

RELATIONSHIP QUALITY AND CONTINUOUS EDUCATION: A STUDY OF FEE-PAYING STUDENTS IN HONG KONG

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ABSTRACT

This paper examines the importance of relationship quality in the continuing education sector of Hong Kong. It examines how perceived relationship quality impacts students' intentions to satisfy their educational needs through its current education provider now and in the future.

The relationship between student perceived quality of education and student loyalty to the higher education institution is examined, extended to the relative contributions of service quality, trust and commitment to student loyalty. The potential benefit for higher education institutions in Hong Kong from the development and implementation of relational marketing strategies to foster student loyalty is substantiated.

INTRODUCTION

Since its emergence in the late 1990s, lifelong learning (or continuous education) has been singled out for its importance by both Government and business, given the realisation that rapid environmental change occurs globally, pervading regional and national boundaries, and has an impact on organisations' ability to remain competitive (Knapper and Cropley, 2000). Lifelong learning involves '*...the development of human potential through a continuous supportive process which stimulates and empowers individuals to acquire all the knowledge, values, skills and understanding they will require through their lifetimes and to apply them with confidence, creativity and enjoyment in all roles, circumstances, and environments.*' (Merrill 1997, p.102). Although public funding of Universities has been cut in many countries, as in the case of Australia and Hong Kong (PRC), lifelong learning is considered a key priority for governments in many developed countries due to the contribution that a well educated population can make for generating economic growth and development, creating employment, social integration and enhancing quality of life (Schuetze and Slowey, 2001). For business, lifelong learning is now an important characteristic of today's environment, with organizations expecting their staff to continuously build skills to meet the new challenges of the knowledge-based economy. Consequently, more individuals are learning through the course of their lives, either through registered courses for career development or through other means of learning (Watson, 1998).

From the perspective of higher education providers, conventional university study is often associated with government subsidized placements. In contrast, continuing (potentially lifelong) learners return to education to upgrade their skills and are likely to be fee-paying students. Hence, the provision of continuing education is a potentially attractive source of funding for higher education providers in markets experiencing public funding cuts (Ng and Young, 2000). Expectations that the continuing education market will grow throughout the 21st Century (Shen *et al*, 2000) may explain the current rapid growth of the higher education sector in many developed countries to become an industry of its own (Business Week, 1999).

Marketing opportunities ensuing from continuing education needs heighten competition between education providers. Their quest is to establish, develop and enhance long term relationships with lifelong learners from as early as the time of their conventional studies to the twilight of their learning lives. In addition to cost efficiency benefits derived from lower marketing costs, to the direct fee income earned from students that keep returning to 'their' preferred education provider and to the advantages of a strong competitive position (Palmer, 2002), providers may be able to attract new fee-paying students through word-of-mouth referrals, to charge possible premium fees and to attract sponsorship funding from alumni graduates (Shen *et al* 2000).

Targeting of continuing learners using transactional marketing approaches is burdened with difficulty. A major problem is their focus on customer attraction (Kandampully and Duddy, 1999), inappropriate for a

lifelong learners' market where attraction needs to be augmented with customer retention. Hence, rather than focusing on discrete transactions, such as a particular course or program of study, providers may need to focus on each transaction as a precursor for the next one. Ultimately, it is the set of all transactions that matters, checked at each transaction by the achievement of customer satisfaction in the previous one, that is, by the achievement of the conditions for a successful and enduring relationship. Satisfied students may choose to retain the same provider for their future education needs. This is beneficial for the provider.

Education providers need to deliver consumer satisfaction, through quality interactions that instigate student retention. Faced with intense competition, providers need to be perceived as the best by learners throughout their life. Thus marketing strategy needs to be effective and efficient in attracting and retaining students, and to do so in a fashion of enhanced relationship maintenance. These are characteristics of relationship marketing (RM), which involves '*... to identify and establish, maintain and enhance, and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and ... this is done by a mutual exchange and fulfillment of promises.*' (Gronroos, 1997, p. 323). Clearly, the RM literature supports the potential importance of relational strategies in attracting and retaining lifetime learners (Lindgreen, 2001; Rao and Perry, 2002; Ryal and Payne, 2001; Veloutsou *et al*, 2002).

THE IMPORTANCE OF RELATIONSHIP QUALITY

RM research supports the importance of relationship quality in building relationships (Crosby, Evans and Cowles, 1990; Hennig-Thurau and Hansen, 2000; Storbacka *et al*, 1994). Relationship quality is viewed as an enabler for higher levels of customer retention (Hennig-Thurau and Klee, 1997; Hennig-Thurau, Gwinner and Gremler, 2002), justifying the development of a variety of conceptual models with many different components. However, the key dimensions of relationship quality have held their focus around perceived service quality, trust and commitment (Dorsch, Swanson and Kelly, 1998; Smith, 1998). Perceived service quality is viewed as fundamental for achieving customer satisfaction (Bolton, 1998; Parasuraman, Zeithaml and Berry, 1988; Ravald and Gronroos, 1996; Rust and Oliver, 1994), but trust and commitment are deemed equally important (Dwyer, Schurr and Oh, 1987; Morgan and Hunt, 1994; Sheth, 2002) as well as crucial in the development of the relationship (Hennig-Thurau, Langer and Hansen, 2001). Trust is required to support customers' expectation that a provider will deliver as promised, building up commitment to further future exchanges (Sharma and Patterson, 2000), key for a relationship to be successful (Berry and Parasuraman, 1991). Commitment enables customers to emotionally bond with the provider and bonding involves exit barriers that tie customers to providers (Gronroos, 2001). This benefits providers that invest in RM by fostering loyalty through customer retention strategies (Garbarino and Johnson, 1999).

In higher education, providers are responsible for the on-going design and delivery of courses that can meet the needs of society in general and of distinct learning segments in particular (Davies, 1998). Lifelong learners gain life and work experience and know what they want (Bejou, 2005). They may require flexibility in the mode in which they study (such as distance, online or work-based learning) as well as different degrees of support services from their education provider (such as counselling, library access and accommodation services). Bounded by the necessary standards for good quality education, market orientation focused on the provision of the quality education attributes demanded by lifelong learners is both the implicit provider promise and the learner expectation.

