39 <input type="checkbox"/> 40-49 <input type="checkbox"/> 50-59 <input type="checkbox"/> 60 and over <input type="checkbox"/>
53) What is your occupation?	(Please fill in) _____
54) What is your title? (if applicable)	(Please fill in) _____
55) What is the city and province of your residential address?	Province _____ City Name _____
56) What type is your principal family accommodation? <i>(Please tick one "✓")</i>	Apartment <input type="checkbox"/> Bungalow <input type="checkbox"/> Quadrangle courtyard <input type="checkbox"/> Villa <input type="checkbox"/> Condominium Villa <input type="checkbox"/> Low-rise house <input type="checkbox"/> Other [Please specify] _____
57) What is your education level? <i>(Please tick the highest level attained)</i>	Primary School <input type="checkbox"/> Junior High School <input type="checkbox"/> Senior High School <input type="checkbox"/> 3-year college <input type="checkbox"/> 4-year college/Bachelor's degree <input type="checkbox"/> Master's degree <input type="checkbox"/> Doctoral degree <input type="checkbox"/> Other [Please specify] _____

58) Do you/family own a car? <i>(Please tick one)</i>	Yes <input type="checkbox"/> Car Brand Name _____ (Can be more than one) No <input type="checkbox"/>
59) Do you have children studying overseas? (including Hong Kong and Macau) (Please tick one)	Yes <input type="checkbox"/> Location _____ No/I don't have children <input type="checkbox"/>
60) Have you taken a holiday trip outside of China in the past 2 years?	Yes <input type="checkbox"/> Location(s) _____ (Can be more than one) No <input type="checkbox"/>

Thank you very much for your valuable time. You have completed the questionnaire.  
~ End of Survey ~

## **Appendix G - Fieldwork Guidelines for Research Assistant**

### **Instructions to Interviewers**

#### **Purpose of the research**

To create value for customers and build meaningful relationships with them, marketers must first gain fresh, deep insights into what customers need and want. Such customer insights come from good marketing information. Companies use these customer insights to develop a competitive advantage.

Although customer and market insights are important for building customer value and relationships, these insights can be very difficult to obtain. Customer needs and buying motives are often anything but obvious—consumers themselves usually can't tell you exactly what they need and why they buy. This survey is aimed at ascertaining good customer insights using quantitative method with an aim to generalize the behavior across a good spectrum of samples.

Some things simply cannot be observed, such as attitudes, motives, or private behavior. Long-term or infrequent behavior is also difficult to observe. Finally, observations can be very difficult to interpret. Because of these limitations, we are using a survey research in this study.

**Survey research**, the most widely used method for primary data collection, is the approach best suited for gathering descriptive information. A company that wants to know about people's knowledge, attitudes, preferences, or buying behavior can often find out by asking them directly.

The major advantage of survey research is its flexibility; it can be used to obtain many different kinds of information in many different situations.

However, survey research also presents some problems. Sometimes people are unable to answer survey questions because they cannot remember or have never thought about what they do and why they do it. People may be unwilling to respond to unknown interviewers or about things they consider private. Respondents may answer survey questions even when they do not know the answer just to appear smarter or more informed. Or they may try to help the interviewer by giving pleasing answers. Finally, busy people may not take the time, or they might resent the intrusion into their privacy.

Therefore, you are recruited to conduct *individual 1:1 surveying*. It involves talking with people in their homes or offices, or in a coffee shop. Such interviewing is flexible. Trained interviewers can explain the purpose of the research, explain difficult questions, and explore issues as the situation requires. You can observe or demonstrate an actual product (e.g. what is a VIP account?) and observe reactions and behavior (e.g. when the participant looks puzzled).

**Please do not guide or answer the surveys on the participants' behalf.**

As we are bound by ethical conduct, any surveys that are found to have potential issues would be disqualified. Pre-checks and post-checks will be made after the survey is collected to ensure there are no irregularities.

**We will address any complaints/concerns received from participants very seriously and it may disqualify your participation to this research and / or the payment of the services rendered by you.**

We aim to collect a total of no less than 400 valid surveys. That would be around 20 valid surveys per interviewer. As you may encounter different situations when you are on the field, this is only an indication of the estimated deliverables per interviewer. You can collect more than or less than this indication.

