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Relationship Marketing and Customer Loyalty in Ghana's Informal Economy: Does Customer Perceived Value Matter?

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ABSTRACT

In this study, we seek to understand the role of relationship marketing in achieving customer loyalty in Ghana's informal economy. The study further investigated the role of customer perceived value as a pass-through mechanism for the relationship between relationship marketing and customer loyalty. We collected primary data from 229 customers of informal economy operators in Accra. The data was then analyzed using structural equation modeling utilizing the STATA 15 Package. Our findings indicate that commitment is the only fundamental relationship marketing factor investigated that has a direct influence on customer loyalty in the informal business context. Trust and conflict handling on the other hand benefit significantly from the presence of customer perceived value whereas communication seems to have negligible effects. Consequently, scholars and marketing practitioners seeking to deploy the relationship marketing concept in the informal economy need to be aware of these contextual interplays and how they shape further discussions of the relationship marketing theory.

KEYWORDS

Relationship marketing; informal economy; customer loyalty; customer-perceived value

1. Introduction

Relationship marketing (RM) in the service milieu is described as the activities of businesses in attracting, keeping up, and improving customer relationships (Berry, 1983). The RM concept which is conceptualized as businesses creating and maintaining noncommercial relationships, has been argued as a means of achieving competitive advantage in the marketplace (Narteh, Agbemabiese, Kodua, & Braimah, 2013; Roberts-Lombard, 2009). The basis of the argument has been that if businesses can gain trust, commitment, communication lines, and handle conflicts with customers, these customers will remain loyal to them (Ndubisi, 2007). The implication of having loyal customers is that these businesses reduce the cost of acquiring new customers while benefitting from the repeat purchases from these same customers. Therefore, customer loyalty as an intangible asset can help an organization improve its revenues, and eventually, profit margins at the same time decreasing the total expenditure on customer retention efforts. Consequently, the literature on the subject has not been lacking (see Berry, 1983; Morgan & Hunt, 1994; Payne & Frow, 2017; Roberts-

Lombard, 2011). Extant literature on relationship marketing, however, has continually operationalized relationship marketing as a single causal construct (see Narteh et al., 2013; Ndubisi & Wah, 2005; Payne & Frow, 2017) even though several recent studies have identified relevant interaction variables to the existing relationships. For instance, Mahmoud, Hinson, and Adika (2018) showed that customer satisfaction mediates the relationship marketing-customer retention nexus. Amoako et al. (2019b) also proved that perceived quality mediates relationship marketing and customer brand equity. It is therefore evident that there are several avenues to further probe the relationship marketing constructs, especially with several interaction variables such as customer perceived value which is tested by this study, and even interestingly across a relatively new context.

Despite the significant advancement in the scholarship of RM, a major question remains unanswered in the literature: will the relationship marketing concept hold in the informal economy? An in-depth perusal of the RM literature confirms that its empirical testing and validation has been conducted in formal industries with very little to no informal economy considerations (see Crosby, Evans, & Cowles, 1990; Hutchinson, Lai, & Wang, 2009; Ndubisi, 2007). More so, even when the concept has been applied in a developing economy context like Ghana, with a significant informal economy, application of the concept has still been applied to businesses operating in the formal sectors of the economy. For example, the hospitality industry (Amoako, Neequaye, Kutu-Adu, Caesar, & Ofori, 2019a), the banking sector (Kyei & Narteh, 2016), and the telecommunications sector (Ofosu-Boateng, 2020) at the peril of the informal economy which constitutes over 90% of businesses in the country (Adom, 2016).

From the relationship marketing theory perspectives, this study argues that there are distinct structural differences between the formal and informal economies (Adom, 2016) and these heterogeneity effects have implications for the direct application of the theory (which has been primarily established on formal sector cases) on the informal economy. The informal economy unlike the formal sector is characterized mainly by microentrepreneurs who own-account operators are and mostly infused with intrinsic levels of deregulation (Alter Chen, 2005). It is also important to note that due to the deregulated nature of the informal economy, compliance issues are almost non-existent (Webb, Tihanyi, Ireland, & Sirmon, 2009), a basis upon which this study argues that such antecedents should influence how business-customer relationships are formed and managed in the sector. The arguments of the study are tested with primary data from 229 customers of businesses in the informal sector of Ghana. The sampled businesses were located at three open marketplaces in Accra. The findings support the claims of this study for non-hasty applications of the RM theory concepts on the informal sector. This study also conceptualizes customer perceived value to be a mediator variable to the nexus between RM and customer loyalty. We moot that in the absence of corporate compliance to consumer relationship keeping in the informal economy (Webb et al., 2009), unregulated non-transactional relations can only be sustained through perceived value (Grönroos, 2008; Ravald & Grönroos, 1996) of the parties involved. Thus, we argue that because there is under-regulation and customer fluidity in the informal economy setting, business-customer alliances are likely to be premised by expected value either created or received by the customers.