LIFELONG LEARNING IN HONG KONG

The Hong Kong government is building a knowledge-based society for competing with neighbouring cities and countries. It has pledged to become the regional Education Hub of Asia before 2010 (Li, 2005), as a first step in the development of lifelong learning (HK Government Policy Address, 2000). As a key government policy to promote continuous education, it created a fund of HK\$5 billion for its population. This caused the higher education sector to expand significantly to serve traditional learners (*alias* school leavers), as well as non-traditional learners, often referred to as adult or mature learners (Knapper and Copley, 2000; Schuetze and Slowey, 2001). Faced with a demand for better work performance or by the desire for career advancement, mature learners return to education as part-time or full-time students, whether self-funded or

employer subsidized. Thus the number of Hong Kong people studying on a continuous basis to upgrade themselves by taking short courses, sub-degree and degree programmes has increased substantially.

The expanded market created market entry opportunities for new providers, intensifying competition. Self-funded institutions and private organizations opened community colleges, increasing the number of sub-degree places by introducing associate degree and higher diploma programmes. As a result, the number of institutions providing programmes for the continuous education market, increased from about 500 providers in 1999 to over 900 providers in 2005 (Education Manpower Bureau, n.d.).

Given the sustainability challenge facing the higher education sector, Hong Kong institutions set to explore the opportunity of a growing continuing education market as an income source alternative to public funding (Ng and Young, 2000). This is not without challenge because these institutions need to develop a business model that can successfully meet the needs of a market segment considerably different from the traditional learners segment. Non-traditional, lifetime learners pay for their fees, are older and probably more mature and knowledgeable about their needs. Understanding their expectations is crucial for providers to deliver courses that meet their needs in ways that foster satisfaction, promoting their retention for the long term. With intense market competition, providers also need to differentiate themselves through effective RM strategies. Relationship quality might be the key to competitive advantage in the continuing education market. This is the focus of the present study.

PURPOSE AND THEORETICAL FRAMEWORK

There is scant research examining the application of RM to the provision of education, apart from a study of fee-subsidized undergraduate students in Germany which found a positive link between the implementation of RM strategies and student loyalty to the institution (Hennig-Thurau *et al.* 2001). Perceived service quality was found to have the strongest impact on loyalty, followed by emotional commitment to the university. Trust had only a small effect on student loyalty.

This research examines the importance of relationship quality in the continuing education sector of Hong Kong. It examines how perceived relationship quality impacts students' intentions to satisfy their future educational needs through its current education provider. The study recognizes perceived service quality, trust and commitment as fundamental dimensions to relationship building and maintenance, hence important for relationship quality (Dorsch *et al.*, 1998; Hennig-Thurau and Hansen, 2000; Smith, 1998), leading to the following research questions:

- RQ1 Is there a positive relationship between the students' perceived quality of education and their loyalty to the institution?
- RQ2 What is the relationship between each element of the relationship quality model (service quality, trust and commitment) and student loyalty to the institution?

The expectations disconfirmation theory conveys a measure of customer satisfaction linked to perceived quality as determined by the gap between customer expectations and performance perceptions (Berry, 1983; Gronroos, 2000). If customer expectations are met or exceeded by perceived performance, perceived quality will be positive and the customer will be satisfied. Hence customer satisfaction is directly related to perceived service quality (Parasuraman, Zeithaml and Berry, 1998; Rust and Oliver, 1994) and, arguably, positive service quality perceptions antecede customer satisfaction, which is a pre-requisite for customer retention (Hennig-Thurau *et al.*, 2001). Notwithstanding, since a relationship involves more than one single transaction, differences may arise in perceived overall relationship quality vis-à-vis the quality perceived for the transactional exchanges (Crosby, 1989). Hence, although perceived service quality for individual transactions may be an important part of relationship quality, it is insufficient as a sole indicator because each service encounter (or interaction, or exchange) has the potential to make or destroy trust and customer loyalty (Bitner, 1995).

Trust and commitment are relational dimensions advanced as key mediating variables (both antecedents and outcomes) in buyer-seller relationships (Bejou and Palmer, 1998). Trust results from perceived performance meeting promised performance, generating relationship commitment (Sharma and Patterson, 2000). Commitment derives from emotional bonds with the provider that lead to long term attachment (Garbarino and Johnson, 1999). It is key for a successful relationship to develop (Morgan and

Hunt, 1994) because 'relationships are built on the foundation of mutual commitment' (Berry and Parasuraman, 1991, p.139), provided the customer feels the relationship is important enough to be committed to (Bejou and Palmer, 1998).

The relationship quality student loyalty (RQSL) model developed by Hennig-Thurau *et al* (2001) incorporates insights from the educational literature on student loyalty and accounts for the specific nature of educational services as well as for the relationship approach of service marketing. Adapting this model for the present research allows for incremental knowledge and comparison of findings, once the respective contexts is taken into account. Depicted in figure 1, the model incorporates the core components of relationship quality (perceived service quality, trust and commitment) as antecedents of student loyalty. Perceived service quality is fundamental for building customer satisfaction, which is a precondition for customer retention.