The copyright of this questionnaire belongs to Ms Liane Lee. Please do not copy or use the questions in any manner, or discuss the feedbacks / results you have collected with anyone apart from principal investigator, Yiming Tang or co-investigator, Liane Lee.

**Tips on how to identify your participants**

Identify from your friends and family those who would have a banker that serves their banking accounts. Ask “Do you have a banker that serves your banking accounts?”

You may identify them by asking your close friend/relative to refer someone that may fit the profile.

Some may have VIP accounts (e.g. HSBC Premier, Bank of China VIP account, ICBC VIP account etc.) where these are usually served by a designated banker.

Please find below in red an interviewer's guide when conducting the field work.



Step 1: Read the consent form to your participant. Explain the purposes of the study and seek their consent by signing the form. There are two copies of the form. One is for the participant, and one is for the interviewer. Please ensure the participant receives his/her signed copy and we collect a signed copy for our records.

Sample consent form (TWO SIGNED, ONE FOR PARTICIPANT, ONE FOR INVESTIGATOR) - (Chinese version to be inserted here)



Macquarie Graduate School of Management  
MACQUARIE UNIVERSITY NSW 2109  
Chief Investigator Phone: +61 (02) 9850 9042  
**Chief Investigator Email:** [yiming.tang@mgsu.edu.au](mailto:yiming.tang@mgsu.edu.au)

Chief Investigator's and Supervisor's Name: Yiming Tang

Chief Investigator's and Supervisor's Title: Associate Professor

### **Information and Consent Form**

**Name of Project: Relationship commitment and loyalty behaviour - A study of Chinese banking customers**

You are invited to participate in a study of "Relationship commitment and loyalty behaviour". We would like to know whether committing to a banking relationship will lead to loyalty behaviour (such as referring your bank to your friend in the area of banking services). The purpose of the study is to explore if efforts by the banks to develop a relationship through their bankers would impact your intent to engage in particular loyalty behaviours.

The study is being conducted by Associate Professor Yiming Tang, Department of Marketing, Macquarie Graduate School of Management, Macquarie University, (612-98509042, [yiming.tang@mgsu.edu.au](mailto:yiming.tang@mgsu.edu.au) and

PhD Candidate, Ms. Liane Lee, Department of Marketing, Macquarie Graduate School of Management, Macquarie University ([852-21761535/wai.lee@students.mq.edu.au](mailto:852-21761535/wai.lee@students.mq.edu.au)) as being conducted to meet the requirements of Doctor of Philosophy under the supervision of Associate Professor Yiming Tang.

If you decide to participate, you will be asked to complete a questionnaire which should take no longer than 30 minutes to complete. As a token of our appreciation, you will receive RMB100 for completing the survey.

Any information or personal details gathered in the course of the study are confidential. No individual will be identified in any publication of the results. Associate Professor Yiming Tang and Ms. Liane Lee will have access to the data. A summary of the results of the data can be made available to you on request by email notification (please provide email address if required).

Participation in this study is entirely voluntary: you are not obliged to participate and if you decide to participate, you are free to withdraw at any time without having to give a reason and without consequence.

---

I, *(fill in participant's name)* have read *(or, where appropriate, have had read to me)* and understand the information above and any questions I have asked have been answered to my satisfaction. I agree to participate in this research, knowing that I can withdraw from further participation in the research at any time without consequence. I have been given a copy of this form to keep.

Participant's Name: \_\_\_\_\_ *assist participant to fill in his/her name here*

(Block letters)

Email *(Optional, only for receiving final research report)* *only if participant would like a copy of the research report.*

Participant's Signature: \_\_\_\_\_ *participant to sign here* \_\_\_\_\_ Date:

Investigator's Name: \_\_\_\_\_ *Liane Lee*

(Block letters)

Investigator's Signature: \_\_\_\_\_ *Signature of Liane Lee* \_\_\_\_\_ Date:

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in

this research, you may contact the Committee through the Director, Research Ethics (telephone (02) 9850 7854; email [ethics@mq.edu.au](mailto:ethics@mq.edu.au)). Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

If you require more information about the specifics of the study, please do not hesitate to contact the Chief Investigator Associate Professor Yiming Tang on +612-9850 9042.