This study contributes to the empirical and theoretical literature on the application of relationship marketing and customer loyalty in the informal sector. Primarily, the study presents customer perceived value as a mediator between relationship marketing and customer loyalty as it explores the dearth of knowledge of the RM concept beyond the formal sector where it has been overly applied. This study contributes to this stream by suggesting that, for the RM concept to remain relevant in sectors such as the informal setting, the value of the relations must be established through the customers. The study also initiates future academic probing of the relationship marketing theory in several other economic delineated sectors such as informal economy. The rest of the manuscript details the literature and hypotheses development, research methods, findings, discussion, and conclusions.

2. Literature review and hypotheses development

2.1 Overview of the Ghanaian informal economy

There is a revived interest around the world in the informal economy. This is because unexpectedly the concept keeps appearing in new forms and places thus both developing and developed countries contrary to the view held by some critiques about the disappearance of the informal economy (Adom & Williams, 2012; Chen, 2012; Rogerson, 2016). Although it has been documented by scholars that the sector is inherently connected to the formal economy, it is very crucial to note that the nature and activities that occur in the two sectors differ in characteristics. According to Kay (2011), the formal economy describes economic activities that take place under the jurisdiction of state regulation. In other words, enterprises that are found operating in the formal economy do so under the restraint of the state legal framework. Hence, all businesses that operate in the formal sector are regarded as formally registered businesses that have well-established regulatory structures. On the contrary, the informal economy was used by Hart explicitly for microenterprises whose operations fall outside the realm of government supervision and taxation (Hart, 1973). Businesses in the informal economy are usually not registered, regulated, and taxed (ILO, 2002). In brief, businesses in the informal economy do not function in a formal and legal business setting, so; they are generally labeled as unregistered and unstructured.

According to history, Ghana as an emerging country has a very large informal economy (Adom & Williams, 2012; Hart, 1973), and 80% of its businesses are microenterprises owned and operated solely by individuals (Adom & Williams, 2012; Quaye & Mensah, 2017). Darbi and Knott (2016, p. 1) describe the informal economy as comprising of “small owner/manager self-employed businesses that are characterized by partial or non-compliance to business, tax and employment regulations but produce and sell legal goods and services”. However, in the context of this study informal economy refers to unregistered businesses operating outside the formal sector whose economic activities are either somewhat or entirely not regulated or taxed by the government. In Ghana, the informal economy is considered as a backbone of the economy with most of the nation’s employment emanating from the sector (Adom, 2016; Debrah, 2007). In the view of Haug (2014), the sector is broadly understood as an economic growth engine to transforming the general economy of the country. The Ghanaian informal economy is mostly dominated by activities of informal operators such as market women and

street vendors (Adom, 2016). Consequently, market strategy-related arguments in the informal economy are moot at best and hence requires more empirical works to set a theoretical basis. This study contextualizes relationship marketing in the Ghanaian informal economy to study the theory's applicability to the sector and provide empirical grounds for future studies.

2.2 Relationship marketing dimensions and customer loyalty

2.2.1 Customer loyalty

Chakiso (2015) posit that at the heart of every business is customer loyalty achievement. As a consequence, the concept of customer loyalty day-in-day-out keeps receiving an increasing consideration in the service literature, owing to its role in creating a sustainable competitive edge for service firms (El -Adly, 2019), and also the fact that from a practitioner's standpoint it is regarded to be a non-current asset owned by firms (Kandampully, Zhang, & Bilgihan, 2015). However, loyalty in the context of this study is described as a level of commitment on the part of a customer to keep repurchasing a product or service from the same service provider amidst other alternatives offerings from competitors. In this logic, firms in the informal economy need to have loyal customers because it makes financial sense not just to get new customers but likewise to device tactics to maintain old ones.