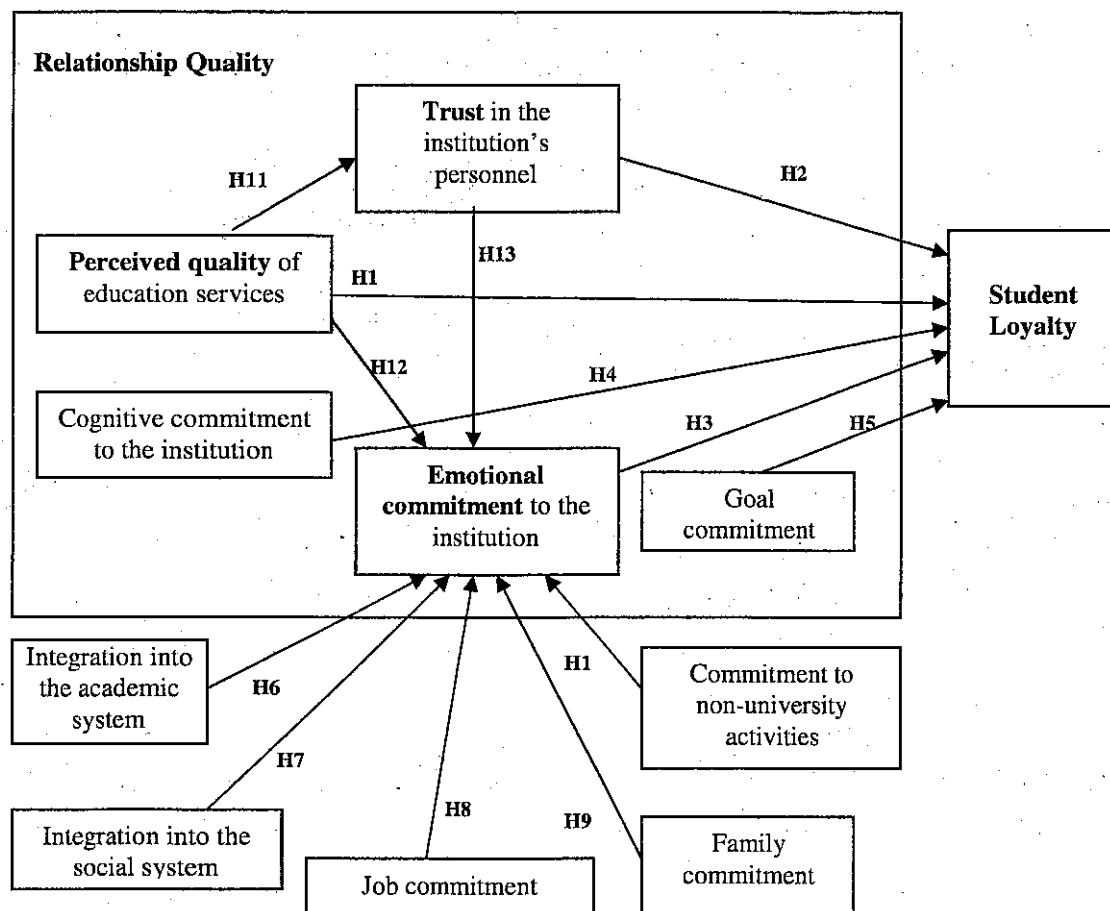


Figure 1: Relationship Quality Student Loyalty Model (RQSL). Adopted from Hennig-Thurau *et al* (2001)

The perceived service quality construct was drawn from past educational services research by Hansen *et al* (1997). Trust and commitment were included in the conceptual model for their key mediating roles in relationship development. Notably, the model incorporates Tinto's (1975; 1993) model of student drop-out behaviour and its influences on student loyalty, seeking to explain the interaction processes between students and their universities. With a focus on commitment and integration constructs, commitment is taken to directly affect student loyalty, while integration plays an indirect role in fostering commitment. Commitment accounts for students' focus on achieving their academic goal (goal commitment) and their emotional attachment to the university (institutional commitment). Goal commitment is important for education providers since it reflects how motivated students are to completing their studies and is positively related to student loyalty. Institutional commitment (to the university) involves a trade-off with students' commitment to activities involving their job, their family and other non-university activities.

Integration refers to the academic and social involvement deemed necessary to generate students' commitment towards the institution. Academic integration refers to involvement in the academic system, such as active participation in university societies and committees; social integration refers to involvement in the social system, such as relationships with other students. Both are expected to have positive impact on commitment and loyalty.

Tinto's model has been unsuccessfully applied by American universities to increase student loyalty, arguably because of its heavy emphasis on students' behavioural changes as determinants of loyalty, with little attention on the impact that services delivery may have on students' quality perceptions. Therefore, Hennig-Thurau *et al*'s (2001) study incorporated these elements into their model.

HYPOTHESES

After careful consideration and consultation with academic experts, the 13 hypotheses used in Hennig-Thurau *et al*'s (2001) study to examine traditional non-fee paying students' loyalty were deemed relevant to the study of continuing education and investigation of the two stated research questions.

The first hypothesis, stated below, relates perceived service quality and student quality (H1 in figure 1). It seeks to understand how students' perceived service quality impacts decision making regarding their future education needs and the generation of positive word of mouth communication (hence the institution's ability to attract lifelong students). Positive service quality perceptions are deemed to induce positive relationship quality perceptions, positive word of mouth communications and enhanced student loyalty.

- H1 The education institution's service quality, as perceived by the students, has a significant positive impact on student loyalty.

Hypothesis 2, (H2 in figure 1) addresses the level of students' trust in the institution and how this impacts student loyalty. Research indicates that trust is important in building relationship quality (Crosby *et al*, 1990; Hennig-Thurau and Klee, 1997), suggesting a direct positive impact on student loyalty.

- H2 The students' trust in the education institution has a significant positive impact on student loyalty.

Hypotheses 3 to 5 examine the commitment factors affecting student loyalty, thus important for the development of student retention strategies:

- H3 The students' emotional commitment to the education institution has a significant positive impact on student loyalty.
 H4 The students' cognitive commitment to the education institution has a significant positive impact on student loyalty.
 H5 The students' goal commitment has a significant positive impact on student loyalty.

Hypotheses 6 to 10 refer to the link between students' academic and social integration and emotional commitment. The rationale is that students are affected by many factors when it comes to their level of emotional commitment to completing their studies. Academic and social integration are two aspects of integration put forward by Tinto (1975, 1993). In addition, students' commitment to finishing their degree also depends on their commitment to their job, their family or other non-university goals. Hence, hypotheses 6 and 7 presume a positive effect on emotional commitment, while that effect is negative for hypotheses 8 to 10.

- H6 The students' integration into the academic system has a significant positive impact on emotional commitment.
 H7 The students' integration into the social system has a significant positive impact on emotional commitment.
 H8 The students' job commitment has a significant negative impact on emotional commitment.
 H9 The students' family commitment has a significant negative impact on emotional commitment.