**(INVESTIGATOR'S [OR PARTICIPANT'S] COPY) Cross out where necessary**

**Step 2: Sample survey (Chinese version to be inserted here)**

**Survey Instrument – Translated English Version**

**Survey Questionnaire - Relationship commitment to loyalty behavior - A**  
**study of Chinese banking customers**

**Instructions to Participants:**

Please think of your main bank and the banker who serves your account.

*Note:*

- Main bank refers to the where you held most of your financial assets (e.g. deposits, investments).
- Banker could hold various titles, such as account manager, the bank manager, the bank officer etc. collectively we termed this “Banker”.)

When you answer, please think of the specific bank that the banker works in. If you could not identify a specific banker, you may refer a friend who you think may be able to assist in completing this survey. Please provide your views on the below questions by answering the following questions. Please note there are no right or wrong answer.

The results will be used strictly for academic research purposes only, and we will keep it strictly confidential.

**Name of the Bank identified (please fill in)**

**Please ask participants to circle one (1 to 7).**  
**Remind participants there are no right or wrong**

Please rate your views of the below statement by circling the answer that represents your view. The responses ranges from 1 = Strong Disagree to 7= Strongly Agree unless otherwise stated.

Questions 1 -20 relates to your view towards your banker	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
1 ) This banker present (inexpensive) company souvenirs to me to express good	1	2	3	4	5	6	7
Clarify any misunderstanding if necessary. Participants must be able to think of their main bank, and the banker that serves the main bank account. If they could not recall their banker, they cannot participate in this survey. Politely inform participants as there are a lot of questions relating to his/her views towards their banker, if he/she can't recall the banker, then it would make the survey redundant. Offer the participant to opportunity to refer his/her friends to you to continue the survey and thank the participant for their time spent.							
between this banker and me.							
8 ) I am happy to do a favor for this banker, when he/she requests one.	1	2	3	4	5	6	7
9 ) This banker and I are able to talk	1	2	3	4	5	6	7

openly as friends.							
10) If I were to change this banker, I would lose a good friend.	1	2	3	4	5	6	7
11) I would consider whether this banker's feelings would be hurt before I made an important decision.	1	2	3	4	5	6	7
	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewhat Disagree</b>	<b>Neutral</b>	<b>Somewhat Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
12) I would try my best to help out this banker when he/she is in need because he/she is a friend of mine.	1	2	3	4	5	6	7
13) This banker is only concerned about himself/herself.	1	2	3	4	5	6	7
14) The people at my social network do not trust this banker.	1	2	3	4	5	6	7
15) This banker is trustworthy.	1	2	3	4	5	6	7
16) Overall, I am satisfied with this banker.	1	2	3	4	5	6	7
17) If this banker leaves, I will be looking for a new bank in the next six months.	1	2	3	4	5	6	7
18) This banker realizes that not being opportunistic accords with their interest.	1	2	3	4	5	6	7
19) This banker realizes that violating our trust will certainly be sanctioned.	1	2	3	4	5	6	7

20) Since the cost of defection is high, I believe that this banker would not be opportunistic.	1	2	3	4	5	6	7
---	---	---	---	---	---	---	---

<b>Q 21-23 These responses ranges from 1 = A very small extent to 7= A very large extent</b>	<b>A very small extent</b>	<b>A small extent</b>	<b>Somewhat small extent</b>	<b>An extent</b>	<b>Somewhat large extent</b>	<b>A large extent</b>	<b>A very large extent</b>
21) To what extent do you identify this banker with other members of your ingroup?"	1	2	3	4	5	6	7
22) To what extent do you feel this banker is close to other members of your ingroup?"	1	2	3	4	5	6	7
23) To what extent do your ingroup consider this banker as part of the group?	1	2	3	4	5	6	7
<b>Questions 24 -40 relates to your view towards your "main bank"</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Somewhat Disagree</b>	<b>Neutral</b>	<b>Somewhat Agree</b>	<b>Agree</b>	<b>Strongly Agree</b>
24) I like this bank	1	2	3	4	5	6	7
25) I enjoy visiting this bank	1	2	3	4	5	6	7
26) I feel good about this bank	1	2	3	4	5	6	7
27) I have a sense of belonging to this bank	1	2	3	4	5	6	7