2.2.2 Trust and customer loyalty

Trust is regarded as an important underpinning of the relationship marketing concept (Narteh et al., 2013) and it is seen as a notable factor of customer loyalty (Husnain & Akhtar, 2015). Trust has been described as "the willingness of a party in a relationship to rely on the acts of another party in circumstances" (Fuller, Serva, & Baroudi, 2009, p. 384). Overall, we conceptualize that in the informal economy, a strong level of trust between a service provider and the customer, the likelihood of a long-lasting relationship between them (Martin & Sohi, 1993). In brief, trust is a vital tool that should be used by a firm to build a robust long-term marketing relationship with customers. In context, we reckon that trust maybe even more crucial in the informal setting as there are weak institutions and hence customer-service provider bonds may be even more crucial (see Amoako, Akwei, & Damoah, 2021; Amoako & Lyon, 2014). We, consequently, hypothesize that:

H1: Trust has a positive significant relationship with customer loyalty in the informal economy.

2.2.3 Commitment and customer loyalty

Extant literature on relationship marketing has identified commitment as another very significant antecedent of customer loyalty and hence is considered as a suitable construct for assessing the probability of customer loyalty and estimating future buying rate (Ndubisi, 2007). One of the utmost usual dependent variables used in buyer-supplier relationship studies is commitment (Narteh et al., 2013). Per the opinion of Morgan and Hunt (1994, p. 23), relationship commitment is defined as "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". A study carried out by Lacey and Morgan (2007) established that relational commitment has a significant influence on customers'

intentions of becoming regular customers. In another study by Ibrahim and Najjar (2008), commitment has been pointed out to be a robust antecedent of a spontaneous choice to pursue and remain in a relationship. White and Yanamandram (2007) argue that commitment plays a role in deciding client retention. Ngoma and Ntale (2019) found a significant positive relationship between commitment and customer loyalty. Ensuing this, we hypothesize that:

H2: There is a positive relationship between commitment and customer loyalty in the informal economy setting.

2.2.4 Communication and Customer Loyalty

In the context of this study, communication refers to the ability to give accurate and reliable information. In the relationship marketing viewpoint, communication means staying in contact with profitable customers, giving prompt and reliable information on service, and communicating actively if a delivery issue arises (Ndubisi, 2007). It is the responsibility of the communicator to create awareness, grow consumer liking, persuade interested buyers, and motivate them to buy (Ndubisi, 2006). Also, communication aims to notify dissatisfied clients of what the service provider is doing to fix the sources of dissatisfaction. Ngoma and Ntale (2019) found a positive correlation between communication and customer loyalty. Ndubisi (2007) states that communication as a construct of relationship marketing positively influences customer loyalty. We make a case also from the study of Amoako et al. (2019a) who establish the communication and loyalty antecedents in the hospitality industry which has several structural similarities of the informal economy. Based on the preceding argument from the relationship marketing concept, we hypothesize that:

H3: Communication has a positive significant relationship with customer loyalty in the informal economy.

2.2.5 Conflict handling and customer loyalty

The likelihood that conflict may occur between a service provider and a customer in the service delivery process as a result of service failure cannot be ignored. In the opinion of Zeithaml and Bitner (2000), failure in the service delivery process is unavoidable even not firms with the best “state of the art” systems. Therefore, in the service industry, customers will always have something to complain about (Kuada, 2014). How effectively a service provider resolves a conflict with a customer will determine whether he or she will become loyal (John & Kijboonchoo, 2015). Narteh et al. (2013) hypothesized a positive correlation between conflict handling and customer loyalty. Husnain and Akhtar (2015), claim that the approach by which a conflict is managed will either guarantee customer loyalty or customer walking away to a competitor. In a nutshell, according to the RM concept, the capability of a firm to handle conflict successfully will directly impact customer loyalty. We therefore hypothesize as follows:

H4: Conflict Handling has a positive significant relationship with customer loyalty in the informal economy.

