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**THE IMPACT OF PACKAGING ON RELATIONSHIP QUALITY  
FORMATION: AN EMPIRICAL EVIDENCE**

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**Abstract**

The study examined the impact of packaging on relationship quality of Malaysian consumers where SMEs food brand is concerned. Relationship quality comprises brand satisfaction, brand trust and brand commitment. Existing literatures indicate that there has not much attention been paid on the examination of the role of packaging in influencing the formation of relationship quality. In this study, data gathered from 313 consumers of SMEs food products in the northern region of Malaysia were coded into SPSS and subsequently analysed using structural equation modelling approach (SEM) on Partial Least Square (PLS) 3.2.3. The result shows that packaging has a positive impact on relationship quality. This finding thus demonstrates that packaging is one of the most powerful tools which is able to attract consumer's attention, creates positive impression towards product and improves customer's relationship quality. This study also believes that successful relationship between companies and customers can be developed by employing attractive and innovative packaging of products.

**Keywords:** packaging, relationship quality, SMEs brand, Partial Least Square (SEM-PLS).

**1. Introduction**

In today's intensely competitive market, companies continuously search for relevant strategies in order to ensure their competitiveness. One of the important competitive tools is brand. A well-known brand has the ability to sustain the added values by creating a long-term relationship which is built on knowledge and experience so that a customer can interrelate with and integrate the brand and the company. Hence, building a tactical strategy such as relationship quality has received great attention from practitioners and academicians due to its advantages from the aspects of business performance and profitability (Morgan & Hunt, 1994). Relationship quality is a strategy that can be used for the building of long-term relationship with consumers and creation of long lasting success for the companies and their brands (Taleghani, Largani, & Mousavian, 2011). Relationship quality also can be utilised to increase the level of consumers' purchase consumption and provides higher growth of profits to the company (Hanaysha & Haim, 2015). However, according to Noor Hasmini (2012), she stated that studies on relationship quality from branding perspective is scarce especially in Asian regions.

Besides, studies have revealed that packaging plays an important role in predicting relationship quality (Topoyan & Bulut, 2008). Packaging also has been established as able to exert a powerful impact on consumer behaviour (Orth & Malkewitz, 2008). An appropriate packaging is said to be able to generate high level of brand preference and forms positive perception towards product quality and product value (Wang, 2013). However, despite the importance of packaging in developing relationship quality, research that empirically investigate this link is very limited. Earlier studies on packaging gave more attention to customer's perception (Marjudi, Sulaiman, Mohamad Amran, Kahar, & Abdullah, 2011; Maznah, Mohd Ikhmal, Mohd Noor, & Mohd Rizaimy, 2011). Thus, this study aimed to fill up this gap by investigating the impact of packaging on relationship quality, particularly in Malaysia SMEs food product context. The selection of SMEs food product depends on the nature of competitiveness faced by foreign brands.

## **2. Literature Review**

### *2.1 Relationship Quality*

A well-known fact is that customer lost is hard to regain in addition of being very costly. This is because the cost to acquire new customer is five times more expensive than keeping existing one (Athanasopoulou, 2009). Therefore, companies are endeavored to develop long-lasting relationships with customers in order to create customer loyalty and increase profitability. In fact, developing successful relationships with customers plays a key strategic role in creating and sustaining competitive advantage that ultimately will result in improving overall brand success (Palmer, 2002; Peppers & Rogers, 1995) and providing a unique and sustained competitive advantage and thus, superior financial performance.

Relationship quality can be defined as customer's overall assessment of the strength of his or her relationship with a brand (Algesheimer, Dholakia, & Herrmann, 2005). In particular, high relationship quality means that a customer is able to rely on the brand's integrity and has confidence in the future performance of that brand (Benouakrim & El Kandoussi, 2013). Earlier studies reveal that relationship quality encompasses several dimensions. However, this study only focused on three dimensions which are brand trust, brand commitment and brand satisfaction. This is because these three dimensions are frequently cited by researchers in measuring relationship quality (Hanaysha, 2015; Taleghani et al., 2011). Moreover, researchers (Palmatier, Dant, Grewal, & Evans, 2006; Wong & Sohal, 2002) stressed that brand trust, brand commitment and brand satisfaction are the three main components of relationship quality. Brand trust can be defined as a customer's ability to rely on a brand to deliver what is promised (Chaudhuri & Holbrook, 2001). As for brand commitment, Morgan and Hunt (1994) defined it as an enduring desire reflected by customer to build and maintain long-lasting relationship with a brand. Where brand satisfaction is concerned, it has been regarded as an important dimension of relationship quality which refers to the ability to meet customer's expectation through its products or services (Payne & Holt, 2001).