28) Overall, I am satisfied with this bank	1	2	3	4	5	6	7
29) If other people inquired about this bank then I would recommend it	1	2	3	4	5	6	7
30) I am happy to <i>voluntarily</i> recommend this bank to others	1	2	3	4	5	6	7
31) This is the bank which I refer the most to my friend.	1	2	3	4	5	6	7
	ngly ree	ree	hatDis tee	iral	what tee	tee	ngly tee
32) It is looking							
33) It is v produ							
34) It is v account with this bank within the next six months	1	2	3	4	5	6	7
35) I would stay with this bank even if competitors offered lower charges and/or better interest rates	1	2	3	4	5	6	7
36) If I saw an attractive offer in another bank branch, I would leave this bank	1	2	3	4	5	6	7
37) In five years' time, I expect that I will still be doing most banking with this current bank	1	2	3	4	5	6	7

**Participants need to provide their general views towards these statements. It may not be related to the bank or banker, but their views of how they would response to these questions. Again, remind participants there are no right or wrong answers.**

38) The legal system efficiently protects our interests (such as misrepresentation)	1	2	3	4	5	6	7
39) The legal system prevents us from being cheated.	1	2	3	4	5	6	7
40) The legal system ensures that we can get our money back.	1	2	3	4	5	6	7

**Questions 41-46 Please tick whether you believe the statements are "True" or "False". There are no right or wrong answers.**

41) I have never intensely disliked anyone.	True <input type="checkbox"/>	False <input type="checkbox"/>
42) I sometimes feel resentful when I don't get my way.	True <input type="checkbox"/>	False <input type="checkbox"/>
43) There have been times when I felt like rebelling against people in authority even though I knew they were right.	True <input type="checkbox"/>	False <input type="checkbox"/>
44) I am always courteous, even to people who are disagreeable.	True <input type="checkbox"/>	False <input type="checkbox"/>
45) There have been times when I was quite jealous of the good fortune of others.	True <input type="checkbox"/>	False <input type="checkbox"/>
46) I am sometimes irritated by people who ask favors of me.	True <input type="checkbox"/>	False <input type="checkbox"/>

**Questions 47 – 55 Basic banking and general**

information	
47) Approximately what proportion of your total financial Deposits (eg accounts, shares and bonds, but excluding house, mortgage and superannuation) are held with <b>this</b> bank? (Please tick one "✓")	0-24% <input type="checkbox"/> 25-49% <input type="checkbox"/> 50-74% <input type="checkbox"/> 75-100% <input type="checkbox"/>
48) How many <i>bank accounts</i> (excl. credit cards) do you have in total?	_____ Accounts
49) How many of these are held at this bank?	_____ Accounts
50) What is your gender? (Please tick one "✓")	Male <input type="checkbox"/> Female <input type="checkbox"/>
51) What is your marital status? (Please tick one "✓")	Never Married <input type="checkbox"/> Married <input type="checkbox"/> Cohabitation <input type="checkbox"/> Divorced <input type="checkbox"/> Widowed <input type="checkbox"/>
52) What is your age? (Please tick one "✓")	18-24 <input type="checkbox"/> 25-34 <input type="checkbox"/> 35-44 <input type="checkbox"/> 45-54 <input type="checkbox"/> 55-59 <input type="checkbox"/> 60 and over <input type="checkbox"/>
53) What is your location? (Please tick one "✓")	_____
54) What is your title? (if applicable)	(Please fill in) _____
55) What is the city of your residence?	_____

Fill in all the brand names if more than one car.

Fill in all the locations if more than one (e.g. more than one child).

Fill in all the locations if more than one holiday trip taken in the past 2 years.