2.3 Customer-perceived value as mediator

Perceived value has been and continues to remain an issue of concern to both consumers and service providers in the industry. It is described as the trade-off made between what consumers give to get what they have (Zeithaml, 1988). Perceived value in this study represents the ability of the customers to derive a good return on the purchase of service (value for money). It is regarded as a determinant of consumer behavior (Hutchinson et al., 2009). Although, customer perceived value has been measured using several constructs such as self-gratification, aesthetics, prestige, hedonic and quality (El-Adly, 2019), our study focuses on perceived value being the price superiority benefits derived by customers from service providers (El-Adly, 2019; Yang & Peterson, 2004). Kuo, Chang Cheng, and Lai (2013) posit that value is essentially tied to customer loyalty and that perceived value is critical in eliciting favorable responses from customers. Perceived value is a central antecedent of loyalty (Cronin Jr, Brady, & Hult, 2000). Scholars have established that relationship marketing directly influences customer loyalty (see: Akbari, Kazemi & Haddadi, 2016; Chakiso, 2015; Husnain & Akhtar, 2015; Narteh et al., 2013). However, others believe that relationship marketing usually interacts with other customer-related variables or antecedents such as customer satisfaction, perceived value, service quality, and customer trust to achieve customer loyalty (Rasheed & Abadi, 2014; Rizan, Warokka, & Listyawati, 2014). In the informal economy where relationships are seen to be conveniently available to both consumers and service providers and in the phase of a deregulated industry, perceived value is crucial to keeping actual beneficial engagements with customers. Considering, Rasheed and Abadi (2014) who found that some antecedents of relationship marketing have to be of value before actual retention, we hypothesize and test customer perceived value as a mediator to relationship marketing determinants as leading to customer loyalty in the informal economy. We hypothesize as follows:

H5a: Customer Perceived Value Mediates the relationship between trust and customer loyalty.

H5b: Customer Perceived Value Mediates the relationship between commitment and customer loyalty.

H5c: Customer Perceived Value Mediates the relationship between communication and customer loyalty.

H5d: Customer Perceived Value Mediates the relationship between conflict handling and customer loyalty.

3. Conceptual model

The conceptual framework, as illustrated in Figure 1, establishes the relatedness between the dimensions of relationship marketing, customer perceived value, and customer loyalty.

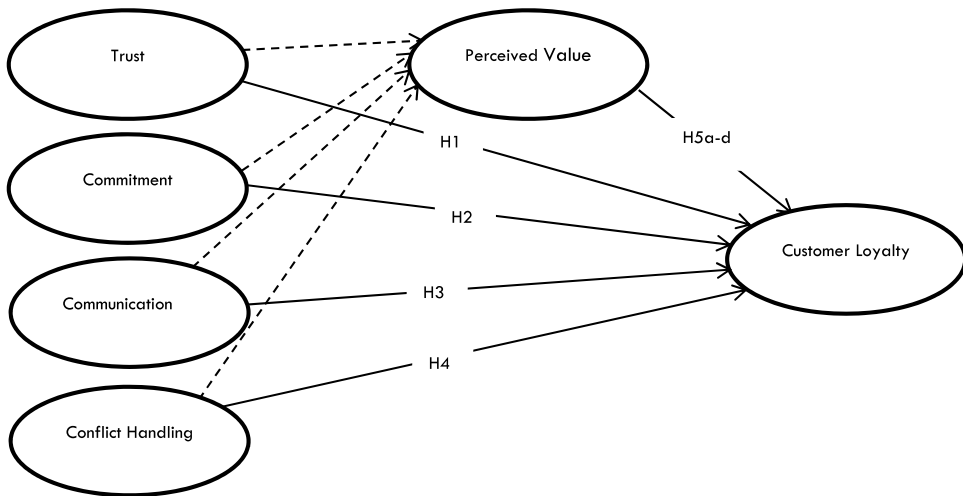


Figure 1. Conceptual Framework. Source: **Authors**

4. Materials and methods

4.1 Sample and data collection

The study adopts a positivist approach at arriving at an objective worldview of proponents and findings. A multistage methodology was used to achieve rigor. Data collection procedure was done purposively by sampling customers of informal businesses from three hotspot marketplaces in Accra, Ghana (Madina market, Kaneshie market, and Agbobbloshie market). The researchers approached subjects from the public who were purchasing from the open market and asked them questions about their previous purchases which qualified or disqualified them for the study based on their status of being repeat purchasers. Accra was selected as the study area because it is the most populous and as well the most cosmopolitan city in Ghana, housing indigenes from all over the country, and has a fair representation of the informal businesses across the country. Data were collected through self-administered questionnaires which were used to solicit information from customers of informal businesses; however, to achieve the purpose of this study, only customers who were repeating purchases were used. To minimize biases that could arise from the selected sample, information retrieved from customers of each informal service provider came from more than two respondents satisfying Podsakoff, MacKenzie, and Podsakoff (2012) standards. Out of 315 customers interacted with, 229 usable questionnaires were retrieved and used for the study. The demographic information of respondents is presented in Table 1. The distribution reveals that 47% of respondents are female and about 53% are male. The age distribution of respondents, their educational background, and repurchase experience were enquired and are presented in detail in Table 1.

Table 1. Demographic Information of Respondents.