## *2.2 Packaging and Relationship Quality*

In marketing literature, packaging is one of the most powerful tools that has the ability to attract consumer's attention and provide competitive advantage (Vilnai-Yavetz & Koren, 2013). Packaging can make a particular product to stand out well against competitors' products and a product with a distinctive packaging is easier to be detected by consumer who usually scans through rows of shelves (Taghavi & Seyedsalehi, 2015). Packaging can be defined as product identification as well as brand identity and value (Gómez, Martín-Consuegra, & Molina, 2015). Literature has indicated that several studies had been conducted to investigate the antecedents of relationship quality in multi research contexts (Hilman & Hanaysha, 2015; Japutra, Keni, & Nguyen, 2015; Taleghani et al., 2011). As stated by Topoyan and Bulut (2008), packaging is important and it is related to relationship quality.

Where SMEs are concerned, it was found that there were a number of studies though limited that have investigated the impact of packaging on relationship quality in SMEs food industry context. Earlier studies on packaging in Malaysia SMEs gave more focus on customer's perception (Maznah et al., 2011) and the development of the system for SMEs food packaging (Marjudi et al., 2011).

Reviewing the literature, it is noted that researchers (Gómez et al., 2015; Löfgren, Witell, & Gustafsson, 2008; Topoyan & Bulut, 2008) have made the discovery that packaging has an impact on relationship quality. Gómez et al.'s (2015) findings have concretely proven that the elements of packaging such as technical, functional and informative quality are able to influence consumer satisfaction. However, Topoyan and Bulut's (2008) findings differed where they discovered that the relationship between packaging and satisfaction can be regarded as moderate but weaker relationship. Hence, based on the above discussion, the following hypotheses were formulated:

H<sub>1</sub>: Packaging has positive impact on relationship quality.

Based on the above explanation, the following is the research framework of this study:

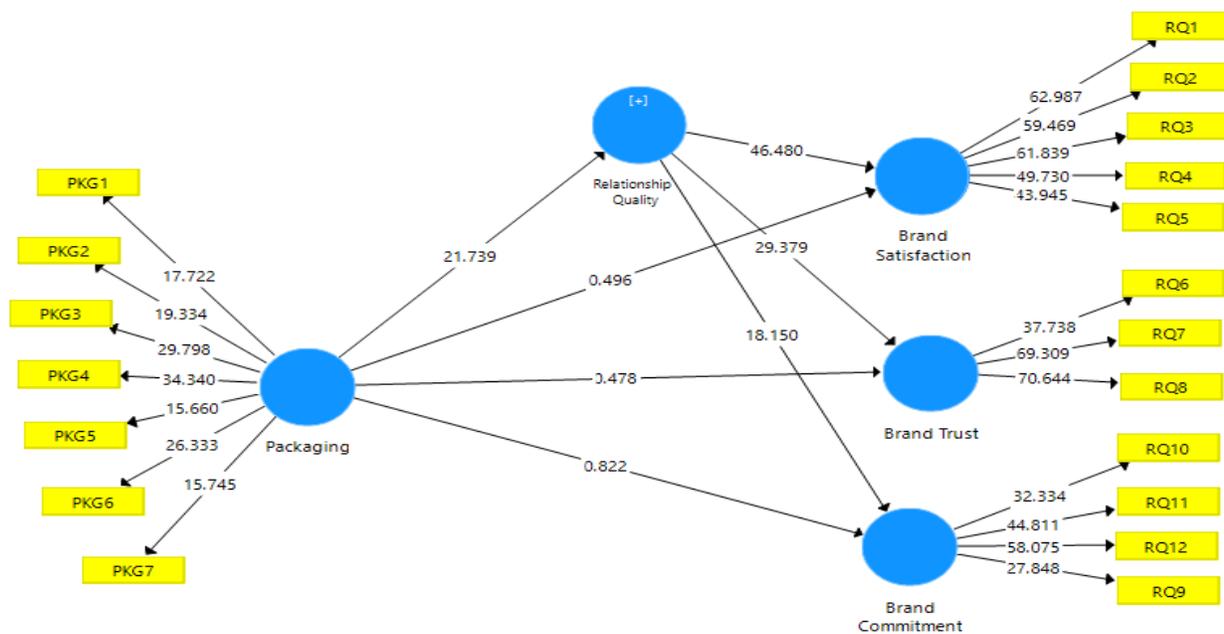


Figure 1: Research Model

This study focused on the important source of relationship quality. Figure 1 shows the independent variable of packaging and the relationship quality as a dependent variable which consists of three dimensions namely brand trust, brand satisfaction and brand commitment.

### 3. Research Methodology

#### 3.1 Sampling and Data Collection

This study examined the effect of packaging on relationship quality for Malaysia SMEs food brand. The research was designed based on quantitative approach and questionnaire was utilised as a means to collect data. Data were collected using multistage area probability sampling as proposed by Sudman (1980). This study is a cross-sectional, whereby data were collected from consumers of SMEs food brand in Malaysia at shopping centres in the states of the northern region of Malaysia namely Perlis, Kedah and Penang. Further, this study used systematic sampling to select the respondents by which every tenth customer was approached at the entrance of the shopping centre. If the 10<sup>th</sup> customer was not a consumer of SMEs food product, then the questionnaire would be given to the next customer as a substitute. To avoid response bias, the questionnaires were distributed to the respondents during different times of the day at the shopping centre. A total of 538 questionnaires were distributed, however, only 313

questionnaires were useable and utilised for data analysis. All data were analysed using PLS-SEM.

*3.2 Measurement*

This study was adopted and adapted from past studies with some modifications in order to suit with the context of this study. Packaging was measured using Gómez et al. (2015). For the dependent variable which is relationship quality, it was measured by using three dimensions namely brand trust, brand commitment and brand satisfaction. Brand trust was measured by using three items adopted from Aurier and de Lanauze (2012). As for brand satisfaction, five items adapted from Zboja and Voorhees (2006) were used. Lastly, measurement from Ok, Choi, and Hyun (2011) was adapted to measure brand commitment. All the items were measured with seven point Likert scale ranging from 1(strongly disagree) to 7(strongly agree). Likert scale was selected because of its high reliability as the Cronbach’s alpha value is more than 0.70 and had been employed in previous studies. The collected data were analysed through structural equation modelling using Smart PLS 3.0 software. Missing values, outliers and distribution of all measured variables were examined to purify the data and reduce systemic errors and the PLS path modelling is considered as the most suitable technique in this study.

**4. Findings and Hypotheses Testing**

As indicated in Figure 1, the hypotheses were tested by examining the significance of the respective path coefficients. Packaging has a great effect on relationship quality ( $\beta=0.688$ ). The values for the average variance extracted from the two constructs were well above the suggested value of 0.5 (see Table 1). These fit indices indicate that the measurement model has good convergent validity as indicated in Table 3 (see Appendix A). Also, discriminant validity was examined by estimated correlation between constructs with the variance extracted. If an average variance extracted shows value greater than 0.50, it indicates that the validity of both the construct and the individual variable is high. All the constructs meet this conservative test of discriminant validity, meaning that each construct is statistically different from the others (Table 1). Therefore, the measurement model is reliable and meaningful for the testing of the structural relationships among the constructs.