- H10 The students' commitment to non-university activities has a significant negative impact on emotional commitment.

Hypotheses 11 and 12 relate students' perceived service quality to trust (H11) and emotional commitment (H12), respectively. Students' trust is perceived as directly related to the institution's ability to meet their expectations about promised outcomes. Positive students' perception of service quality have a positive impact on emotional commitment and on student loyalty.

- H11 The students' perception of service quality has a significant positive impact on trust.
H12 The students' perception of service quality has a significant positive impact on emotional commitment.

Finally, hypothesis 13 relates trust to emotional commitment. The expectation is that students' trust in the institution generates a positive emotional commitment, increasing student loyalty.

- H13 The students' trust in the educational institution has a significant positive impact on emotional commitment.

METHODOLOGY

The targeted population for this study is fee-paying students actively pursuing higher education studies in Hong Kong, whether part-time or full-time. Using a non-probability, convenience sampling design, all the data was collected at HKU SPACE, a leading higher education institution with the longest history of providing lifelong education in Hong Kong (HKU SPACE, 2006).ⁱⁱ This assisted in overcoming difficulties in identifying, locating and accessing previous or potential continuous education students. In addition, focusing on students who were actively pursuing their education at the time of the study allowed access to these students' recent experiences and perceptions on the topic of interest.

Since the objective of this study is to examine relationships between variables for which hypotheses have been proposed, a positivist approach is appropriate. A preliminary questionnaire was adapted from the German questionnaire used by Hennig-Thurau *et al*'s (2001), back translated into English (by different translators) and modified to suit the continuing education environment of Hong Kong. The professionally designed questionnaire consisted of closed-ended questions that restricted respondents to a set of alternatives using a six-point Likert scale from "totally disagree" to "totally agree" (teaching services quality used a rating scale from "very good" to "very bad"). The draft questionnaire was reviewed by two academic experts for question content, question wording, response format, question sequence, physical layout.

The resulting questionnaire was then tested in a pilot study carried out in December 2005. Responses were gathered from 49 units in the population of interest to ensure its applicability and relevance to the Hong Kong environment as well as to test for validity. To ensure that items within the multi-item survey measures had not been missed or misunderstood in the questionnaire adaptation process, the pilot test examined the measurement instrument, the properties of the scale and where necessary, items to be identified for deletion.

Each construct was examined for its reliability and inter-construct correlations. Assumptions were first examined to check the data for normality and whether there was a high correlation within each construct. Skewness and kurtosis tests were conducted to check for the normality of the data collected. Values of skewness and kurtosis fell within the -2.58 to +2.58 range needed for normality (Hair *et al* 1995, p.66), Cronbach's alpha coefficients were calculated to assess data reliability, using the recommended benchmark of 0.7 (Nunnally, 1978). All data analysis was performed using Lisrel v. 8.72 except for Cronbach's alpha coefficients that were calculated using SPSS v. 11.

Exploratory factor analysis (EFA) using principal component analysis was used to obtain the factor solutions for each of the constructs in the survey instrument, hence testing for dimensionality. Results indicated that all the variables within each construct were correlated. Factor loadings for all items were extracted based on the latent root criterion suggesting significant correlations between items and the factor (Hair *et al* 1995). The various tests performed on the pilot data indicated reliable measures for each construct.

with inter-correlations in the predicted direction. Due to the nature of the findings and to the use of previously established measurement scales, no changes were made to the survey instrument after the pilot test.

The final questionnaire comprised 32 items across four parts. Part A consisted of five questions (questions 1-5) about the students' current situation (namely reasons to study, main sponsor of school fees, level of enrolled programme, mode of study and performance self-assessment). Part B comprised nine questions. Eight questions (questions 6-13) were on teaching services quality, and one question (question 14) dealt with student loyalty. Part C had four questions (questions 15-18) and focused on academic and social integration, trust and emotional commitment, job-related, family-related and non-university-related commitments. The two questions in part D (questions 19-20) referred to students' past involvement with higher education institutions, their choice of current institution and simple demographic information (gender and age group).

After accounting for minimum observations needed by the analytical techniques employed in this study – EFA, confirmatory factor analysis (CFA) and structural equation modeling (SEM) – a sample size of 550 was targeted for the data collection exercise with a minimum of 200 respondents for each of the full-time and part-time sub-group. A mall-intercept survey was carried out to collect data.

Data collection took place over a month in the period from December 2005 to January 2006. Every third student who walked past the front entrance of the HKU SPACE campus was invited to complete the self-administered survey. A total of 550 valid questionnaires were collected. Table 1 provides demographic information for the sample.

Table 1: Sample characteristics: Total 550

Mode of Study :	Full-time (267) 48.5 %	Part-time (283) 51.5 %
Gender :	Male 40.0 % Female 60.0 %	Male 24.0 % Female 76.0 %
Age group:	18-25 100.0 %	18-25 17.7 % 26-35 65.0 % 35 and older 17.3 %
Level of Programme Studied :	Subdegree: 100.0 %	Subdegree : 16.0 % Degree: 75.0 % Postgraduate: 9.0 %
Fees Paid By :	Self-financed : 17.6 % Company : 3.4 % Family : 79.0 %	Self-financed: 90.1 % Company: 5.7 % Family: 4.2 %
Studied at other higher education institutions	18.7 %	42.4 %
Enrolled in this institution due to its reputation / brand	41.2 %	73.1 %

Distinct from students pursuing higher education studies full-time earlier in their lives, many continuing education students need to share their education pursuits with career commitments, choosing a part-time mode of study. Together with life and work experience, these students are likely to have specific needs and a clearer notion of what they need to achieve from their studies. This justified splitting the sample into two sub-samples. Over 90 percent of part-time students paid for course fees themselves, while the fees of 79 percent of the full-time students were paid by family members. Finally, 42.4 percent of part-time students and 18.7 percent of full-time students have attended at least one other higher education institution in the past.

The collected data was coded and processed using LISREL 8.72. Then, the same analytical process used for the pilot study was applied. Skewness and kurtosis of the 32 items were tested for non-normality (table 2), before evaluating the SEM model.