Customer Characteristics	Measures	n	%	Cum. %
Gender	Female	107	46.72	46.72
	Male	122	53.28	100.00
Age	18–25 yrs	114	49.78	49.78
	26–35 yrs	106	46.29	96.07
	36–45 yrs	9	3.93	100.00
Education	SHS	50	21.83	21.83
	Diploma	30	13.10	34.93
	Degree	116	50.66	85.59
	Masters	32	13.97	99.56
	PhD	1	0.44	100.00
Experience	Less than 1 yr	75	32.75	32.75
	1–5 yrs	94	41.05	73.80
	6–10 yrs	47	20.52	94.32
	11–15 yrs	11	4.80	99.13
	16–20 yrs	2	0.87	100.00

n = 229

4.2 Instrument development and model fitness

The questionnaire used for the study was divided into two sections; the first section collected the respondent's demographic information and the second section collected data on variables of interest for the study. The questions in section 2 were designed on a 5-point Likert scale ranging from 5 (strongly agree) to 1 (strongly disagree). The constructs of the structured questionnaire used for data retrieval were adopted from relationship marketing, perceived value, and loyalty literature. The items for commitment, trust, and customer loyalty were adopted from the study of Nyadzayo and Khajehzadeh (2016), items for communication and conflict handling were adapted from Narteh et al. (2013), and items for customer perceived value were adopted from Yang and Peterson (2004). The items chosen as scales from the literature were refined using scale generation processes and techniques in the literature to suit this study. Table 2 below shows the descriptive statistics of the constructs used in the study.

In that regard, to annul issues of reliability of data, confirmatory factor analysis was carried out to ensure that chosen items were double-checked and strong enough to represent our variables for the study. Cronbach alpha and composite reliability estimates were used as basis for the reliability tests of the study and were estimated via structural equation modeling (Hair Jr, Sarstedt, Matthews, & Ringle, 2016). Validity was ensured in this study through the use of convergent and discriminant validity tests (Rezaei, 2015). For the convergent validity test, the Average Variance Extracted (AVE) coupled with factor loadings were employed (Rezaei, 2015) whereas the employment of Construct Correlations and cross-loading tests were used for discriminant validity testing. A structural equation modeling (SEM) technique through STATA 15 was then used to evaluate the hypotheses postulated by the study. The SEM approach was adopted because it ensures rigorous estimates by allowing the control of errors in the sample (Bagozzi & Yi, 2012; Byrne, 1998).

Table 2. Descriptive Statistics.

Variable		Obs.	Mean	SD
My service provider is trustworthy	T1	228	3.272	1.048
My service provider is always honest and truthful to customers	T2	228	3.189	.995
My service provider has high integrity	T3	228	3.382	.975
I have great confidence in my service provider	T4	228	3.373	1.031
Overall, my service provider can be trusted completely	T5	227	3.163	1.066
I am extremely committed to the relationship with my service provider	C1	228	3.425	1.074
My relationship with my service provider is extremely imperative to me	C2	228	3.522	1.159
My service provider gives me information even in non-working hours	COM1	227	3.264	1.183
My service provider provides me with accurate information	COM2	228	3.39	.99
My service provider discusses new ways of improving services	COM3	229	3.306	1.069
My service provider solves manifest conflicts with service	CH1	227	3.291	.947
My service provider solves problems promptly	CH2	228	3.298	1.019
In comparison to other service providers, my service provider has a more affordable product/service pricing	CPV1	227	3.515	1.057
My service provider charges me fairly for similar services compared to alternative service providers	CPV2	227	3.432	1.108
When I compare what I pay to what I am likely to get from other competitive service providers, I believe my service provider offers me better value	CPV3	226	3.46	1.108
I see myself as highly loyal to my service provider	CL1	224	3.46	1.083
I will recommend my service provider to friends	CL2	226	3.544	1.079
I have encouraged other people to do business with my service provider	CL3	226	3.606	1.151
My service provider is my first choice	CL4	225	3.48	1.094
I plan to keep doing business with my current service provider	CL5	228	3.456	1.243

