# An Examination on the Effect of Customer Characteristics on Long-term Relationship Orientation for Consultants -Focusing on the mediating effect of relational embeddedness-

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**Abstract:** Background/Objectives: This study will study the nature of relationships as a sustainable competitiveness of consulting firms, which are the main factors in the formation of relationships between consultants and customers, and how they have a medium effect on the long-term relationship orientation of the continuous relationship.

Methods/Statistical analysis: The research target is CEO and manager of small businesses with consulting experience and was surveyed by the survey method. The questionnaire consists of 21 questions including 6 demographics. For each question, Likert 5-point scale was used. As an empirical analysis, SPSS 22.0 was used for frequency analysis, exploratory factor analysis, reliability analysis, regression analysis, and mediation effect analysis.

Findings: According to the results of this study, first, the social affiliation needs of the customers and the prosocial service behaviors of the consultants perceived by the customers were found to affect the relational embeddedness. Second, the social affiliation needs of customers and the prosocial service behaviors of consultants perceived by customers were found to affect long-term relationship orientation. Third, the relational embeddedness of customers and consultants was found to affect long-term relationship orientation. Fourth, Social affiliation needs, which are the characteristics of customers, and prosocial service behaviors of consultants perceived by customers were found to mediate relational embeddedness in relation to long-term relationship orientation.

Improvements/Applications: As a means of securing sustainable competitiveness, the relationship between long-term relationship orientation between customers and consultants was confirmed. However, there is a limit to the description of the quality of the embedded relationship. Therefore, it is believed that an in-depth study of the influence of the quality of the relationship will be needed.

**Keywords:** *Long-term Relationship Orientation, Relational Embeddedness, Social Affiliation Needs, Prosocial Service Behavior, Consulting Industry.*

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## 1. Introduction

As a way to cope with the rapidly changing environment, many Small businesses have used consulting as a management strategy, and the government has supported the consulting industry to strengthen the competitiveness of domestic Small business. As the consulting industry grows, competition among consulting firms is intensifying, and it is essential to secure long-term profitability and competitive advantage for consulting firms. In this study, the key factors that enhance the competitiveness of consulting firms and enable sustainable management are considered as customer relations and set the direction of the study. In forming a positive relationship with the customer, the customer's characteristics and the services of the consultant who are making contact with the customer are important clues. The purpose of this study was to the impacts and to demonstrate the mediating effects of relational embeddedness on improving long-term relationship orientation.

## 2. Materials and Methods

### 2.1. Characteristics of the Consulting Industry

The consulting industry said that the uncertainty and the importance of choice for customers in selecting a consulting firm are very high. Objective quality measurement of intangible services is difficult to achieve and quality problems due to the wrong choice of consulting firms are a major risk factor. It can change. In this context, informal social ties, trust, reputation and word of mouth can play a significant role in the selection of a consulting firm [1].Thus, the growth competitiveness of a consulting firm and its market success depend not only on the long-term relationship with the customer, but also on the ability to build a reliable network [2].As a result, the quality of network relations with customer

decision makers is an important competitive advantage for consulting firms [1].

### 2.2. Relationship between consultant and customer

#### 2.2.1. Need for social affiliation

Social affiliation is a personality trait of consumers who prefer to be with others rather than alone and tend to be affiliated with others [3]. Thus, the interaction between service providers and customers is stimulated by the personality traits of social affiliated desires to engage personally with other customers in the process of service delivery[4]. Customers with high social affiliation desires to have positive oral communication and substantial recurring purchases through maintaining relationships with service providers, even as service prices increase[6].

#### 2.2.2. Prosocial behavior

The prosocial behavior of service employees at the service interface is directly helpful to the company or consumers, and appears in the form of sharing, donation, cooperation, with the entity or consumers directly and is essential for effective organizational functioning. It is said to be a voluntary act to help[7]. In other words, when customers perceive high levels of employee-friendly social service behavior, they will try to build relationships with employees[8].

### 2.3. Relational embeddedness

Emotional social bond strength and intimacy with other members formed on the background of social network, and the ties that are structurally connected to the social network are called embedded relationships, that is, relationship embeddedness[9]. Many customers seek to maintain and maintain long-term relationships with companies that provide value and convenience. In particular, because services are intangible and heterogeneous, interpersonal

relationships at the point of interaction are very important. More important for service providers[11].

## 2.4. Long-term Relationship Orientation

An important key to trading relationships is not just one short-term transaction, but a long-term relationship with the customer to maintain and develop this exchange relationship[12]. Long-term relationship orientation is defined as the perceived benefit of buyers as a result of interdependent joint action over a long period of time[13]. Long-term trade relations can be planned and coordinated more in terms of inventory management than short-term trade relations, thus reducing transaction costs and stable customer management in relation to customers. Profitability has been improved[14].