Table.2 Testing for Data Normality.

Construct	Skewness	Kurtosis
Service Quality construct	-1.301 to 1.824	1.824
Trust construct	0.0299 to 1.437	1.437
Emotional construct	-0.306 to 0.653	0.653
Student Loyalty construct	-0.239 to 1.159	1.159

Non-normality = Items reaching ± 2.58 (Hair *et al*, 1995).

Table 3 Data Matrix of Indicators, Cronbach's Alphas and Correlation

	Mean	Std Dev	No.of items	TSQ	TRUST	ECOM	CCOM	GOALC	ACADI	SOCI	JOBC	FAMC	NNUAC	LOY
TSQ	3.16	0.58	7	0.84										
Q6T-12T	3.18	0.61		0.85										
	3.14	0.56		0.83										
Trust	3.18	0.77	4	0.60	0.88									
Q16a-d	3.18	0.71		0.80	0.85									
	3.18	0.82		0.77	0.89									
ECOM	3.22	0.82	4	0.75	0.83	0.88								
Q16e-h	3.23	0.75		0.82	0.88	0.85								
	3.22	0.88		0.70	0.81	0.90								
CCOM	3.02	0.92	1	0.65	0.49	0.67	1.00							
Q16i	3.15	0.87		0.71	0.57	0.69	1.00							
	2.90	0.95		0.61	0.47	0.64	1.00							
GOALC	2.93	0.89	1	0.42	0.31	0.35	0.33	1.00						
Q15	3.08	0.93		0.52	0.41	0.50	0.40	1.00						
	2.79	0.83		0.31	0.24	0.21	0.25	1.00						
ACADI	3.62	0.99	3	0.38	0.29	0.41	0.16	0.28	0.82					
Q14a,c,e	3.36	0.90		0.64	0.51	0.64	0.40	0.46	0.83					
	3.87	1.01		0.24	0.19	0.33	0.07	0.26	0.80					
SOCI	3.53	0.91	3	0.44	0.33	0.46	0.25	0.31	1.00	0.75				
Q14b,f,d	3.28	0.79		0.74	0.59	0.70	0.55	0.53	0.99	0.69				
	3.77	0.96		0.30	0.23	0.37	0.16	0.25	1.00	0.77				
JOBC	2.72	1.21	1	0.23	0.17	0.16	0.20	0.25	0.00	0.01	1.00			
Q17b	2.97	1.18		0.30	0.24	0.26	0.20	0.18	0.26	0.31	1.00			
	2.49	1.20		0.16	0.13	0.06	0.16	0.28	-0.10	-0.12	1.00			
FAMC	2.65	1.13	1	0.34	0.25	0.26	0.28	0.22	0.12	0.13	0.31	1.00		
Q17a	2.57	1.05		0.40	0.32	0.32	0.39	0.21	0.11	0.16	0.20	1.00		
	2.72	1.20		0.29	0.23	0.21	0.22	0.25	0.10	0.10	0.44	1.00		
NNUAC	3.28	1.16	1	0.23	0.17	0.19	0.09	0.19	0.40	0.43	0.12	0.39	1.00	
Q17c	2.96	0.89		0.39	0.31	0.33	0.30	0.28	0.34	0.43	0.24	0.40	1.00	
	3.59	1.30		0.17	0.13	0.19	0.03	0.23	0.35	0.36	0.16	0.38	1.00	
LOY	3.11	0.79	6	0.79	0.60	0.67	0.59	0.34	0.37	0.42	0.17	0.27	0.19	0.88
Q13a-f	3.17	0.76		0.80	0.62	0.74	0.62	0.40	0.63	0.68	0.25	0.30	0.31	0.87
	3.05	0.83		0.81	0.62	0.61	0.56	0.27	0.19	0.24	0.14	0.25	0.13	0.89

NOTE: Values on the main diagonal are Cronbach's alphas. First number in each cell = total sample, second number = full-time subsample, third number = part-time subsample.

Data correlations within and between related constructs were found to exceed the 0.3 benchmark recommended to justify using exploratory factor analysis (EFA). The correlations within constructs were notably higher than those between constructs for most constructs, supporting the validity of the items measuring each construct. Table 3 provides the correlations of data and Cronbach's alpha value for each construct. EFA using principal component analysis was employed to obtain factor solutions for all constructs. Factors were extracted based on the commonly used criterion of latent root or eigenvalues greater than 1 (Hair *et al*, 1995). Upon analyzing the whole sample, each construct was deemed one-dimensional (average variance >50%; Cronbach's coefficients >0.7). Table 4 summarizes the exploratory factor analysis' results.

Table 4: Summary of EFA results for core constructs

Constructs (Abbreviation)		Eigenvalue – 1 st PC	% Variance – 1 st PC	Factor Loading	Alpha
Teaching staff (TEACHS)	Q6a	1.32	79.89	0.595	0.8229
	Q6b			0.665	
	Q6c			0.723	
Infrastructure (INFRA)	Q7a	1.5	62.81	0.562	0.6446
	Q7b			0.844	
	Q7c			0.686	
Teaching on offer (OFFER)	Q8a	2.53	58.63	0.638	0.8502
	Q8b			0.509	
	Q8c			0.744	
	Q8d			0.647	
	Q8e			0.536	
	Q8f			0.536	
	Q8g			0.565	
Student Care (STUDCARE)	Q9a	1.05	84.24	0.770	0.762
	Q9b			0.676	
Exam (EXAM)	Q10a	1.26	70.63	0.650	0.7235
	Q10b			0.657	
	Q10c			0.638	
Admin Services (ADM)	Q11a	3.88	68.8	0.591	0.9052
	Q11b			0.536	
	Q11c			0.774	
	Q11d			0.729	
	Q11e			0.902	
	Q11f			0.729	
	Q11g			0.877	
Outcome (OUT)	Q12a	1.59	74.51	0.556	0.8575
	Q12b			0.721	
	Q12c			0.714	
	Q12d			0.503	
Teaching Service	Q6t	2.14	57.37	0.487	0.8365
Quality (TSQ)	Q7t			0.541	
	Q8t			0.528	
	Q9t			0.726	