5. Results

5.1 Reliability and validity

The internal consistency of measurement variables was assessed through construct reliability methods as prescribed by Fornell and Larcker (1981). Confirmatory factor analysis (CFA) was used to ensure the measurement models validity (Hair, Celsi, Ortinau, & Bush, 2010). Model fitness was achieved through six components that were retained from analysis with construct loadings between. 709 and. 939 (See Table 3) which are acceptable according to Hair et al. (2010) threshold values equal to or above. 70. Cronbach's alpha (α) estimates were used for the test of internal consistencies of the items (Fornell & Larcker, 1981). Nunnally's (1978), alpha value threshold of 0.7 was met as values were between. 794 and. 913. Composite reliability (CR) and average variance extracted (AVE) values are computed to check for convergence and discriminant validities. According to Hair et al. (2010), the CR values should not be less than 0.6 to be suitable and AVE should be preferably not less than 0.50 (Hair et al., 2010). CR values obtained are between. 7 and. 9 whereas AVE values are between. 6 and. 7. The above standards, therefore, justify the items used in this study and hence meeting the criteria for α , CR, and AVE (See Table 3) suggested by Fornell and Larcker (1981). Also, following suggestions by Anderson and Gerbing (1988) in SEM analysis, other validity indicators; RMSEA = 0.051, CFI = 0.960; NFI = 0.930 and $pclose = 0.000$, were suitable for the study.

Table 3. Confirmatory Factor Analysis and Convergent Validity Analysis.

Variables	Factor Loadings	AVE	CR	α
Trust		0.638	0.896	0.913
T1	0.939			
T2	0.902			
T3	0.660			
T4	0.685			
T5	0.768			
Commitment		0.671	0.798	0.836
C1	0.664			
C2	0.949			
Communication		0.658	0.851	0.824
COM1	0.810			
COM2	0.710			
COM3	0.902			
Conflict Handling		0.609	0.756	0.794
CH1	0.846			
CH2	0.709			
Customer Perceived Value		0.661	0.853	0.841
CPV1	0.717			
CPV2	0.879			
CPV3	0.835			
Customer Loyalty		0.716	0.926	0.900
CL1	0.819			
CL2	0.832			
CL3	0.877			
CL4	0.836			
CL5	0.864			

KMO = 0.934

Table 4. Direct Effects Estimates.

Structural Model	β Estimates	SE	P-Value
CPV <- Trust	0.471	0.106	0.000
CPV <- Commitment	0.186	0.085	0.029
CPV <- Communication	0.039	0.087	0.655
CPV <- Conflict Handling	0.371	0.103	0.000
CL <- CPV	0.829	0.109	0.000
CL <- Trust	-0.087	0.091	0.341
CL <- Commitment	0.333	0.066	0.000
CL <- Communication	0.090	0.066	0.171
CL <- Conflict Handling	-0.103	0.079	0.195

RMSEA = 0.051; CFI = 0.960; NFI = 0.930

5.2 Model estimations

The direct effect estimates as presented in Table 4 and illustrated in Figure 1 are the results estimated for the proposed hypotheses of the study and represent the findings of the study. There was overall model fit as SEM model indices indicated robust estimates (RMSEA = 0.051, CFI = 0.960; NFI = 0.930). Considering the first hypothesis; Trust has a positive significant relationship with customer loyalty in the informal economy. The structural model revealed that there was a negative insignificant relationship between trust and customer loyalty in the informal setting ($\beta = 0.087$, p-value = 0.341). However, there was a significant positive relationship between trust and customer perceived value ($\beta = 0.471$, p-value = 0.000). The second hypothesis stated that commitment to customers has a positive significant relationship with customer loyalty. The relationship between commitment and customer loyalty was significant and positive according to the

Table 5. Indirect Effects Estimates.

Variable	β Estimates	SE	P-Value
CL <- CPV <- Trust	0.390	0.103	0.000
CL <- CPV <- Commitment	0.155	0.070	0.028
CL <- CPV <- Communication	0.032	0.072	0.655
CL <- CPV <- Conflict Handling	0.371	0.093	0.001

structural model ($\beta = 0.471$, p -value = 0.000). There was also a significant direct relationship between commitment and customer perceived value, ($\beta = 0.186$, p -value = 0.029), although not as strong as the latter and customer loyalty. The structural relationship between communication and customer loyalty and that of conflict handling and customer loyalty as hypothesized in H3 and H4 were both not significant ($\beta = 0.090$, p -value = 0.171; $\beta = 0.103$, p -value = 0.195) respectively. However, the relationship between conflict handling and customer perceived value was significant and positive ($\beta = 0.371$, p -value = 0.000).