56) What type is your principal family accommodation? (Please tick one "✓")	Apartment <input type="checkbox"/> Bungalow <input type="checkbox"/> Quandrangle courtyard <input type="checkbox"/> Villa <input type="checkbox"/> Condomium Villa <input type="checkbox"/> Low-rise house <input type="checkbox"/> Other [Please specify] _____
57) What is your education level? (Please tick the highest level attained)	Primary School <input type="checkbox"/> Junior High School <input type="checkbox"/> Senior High School <input type="checkbox"/> 3-year college <input type="checkbox"/> 4-year college/Bachelor's degree <input type="checkbox"/> Master's degree <input type="checkbox"/> Doctoral degree <input type="checkbox"/> Other [Please specify] _____
58) Do you/family own a car? (Please tick one)	Yes <input type="checkbox"/> Car Brand Name _____ (Can be more than one) No <input type="checkbox"/>
59) Do you have children studying overseas? (including Hong Kong and Macau) (Please tick one)	Yes <input type="checkbox"/> Location _____ No/I don't have children <input type="checkbox"/>
60) Have you taken a holiday trip outside of China in the past 2 years?	Yes <input type="checkbox"/> Location(s) _____ (Can be more than one)

Explain the differences to the participants if unclear. If you are conducting the survey at their residence, observe whether they have filled in the correct category.

	No <input type="checkbox"/>
--	-----------------------------

Thank you very much for your valuable time. You have  
completed the questionnaire.

~ End of Survey ~

Record contact information on the consent form  
(INVESTIGATOR's COPY). DO not include any personal  
information (e.g. email, telephone number, name cards) on  
the survey to ensure confidentiality of the responses.



## Appendix H – Demographic and banking background information of the participants

### Demographics

**Table 1 - Occupation**

Occupations	Frequency	Percent	Cumulative Percent
Accounting and Finance	76	17.7	17.7
Administration	38	8.9	26.6
Advertising and Media	22	5.1	31.7
Cultural and Arts	1	.2	31.9
Entrepreneur	35	8.2	40.1
Business Consulting	8	1.9	42.0
Civil Servant	60	14.0	55.9
Education	36	8.4	64.3
Construction and Engineering	9	2.1	66.4
Design	5	1.2	67.6
Medical	17	4.0	71.6
E-Commerce	1	.2	72.0
Logistics	2	.5	72.5
Trading	9	2.1	74.6
Customer Service	2	.5	75.1
Housewife	2	.5	75.5
Human Resources	5	1.2	76.7
IT	9	2.1	78.8
Legal	3	.7	79.5
Manufacturing	3	.7	80.2
Sales	16	3.7	83.9
Retired	20	4.7	88.6
Others	25	5.8	94.4
Not specified	25	5.8	100.0
Total	429	100.0	

**Table 2 – City of Residence**

Cities	Frequencies	Percent	Cumulative Percent
Bazhong	14	3.3	3.3
Beijing	12	2.8	6.1
Chengde	13	3.0	9.1
Changsha	2	.5	9.6
Chengdu	12	2.8	12.4
Chongqing	2	.5	12.8
Foshan	2	.5	13.3
Fuzhou	20	4.7	17.9
Guangzhou	75	17.5	35.6
Hangzhou	21	4.9	40.3
Huaian	2	.5	40.8
Huzhou	1	.2	41.0
Jinan	3	.7	41.7
Jinhua	1	.2	42.0
Kunming	1	.2	42.2
Lanxi	1	.2	42.4
Leping	1	.2	42.7
Luzhou	15	3.4	46.2
Miluo	16	3.7	49.9
Nanchang	2	.5	50.3
Nante	1	.2	50.6
Ningbo	20	4.7	55.2
Qingdao	5	1.2	56.4
Qingyang	1	.2	56.6
Shanghai	57	13.3	69.9
Shaoguan	1	.2	70.2
Shenzhen	54	12.6	82.8
Suzhou	6	1.4	84.1
Tai'an	5	1.2	85.3
Taiyuan	8	1.9	87.2
Tangshan	20	4.7	91.8
Tianjin	4	.9	92.8
Urumqi	1	.2	93.0
Wuxi	1	.2	93.2
Xuzhou	9	2.1	95.3
Yancheng	1	.2	95.6
Zhanjiang	1	.2	95.8
Zhongshan	6	1.4	97.2