## 2.5. Consultant-Customer Long-term Relationship Orientation

Rapport was emphasized as interpersonal connections that exist between employees and customers, and were defined by personal ties between two interacting parties as a definition of customer perspective[15]. When the salesperson is well connected with the customer, the customer wants a long-term close relationship with the salesperson they encounter[16]. Long-term relationship orientation between buyers and sellers better meets customer needs, increases mutual benefits, and interpersonal relationships, which are repeated interactions between service providers and customers, strengthen bonds and sustain long-term relationships[17].

## 2.6. Relational embeddedness and Long-term Relationship Orientation

It argues that all economic behavior is structurally embedded in social networks, emphasizing the economic benefits resulting from strong ties embedded in the networks. Thus, consumers can network with salespeople to benefit from the embedded relationships with salespeople[10]. The relational embeddedness thus formed has a

positive effect on relationship satisfaction and long-term relationship orientation[16].

## 2.7. Research Model and Hypothesis

### 2.7.1. Research model

The purpose of this study was to determine whether social affiliation needs, which are customer characteristics variables and prosocial service behaviors of consultants perceived by customers have a significant effect on relational embeddedness. This study aims to examine the mediating effects on the long-term relationship orientation of major factors and continuous intentions. This framework of research analysis can be represented by a research model as shown in Figure 1.
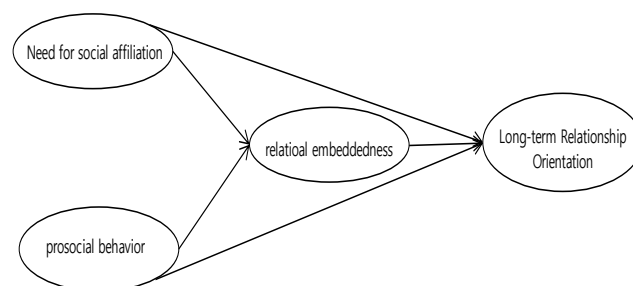


Figure 1. Research model

### 2.7.2. Research hypothesis

Based on the prior studies, the study theory was set as follows.

H1. Social affiliation needs, which are customer characteristics, will have a positive impact on relational embeddedness.

H2. The customer's perceived consultant's prosocial service behavior will have a positive impact on relational embeddedness.

H3. Social affiliation needs, which are customer characteristics, will have a positive impact on long-term relationship orientation.

H4. The prosocial service behavior of consultants perceived by customers will have a positive impact on long-term relationship orientation.

H5. Relational embeddedness will have a positive impact on long-term relationship orientation.

H6. In relation to the long-term relationship orientation of social affiliation needs, which are customer characteristics, relational embeddedness will play a mediating role.

H7. In relation to the long-term relationship orientation of the client's perceived consultant's prosocial service behavior, relational embeddedness will play a mediating role.

### 2.7.3. Operational Definition of Variables

The operational definitions of each variable are summarized in [Table 1].

Table 1. Operational definition of variables

| Division | Measurement variable | Operational definition | Researcher |
|---|---|---|---|
| Independent variable | Social affiliation needs | The desire to be intimate with the service provider | [4], [3] |
| | Prosocial service behavior | The extent to which the client perceives a defined and undefined role in the voluntary service provider's voluntary customer service to help the service company's long-term performance. | [5] |
| Parameter | Relational embeddedness | Intimacy and emotional and social ties between consultants and clients formed against social networks | [9], [16] |
| Dependent variable | long-term relationship orientation | Long-term recurring intentions are perceived as a benefit to buyers as a result of interdependent collaboration between customers and consultants. | [11],[12], [16] |

## 3. Results and Discussion

3.1. Demographic Characteristics Analysis

The number of samples used in this study was 121, small business with consulting experience. Frequency analysis was conducted to investigate general characteristics. The analysis results are shown in [Table 2].