Considering the informal economy and its various characteristics (Charmes, 2019) and the role that customer perceived value plays in the linkages between relationship marketing and customer retention (Rasheed & Abadi, 2014), we examined the indirect effects of the relationship marketing constructs and customer retention through customer perceived value. Essentially what we are saying is, in the informal economy where there are already closely knit relational bonds, relationship marketing may not be that crucial unless the customer perceives some economic value in the relationship kept with the service provider. Results from Table 5 test these relationships. In testing hypothesis 5a; Customer perceived value positively mediates the relationship between trust and customer loyalty, the study found that to be significant ($\beta = 0.390$, p -value = 0.000). This result indicates a full mediation of trust and loyalty by perceived value because there were no effects found in the direct relationship in Table 4. In hypothesis 5b where we test customer perceived value mediating the relationship between commitment to customers and loyalty, we find a partial positive mediating effect in the relationship ($\beta = 0.155$, p -value = 0.028). Customer perceived value fully mediates the relationship between conflict handling and customer loyalty as hypothesized in H5d ($\beta = 0.371$, p -value = 0.001). Communication was not significant throughout the model. This perhaps could mean that customers place less value on communication to form relationships between themselves and enterprises in the informal economy because communal interactions already form the core of the characteristics of the businesses in this sector. Find the structural model as illustrated in Figure 2 above.

6. Discussion

This study seeks to understand the bond between RM and customer loyalty in Ghana's informal economy. The study also further explored the mediating influence of customer perceived value on the above relationship. The study is particularly important for both academics and practitioners because since the 1980s when probing of relationship marketing started and gained prominence, there has been little application of the concept outside the formal sector context. The expansion of several bottom of the pyramid (BOP) industries such as the informal economy have arisen academic interests to expand

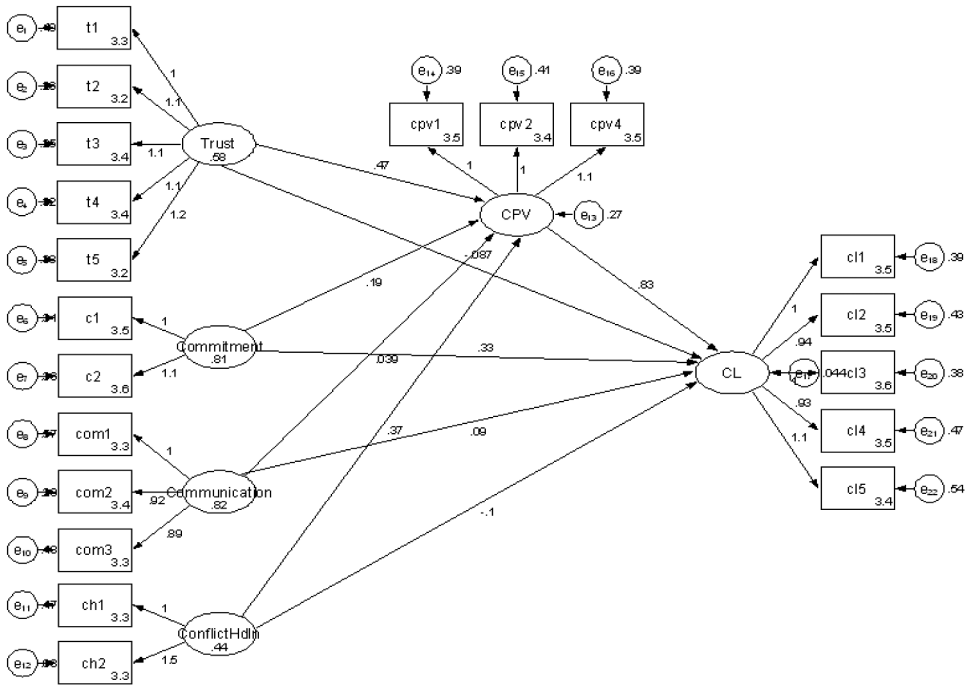


Figure 2. Structural Model.

concepts such RM into these economic distinct markets. This study thus collected data from 229 customers of the informal sector operators to validate our arguments. In this section, we discuss the findings of the study and its implications for both practitioners and academics. We will also present caveats for the implication of our findings.

We initially, hypothesized that customer trust, commitment, communication, and conflict handling will have a positive effect on customer loyalty in line with relationship marketing theory. However, we find that only customer commitment has a positive and significant effect on customer loyalty. We reason that this could be due to customers having faith in the ongoing relationship with businesses and their unwillingness to change the same (Morgan & Hunt, 1994; Ndubusi, 2007). From the conceptualized standpoint of this study, commitment is a significant marker of future buying irrespective of the type of economy of either formal or informal. We however propose that further academic probing should be undertaken to explore the reasons for which trust, communication and conflict handling do not have significant effects on customer loyalty in the informal economy.