Zuhai	12	2.8	100.0
Total	429	100.0	

**Table 3 – Housing Type**

	Frequency	Percent	Cumulative Percent
Apartment	311	72.5	72.5
Bungalow	27	6.3	78.8
Quadrangle courtyard	1	.2	79.0
Villa	26	6.1	85.1
Condomium Villa	18	4.2	89.3
Low-rise house	22	5.1	94.4
Others	24	5.6	100.0
Total	429	100.0	

**Table 4 – Car Ownership**

	Frequency	Percent	Cumulative Percent
Car owner	314	73.2	73.2
Non-car owner	112	26.1	99.3
Not specified	3	.7	100.0
Total	429	100.0	

**Table 5 – Overseas Vacation**

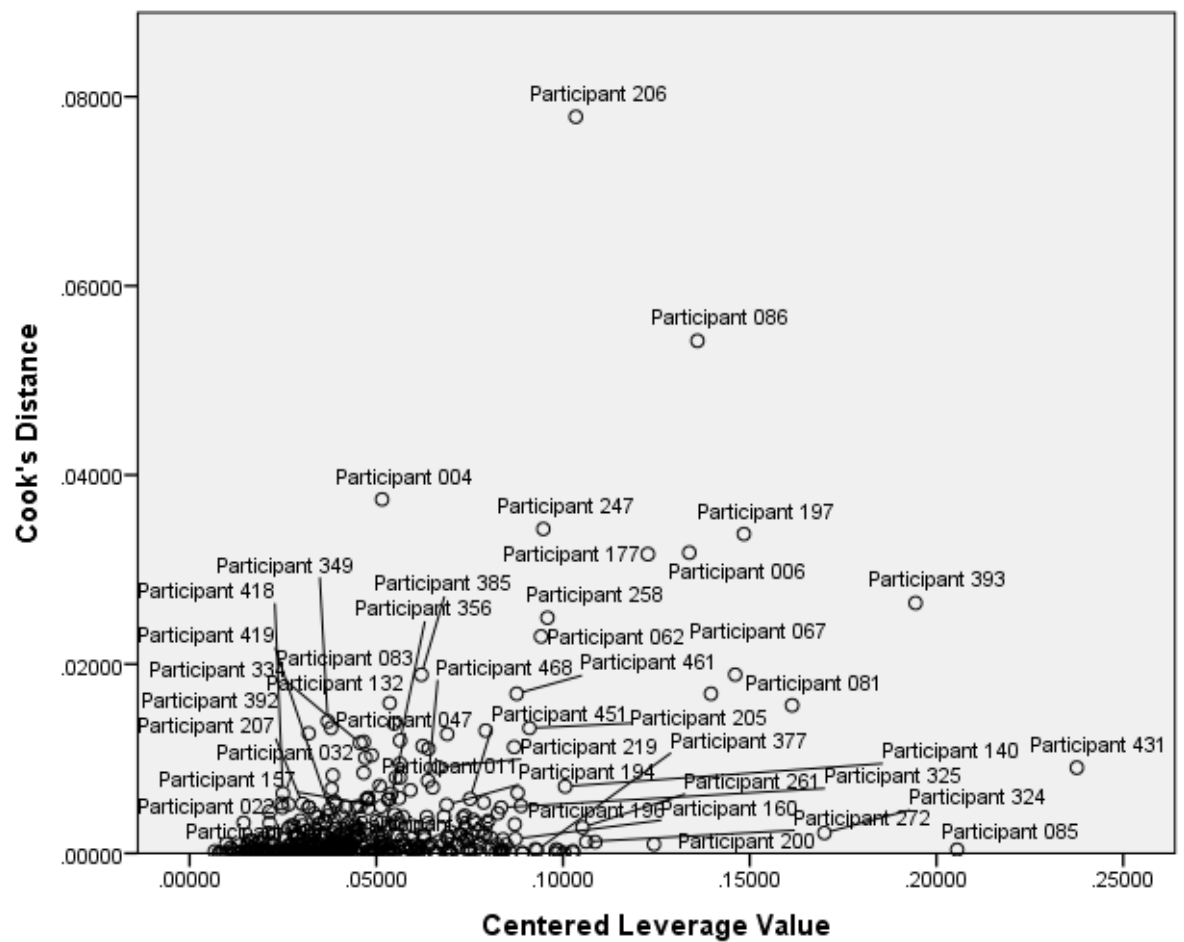
	Frequency	Percent	Cumulative Percent
Yes	220	51.3	51.3
No	205	47.8	99.1
Not specified	4	.9	100.0
Total	429	100.0	