Table 4: Summary of EFA results for core constructs (Con'd)

Constructs (Abbreviation)		Eigenvalue – 1 st PC	% Variance of 1 st PC	Factor Loading	Alpha
	Q10t			0.531	
	Q11t			0.544	
	Q12t			0.475	
Loyalty (LOY)	Q13a	3.63	67.18	0.680	0.8827
	Q13b			0.789	
	Q13c			0.756	
	Q13d			0.821	
	Q13e			0.756	
	Q13f			0.852	
Academic Integration (ACADI)	Q14a	1.68	76.57	0.630	0.8192
	Q14c			0.787	
	Q14e			0.815	
Social Integration (SOCI)	Q14b	1.72	69.93	0.623	0.7492
	Q14d			0.875	
	Q14f			0.753	
Trust (TRUST)	Q16a	2.06	77.53	0.761	0.8754
	Q16b			0.624	
	Q16c			0.782	
	Q16d			0.693	
Emotional Commitment (ECOM)	Q16e	2.16	77.36	0.810	0.8804
	Q16f			0.688	
	Q16g			0.725	
	Q16h			0.711	

The summary of eigenvalues and average variance extracted for core constructs from the EFA results is shown in Table 5. Factor analysis was not done for cognitive, goal, non-university, family and job commitment, each represented by a single item. The data was considered suitable for CFA testing before the model was tested using SEM.

Table 5: Summary of eigenvalues and average variance extracted for core constructs from EFA results

Constructs	Eigenvalue	% Variance Extracted	Cronbach's Alpha
Teaching Service Quality (TSQ)	2.14	57.37	0.84
Trust (TRUST)	2.06	77.53	0.88
Emotional Commitment (ECOM)	2.16	77.36	0.88
Social Integration (SOCI)	1.72	69.93	0.75
Academic Integration(ACADI)	1.68	76.57	0.82
Loyalty (LOY)	3.63	67.18	0.88

CFA was used to assess validity and reliability for each of the latent constructs and each measurement model (table 6). The covariance matrix and maximum likelihood estimator were employed for each case in

the structural equation modeling analysis. Each construct was assessed for its reliability by calculating the composite reliability and average variance extracted. Convergent and discriminant validity were examined to validate the construct. For most variables, the reliability scores were higher than inter-construct correlations and the correlations between items within the same construct were higher than the items for different constructs demonstrating convergent validity. Teaching Service Quality fell short of the 0.5 benchmark for the average variance extract. Since this construct had many different measures with good intercorrelations (see table 3), it was deemed valid for further measurement. Cronbach alpha value of all constructs support instrument reliability. Finally, small differences verified for discriminant validity were deemed small enough not to question either reliability or validity.

All items for Trust, Emotional Commitment, Social Integration, Academic Integration and Student Loyalty show composite reliability and average variance that exceeded benchmarks. Factor loadings indicate convergent validity. Composite reliability and average variance for Teaching Service Quality exceeded benchmarks, exception for Teaching Staff and Infrastructure which met the composite reliability benchmark with a 0.4 variance, corresponding to moderate scale reliability (Grimm and Yarnold, 2000). Factor loadings show convergent validity. The CFA results indicate that the measurement data of the latent constructs had acceptable measurement properties for continuing to the second stage, estimating and evaluating the overall measurement (structural) model.

The second stage approach in SEM tests the overall measurement model for goodness of fit. The model was developed by combining the various measurement models of the latent constructs with the relationships among the constructs being represented by their paths. Path analysis was used to evaluate the model.

Table 6 Measure Cronbach Values, Correlations, the Squared Correlations and Average Variance Extracted

Measure Construct	Cronbach Value	Correlations Among Latent Variables (Squared)						Average Variance Extract (AVE)
		TSQ	TRUST	ECOM	SOCI	ACADI	LOY	
Teaching Service Quality (TSQ)	0.79	1.00						0.422
Trust (TRUST)	0.87	0.75 (0.563)	1.00					0.644
Emotional Commitment (ECOM)	0.88	0.75 (0.563)	0.83 (0.689)	1.00				0.635
Social Integration (SocI)	0.75	0.44 (0.194)	0.33 (0.109)	0.46 (0.212)	1.00			0.507
Academic Integration (AcadI)	0.81	0.38 (0.144)	0.29 (0.084)	0.41 (0.168)	0.90 (1.0)	1.00		0.627
Loyalty (LOY)	0.87	0.79 (0.624)	0.6 (0.360)	0.67 (0.449)	0.42 (0.176)	0.37 (0.137)	1.00	0.567

- Correlations coefficients are estimates from LISREL, $p < 0.1$. all were significant at .01 level.
- All AVE exceed 0.50 showing construct validity excepting for the Teaching Service Quality construct that slightly falls short, but is acceptable at 0.422

The results of the specific constructs have been summarized in Table 7 for all the constructs used in the study.

Table 7 Confirmatory Factor Analysis' Results

Construct	Items	Factor Loading	Unique Variance
Teaching Service Quality (TSQ)			
6T	Teaching staff	0.689	0.526
7T	Infrastructure	0.611	0.627
8T	Teaching on offer	0.804	0.353
9T	Student care	0.784	0.385
10T	Examinations	0.700	0.510
11T	Administrative services	0.646	0.582
12T	Outcome	0.706	0.502
Trust (TRUST)			
16a	Integrity(trust) is a word I'd use when describing the college/university staff	0.783	0.387
16b	I am sure that the college/university always acts in my best interests.	0.823	0.322
16c	I trust the college/ university staff completely.	0.868	0.247
16d	College/ university staff keeps their promises to me.	0.873	0.238
Emotional commitment (ECOM)			
16e	I feel very attached to my college/university	0.831	0.310
16f	I feel very attached to my faculty/ department	0.823	0.322
16g	I am proud to be able to study at my college/university	0.827	0.316
16h	I am proud to be able to study at my faculty/department	0.859	0.262
Social integration (SOCT)			
14b	I regularly take part in college/ university-related leisure activities such as sports or fairs.	0.590	0.652
14d	I always have intensive contact with my fellow students	0.747	0.442
16e	I regularly do things with fellow students outside college/ university	0.875	0.235
Academic integration (ACADI)			
14a	I regularly take part in extra academic/interest courses or events	0.709	0.498
14c	I am a regular member of student study groups set up on their own initiative	0.893	0.203
14e	I regularly get involved with college/ university committee work	0.800	0.360
Loyalty (LOY)			
13a	I would recommend my course of study to other potential students	0.873	0.238
13b	I would recommend my college/university to other potential students	0.869	0.244
13c	I am very much interested in keeping in touch with "my faculty/department"	0.746	0.444
13d	If I was faced with the same choice again, I'd still choose the same course of study	0.754	0.431
13e	If I was faced with the same choice again, I'd still choose the same college/university	0.810	0.343
13f	I'd become a member of any alumni organizations at my college/university or faculty/department.	0.663	0.560