Table 1: Latent variable correlations and the square roots of average variance extracted

|                           | 1     | 2     | 3     | 4 |
|---------------------------|-------|-------|-------|---|
| <b>Brand Commitment</b>   | 0.840 |       |       |   |
| <b>Brand Satisfaction</b> | 0.570 | 0.876 |       |   |
| <b>Brand Trust</b>        | 0.597 | 0.790 | 0.874 |   |

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|                  |       |       |       |       |
|------------------|-------|-------|-------|-------|
| <b>Packaging</b> | 0.526 | 0.647 | 0.626 | 0.723 |
|------------------|-------|-------|-------|-------|

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Note: Entries shown in bold represent the square root of the average variance extracted.

Table 2: Structural Model Assessment

| HyP       | Relationship   | Path<br>Coefficient | Standard<br>Deviation | T-value | P-<br>Value | Findings  |
|-----------|----------------|---------------------|-----------------------|---------|-------------|-----------|
| <b>H1</b> | Packaging → RQ | 0.688               | 0.032                 | 21.739  | 0.000       | Supported |

Note: RQ=Relationship Quality

### **5. Discussion, Implications and Conclusion**

The main purpose of this study was to examine the impact of packaging on relationship quality and its dimensions for SMEs food brands in Malaysia. The findings of the hypotheses testing suggest that the path coefficient was positive ( $\beta$  value = 0.688) and significant at the level of  $p < 0.001$  ( $p$ -values = 0.000). In general, as expected, the relationship between packaging and relationship quality is strong ( $\beta = 0.688$ ).

The findings of this study indicate that packaging has a significant positive effect on relationship quality and its dimensions. This means that customers tend to develop better brand trust and commitment when a product is perceived as having a good packaging, which in turn improves the level of satisfaction. This result is in line with a number of earlier studies (Fournier, 1998; Löfgren et al., 2008; Pentina et al., 2013; Rundh, 2009; Underwood, 2003) which reported that products with good, creative and innovative packaging are able to strengthen a customer’s relationship with a brand and enhance the formation of consumer-brand relationship which is relationship quality. Similarly, researchers (Abdullah, Kalam, & Akterujjaman, 2013; Gómez et al., 2015; Löfgren et al., 2008; Topoyan & Bulut, 2008) supported that packaging has a positive effect on satisfaction which is a dimension of relationship quality.

For the food industries, packaging is important primarily as a marketing tool (Löfgren et al., 2008; Rundh, 2009; Rundh & Bo, 2005) and secondly as logistics’ functions such as containing, protecting, preserving and delivering the food (Rundh & Bo, 2005; Silayoi & Speece, 2004; Vilnai-Yavetz & Koren, 2013). As this study was focused on SMEs food industries, thus, it is recommended that SMEs owners to provide added value to food products by improving their packaging design in order to attract more customers and establish long-term relationship with them. Packaging with an attractive and innovative design and function is able to add value to products and contribute to profit margins (Olsson, Petterson, & Jönson, 2004).

## **6. Limitations and Future Research**

Several limitations were discovered through this study which can be regarded as avenues for future research. Firstly, this study was focused only on SMEs food product. Although the choice of products has been planned deliberately, in a forthcoming research, it is worthwhile to have the choice extended to other brands or to brands of the same sector of activity in order to make comparison between sectors. Indeed, the investigation can also be extended to service industry in SMEs.

Secondly, the data collected for the survey were limited to northern region of Malaysia namely Penang, Kedah and Perlis. Despite the northern region is considered as the second region which has heterogeneity of population, care is suggested as to generalisation.

Thirdly, this study focused only on one country which is Malaysia. This study can be extended by putting in place an investigation at cross-national validation. This is because cultural practices in certain country may differ which may produce different result.

Finally, future researchers are suggested to conduct longitudinal study in order to obtain more confidence and confirm the findings of this study.

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Appendix A Table 3:

Average Variance Extracted and Composite Reliability

| Constructs           | Average Variance Extracted (AVE) | Composite Reliability (CR) |
|----------------------|----------------------------------|----------------------------|
|                      | First Order                      |                            |
| Brand Satisfaction   | 0.705                            | 0.905                      |
| Brand Trust          | 0.767                            | 0.943                      |
| Brand Commitment     | 0.705                            | 0.905                      |
| Packaging            | 0.523                            | 0.884                      |
|                      | Second Order                     |                            |
| Relationship Quality | 0.578                            | 0.942                      |