Due to the differences between the formal and informal economy and our suspicions that the relationship marketing concept may falter in the informal economy, we further argued that customer perceived value was needed to make the concept work (Rasheed & Abadi, 2014; Rizan et al., 2014) in the informal economy. We find support for this reasoning after our analysis as trust and conflict handling that did not have a direct bond with customer loyalty are found to have a mediated relationship with customer perceived value and customer loyalty. Consequently, commitment has a partially mediated

relationship with customer loyalty while trust and conflict handling have a fully mediated relationship. In the case of trust, we opine that, if customers believe businesses have their interest at heart (Fuller et al., 2009) they are most likely to work to derive an expected value that will consequently engender the customers' loyalty. We also assume that in highly communal and fluid setting like that of the informal sector, customers are willing to tradeoff trust with loyalty only at the minimum costs to them. When we consider conflict handling, we reason based on literature that, customers are usually offended by the procedural injustices meted out by businesses when they transact with them. Hence, when businesses attempt to resolve complaints perceived value is enhanced which in turn influences loyalty (Hinson, Mohammed, & Mensah, 2006). These assertions are also useful to the informal economy where customer can switch at any time because there are so many options available to them. Based on the findings, we assume that customers will appreciate and remain loyal to businesses who attempt to handle conflicts only when they value the relationships, i.e. assign low-cost considerations to the relational effort.

6.1 Practical implications

For practitioners, we suggest that while relationship marketing has gained significant prominence in formal economy settings, caution is needed when it is applied in informal economies. From the study, commitment is the only variable that can be applied directly from the formal settings into informal sector RM. Trust and conflict handling will require the presence of customer perceived value to enable businesses to gain the loyalty of customers. Communication is not useful under both conditions. The implication for stakeholders in the informal economy is that they should be mindful of the resources they commit to communicating with their customers. These resource deployments may be annulled because customers in informal settings do not regard communication as determining loyalty. It is also important for stakeholders to know that customer perceived value is significant to the relationship of trust, commitment, and conflict handling leading to loyalty. Meaning that there should be an enhanced effort to ensure that strategies put in place to ensure trust, commitment, and to resolve conflicts with customers are of some value to the customer. However, this value may be considered more important in trust and conflict handling strategies than in commitment strategies. Because the findings show that trust and commitment are fully mediated by customer perceived value and do not in themselves lead to customer loyalty.

6.2 Theoretical implications

The study findings offer some implications for academics and present a significant contribution to the relationship marketing theory. The study tests the RM concept within a relatively novel informal economy context and with interactions with customer perceived value. The findings of the study demonstrate that the informal economy settings present some diversifying views on the relationship marketing theory findings. We proffer that the relationship marketing theory has a limited application in informal markets as most of the constructs have been found to be insignificant in the context except commitment. The study confirms earlier findings that commitment as a construct of relationship marketing leads to customer loyalty (Narteh et al., 2013; Payne & Frow,

2017). We further present new evidence that customer perceived value is crucial and serves as a mediator for trust, commitment, and conflict handling in their determination of customer loyalty in the informal sector. This contribution is in line with Segarra-Moliner and Moliner-Tena's (2016) assertion that customer value creation is a primary element constituting the basis for any competitive strategy. The study despite confirming commitment as leading to customer loyalty in the informal economy also digresses from established causal relationships in the relationship marketing literature. For instance, communication, trust, and conflict handling which hitherto had been found to lead to retention (Hinson et al., 2006; Narteh et al., 2013) show no direct causal effects toward loyalty in this study. Considering that the measurement scales available for the constructs in the relationship marketing theory (i.e. trust, communication, and conflict handling) sparingly confirm precedents in the extant literature as applied to the informal economy in this study, there are some implied limitations to the application of the theory beyond the formal sector. Consequently, the relationship marketing theory requires amendment when discussed and applied within the informal economy.

6.3 Limitations and conclusion

We conclude that relationship marketing offers limited hope for the achievement of customer loyalty in informal economy contexts. Consequently, the application of the concept in informal economies requires the consideration of the role of perceived value. While our findings are of robust sampling and analytical considerations, some caveats need to be borne in mind when applying the findings. First, the study is limited to the informal economy of Ghana and as such ample contextual considerations should be made before generalizing. It may be possible that our findings are sensitive to economic geography. The study, therefore, encourages other scholars to test our assumptions and conceptualizations in other geographical and economic contexts.

Disclosure statement

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