Table 2. Demographic characteristicsanalysis

| Contents | | frequence | Per cent | Per son | Contents | | frequence | Per cent | Per son |
|---|---|---|---|---|---|---|---|---|---|
| Consulting experience | 1 times | 40 | 33.1 | 121 | Company status | Manufacturing | 44 | 36.4 | 121 |
| | 2 times | 47 | 38.8 | | | Service | 45 | 37.2 | |
| | 3 times | 22 | 18.2 | | | Wholesale and retail | 28 | 23.1 | |
| | 4 times | 6 | 5.0 | | | erection | 2 | 1.7 | |
| | more than 5 times | 6 | 5.0 | | | Other | 2 | 1.7 | |
| Job position | Employee | 4 | 3.3 | 121 | Consulting Field | Management / Operation / Finance | 68 | 56.2 | 121 |
| | deputy section chief | 12 | 9.9 | | | HR, Organization/ Labor | 21 | 17.4 | |
| | chief | 23 | 19.0 | | | Marketing strategy | 24 | 19.8 | |
| | CEO | 73 | 60.3 | | | Production Management / Technology Development | 7 | 5.8 | |
| | Other | 9 | 7.4 | | | Other | 1 | .8 | |
| Company form | Corporation | 95 | 78.5 | 121 | Gender | male | 80 | 66.1 | 121 |
| | Private Business | 25 | 20.7 | | | female | 41 | 33.9 | |
| | Limited company | 1 | .8 | | | | | | |

3.2. The exploratory factor and reliability analysis
In this study, factors analysis was conducted to determine how subfactors are classified for the characteristics of the customer. The factor extraction method was subjected to extraction through the main component analysis was a berry mex rotation. The article resulted in some items that inhibit the validity of the 11 items, a total of nine items were subjected to factor analysis. KMO side was also shown to .877, the spherical test results of Bartlett also showed less than .000 significance factor analysis model was determined to be suitable. Cumulative dispersion appeared to be 72.974%, it was determined that the descriptive power of the two factors configured is high. Factor load value is all appeared to be more than 0.4, it was satisfied with the validity of the overall measurement tool. We conducted a confidence analysis for internal consistency of social intimacy, pro-social services, relationship displacement, and long-term relationship orientation. Cronbach's alpha to determine the reliability by calculating, generally if it is 0.7 or

more, the reliability is determined to be good. The results of the results all appeared higher than 0.7, the reliability of the key variables in this study was judged to be good. The analysis results are shown in [Table 3].

Table 3. The exploratory factor and reliability analysis

| | factor | | | | commonality | Cronbach' alpha |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | | |
| Prosocial service behavior 2 | .861 | | | | .815 | |
| Prosocial service behavior 3 | .855 | | | | .763 | |
| Prosocial service behavior 1 | .851 | | | | .765 | |
| Prosocial service behavior 4 | .851 | | | | .758 | 0.936 |
| Prosocial service behavior 6 | .806 | | | | .754 | |
| Prosocial service behavior 5 | .785 | | | | .718 | |
| Social affiliation needs 1 | | .827 | | | .702 | |
| Social affiliation needs 2 | | .818 | | | .723 | 0.740 |
| Social affiliation needs 4 | | .681 | | | .570 | |
| Relational embeddedness 6 | | | .878 | | .770 | |
| Relational embeddedness 3 | | | .858 | | .736 | |
| Relational embeddedness 4 | | | .851 | | .725 | 0.909 |
| Relational embeddedness 5 | | | .823 | | .678 | |
| Relational embeddedness 1 | | | .813 | | .660 | |
| Relational embeddedness 2 | | | .780 | | .608 | |
| long-term relationship orientation 1 | | | | .903 | .815 | |
| long-term relationship orientation 4 | | | | .898 | .806 | |
| long-term relationship orientation 3 | | | | .889 | .791 | 0.915 |
| long-term relationship orientation 2 | | | | .882 | .777 | |
| Eigen-value | 4.364 | 2.203 | 4.177 | 3.189 | - | - |
| % Of variance | 48.494 | 24.48 | 69.622 | 79.714 | - | - |
| cumulative rate (%) | 48.494 | 72.974 | 69.622 | 79.714 | - | - |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy .877 | | | | | | |
| Bartlett's Test of sphericity : Approx , Chi-Square =724.642, DF=36, P< 0.000 | | | | | | |

## 3.3. Hypothesis test result

### 3.3.1 Regression Analysis and Mediating Effect Analysis

In order to verify the mediated effect of relational regression in the influence of social affiliation needs and prosocial service behavior between consultants and customers, it was conducted a hierarchy regression analysis proposed by Baron and Kenny. As a result, the regression model was shown statistically significant in step 1 (F = 115.638, p<0.001), step 2 (F = 137.232, p<0.001), step 3 (F = 105.817, p<0.001) was all statistically significant, the description of the regression model is 66.2% in step 1 adjR2=66.2%), 69.9% in step 2 adjR2=69.4%), 73.1% in step 3 it was found to be adjR2 =72.4%. On the other hand, Durbin-Watson statistics were all evaluated as not a problem in the independent assumption of residuals showing a cool value in 2, the distributed expansion index was also determined that there is no multi-fairness problem appears small to less than 10.Based on the results of the regression analysis, indirect effect verification results through bootstrap, social intimacy desire, pro-social service behavior does not include zero in the trust interval, relationship displacement between social affiliation needs, prosocial service behavior and long-term relationship

orientation has been proven to play a mediated role. Relationship embeddedness between prosocial service behavior and long-term relationship orientation has been proven to play a partial mediated role as a direct effect, relationship embeddedness between social affiliation needs and long-term relationship orientation has been proven to play a full mediated role as an indirect effect.The analysis results are shown in [Table 4].