**Table 6 – Children studying overseas**

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	86	20.0	20.0	20.0
No	235	54.8	54.8	74.8

No children	104	24.2	24.2	99.1
Unsepcified	4	.9	.9	100.0
Total	429	100.0	100.0	

## Appendix I - Cook's distance



## Appendix J- Correlations Table and Descriptive Statistics

Correlations													
	AI	RQ	GQ	XR	IG	CT	STBI	LTBI	AAB	WOM	Gender	Marital status	Age
AI	1												
RQ	.721**	1											
GQ	.631**	.735**	1										
XR	.209**	.297**	.247**	1									
IG	.503**	.536**	.575**	.299**	1								
CT	.362**	.379**	.412**	.342**	.325**	1							
STBI	.191**	.164**	.248**	.211**	.224**	.277**	1						
LTBI	.248**	.209**	.312**	.234**	.346**	.296**	.513**	1					
AAB	.417**	.404**	.463**	.324**	.382**	.412**	.392**	.422**	1				
WOM	.357**	.388**	.445**	.316**	.395**	.338**	.451**	.445**	.724**	1			
Gender	-.031	-.026	-.010	-.039	-.039	-.062	.104*	.011	-.013	.039	1		
Marital status	-.015	-.079	-.052	.003	-.095*	-.059	-.119*	-.117*	-.036	-.113*	.056	1	
Age	-.060	-.116*	-.037	-.006	-.045	-.040	-.091	-.095*	-.071	-.118*	-.005	.544**	1
Mean	3.681	3.830	3.939	4.647	3.120	4.664	4.911	4.276	5.022	4.708	1.550	1.760	2.340
SD	1.371	1.311	1.190	.973	1.346	1.111	1.147	.901	1.005	1.123	.499	.594	1.210

\* Correlation is significant at the 0.05 level (2-tailed).

\*\*Correlation is significant at the 0.01 level (2-tailed)

## Appendix K - Multicollinearity – Variance Inflation Factor and Tolerance Values

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
GQTZ1	.365	2.740
GQTZ2	.448	2.234
GQTZ3	.439	2.278
GQTZ4	.362	2.764
RQ1	.342	2.923
RQ2	.288	3.470
RQ3	.330	3.030
RQ4	.365	2.738
GQ1	.389	2.569
GQ2	.619	1.616
GQ3	.402	2.491
GQ4	.427	2.343
XR1_R	.678	1.474
XR2_R	.711	1.406
XR3	.517	1.936
CT1	.654	1.529
CT2	.574	1.742
CT3	.499	2.006
IG1	.319	3.134
IG2	.266	3.759
IG3	.293	3.417
A1	.337	2.970
A2	.203	4.916
A3	.230	4.339
A4	.493	2.029

## Appendix L - Standardized Residual Covariances

	Marital	Age	Gender	IG	GQ	RQ	XR	LTBI	STBI	WOM
Marital	.000									
Age	.000	.000								
Gender	.000	.000	.000							
IG	-1.968	-.928	-.816	.000						
GQ	-1.085	-.149	-.268	-.225	-.006					
RQ	-1.625	-1.845	-.583	.298	.170	-.005				
XR	.059	.159	-.837	.491	-.004	-.827	-.001			
LTBI	-.504	-.268	-1.154	1.141	.557	-.854	2.085	.052		
STBI	-.614	-.255	.818	-1.044	-.491	-1.569	1.709	.062	.048	
WOM	-.768	-.361	-.319	.091	-.272	-.369	2.052	-.149	.319	.054

IG = Ingroup identification, GQ = Ganqing, RQ = Renqing, XR = Xinren, LTBI = Long term behavioral intent, STBI = Short term behavioral intent, WOM = Word-of-mouth