DISCUSSION OF RESULTS

This study found student perceived service quality and student loyalty to be strongly correlated. Students' positive perception of teaching services quality had the strongest positive effect on their loyalty to the institution, irrespective of whether they were studying full- or part-time. These findings reiterate the importance attributed to teaching services quality in the relevant literature, found to have twice the impact of any other variable in the relationship model, namely emotional commitment and trust, in fostering student loyalty (Hennig-Thurau *et al*, 2001). On these grounds, it is appropriate to emphasize the importance of

teaching services quality as a core area for attention and resources investment by higher education institutions. Lifelong learners are, by definition, repeat consumers of education services. Understanding and delivering on their important requirements and most valued determinant attributes, will assist higher education institutions in attracting, developing and maintaining profitable customer relationships for the longer term, as suggested by Berry (1983), contributing to sustainable competitive advantage in the continuing education market. Institutions can benefit from the development and implementation of relational marketing strategies designed to deliver consumer satisfaction, through quality interactions.

This study also confirmed the interlinked structure of the relationship quality construct. The impact of teaching services quality on trust and emotional commitment were equally strong for the full-time sub sample group with a slightly weaker positive relationship found for the pathway between teaching services quality and emotional commitment for the part-time sub sample group. Although no relationship was found between trust and emotional commitment, this may be due to the similar ratings achieved for both these variables offsetting their reciprocal impact, a finding requiring clarification by future research. The suggestion is that, albeit secondary to ensuring teaching services quality, relationship quality needs to be effectively managed by higher education institutions, by attending to trust and emotional commitment issues.

Tables 8 and 9 report the model results for the full- and part-time sub-samples respectively.

Table 8: Model results for the full-time student sub-sample.

Hypotheses	Structural Paths	Path coefficient	t-value	Statistical Findings
1	TSQ → LOY	2.19	6.32	Strongest, positive significant relationship
2	TRUST → LOY	-2.16	-4.75	Third strongest, negative significant relationship
3	ECOM → LOY	1.14	3.08	Positive significant relationship
4	CCOM → LOY	-0.1	-1.17	Non significant relationship
5	GOALC → LOY	-0.1	-1.86	Non significant relationship
6	ACADI → ECOM	-1.1	-1.83	Negative, not very significant relationship
7	SOCI → ECOM	1.62	2.22	Positive, significant relationship
8	JOBC → ECOM	-0.04	-0.69	Non significant relationship
9	FAMC → ECOM	0.08	0	Non significant relationship
10	NNUAC → ECOM	-0.12	-1.67	Non significant relationship
11	TSQ → TRUST	0.98	7.7	Second strongest, positive, significant relationship
12	TSQ → ECOM	1.1	3.29	Positive, significant relationship
13	TRUST → ECOM	-0.54	-3.05	Negative, non significant relationship

Key : TSQ – Teaching Service Quality, TRUST – Trust, ECOM- Emotional Commitment, CCOM – Cognitive Commitment, GOALC – Goal Commitment, ACADI – Academic Integration, SOCI – Social Integration, JOBC – Job Commitment, LOY – Loyalty

Table 9: Model results for the part-time student sub-sample.

Question	Structural Paths	Path coefficient	t-value	Statistical Findings
1	TSQ → LOY	1.86	7.72	Strongest, positive significant relationship
2	TRUST → LOY	-0.94	-3.66	Third strongest, negative significant relationship
3	ECOM → LOY	0	0	Non significant relationship
4	CCOM → LOY	-0.09	-1.31	Non significant relationship
5	GOALC → LOY	0.02	0.39	Non significant relationship
6	ACADI → ECOM	-5	-1.77	Negative, not so significant relationship
7	SOCI → ECOM	4.26	1.85	Positive, not so significant relationship
8	JOBC → ECOM	0.06	0.36	Non significant relationship
9	FAMC → ECOM	0.08	0	Non significant relationship
10	NNUAC → ECOM	-0.04	-0.28	Non significant relationship
11	TSQ → TRUST	0.9	9.09	Second positive, very significant relationship
12	TSQ → ECOM	0.61	1.67	Positive, not so significant relationship
13	TRUST → ECOM	-0.11	-0.91	Non significant relationship

Key : TSQ – Teaching Service Quality, TRUST – Trust, ECOM- Emotional Commitment, CCOM – Cognitive Commitment, GOALC – Goal Commitment, ACADI – Academic Integration, SOCI – Social Integration, JOBC – Job Commitment, LOY – Loyalty

The separate examination of the sample by mode of study confirmed the importance of teaching services quality and emotional commitment in bonding full-time students to their study programmes and institution. Full-time students' level of loyalty was strongly influenced by teaching services quality, followed by their emotional commitment to their institution. However, when part-time students were considered, no impact was found of emotional commitment on student loyalty. This may be because, following Knapper and Cropley (2000), part-time students may be more mature than traditional young learners who enter university after finishing their high school. Mature students return to school to upgrade themselves and have furthering their education as a prime objective. They may have other commitments in their life and may not consider emotional commitment as an important factor influencing their loyalty pattern. Instead, they may be more concerned about teaching services quality. The implication for higher education institutions is that the relationship depth demanded by full-time students may be different from that demanded by part-time students, hence distinct relational strategies might need to be developed and implemented to enhance student loyalty by traditional and lifelong learners. The RM literature identifies various levels of relationship sought for different types of goods and services. Higher education institutions may consider applying a relational-based model for part-time students.