Table 4. Regression analysis and Mediating effect analysis

| Dependent variable | Independent variable | B | S.E. | β | t | P | VIF |
|---|---|---|---|---|---|---|---|
| Relational embeddedness | (constant) | .066 | .293 | | .226 | .821 | |
| | Social affiliation needs | .233 | .078 | .189 | 2.973** | .004 | 1.412 |
| | Prosocial service behavior | .727 | .066 | .696 | 10.944*** | .000 | 1.412 |
| *F=115.638(p<.001), R=.814, R²=.662, adjR²=.656, D-W=1.918* | | | | | | | |
| long-term relationship orientation | (constant) | .141 | .280 | | .505 | .615 | |
| | Social affiliation needs | .157 | .075 | .126 | 2.105* | .037 | 1.412 |
| | Prosocial service behavior | .805 | .063 | .761 | 12.690*** | .000 | 1.412 |
| *F=137.232(p<.001), R=.836, R²=.699, adjR²=.694, D-W=1.675* | | | | | | | |
| long-term relationship orientation | (constant) | .121 | .266 | | .454 | .651 | |
| | Social affiliation needs | .086 | .074 | .069 | 1.162 | .248 | 1.518 |
| | Prosocial service behavior | .581 | .086 | .549 | 6.786*** | .000 | 2.846 |
| | Relational embeddedness | .308 | .084 | .305 | 3.691*** | .000 | 2.960 |
| *F=105.817(p<.001), R=.855, R²=.731, adjR²=.724, D-W=1.695* | | | | | | | |

| Pass | B | S.E. | LLCI | ULCI |
|---|---|---|---|---|
| Social affiliation needs → Relational embeddedness → long-term relationship orientation | .0717 | .0398 | .0095 | .1628 |
| Prosocial service behavior → Relational embeddedness → long-term relationship orientation | .2242 | .0938 | .0529 | .4170 |

*p<.05, **p<.01, ***p<.001

### 3.3.2 Hypothesis Verification Summary

As a result of significance test of regression coefficient, social intimacy needs(β = .189, p <.01) and prosocial service behaviors(β = .696, p <.001) were positively (+) significant. In other words, the higher the social affiliation desire and the prosocial service behavior, the higher the relational exclusion. In the second stage, social affiliation needs (β = .126, p <.05) and prosocial service behaviors(β = .761, p <.001) were found to have a significant positive effect on long-term relationship orientation. . In the third stage, prosocial service behavior(β = .549, p <.001) and relational embeddedness(β = .305, p <.001) had a positive impact on long-term relationship orientation. Relational embeddedness(β = .305, p <.001) was verified to play a mediating role between social

affiliation needs,prosocial service behavior and long-term relationship orientation. As a result of verifying the hypothesis, the following results are shown in [Figure 2].
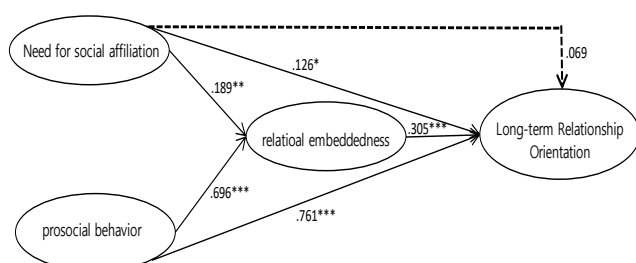


Figure 2. Hypothesis Verification Result

## 4. Conclusion

As the consulting industry grows, the competition among consulting firms is intensifying. In the environment of management consulting business based on trust or networked reputation, the network relationship to customer decision makers is an important competitive advantage of consulting firms. In this study, as a way to secure sustainable competitiveness, the relationship between the customer and the consultant's long-term relationship orientation was confirmed from the customer's point of view, and the characteristics of the customer and the service of the consultant perceived by the customer have a positive effect on the relationality The relational embeddedness thus formed was mediated by the long-term relationship orientation between the client and the consultant. However, there is a limit to the description of the quality of the embedded relationship. Therefore, in-depth study on the influence of relationship quality is necessary.

## 5. Acknowledgment

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