A negative relationship was found between trust and student loyalty, largely due to the strong positive effects of teaching services quality on the latter. Therefore, the impact of trust on student loyalty merits further future investigation. Since trust is developed over repeated exchanges, a longitudinal study might shed light in this area.

Related to the influence of internal and external factors on emotional commitment, as forwarded by Tinto (1993), the positive effects of commitment to job and family may counteract any negative effects from students' time away from their studies, suggesting that external factors have no impact on emotional commitment. However, the finding that non-university related commitment also has no impact contrasts from other studies that found a trade-off between study and non-university interests. Holding a true interest in their studies may be speculated to explain the case of full-time students, even though they may spend additional time to take up hobbies. In the case of part-time students, it is possible that commitment to their studies is intertwined with other commitments on hand and they remain committed to their studies and institution. Central to the problem investigated in this study, lifelong learners need to engage in continuing education in order to retain their work performance and, consequently, their ability to provide for their families.

Shifting attention to internal factors, academic integration was found to have a negative effect for all students, but more so for part-time students. The general negative effect may ensue from a perception of wasting important study time on academic activities outside their studies. In particular, this is the case of full-time workers part-time students who, due to time scarcity for example, prefer not to engage in areas not directly linked to outcomes in their studies. The suggestion, therefore, is that Tinto's (1993) external factors may be omitted, particularly in the case of mature, part-time students.

The conclusion is that higher education institutions in Hong Kong may benefit from adopting a relationship-based quality approach to fostering student loyalty, with a core investment placed around teaching services quality. However, different strategies may be justified in the relational marketing approaches used for full-time and part-time students, due to the differences in the needs of the two segments and the consequent impact such approaches would have on student loyalty.

THEORETICAL AND MANAGERIAL IMPLICATIONS

The literature review conducted earlier in this paper provided a discussion of the changes taking place in the marketing literature with a focus on relationship marketing strategies that can enable an organization to reap economic profits from their existing customers through relational exchanges, thus aiming at customer loyalty instead of focusing on new customer acquisition through transactional based marketing strategies. The potential effect of services quality on student loyalty is supported.

Services quality, trust and emotional commitment, elements in the relationship quality construct, were found to be related, as suggested by Morgan and Hunt (1994). Services quality is the most important element within the construct due to its direct and positive effect on loyalty. This confirms the argument that perceived services quality influences future purchase intentions (Bejou and Palmer, 1998), such that customer satisfaction is treated as a pre-requisite for customer retention.

The impact of emotional commitment on student loyalty was limited to the full-time students, suggesting that the relationship levels desired by different groups of customers may vary. Hence, as proposed by Aijo (1996) and Sheth (2002), organizations should identify the differing levels of relationships and to allocate resources accordingly to the type of relationship desired. A one size fit all strategy may not work.

From a managerial perspective, the examination of the link between perceived service quality and loyalty suggests that students make decisions about their future providers of higher education based on their current experience of studying with the institution. Accordingly, higher education institutions might benefit from developing and implementing relational marketing strategies to target their students, whether full-time traditional university students, or when targeting part-time lifelong learners. The implication is that students' experiences need to be managed during their experience with an institution, in order for them to return to that institution for continuing education purposes. If full-time students are satisfied with their study experience during their traditional course of study, this may have a lasting impact on their choice of education provider, especially if they become lifelong learners. In the case of students already engaging in lifelong education, positive experiences may involve consideration of specific requirements, possibly determining whether students will remain loyal to the higher education institution.

Higher education institutions in Hong Kong face public funding cuts. They must secure alternative funding in an environment where the opportunities forthcoming from the provision of continuing education arise in the face of increased and intense competition. Sustainable competitive advantage under such conditions requires the adoption of a market orientation for the longer term, or relationship marketing orientation. This places students' needs, wants and preferences at the center of marketing strategy. Since part-time and full-time lifelong learners have different characteristics and requirements, they constitute two distinct segments for marketing purposes and, therefore, justify targeting with distinct marketing strategies. Higher degree institutions need to manage their student portfolio effectively.

Regarding limitations to this study, the convenience sample used in this study was drawn from the student population at only one institution, HKU SPACE, a provider of continuing education in Hong Kong. This limits the application of the results to the sample itself. Lack of information made it impossible to establish a profile for the higher education sector in Hong Kong and for HKU SPACE. Hence, standard parametric tests could not be performed because of lack of information about population distribution and variance (Malhotra *et al*, 1996), thus it is not possible to assess how representative the sample is of the population it is meant to represent. One major consequence to acknowledge is that different results may have been obtained if other students at HKU SPACE and/or from other institutions were included in the study. The results cannot be generalized to other institutions or to the education sector in Hong Kong or in other countries.

In terms of the sample, a wider range of students drawn from different levels of study may have provided different findings. Confidence in the findings would increase with a larger sample. The study was conducted over a short period of time and therefore, differences between student cohorts could not be examined. Finally, the study has not examined the relationship between trust and loyalty. This is important because trust is one of the three elements in the relationship model examined in this study. A qualitative study through focus groups sessions may provide more information of how the students felt about trust and whether it was relevant.

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ⁱ There is an unresolved debate about whether customer satisfaction ensues from positive assessments about quality (Bejou and Palmer, 1998; Peyrot, Cooper and Schnapf, 1993; Woodside, Frey and Daly, 1989) or whether customer satisfaction is an antecedent of perceived quality (Bitner and Hubbert, 1994; Bolton and Drew, 1991)

ⁱⁱ In 2002, HKU SPACE was the only continuing education institution considered with an University status in providing education to tertiary students (UGC Report in 2002, HKU SPACE, n.d.). It was the market leader in 2004-5, offering full-time and part-time education to over 100,000 Hong Kong fee-paying students per year (Secretariat Paper of Federation of Continuing Education in Tertiary Institutions, 2006).